

Doing **Business** in **Kenya**



A Guide for Indian Businesses

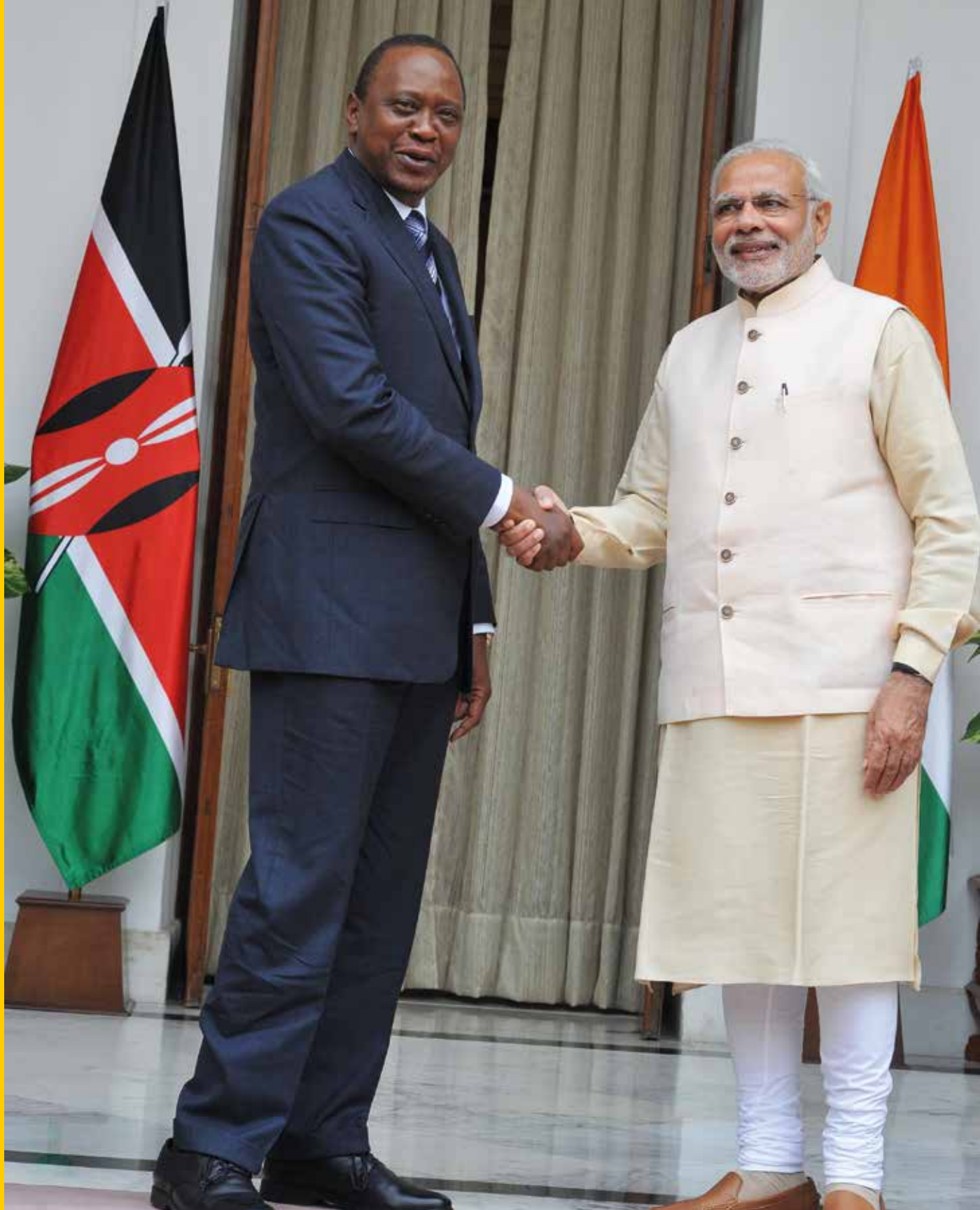
Investment, Technology Promotion Division

Ministry of External Affairs

Government of India



DOING BUSINESS IN
KENYA



DOING BUSINESS IN
KENYA

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C O N T

The image features a background of a dense field of pink tulips. The flowers are in various stages of bloom, with some fully open and others as buds. The tulips are set against a soft, slightly blurred background, creating a sense of depth. In the bottom-left corner, there is a solid yellow triangular shape that cuts across the tulip field. The word 'CONT' is written in large, bold, red capital letters at the top of the image, with a subtle drop shadow effect.

EVENTS

1	INTRODUCTION	1
2	STATE OF ECONOMY	7
2.1	Agriculture	9
2.2	Manufacturing	13
2.3	Services	13
2.4	Demography and Human Resources	14
2.5	Literacy and Education	16
2.6	Infrastructure	16
2.7	Energy	24
2.8	Banking and Financial System	24
2.9	Inflation	26
2.10	Currency Outlook	26
2.11	Balance of Payments and External Debt	27
3	TRADE	31
4	INVESTMENT IN KENYA	39
4.1	FTAs with neighbouring /other countries	40
4.2	Foreign Direct Investment in Kenya	40
4.3	Doing Business in Kenya	41
4.4	Penetration of Technology	46
4.5	Investment Aid Agency: Kenya Investment Authority (KIA)	46
5	INDIA – KENYA ECONOMIC RELATIONS	49
5.1	History of Indian Business	50
5.2	Diaspora and its activities	51
5.3	Indian Investments in Kenya	51
5.4	Bilateral Trade Agreements and other MoUs with India	59
5.5	Opportunities for India for Investment	59
6	USEFUL CONTACTS	81



Floriculture in Kenya



01

Introduction

Kenya shares borders with Uganda, South Sudan, Ethiopia, Somalia and Tanzania. With an area of 580,367 km², its size is approximately equal to the combined area of Indian states of Rajasthan and Uttar Pradesh. With a population of approximately 44.2 million it can be compared to the Indian state Odisha. It gained independence from the British in 1963. Kenya is known for its safaris, diverse climate and geography, and expansive wildlife reserves and national parks. At approximately 63 billion USD (2015 estimates), Kenya has the largest GDP in East and Central Africa. It is generally perceived as East and Central Africa's hub for Financial, Communication and Transportation services.

Kenya is a Republic with a multi-party democracy and has a parliament with bicameral legislature. A new constitution has come in force from August 2010 following a referendum, which created a decentralized system of government wherein powers from two of the three arms of government; namely the Legislature and the Executive were devolved to the 47 Political and Administrative Counties. The Head of State is the President, who is directly elected by the people through democratic elections. Uhuru Muigai Kenyatta has been the President of Kenya since his election to the office in 2013.

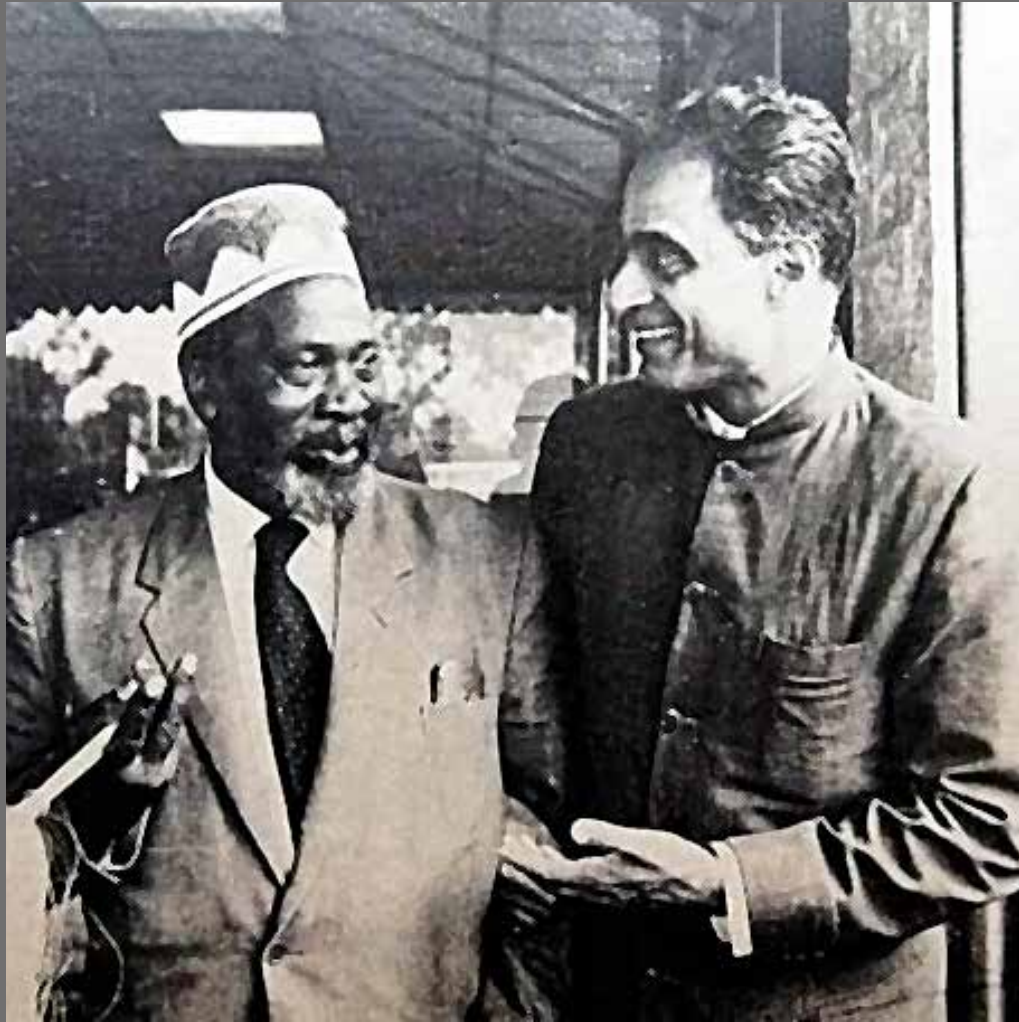
Relations between India and Kenya have always remained friendly. The East African coast and the west coast



of India have historically been linked by merchants trading across the Indian Ocean. Indians are called 'Muhindis' in Kenya and throughout East Africa. The Swahili word 'Muhindis' means people of 'Hind'. The Muhindis have visited and lived on the East African Coast for at least two thousand years. Kutchi sailors and Gujarati traders came to trade and some of them settled, built their shops and contributed to developing ancient city states on the Eastern coast. Many words in Swahili

language have their etymological roots in Indian languages.

The major Indian influx in Kenya began in the late 1800s, when the British Colonial government decided to build a railway from Mombasa to Kisumu on Lake Victoria in Kenya further to Uganda. The construction of the railway required a labour force and well-skilled stone masons, carpenters, blacksmiths and various artisans, which was not available in Africa at that time.



*India's First Commissioner for East Africa Mr. Apa Pant
with Jomo Kenyatta*



Dr. Radhakrishnan addressing people of Nairobi during the opening ceremony of the Gandhi Memorial Academy



The British government therefore sought the required manpower from India. As a result, around 32,000 Indian labourers, artisans and other craftsmen went to Mombasa to carry out the construction of the railway line.

