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## WHY KENYA?

With a new Constitution promulgated in 2010 and under the auspices of the Kenya Vision 2030 plan, Kenya is currently on a path to long-term and sustainable growth, which is a favourable environment for any investor. Kenya Vision 2030, an ambitious blueprint to transform Kenya into a Newly Industrialized Country by 2030, aims to achieve an annual growth rate of 10%, with ICT playing a foundational role. Opportunities for investment in the ICT sector are thus not only plentiful, but set to increase in the coming years.

Key facts	
Capital:	Nairobi
Area:	581,309 km <sup>2</sup>
Population:	44.86 mm (2014)
Labour force (over 15 years):	17.5 mm (2014)
Youth literacy rate (15–24 years):	
<i>Male:</i>	83.2% (2008–2012)
<i>Female:</i>	81.6% (2008–2012)
GDP (nominal):	US\$ 60.94 bn (2014)
GDP growth:	5.3% (2014)
FDI inflow:	US\$ 944.33 mm (2014)
Exports:	16.4% of GDP (2014)
Imports:	33.9% of GDP (2014)
Govt. expenditure:	US\$ 14.55 bn (2015 est.)
Govt. revenue:	US\$ 10.6 bn (2015 est.)
Currency:	Kenyan shillings (KES)
Language:	English, Swahili

Source: KenInvest, 2015; World Bank, 2015; UN, 2013; CIA, 2016

## A business-friendly environment

Kenya's continuing economic growth provides unique opportunities for investment in the ICT sector. This is reinforced by a string of global indexes, some of which are cited below, that depict the country as a **leader in both Sub-Sahara Africa and the East African Community (EAC)** in the areas of;

- labour market efficiency;
- innovation;
- financial market development; and
- business sophistication<sup>1</sup>

Among lower-middle-income economies, Kenya is particularly notable for its resiliency and its ability to exploit opportunities. Indeed, not only does the 2015 Change Readiness Index highly rate its **enterprise capacity to withstand shocks**<sup>2</sup>, it also ranks high on the **mean years of schooling index for its students**<sup>3</sup>.

What's more, Kenya ranks ahead of every other EAC country and well above the Sub-Saharan average on the Index of Economic Freedom, raising the country's profile as an attractive investment destination. The city of **Nairobi in particular has been named as one of the top 100 outsourcing destinations in the world**.<sup>4</sup>

<sup>1</sup> WEF, 2015

<sup>2</sup> KPMG/Oxford Economics, 2015

<sup>3</sup> UNDP, 2014

<sup>4</sup> Tholons, 2015

## A regional logistics and transport hub

Together with a high level of competence in logistics, Kenya's rapidly improving communication and transportation infrastructure make the country, and Nairobi in particular, an excellent regional logistics and transport hub for East Africa. **Various international corporations<sup>5</sup> have already made Nairobi their regional headquarters** in order to facilitate access, not only to regional EAC markets, but also to the Common Market for Eastern and South Africa (COMESA).

**Key areas of Kenya's logistics infrastructure include:**

- A highly developed air transport hub:**  
 Approximately 50 airlines use Jomo Kenyatta International Airport, linking Nairobi directly with most capitals in Africa, Europe, the Middle East and Asia, with discussions ongoing to add direct connectivity to the Americas. In addition, a new greenfield airport with a yearly capacity of 20 million passengers is currently under construction.
- A quickly growing rail infrastructure:**  
 an upcoming high speed rail from Mombasa to Nairobi, which is expected to be completed by 2017 and then continued onward to Uganda and Rwanda.
- A vastly enhanced road network:**  
 Kenya is currently implementing an ambitious programme to more than double the number of paved roads in the country with a view to further improving national and regional access.

## A staging point for regional market entry

Kenya's largest export destinations are its neighbouring **EAC and COMESA** member countries. **Membership in these regional trading blocs** continues to give Kenya an advantageous position through its highly effective trading infrastructure which investors can leverage to enter the neighbouring markets and take advantage of the ecosystem of regional operators and trading protocols on market access, connectivity infrastructure, and regional financial systems based in Kenya.

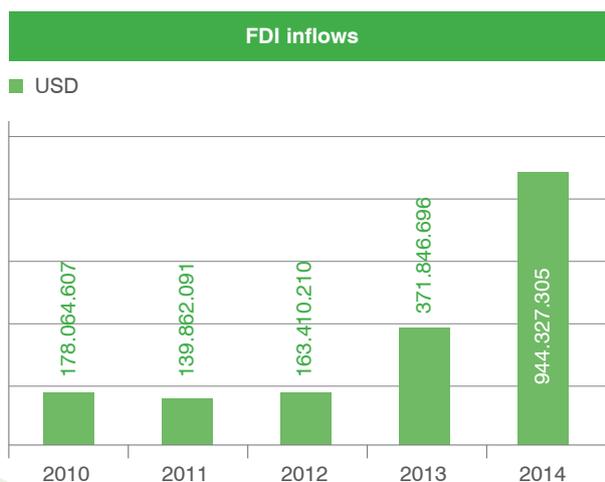
## A young and mobile population

With a population of 44.86 million, over 61% of which are below 25 years of age, **Kenya is a youthful nation with a well-educated, professional workforce** that is comparatively easy to reach and hire, with 75% of the population now having access to finance.

This population provides a huge pool of actual and potential talent for ICT and ITES on which investors can draw. What's more, with English being the language of academic instruction and widely used in official communications, the country boasts a **large number of fluent English speakers** with neutral accents: a sure advantage in the global communications and outsourcing industry.