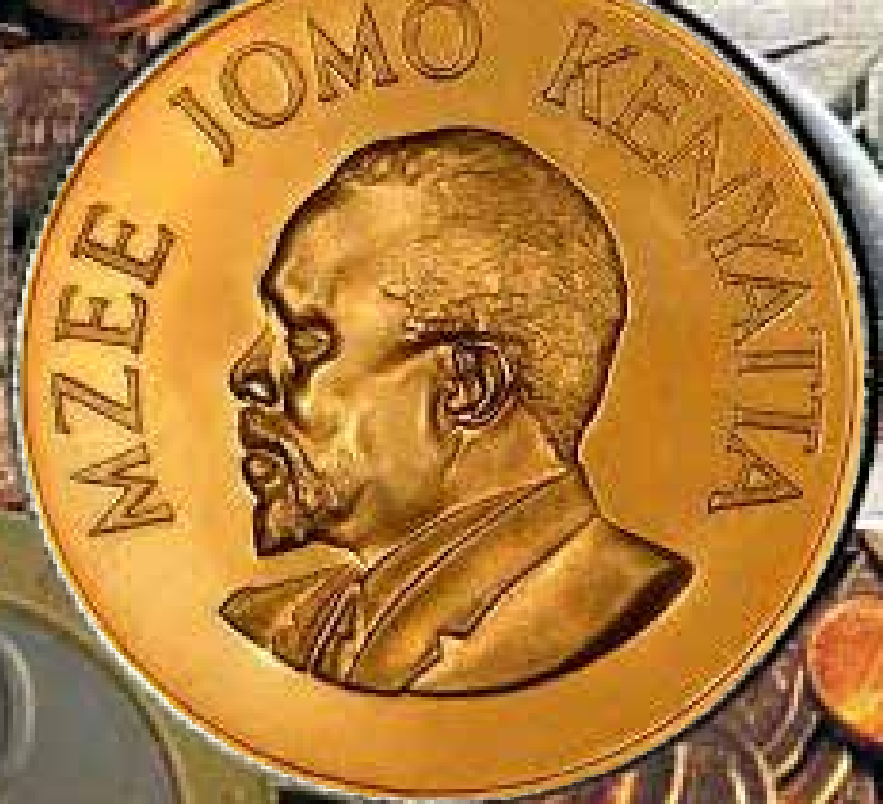
Upon the completion of the line in 1901, many Indian labourers and artisans settled in Kenya and Uganda. They established various businesses in the field of their expertise. They also laid the foundation of trade and commerce by opening small 'dukan', which are general trading stores and shops, from which the Swahili language acquired the word 'duka,' i.e. a shop. The craftsmen among them started to provide the services of carpenters, masons, and blacksmiths, among others. The Indian shops, homes, administration buildings, hospitals and schools made up the first towns in East Africa in the first half of the 20th Century. Gradually, workshops of Indians evolved into small factories and industries to manufacture a variety of goods.

Before Independence, several fact-finding missions were sent from India to East Africa such as the one led by

Shri K.P.S. Menon in September 1934. In 1924, Sarojini Naidu was invited to chair the Mombasa session of the East African Indian Congress. India established the office of Commissioner (later Commissioner General) for British East Africa resident in Nairobi in 1948. Indian community had played an important role in the establishment of the University of Nairobi through Gandhi Memorial Academy Society in the 1950's. Recently, an ICCR Chair on Indian studies has been established at the University of Nairobi.

Following Kenyan independence in December 1963, Indian High Commission was established in Nairobi. India also has an Assistant High Commission in Mombasa. Vice President Dr. S Radhakrishnan visited Kenya in July 1956. President Daniel arap Moi visited India in February 1981. There have also been other visits from India to Kenya at the HoG/ HoS level.

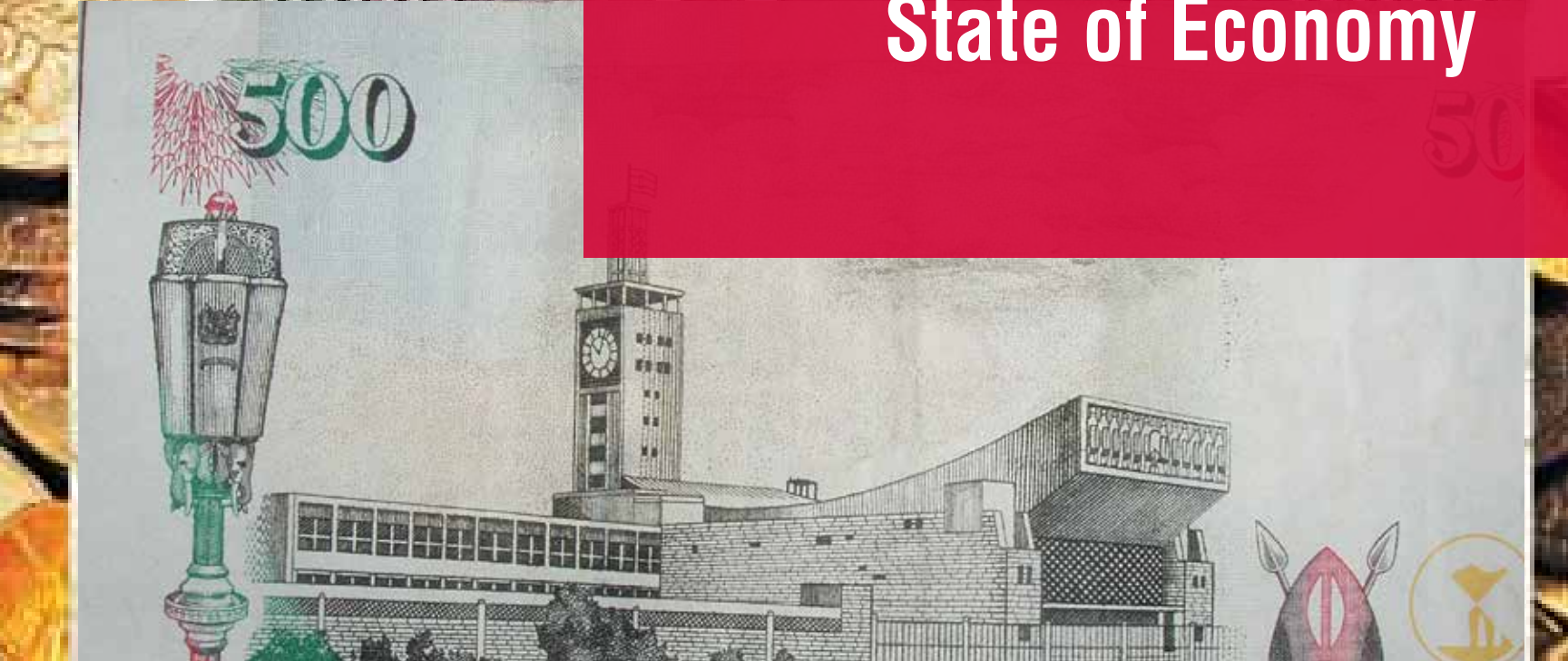
Kenya has a huge Indian Diaspora which has contributed actively to Kenya's progress. Many Kenyans have studied in India. In recent times, there has been growing trade and investment partnership between the two countries. Indian firms have made large investments in IT, Telecommunications, Real Estate, Chemicals, Floriculture, Power, Banking and Insurance sectors and have executed many engineering contracts.





02

State of Economy



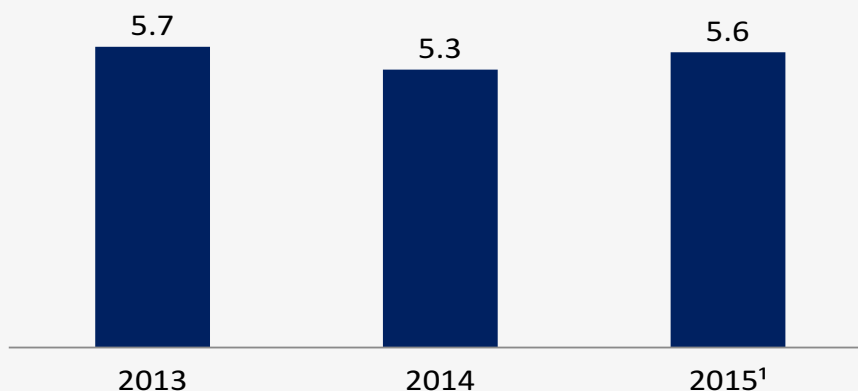
Kenya Vision 2030 is the country's development blueprint which was launched in 2008. It aims to transform Kenya into a "newly industrializing, middle-income country providing a high quality life to its citizens by the year 2030". Its overarching objective is to make Kenya a "globally competitive and prosperous nation with a high quality of life by 2030". The Vision identifies six sectors that are the key drivers of the economy. They are tourism; agriculture and livestock; wholesale and retail trade; financial services; manufacturing; and business process outsourcing as well as other IT enabled services.

Kenya's economy is the largest in east and central Africa, and has experienced considerable growth in the past few years. Although the economy remains small by global standards, it is distinguished from most African countries by the fact that it is one of the most diversified and advanced. Kenya's economy is market-based with a liberalized external trade system.

In 2015, the real GDP of Kenya grew by almost 5.6%, and it is expected to sustain this momentum in medium term. The prospect of growth in short term is broadly favourable, despite the persistence of some structural constraints.

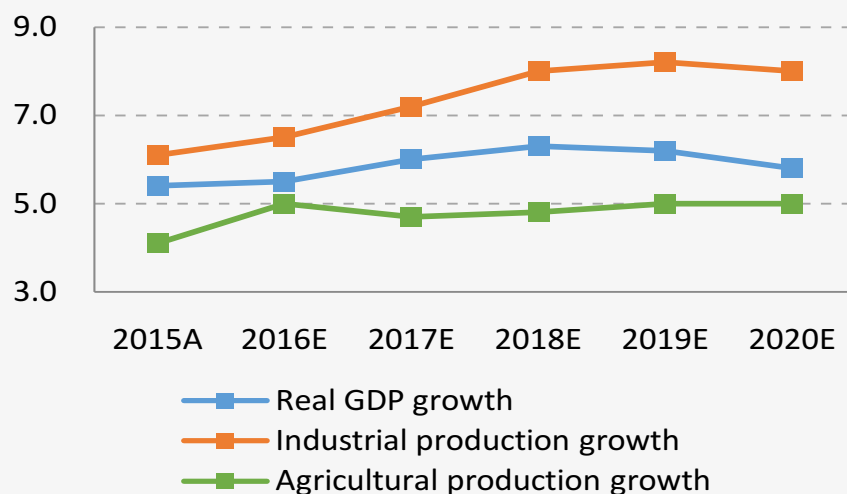
The economy of Kenya compares favorably to other emerging economies.

Growth of GDP at Constant Prices (percentage)



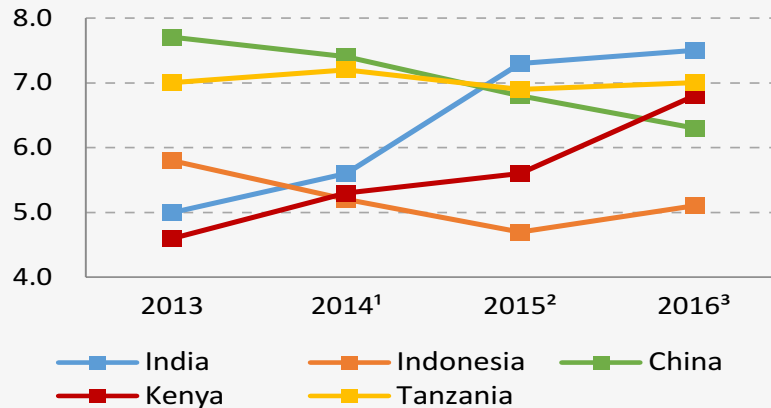
Source: Kenya Economic Survey
Note: (1) Provisional

Growth Forecast Summary (% growth)



Source: EIU, A=actual, E=estimated

Real GDP Growth: Comparison of India, Kenya, China, Indonesia and Tanzania (percentage)

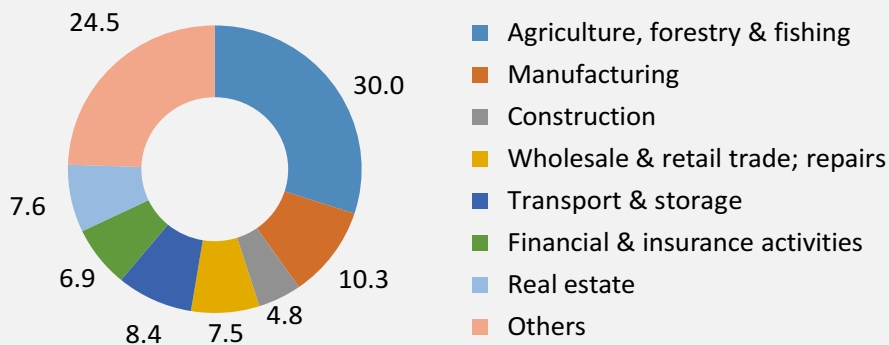


Source: World Economic Outlook, October 2015 and Regional Economic Outlooks;

Notes: (1) Provisional; (2) Revised (3) Projections

The major sectors of the economy are agriculture, forestry and fishing, energy, tourism and financial services.

Gross Domestic Product by Activity (percentage)



Source: Kenya National Bureau of Statistics

Note: (1) 2015 Provisional

2.1 AGRICULTURE

The agricultural sector is the backbone of the Kenya's economy. The sector directly contributes 23% of the Gross Domestic Product (GDP) and 27% of GDP indirectly through linkages with manufacturing, distribution and other service related sectors. Approximately 45% of Government revenue is derived from agriculture and the sector contributes over 75% of industrial raw materials and more than 50% of the export earnings. The sector is the largest employer in the economy, accounting for 60% of the total employment. Over 75% of the population, mainly living in rural areas, derives their livelihoods from agriculture and related activities. The Government of Kenya promotes agriculture as an important tool for national development.

Of the total land area of Kenya, 18% has a high to medium agricultural potential. The rest is arid and semi-arid land (ASAL).

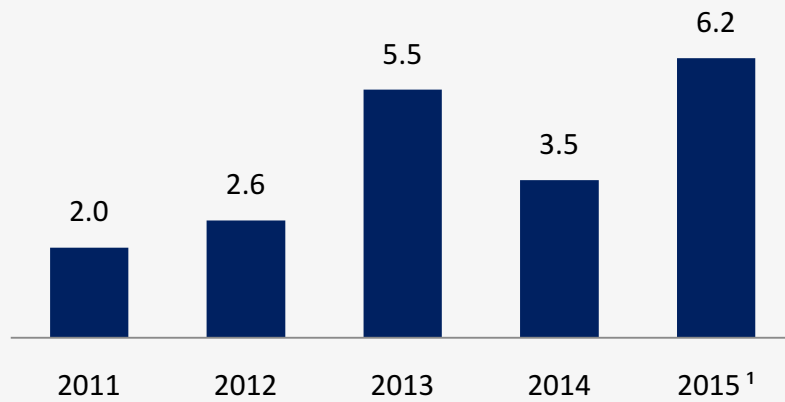
Tea, coffee, sisal, pyrethrum, corn, and wheat are grown in the fertile highlands while coconuts, pineapples, cashew nuts, cotton, sugarcane, sisal, and corn are grown in the lower-lying areas. Small farms mostly grow maize with some potatoes, bananas, beans and peas.

Kenya is the world's 3rd largest exporter of cut flowers. Almost half of Kenya's flower farms are concentrated around Lake Naivasha, located northwest of Nairobi.

Agricultural Growth Rate

(percentage)

Gross Value Added (Base: 2009 Prices)



Source: Kenya National Bureau of Statistics

Note: (1) Provisional







Apparel sourcing from Kenya

The total area under irrigation in Kenya is estimated at approximately 84,000 hectares. The two main technologies adopted by Kenyan farmers for irrigation are small-scale drip irrigation and treadle pumps.

2.2 MANUFACTURING

Manufacturing accounted for about 10.3% of Kenya's GDP in the year 2015. Industrial activity is mainly concentrated around the three urban centers viz., Nairobi, Mombasa and Kisumu, and is primarily dominated by food-processing industries such as grain milling, sugarcane crushing, cement production, fabrication of consumer goods etc.

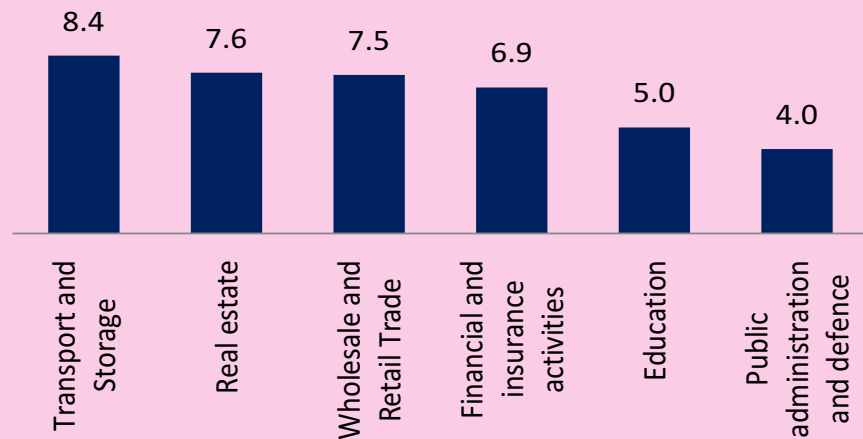
An expanding informal sector commonly referred to as Jua Kali (which literally means the "fierce sun" in Kiswahili) engages in small-scale manufacturing of household goods, motor-vehicle parts, and farm implements.

2.3 SERVICES

Kenya posted tremendous growth in the services sector, contributed mainly by tourism, real estate and financial sectors, and which now contributes more than 50% of GDP.

Tourism remains a key source of foreign exchange earnings for Kenya. However, earnings from tourism have been going down since 2011 on account of global slowdown and security concerns in the coastal region and restrictive travel advisories from some European countries.

Contribution of major services to GDP, 2015¹ (percentage)

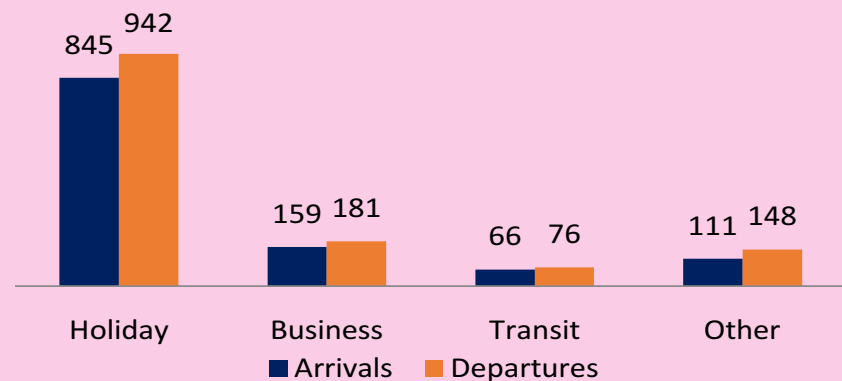


Source: Kenya National Bureau of Statistics

Note: (1) Provisional

International Visitor Arrivals/ Departures by Purpose of Visit, 2015¹

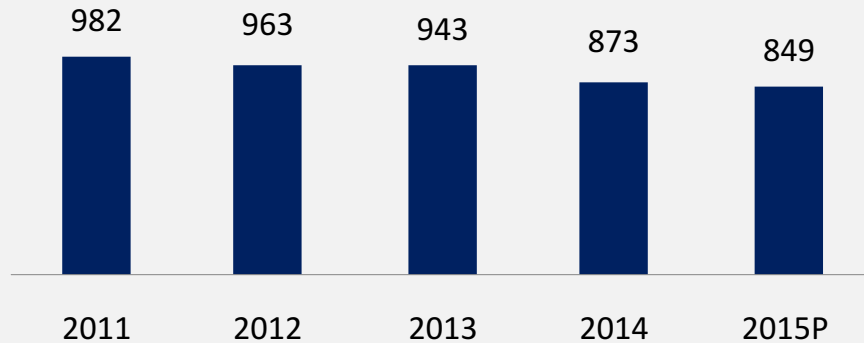
(000s)



Source: Kenya National Bureau of Statistics

Note: (1) Provisional

Tourism earnings (USD)



Source: Kenya national bureau of statistics

Note: P= Provisional

Kenya is a very young country, with more than 60% of the population aged below 25 years. About 42% of the people are of less than 15 years of age.

Kenya has a diverse population that includes most major ethno-racial and linguistic groups found in Africa. There are an estimated 47 different communities, with Bantus (67%) and Nilotes (30%) constituting the majority. The main religions in Kenya are: Christianity (80%), Islam (10%), others (10%). About 25% of the population lives in urban areas, which has been increasing at the rate of approximately 4%. The average Life expectancy in Kenya is about 63 years.

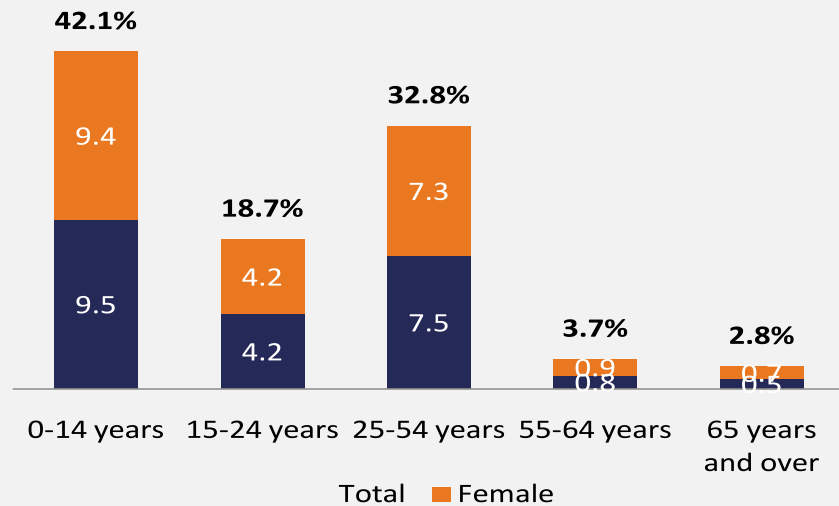
The largest number of tourists are from the UK and the USA and are attracted mainly to the coastal beaches, national parks and the game reserves, notably, Maasai Mara and the expansive East and Tsavo West National Park.

Kenya also boasts of high quality restaurants, hospitals and Entertainment spots which have added to the growth of its services sector.

2.4 DEMOGRAPHY AND HUMAN RESOURCES

Kenya has a population of approximately 44.2 million people which is almost equal to the population of the Indian state of Odisha.

Age structure



Source: Kenya national bureau of statistics

Note: 2014 estimate



Kenya children

2.5 LITERACY AND EDUCATION

Kenya's literacy rate stands at about 80%. Preschool, which targets children from age three to five, is an integral component of its education system. The two official languages of Kenya are English and Kiswahili.

Nairobi has many excellent International schools which impart education in English medium. Most of the International schools follow the academic system similar to the British national curriculum. Some International Schools of Kenya follow the American pattern. There are a number of Indian origin teachers in several schools in Kenya.

Kenya's university education system continues to evolve. Accredited universities include 23 public universities, 10 public constituent colleges, 17 private chartered universities, 5 private

university constituent colleges and 14 institutions with letter of interim authority. E-learning and other forms of open and distance learning have also increased, prompting the need for greater vigilance on quality.

Kenya prides itself in its large pool of highly educated, skilled, English speaking and sought after work force in Africa.

2.6 INFRASTRUCTURE

Kenya has good infrastructure and connectivity ranging from huge ports, railways, highways and airports.

ROADWAYS

Kenya has a road transportation system classified as International Trunk Roads, National Trunk Roads, Primary Roads, etc. Construction of many new highways have also been undertaken.

- Total length: 160,878 km

- Paved: 11,189 km
- Unpaved: 149,689 km

AIR CONNECTIVITY

Kenya is a regional leader in air transportation. The success of Kenya's airline, a top carrier in the region, is largely due to an innovative public private partnership with KLM, and its international airports have grown into a key gateway to Africa. Beyond its role as an international hub, Kenya has a domestic air transport market that is among the top 5 in Sub-Saharan Africa.

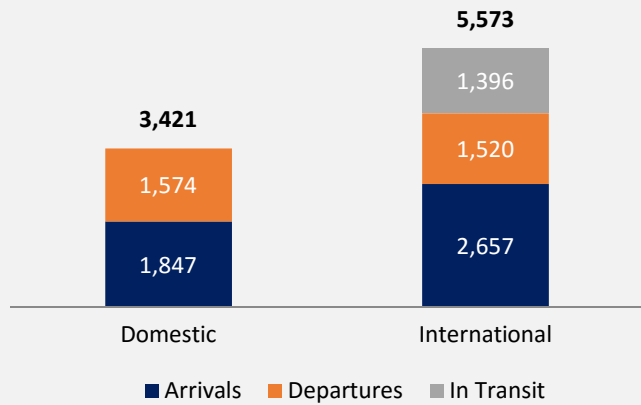
MAJOR AIRPORTS

- Jomo Kenyatta International Airport, is Kenya's largest aviation facility, and the busiest airport in East Africa.
- Moi International Airport, Mombasa
- Apart from these, there are more than 30 other smaller civil airports in Kenya.