## New growth opportunities attracting FDI

In 2014, **Kenya was the largest recipient of FDI<sup>6</sup>** in the EAC region, with almost \$1 billion in invested funds. With key FDI sectors including energy, real estate, agriculture and manufacturing, opportunities for foreign investors in the country are only multiplying. Indeed, the Kenya Investment Authority expects the FDI to keep growing at a rapid pace in the coming years.



\*Source: World Bank, 2015

<sup>5</sup> Includes IBM, Microsoft, CISCO, HP, Bharti Airtel, Oracle, SAP, Google, Nokia Siemens, Huawei, Samsung

<sup>6</sup> UNCTAD, 2015



## Innovative ICT invigorating a growth economy

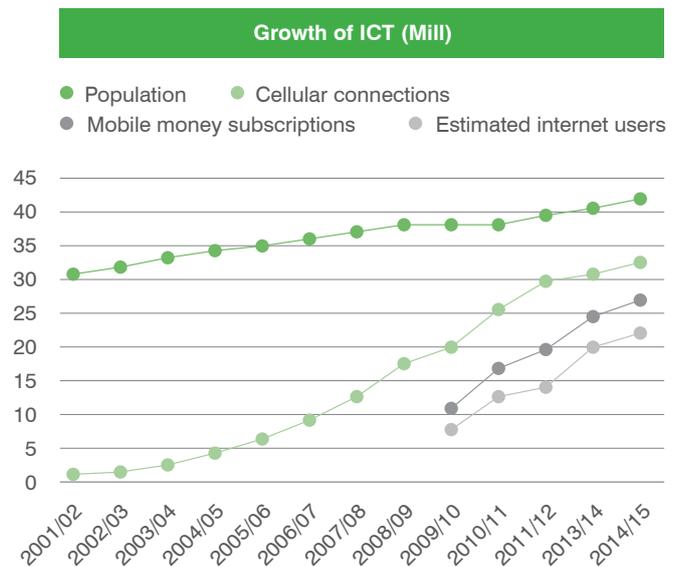
In 2014, Kenya had a GDP of \$61 billion and a per capita income of \$1358.3, which places the country at a middle-income status. It has a highly liberalized economy and external trade regime, with a few government enterprises operating in strategic areas. Although agriculture remains the key driver of the Kenyan economy, **ICT has made significant strides in the transport and logistics sector, currently accounting for almost 2% of GDP.**

In fact, Kenya is today recognized as a leader in ICT innovation. It has a robust and competitive ICT sector with international and national connectivity linking all of the main towns of the country, and near-full national cellular coverage provided by a multiple operators, at some of the lowest costs in Africa. With the **development of sophisticated financial ICT products**, such as the MPESA money transfer system, the country is driving changes in the financial inclusion of populations across the African continent.

## ICT as a foundation for broader ITES growth

Today, **ICT and mobile penetration in Kenya has grown to 86%**, with coverage expanding to cover close to 90% of the population. The range of services available has spread from basic telephony to data-driven services and innovative applications for money transfer (MPESA). Moreover, the shift to broadband has created a foundation for ITES across all sectors of society, whether private citizens, enterprises, or the government.

In the medium term, the government's goal is to **entrench ICT in all aspects of daily life** in order to ensure that the sector remains an enabler for broad-based socioeconomic development. ICT and ITES are not only major inspirations for national growth, but also key to competitiveness, transparency, and consultative governance.



\*Source: CAK, KNBS

## INVESTMENT OPPORTUNITIES

### Ready for synergistic investment partnerships

The government has prioritized certain areas of investment for strategic growth over the next two years. Some priority areas in Kenya's National Broadband Strategy and ICT Authority Master Plan are listed below.<sup>7</sup>

#### Infrastructure and Connectivity

- Extend the National Optic Fibre Backbone Infrastructure (NOFBI) to all County headquarters
- Increase investment by private sector to extend ICT Backbone Infrastructure to achieve target of 50,000KM of fibre optic cables across the country
- Provide affordable and quality broadband to underserved areas and hotspots in both rural towns and public spaces
- Build two neutral national data centres

#### Digitization of core Government Registries – to:

- Digitize core government registries in order to achieve the digital delivery of critical public service data and develop applications to enhance access to government services
- Digitize and integrate the national health management system, and all health centres
- Develop a robust management information system for Counties

#### Innovation

- Establish open-access ICT Incubators in public universities and special economic zones across the country

#### Capacity Building

- Increase the number of Kenyans trained in ICT literacy to 10 million

<sup>7</sup> CA, 2013; ICTA, 2014

### Where in Kenya – specialized zones and incentives...

Kenya's industrial zones strategy is intended to cluster foreign investment in geographically-defined spaces, some of which are dedicated to ICT and ITES. These are:

- **Konza Techocity** ([www.konzacity.co.ke](http://www.konzacity.co.ke)) - a key Kenya Vision 2030 flagship project, it consists of a 5,000 acre ITES-focused industrial park located 60 km to the south east of Nairobi. The Konza Technopolis Development Authority (KOTDA) is mandated to oversee the development of the Techocity, whose first phase is slated to include 1.5 million square metres of real estate development and over billion in investment in both on and off-site infrastructure to support the City.
- **The Export Processing Zone Authority (EPZA)** has the mandate to administer Kenya's export processing zone scheme and directly manage the largest such zones in the country. A range of incentives are available for investors in order to encourage investment in the zones. An example of a successful investor in an export processing zone is Kencall ([www.kencall.co.ke](http://www.kencall.co.ke)), a leading outsourcing company.



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