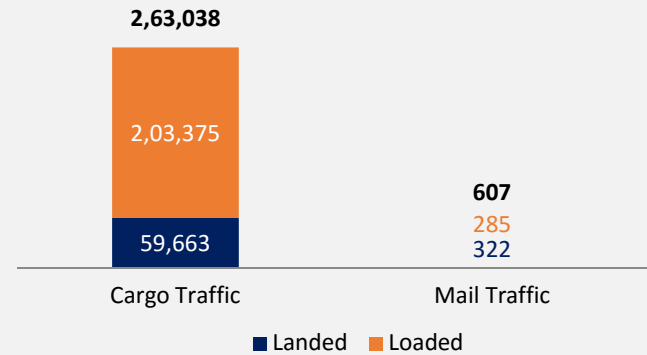
Thika Super Highway

Commercial Passenger Traffic, 2015¹ (000 Number)



Source: Kenya Airports Authority
Note: (1) Provisional

Commercial Cargo and Mail Traffic, 2015¹ (tonnes)



Source: Kenya Airports Authority
Note: (1) Provisional





Jomo Kenyatta International Airport Nairobi



COMMERCIAL PASSENGER TRAFFIC BY AIRPORT, 2015

(000 Number)

	JKIA Nairobi	MIA Mombasa	Other Airports	Total Passenger Traffic
Domestic				
Arrivals	824	459	564	1,847
Departures	579	444	551	1,574
Sub-Total	1,403	903	1,115	3,421
International				
Arrivals	2,523	127	7	2,657
Departures	1,391	118	11	1,520
In Transit	1,164	84	148	1,396
Sub-Total	5,077	329	166	5,573
Total	6,480	1,232	1,281	8,993

COMMERCIAL CARGO AND MAIL TRAFFIC BY AIRPORT, 2015

(tonnes)

Category (Tonnes)	JKIA Nairobi	MIA Mombasa	Other Airports	Total Passenger Traffic
Cargo				
Landed	45,393	2,621	11,648	59,663
Loaded	197,892	2,021	3,463	203,375
Total	243,285	4,642	15,112	263,038
Mail Traffic				
Landed	318	4		322
Loaded	270	16		285
Total	588	20		607

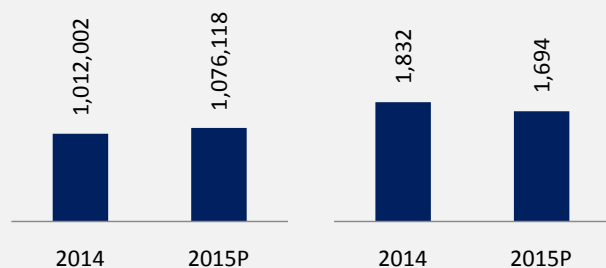
Source: Kenya Airport Authority

MAJOR PORTS

Kenya Ports Authority (KPA) is a state corporation with the responsibility to maintain, operate, improve and regulate all scheduled seaports on the Indian Ocean coastline of Kenya, including Kilindini Harbour at Mombasa.

Traffic handled at Mombasa Port, 2015

Container Traffic (TEUs) Ships Docking (No.)



Source: Kenya Ports Authority

Note: P= Provisional

The port in Mombasa, which is the biggest in east Africa, handles goods for Kenya as well as Uganda, Burundi, Rwanda, South Sudan, eastern Democratic Republic of Congo and Somalia.

Other KPA ports include Lamu, Malindi, Kilifi, Mtwapa, Kiunga, Shimoni and Vanga.





Mombasa Port



Upgradation of Railway Infrastructure



RAILWAYS

The chart below shows the Railway traffic for freight and passenger.

RAILWAY TRAFFIC, 2015¹

	Freight	Passenger
Tonnes (000)	1,575	-
Journeys (000)	-	2,359
Revenue		
KES million	6,218	99
USD million	62	1
INR million	4,145	66

Source: Kenya Railways Corporation/Rift Valley Railways **Note:** (1) Provisional

MAJOR CITIES AND BUSINESS HUBS

Nairobi: It is the capital and largest city of Kenya and with thousands of Kenyan businesses and over 100 major international companies and organizations, Nairobi is an established hub for business and culture. With a population of about 3.4 million, Nairobi is the second-largest city by population in the African Great Lakes region after Dar es Salaam, Tanzania.

Konza Techno City, located 64 km south of Nairobi, has been envisaged as the Technology park of Kenya, and is set to host mainly IT and Business Process Outsourcing (BPO) ventures. The project is estimated to cost approx US\$14.5bn.

Mombasa: It is a coastal city and Ken-

ya's second-largest city with a population of about 1.2 million. Mombasa has Kilindini Harbour - the largest port of Kenya and an international airport. It is an important regional tourism centre. The major intercontinental under-sea telecom cables hits shores next to Mombasa, connecting the African Great Lakes to the rest of the world and supporting a fast-growing call centre business in the area.

Kisumu: It is the third largest city in Kenya, and the principal city of western Kenya. Being a port city along the Lake Victoria basin, it also serves as an inland terminal. The Kisumu region has approximately 1.6 million hectares of agricultural land.

Nakuru: Nakuru, with more than 300 thousand inhabitants is the fourth largest city of Kenya and the capital of

Nakuru County in Kenya. Small Scale Agriculture, manufacturing and tourism form the backbone of the economy of Nakuru.

2.7 ENERGY

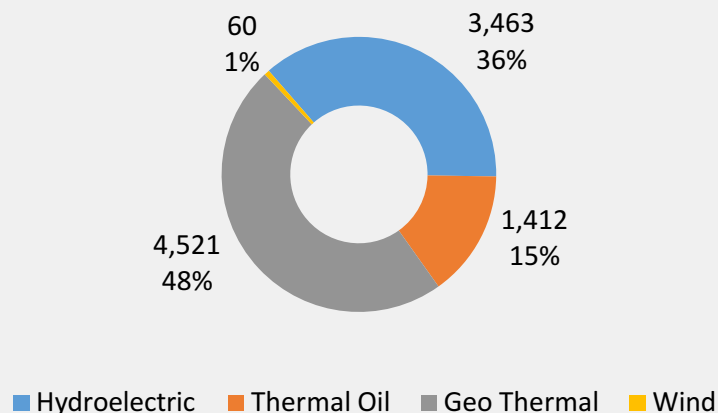
Kenya's main sources of energy are geo thermal, hydropower, wood and other biomass and fossil fuels. Wood-fuel provides energy for the traditional sector including rural communities and urban poor. Biomass accounts for about 70 per cent of total primary energy consumption.

Geo thermal sources contributed approximately 45 per cent of electricity generation in Kenya in 2015, while Hydro-electrical power accounted for more than 36 per cent of total electricity generation, primarily at dams along the upper Tana River, and at the Turkwel Gorge Dam in western Kenya. Kenya is currently the largest producer of geothermal energy in Africa. It is one of two countries in Africa that produce considerable geothermal energy, the other being Ethiopia.

2.8 BANKING AND FINANCIAL SYSTEM

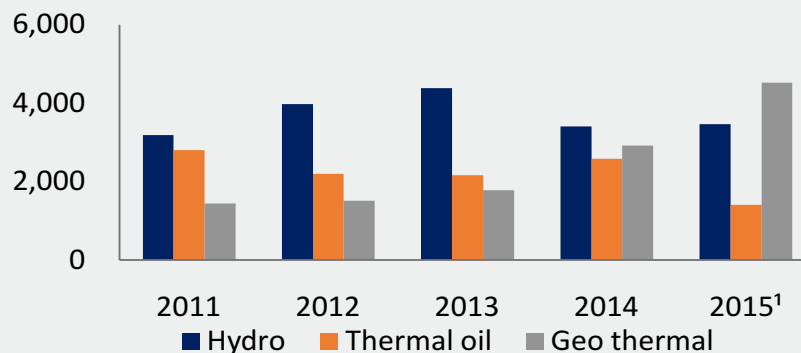
Kenya's financial system supported by well-developed financial markets infrastructure has grown significantly and has become innovative and highly integrated, regionally and internationally. It comprises of banking, capital markets, insurance, credit unions and pension subsectors.

Energy Mix of Kenya, 2015
(percentage)



Source: Kenya Power & Lighting Company Ltd and Kenya Electricity Generation Company Ltd

Generation of Electricity by Source, 2011-2015
(GWh)



Source: Kenya Power & Lighting Company Ltd and Kenya Electricity Generation Company Ltd
Note: (1) Provisional

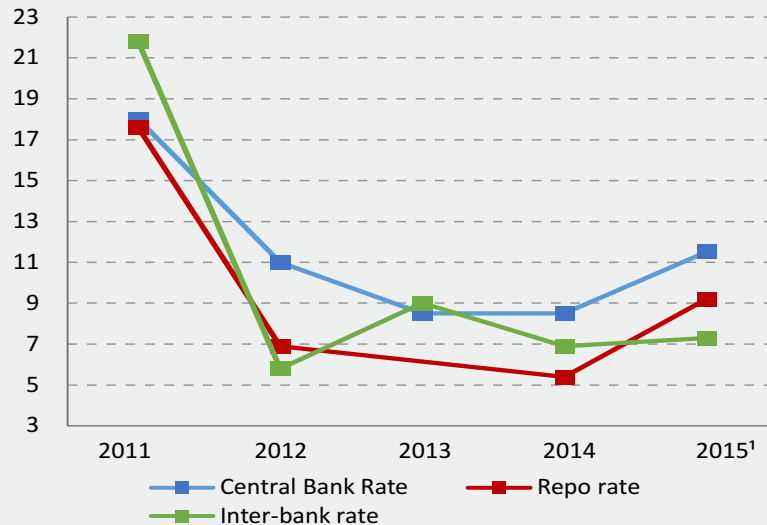
The system has several safety nets, crisis management and resolution frameworks that include Kenya Deposit Insurance Corporation for banks, Investor Compensation Fund, Policy Compensation Fund and the Saccos (Savings and Credit Co-Operatives) Deposit Guarantee Fund run by Sacco Societies Regulatory Authority (SASRA). It also encompasses financial sector infrastructure that includes of payments, trading, settlement and custodial services.

Agency	Rating	Outlook
S&P	B+	Negative
Moody	BI	Stable
Fitch	B+	Negative

Kenyan Banking system is regulated by Central Bank of Kenya (CBK) Act, banking Act, the Companies Act among other guidelines issued by the Central Bank of Kenya (CBK). The local banking industry was liberalized in 1995 and exchange controls were revoked. Kenya's banking industry comprises of the Central Bank of Kenya, as the regulator, 41 commercial banks, 1 mortgage finance company, 8 representative offices of foreign banks, 9 microfinance banks, 2 credit reference bureaus, 13 money remittance providers and 87 Foreign Exchange Bureaus.

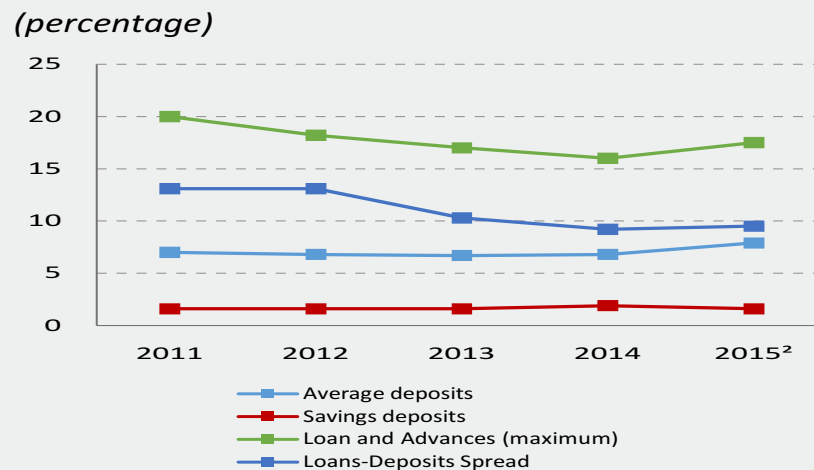
Top banks in Kenya include Barclays, KCB, Equity, Standard Chartered, Cooperative, CFC Stanbic, Diamond Trust, Citibank Europe, I&M Bank, CBA and National Bank.

Central Bank of Kenya - Nominal Principal Interest Rates 2015 (percentage)



Source: Central Bank of Kenya
Notes: (1) Provisional

Commercial Banks⁽¹⁾ - Nominal Principal Interest Rates 2011-2015 (percentage)



Source: Central Bank of Kenya
Notes: (1) Weighted average commercial bank interest rates
(2) Provisional

CBK issued revised prudential guidelines on capital adequacy in 2013, introducing new capital requirements for banks, including capital charge for market and operational risks and capital conservation buffer of 2.5 per cent above the minimum capital adequacy ratios. Stress test results, after applying the plausible scenarios, as of December 2014, indicated that all banks would remain solvent.

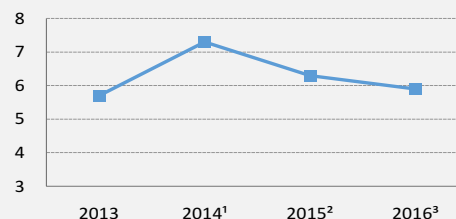
2.9 INFLATION

Inflation is expected to moderate to 5.6% in 2016, from 6.6% in 2015, due to slower growth in food prices and plummeting oil prices. The medium-term inflation outlook projects a dip in inflation to 5.1% during the period 2017-20, barring a serious drought and assuming a prudent monetary policy. An increased reliance on drought-resistant geothermal power compared to hydro power will ensure low electricity tariffs.

2.10 CURRENCY OUTLOOK

Kenya's currency, the Kenyan shilling (KES) fared better in 2015 against the US dollar than the currencies of other leading economies in Africa. The resilience of KES in comparison with several other emerging market currencies can be credited to the stringent monetary tightening and Kenya's relatively low level of dependence on hydrocarbons and minerals exports.

Inflation (percentage)

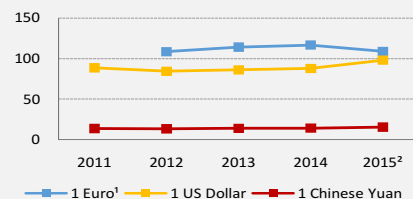


Source: World Economic Outlook, October 2015 and Regional Economic Outlooks;

Notes: (1) Revised (2) Provisional (3) Projections

Foreign Exchange Rates of Kenya Shilling for Selected Currencies, 2011-2015

(Currency Annual average) Euro, US and China

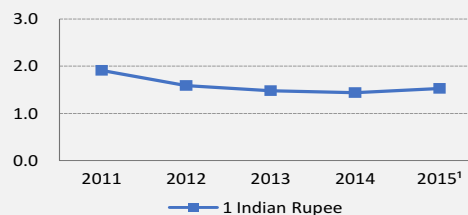


Source: Central Bank of Kenya

Notes: (1) Countries in the Euro area included in the computation of Trade Weighted Fisher's Ideal Index are: Germany, France, Switzerland, Netherlands, Belgium and Italy
(2) Provisional

Foreign Exchange Rates of Kenya Shilling for INR, 2011-2015

(Currency Annual average)



Source: Central Bank of Kenya

Notes: (1) Provisional

CBK has taken advantage of the strengthening shilling; prevailing favourable macroeconomic environment and the dollar-denominated borrowing overseas to accumulate foreign exchange reserves. Lower oil prices, a falling current account deficit and more exports have further contributed to higher levels of forex reserves.

FOREX RESERVES

Year	USD mn	KES mn	INR mn
2013	6,599	657,920	438,614
2014	7,911	788,727	525,818
2015	7,554	753,134	502,089

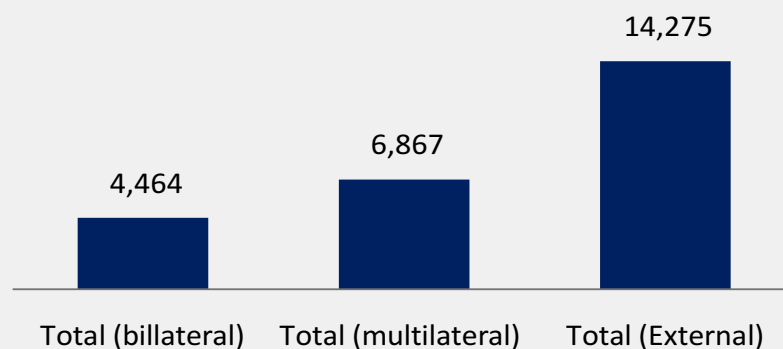
Source: Kenya national bureau of statistics *Notes:* (1) Provisional

2.11 BALANCE OF PAYMENTS AND EXTERNAL DEBT

Invisible earnings (including from tourism, remittances and servicing regional trade) remains an important part of the balance of payments, and is set to expand further, although these are vulnerable to negative global and regional developments. Income debits will rise because of increased payments to foreign investors and debt-service outlays. The current-account deficit makes Kenya dependent on external inflows.

The government continues to finance

National Government Outstanding Debt by Source, 2015 (USD mn)



Source: The National Treasury and Central Bank of Kenya

Source of External Debt	KShmn	USD mn	INR mn
Lending Countries:			
China	252,039	2,528	168,026
Japan	79,017	793	52,678
France	59,032	591	39,353
Germany	22,559	226	15,039
Total (bilateral)	445,057	4,464	296,704
International Organisations:			
IDA / IFAD	418,596	4,199	279,064
ADF/ AfDB	150,229	1,507	100,153
IMF	86,150	864	57,433
Total (multilateral)	684,631	6,867	456,420
International Sovereign Bond	271,258	2,721	180,839
TOTAL EXTERNAL	1,423,252	14,275	948,835

Source: The National Treasury and Central Bank of Kenya

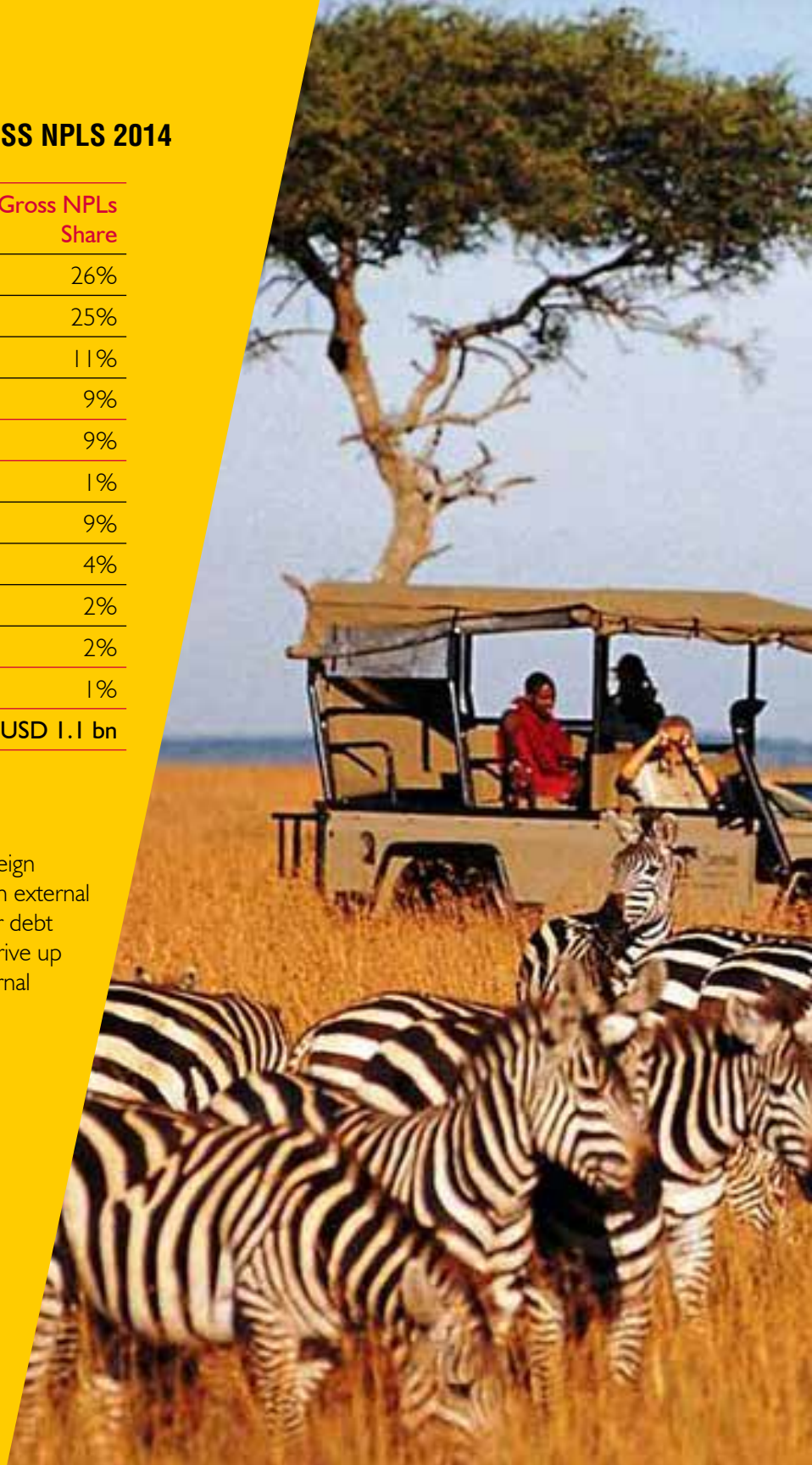
Notes: (1) Provisional

DISTRIBUTION OF GROSS LOANS, AND GROSS NPLS 2014

External Debt	Gross Loans Share	Gross NPLs Share
Personal/ Household	26%	26%
Trade	19%	25%
Real Estate	15%	11%
Manufacturing	12%	9%
Transport & Communication	8%	9%
Energy and water	5%	1%
Building & construction	4%	9%
Agriculture	4%	4%
Financial Services	4%	2%
Tourism, restaurant & hotels	2%	2%
Mining and Quarrying	1%	1%
Total	USD 19.8 bn	USD 1.1 bn

Source: Kenya national bureau of statistics

the deficit using a roughly equal mix of domestic and foreign borrowing, although there is a slightly greater reliance on external debt. Persistent budget deficits will push up public-sector debt (including both domestic and external obligations) and drive up debt servicing costs. As per an estimate by EIU the external debt is expected to go upto US\$20.9 billion in 2016.





Safari in Kenya





03

Trade

In 2015, Kenya exports were worth USD 5.8 billion and imports stood at USD 15.7 billion, resulting in a negative trade balance of approximately USD 10 billion.

Agricultural products are central to Kenya's export industry with horticultural products and tea being the most important.

During the last five years the exports of Kenya have increased from USD 5.1 billion in 2011 to USD 5.8 billion in 2015.

The top exports of Kenya, for 2015, were Tea (\$1.23B), Horticultural products (\$1B), Apparel and clothing accessories (\$283M), Coffee (\$207M). The top export destinations of Kenya are Uganda (\$685M), the Netherlands (\$420M), USA (\$407M) and UK (\$406M).

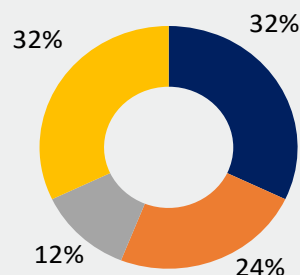
Kenya's top imports for 2015 were Refined Petroleum (\$2.3B), Industrial Machinery (\$2.1B), Road Motor Vehicles (\$1.2B), Iron and Steel (\$881 M). During the last five years the imports of Kenya have increased from \$13 B in 2011 to \$15.7B in 2015.

OPPORTUNITIES IN TRADE FOR INDIA

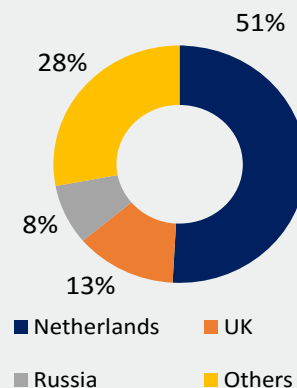
India is one of the largest exporters of goods to Kenya, especially in

Export Markets for Tea and Cut flowers (2014)

Tea
(Market \$958 M)



Cut Flowers
(Market - \$701M)



Source: Agriculture, Fisheries and Food Authority, Horticulture Directorate

EXPORTS OF FRESH HORTICULTURAL PRODUCE, 2015

	Volume 000 Tonnes	KSh billion	USD billion	INR billion
Cut Flowers	122.8	62.9	0.6	41.9
Fruits	46.2	6.6	0.1	4.4
Vegetables	69.7	20.9	0.2	13.9
Total	238.7	90.4	0.9	60.3

Source: Agriculture, Fisheries and Food Authority, Horticulture Directorate

Notes: (1) Provisional

sectors like refined petroleum and pharmaceuticals.

India may consolidate its position in

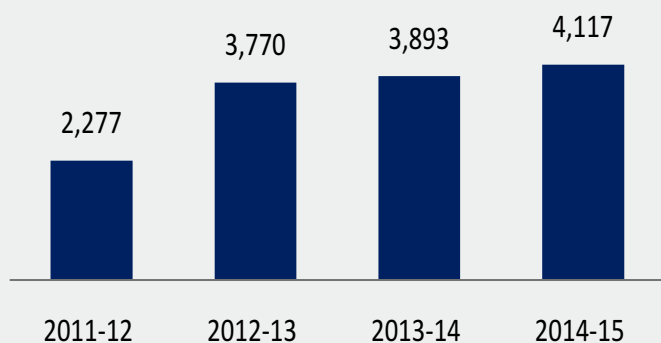
sectors where it has a lead and also

look at new opportunities, to increase

its exports.

Indian Exports to Kenya

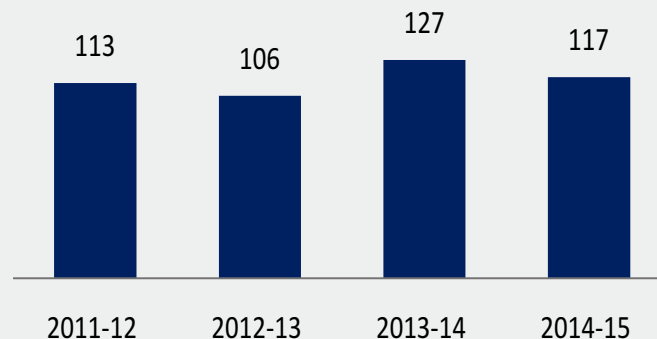
(USD mn)



Source: Department of Commerce, Gol

Indian Imports from Kenya

(USD mn)



Source: Department of Commerce, Gol

EXPORTS TO KENYA (USD MN)

S. No.	Commodity	2014-2015	2015-2016	% Growth
1	Mineral Fuels, Mineral Oils And Products Of Their Distillation; Bituminous Substances; Mineral Waxes.	2,734	1,539	-44
2	Pharmaceutical Products	253	296	17
3	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	172	191	11
4	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.	138	131	-5
5	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And Reproducers, And Parts.	104	127	22

Source: Department of Commerce, Gol

IMPORTS FROM KENYA (USD MN)

S. No.	Commodity	2014-2015	2015-2016	% Growth
1	Edible Vegetables And Certain Roots And Tubers.	17.11	55.51	224
2	Inorganic Chemicals; Organic Or Inorganic Compounds Of Precious Metals, Of Rare-Earth Metals, Or Radi. Elem. Or Of Isotopes.	31.01	23.45	-24
3	Coffee, Tea, Mate And Spices.	17.91	16.14	-10

Source: Department of Commerce, GoI

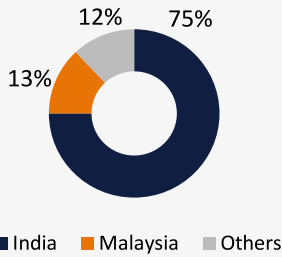
India should also look at products which India can import from Kenya at a better price to diversify its resource basket, for example pulses and dried legumes. Western Kenya, Eastern Kenya, Rift Valley, Nyanza province are suited for production of legumes, especially soya bean. The climate in western Kenya is well-suited to oil palm cultivation using cold-tolerant hybrids, which may substitute/complement our imports from Malaysia.

SECTORS WHERE INDIA HAS TO CONSOLIDATE ITS MARKET SHARE

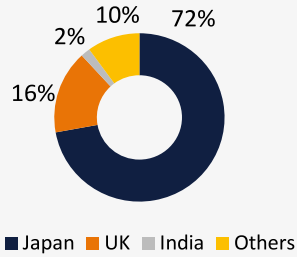
- Refined Petroleum (Currently, India has 75% market share, however this has dropped from almost 90% in 2012, with increasing share of Malaysia and Singapore)
- Pharmaceuticals (Currently, India maintains 50% market share, which needs to be sustained and increased through more cooperation in Health sector)

Major commodities imported by Kenya, with their origins of Import are given below (for 2014) Indian exporters can target exporting the commodities below.

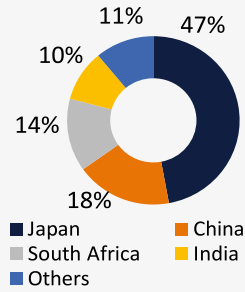
Refined Oil
(Market Size- \$4.03B)



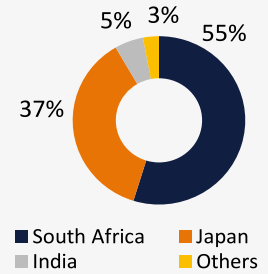
Cars
(Market Size- \$522M)



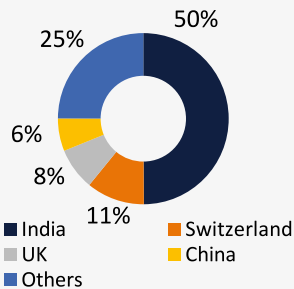
Delivery Trucks
(Market Size- \$461M)



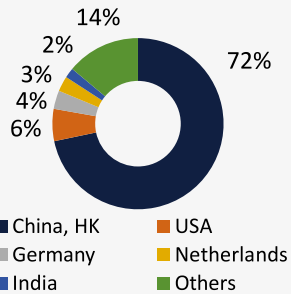
Hot-rolled Iron
(Market Size- \$337M)



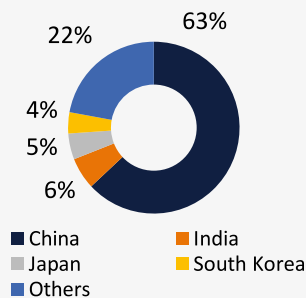
Packaged Medicament
(Market Size- \$414M)



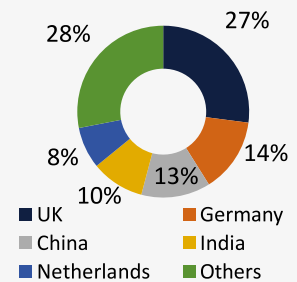
Telephones
(Market Size - \$248M)



Large Construction Vehicles
(Market Size - \$230 M)

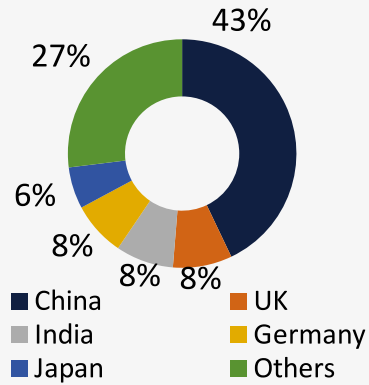


Tractors
(Market Size - \$173M)



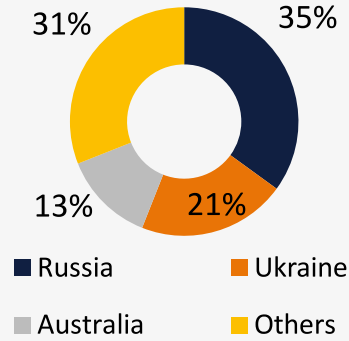
Vehicle Parts

(Market Size - \$92M)



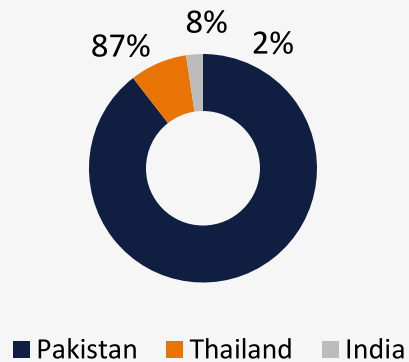
Wheat

(Market Size - \$376M)



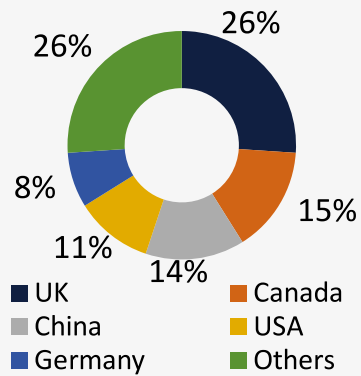
Rice

(Market Size - \$300M)



Used Clothing

(Market Size - \$143M)





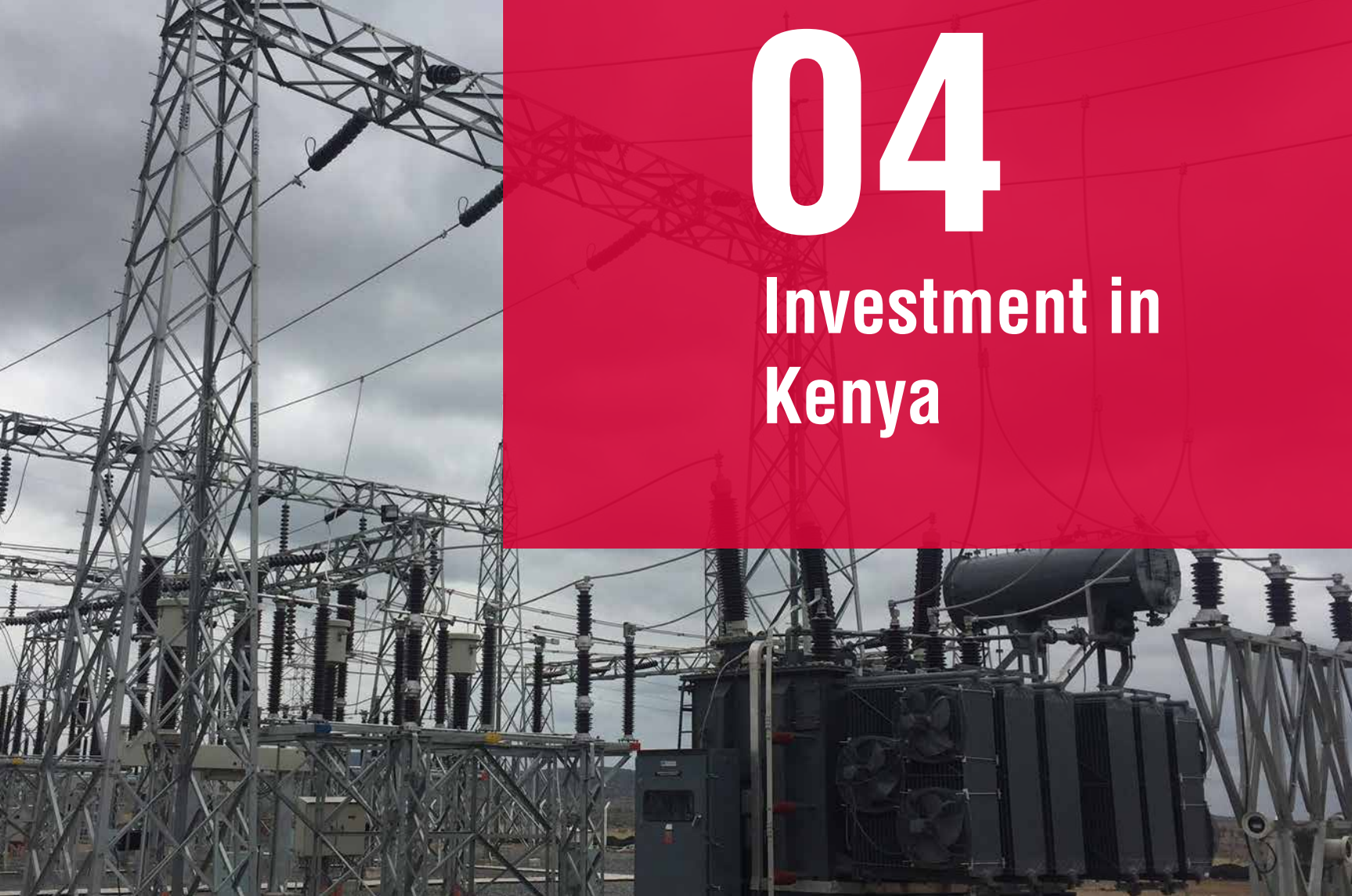
*Workers at the Indian owned
Alpharama Leather Manufacturing*





04

**Investment in
Kenya**



Kenya's growth can be credited to a stable macroeconomic environment and increased investments in agriculture, construction, finance, insurance, real estate, information and communication, mining, wholesale and retail trade. Creating an enabling environment for business through instituting legal and regulatory reforms is critical to realizing Kenya's goal of sustainable industrialization and inclusive growth.

Since the early 2000s, private sector-led economic growth has been Kenya's priority. The Government's business-friendly stance has rolled over into Vision 2030, which sets development benchmarks for a number of priority sectors to revitalize economic growth and put the economy on a high, broad based, inclusive and sustainable growth trajectory to achieve double digit growth rate within the five-year period.

In this regard, the government has identified cross-cutting reforms to improve the regulatory environment under ease of doing business reforms agenda.

In collaboration with the private sector, concerted efforts have been made to measure and track changes in regulations affecting 10 areas in the life cycle of a business, namely starting a business; dealing with construction permits; getting electricity; registering property; getting credit; protecting investors;

paying taxes; trading across borders; enforcing contracts; resolving insolvency and employing workers.

The reforms in specific economic indicators are showing good results for Kenya's ease and cost of doing business. This is setting a foundation for the sustainable development of the private sector by striving to create a competitive and diversified economy in the long term. As a result of these reforms, Kenya has significantly improved its ranking in ease of doing business index published by World Bank by 21 places, from 129 in 2015 to 108 in 2016.

4.1 FTAS WITH NEIGHBOURING /OTHER COUNTRIES

Kenya is part of East African Community (EAC) which is an intergovernmental organisation composed of six countries in the Great Lakes region in Eastern Africa consisting of Burundi, Kenya, Rwanda, South Sudan, Tanzania, and Uganda.

In 2008, after negotiations with the Southern Africa Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), the EAC agreed to an expanded free trade area including the member states of all three organizations.

Under the Generalised System of

Preferences, a wide range of Kenya's manufactured products are entitled to preferential duty treatment in the United States of America, Japan, Canada, New Zealand, Australia, Switzerland, Norway, Sweden, Finland, Austria, and other European countries.

Kenya is also a beneficiary of the African Growth and Opportunity Act (AGOA), which helps the country to export textiles, garments and other goods to the United States.

As per UNCTAD, Kenya has signed Bilateral Investment Treaties (BITs) with 15 countries and several agreements are under negotiations. BITs with Netherlands, Italy, United Kingdom, Germany, France and Switzerland are already in force while BITs with China, Libya, Finland, Iran, Burundi, Slovakia, Mauritius, Kuwait and Turkey are signed but not in force. Presently, India does not have a BIT with Kenya. Discussions with Kenya on BIT had begun in 2002. Keeping in view the high volume of trade and investment with Kenya, India could consider pursuing the BIT.

4.2 FOREIGN DIRECT INVESTMENT IN KENYA

Kenya is one of the most attractive destinations for FDI in East and Central Africa, and is one of the largest recipients of FDI in Africa. To achieve the objectives of Vision 2030, investment as percentage of GDP is

to be maintained above 32% for the period 2014-2030. Currently, overall Kenya's investment as percentage of GDP is at 24.7 %.

According to the United Nations Conference on Trade and Development (UNCTAD), FDI almost doubled from USD 505 million in 2013 to USD 989 million in 2014, driven mainly by discoveries in oil, natural gas and minerals and manufacturing. Other major recipients of FDI include financial services, information and communications technology, business-support services and tourism.

PwC ranked Nairobi as the most attractive FDI destination in Africa in 2015. Nairobi was also ranked 11 among the top 20 most successful cities in the world for its innovation, liveability and capacity to reinvent itself in 2016.

Traditionally the UK, US, India, Mauritius, South Africa and Japan have been the major sources of FDI to Kenya. More recently, however, FDI has grown from other countries such as China, Belgium, Nigeria, France and Germany.

In April 2013, the government passed

a law on public-private partnerships (PPP) in order to attract foreign investment in the infrastructure sector. The government has put in place an extensive program of privatization in various sectors such as food processing, construction, equipment, education, energy, etc. The special economic zones and export processing zones benefit from targeted incentives.

The only major sectors in which investment is restricted are those related to infrastructure creation in energy, and ports.

4.3 DOING BUSINESS IN KENYA

The government has initiated various reforms to hasten, streamline and simplify procedures which directly affect businesses with reference to the Doing Business Indicators by the World Bank. Kenya is also working on the development of a National Investment Policy to address recurring hindrances to fasten growth in private investment. Some of the key factors related to doing business are real estate prices, local taxes, land etc.

INCORPORATING AN ENTITY

Corporate entities may be set up in Kenya as sole proprietorships, partnerships, limited-liability partnerships, cooperative societies or limited liability companies. The main

Foreign Direct Investment	2012	2013	2014
FDI Inward Flow (million USD)	259	505	989
FDI Stock (million USD)	2,876	3,381	4,370
Number of Greenfield Investments***	56	73	62
FDI Inwards (in % of GFCF****)	2.4	4.5	7.2
FDI Stock (in % of GDP)	5.7	6.1	7.2

Source: UNCTAD-2016.

Note: Note: * The UNCTAD Inward FDI Performance Index is Based on a Ratio of the Country's Share in Global FDI Inflows and its Share in Global GDP. ** The UNCTAD Inward FDI Potential Index is Based on 12 Economic and Structural Variables Such as GDP, Foreign Trade, FDI, Infrastructures, Energy Use, R&D, Education, Country Risk. *** Green Field Investments Are a Form of Foreign Direct Investment Where a Parent Company Starts a New Venture in a Foreign Country By Constructing New Operational Facilities From the Ground Up. **** Gross Fixed Capital Formation (GFCF) Measures the Value of Additions to Fixed Assets Purchased By Business, Government and Households Less Disposals of Fixed Assets Sold Off or Scrapped.

vehicle used by investors is limited liability companies which can be incorporated as either private or public limited-liability companies. The law also allows foreign companies to set up a branch-office in Kenya with the same legal status as the foreign company.

The Foreign Investment Protection Act (FIPA) of Kenya guarantees capital repatriation and remittance of dividends and interest to foreign investors, who are free to convert and repatriate profits including un-capitalized retained profits (proceeds of an investment after payment of the relevant taxes and the principal and interest associated with any loan). Kenya has no restrictions on converting or transferring funds associated with investment. However, Kenyan law requires the declaration to customs of amounts above KES 500,000 (USD 5,687) as a formal check against money laundering.

VISA AND PERMITS

On a Kenyan Business Visa, one can attend conferences, workshops, seminars or discussions but cannot work in Kenya. The Department of Immigration sets the criteria for the issuance of various immigration documents including passports, passes and work permits to investors, missionaries, professionals and other persons working with private and public organizations. Under new

immigration laws, the Permits and Passes Section of the Department of Immigration issues the documents such as entry permits (Classes A –M), Kenya Special Passes, Kenya Dependent Passes.

LAND

Land in Kenya is classified by the Constitution into three types: public land, private land and community land. The Constitution restricts foreign ownership of private land to leasehold for a maximum of 99 years. To acquire public land, whether held by national or county government, a developer must apply to the National Land Commission, either directly, or through allocation auctions. The acquisition or transfer of private land by freehold or leasehold must be registered with the local land registry in keeping with the Land Registration Act.

TAXES

The corporate tax year is based on the calendar year. However, companies may, under Section 27 of the Income Tax Act and with prior approval of the Commissioner, vary their accounting year. The rate differs between resident (Corporate rate – 30%) and non-residents (Corporate rate – 37.5%). A resident company is one incorporated in Kenya. Companies listed at the Nairobi Stock Exchange are taxed at slightly lower rates than other companies.

There is 100% Capital deduction for investment in buildings and machinery for manufacturing and hotels, in Mombasa, Nairobi and Kisumu, while 150% Capital deduction for investment in buildings and machinery for manufacturing and hotels, elsewhere. For Investors in EPZs not engaging in local commercial activities, there is a 10 year tax holiday, after which they are taxed at 25% for next ten years.

REAL ESTATE PRICES

	Value (USD)	Year	Comment
Office space	1.20 - 3.05	2014	In main commercial city, per m ² per month
Warehouse	0.3 - 0.5	2014	7.5 km from main commercial city, per m ² per month
Furnished expatriate house	1500 - 3000	2014	3-bedroom with garden, in main commercial city, per month
Unfurnished expatriate house	900 - 1600	2014	3-bedroom with garden, in main commercial city, per month

Source: *iGuide Kenya, UNCTAD*





Registration for VAT can be done online at the Kenya Revenue Authority website. Registration is compulsory where the annual turnover is expected to be KES 5 million and more. The normal rate of VAT is 16 percent. Food products are generally exempt as are a number of services. Goods and services that are exported or supplied to specified privileged persons/ organizations (such as projects in international organizations) are zero-rated. There is also a list of zero-rated goods linked to basic foodstuffs, medical products and machinery.

DISPUTE SETTLEMENT

The Judicial system of Kenya is modeled after the British system, with magistrates, courts, high courts in major towns, and a Court of Appeal at the apex of the judicial system. The Companies Act of 1948 provides the foundation for company and investment law. Property and contractual rights are enforceable, but long delays in resolving commercial cases are common.

Kenya is a member of the World Bank-affiliated Multilateral Investment Guarantee Agency (MIGA), which issues guarantees against non-commercial risk to enterprises that invest in member countries. It is also a signatory to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

OPERATING RISK

While the country enjoys several advantages such as strategic location, good economic performance across all sectors, strong demography with an emerging middle class, the country faces certain challenges especially in food security due to its dependence on rain-fed agriculture. There are also concerns and uncertainty over political stability and implementation of key economic reforms following the promulgation of a new constitution in 2011. Other issues revolve around governance and infrastructure. This however is mitigated by a strong political and social will to implement changes.

Kenya's labour market remains

challenging, characterized by low numbers in formal employment (about 20% of the total), a high unemployment rate (estimated to be 40% of the workforce) and skills shortages. Moreover, wages are relatively high, underpinned by a legally enforceable system of minimum wages, which are typically subject to annual increments. Trade unions, represented by the Central Organisation of Trade Unions, are much influential compared with those in the rest of the EAC.

WAGES AND COST OF UTILITIES

Various utilities, wages and costs are as follows:

ELECTRICITY CHARGES (UNIT – KES, 2013)

	Value	Comment
450 Volts	5.75 /Unit	Fixed Charge= KES 800, USD = 8.0 Demand charge per KVA= KES 600, USD = 6.0
11,000 Volts	4.75 /Unit	Fixed Charge= KES 2500, USD = 25.1 Demand charge per KVA= KES 400, USD = 4.0
33,000 Volts	4.49 /Unit	Fixed Charge= KES 2900, USD = 29.1 Demand charge per KVA= KES 200, USD = 2.0
66,000 Volts	4.25 /Unit	Fixed Charge= KES 4200, USD = 32.1 Demand charge per KVA= KES 170, USD 1.7
132,000 Volts	4.10 /Unit	Fixed Charge= KES 11,000, USD = 110.3 Demand charge per KVA= KES 170, USD 1.7

Source: Kenya national bureau of statistics

UTILITY CHARGES

Utility Charges	Unit	Value	Year	Comment
Water	USD	0.46	2013	per m3 industrial consumption
	INR	30.57		
Internet	USD	48	2014	6 Mbps, Unlimited Data, Cable/ADSL
	INR	3,190		
Prepaid Mobile Tariff	USD	0.04	2014	1 Min Prepaid Mobile Tariff Local (No Discounts or Plans)
	INR	2.7		

Source: Kenya national bureau of statistics

WAGES (PER MONTH; 2015)

Wages	Value (USD)	Value (INR)
Driver	140 - 260	9,305 - 17,281
Security guard	115 - 126	7,644 - 8,375
Office assistant	170 - 200	11,299 - 13,293
Shop assistant	200 - 270	13,293 - 17,946
Unskilled labourer	135	8,973
Senior manager	1350 - 1680	89,730 - 111,664
Middle manager	500 - 670	33,233 - 44,533
Graduate entry	270 - 440	17,946 - 29,245
Skilled technician	330	21,934

Source: Kenya national bureau of statistics

4.4 PENETRATION OF TECHNOLOGY

The ICT sector in Kenya continues to grow exponentially, with mobile penetration rate hitting 85 per cent in 2015. Some key statistics pertaining to the ICT sector are depicted in the charts on the next page.

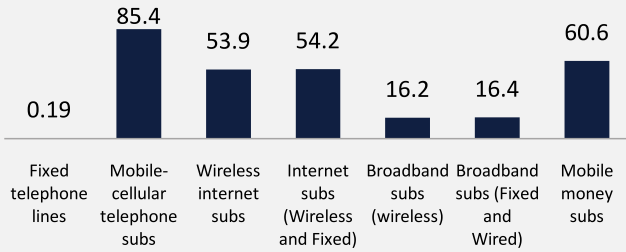
4.5 INVESTMENT AID AGENCY: KENYA INVESTMENT AUTHORITY (KIA)

The Kenya Investment Authority (Keninvest) was established in 2004 with a purpose to promote and facilitate investment by assisting investors in obtaining the licenses necessary to invest and by providing other assistance and incentives. Its role can be summarized as follows:

- issuing investment certificates;
- assisting investors in obtaining licenses, permits, incentives and exemptions;
- providing information on investment opportunities and sources of capital;
- following up with investors at regular intervals to assist in smooth project implementation and address any concerns; and
- advising the government on improving the investment environment.

Key Indicators Measuring Information Society, 2015¹

(per 100 inhabitants)

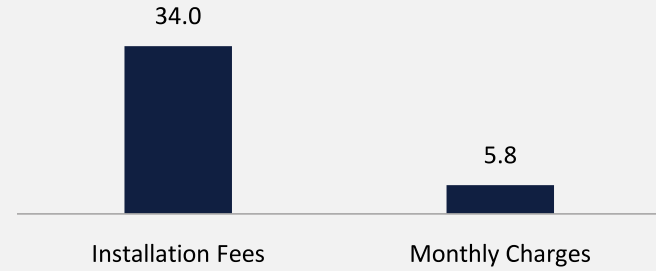


Source: Communication Authority of Kenya

Note: (1) Provisional

Telephone Services, Fixed Charges, 2015¹

(USD)

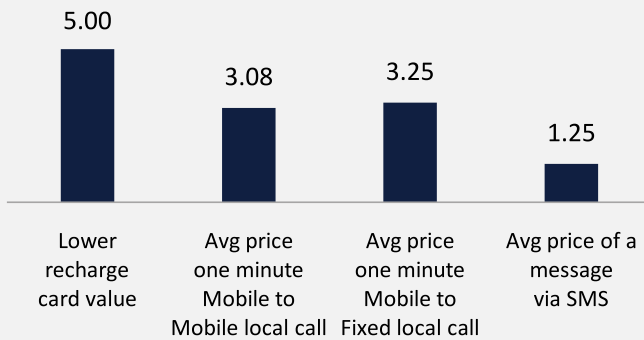


Source: Communication Authority of Kenya

Note: (1) Provisional

Mobile Charges, 2015¹

(KES)

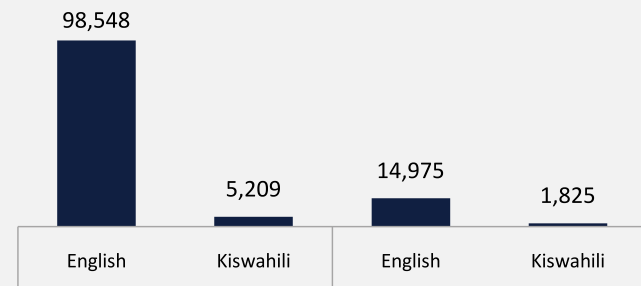


Source: Communication Authority of Kenya

Note: (1) Provisional

Local Daily/Weekly Newspapers in Circulation, 2015¹

('000 Copies)



Average online visitors per day 1,575,043

Source: Various Media Houses

Note: (1) Provisional





05

India – Kenya Economic Relations



5.1 HISTORY OF INDIAN BUSINESS

Indians were trading with businesses along the Swahili coast since ancient times as mentioned in works such as the Periplus of the Erythrean Sea, Ibn Batuta's Rihla, etc which continued till medieval times. With the advent of the Portuguese and finally the British, Indian involvement in East Africa became a function of colonial imperatives and many Indians settled as camp followers, labourers to build railroads, become petty traders who went on to establish large business houses, teachers, soldiers and policemen.

Kenya is an important trade and investment partner for India. The share of Kenya in India's total exports increased from 0.7 per cent in 2011-12 to 1.2 per cent in 2015-16. The share of Imports from Kenya in India's total imports increased from 0.02 per cent in 2011-12 to 0.03 per cent in 2015-16. Top items of India's exports to Kenya during 2015-16 were mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes followed by pharmaceutical products etc. Top items of India's imports from Kenya during 2015-16 were edible vegetables and certain roots and tubers followed by inorganic chemicals; organic or

inorganic compounds of precious metals, rare-earth metals, isotopes of radioactive elements, coffee, tea, mate and spices etc.

Presently Kenya Airways flies to Mumbai and many foreign carriers provide air connectivity between both the countries via Doha, Dubai, Abu Dhabi and Sharjah. Air India is soon going to revive its direct connectivity with Kenya. India and Kenya are also connected through India's west coast and Kenya's port of Mombasa. In 2013, Kenya's export to India through the Port of Mombasa stood at 304,000 tonnes while imports from India stood at 4.1 million tones.



Indian Workers laying railway tracks in Kenya. More than 30,000 workers went from India to Kenya between 1896 to 1901.



5.2 DIASPORA AND ITS ACTIVITIES

Indians who are locally called as the 'Muhindis' are an integral part of Kenya. They are a major force in Kenyan economy and play an important role in business, judiciary, medical and academics. Indians enterprises are one of the largest employers in the Kenyan private sector. A vibrant community of people of Indian origin, presently numbered 80,000 includes an estimated 20,000 Indian citizens.

Indians in Kenya have made Gurudwaras, Temples etc as centres of community activities. There are at least 16 Gurudwaras in Kenya managed by Sikh community numbering about 10,000 and about 70 temples run

by the Hindu community. Similarly, Dawoodi Bohras, Ismailis, Ithna-Asheri, Goans have their own mosques and churches. Even though the communities are primarily concentrated in Nairobi, Mombasa, Kisumu, Eldoret, Nakuru, many of them are also seen in remote villages and towns of Kenya actively involved in various business activities. More than 150 associations/federations/Councils, have been formed by members of Indian Community.

Many key businesses in Kenya are owned by people of Indian origin which include sectors such as manufacturing, agriculture, food processing, fisheries, transportation and infrastructure development, banking, finance, hotel and tourism. Three people of Indian origin from

Kenya have been awarded the Pravasi Bharatiya Samman: Mr. Manilal Premchand Chandaria, Mr. Pheroze Nowrojee and Dr. FRS De Souza.

5.3 INDIAN INVESTMENTS IN KENYA

According to the Kenya Investment Authority (KenInvest), India is the second largest investor in Kenya after USA. Indian investments in Kenya are estimated to be over US\$ 3.5 billion, including investment routed through other countries and by subsidiaries of Indian companies. Around 60 Indian companies have invested in various sectors including manufacturing, real estate and construction, pharmaceuticals, telecom, IT & ITES, banking and agro-based industries.

“Bank of India has established an emotional and financial connect with Kenya since 1953 and is committed to the citizens of Kenya for achieving financial inclusion and financial intermediation.”

R P Marathe, Bank of India

Such investments include Tata Magadi Soda Co. Ltd., a manufacturer of soda ash; mobile telephone operations of Airtel and Essar; Daima dairies of the Jaipuria Group; flower farms of Karturi Global Ltd; investment of Essar Energy in Kenya Petroleum Refinery Ltd, Mombasa, and acquisition by the Reliance Group of GAPCO, a petroleum retailer. Indian insurance companies including New India, LIC, GIC, hold majority shares in KenIndia, one of the larger Kenyan insurance companies.

Several Indian firms including KEC, Kalpataru Power Transmission Ltd., Power Grid Corporation of India Ltd., Kirloskar Brothers Ltd., Mahindra & Mahindra, Thermax, WIPRO, Jain Irrigation System Ltd., Punj Lloyd, VIL Ltd., Emcure, Dr. Reddy, Cipla, Cadila, TVS and Mahindra Satyams, Bank of India, Bank of Baroda etc., have a business presence in Kenya. HDFC and the Central Bank of India have Representative Offices in Kenya. India is the largest employment generator in Kenya.

BANKING

Bank of India started its operation in

Kenya in Oct 1953 with opening its first branch in Mombasa. The bank opened its Nairobi branch in March 1954. Bank of India is one of the two foreign banks (other being CITI bank) operating in Kenya with its head office situated in a heritage building (earlier National Assembly of Kenya). The bank has 6 branches with a total capital around US\$ 400 million and 2% market share. Bank of Baroda opened its first branch in Mombasa in December 1953. In 1992, its subsidiary, Bank of Baroda (Kenya) Ltd was incorporated with 86.70 % shareholding of the Bank of Baroda(India) with 43 local shareholders constituting the

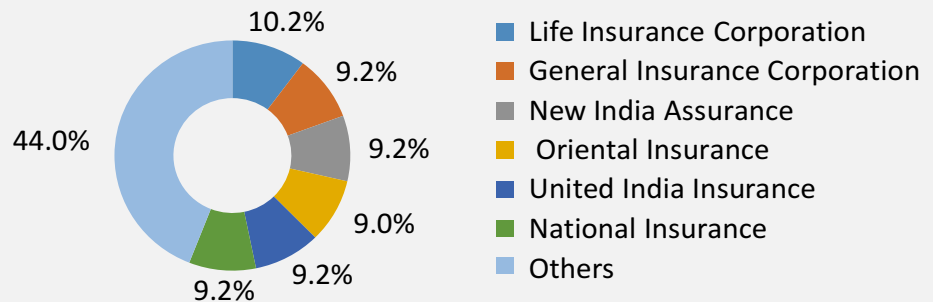
remaining 13.3%. During the last 62 years, the bank has been able to place itself as a dominant player in the industry with currently 13 branches in 8 cities of Kenya and a total capital of around US\$ 500 million. At present, it enjoys a market share of 2.25% with overall ranking of 14 among 41 Banks.

Bank of Baroda has the distinction of opening the “first all women employee” branch at Nyali in 2012. HDFC Bank Ltd (2008) and Central Bank of India (2013) have Representative Offices in Kenya. Activities of HDFC and Central Bank are limited to marketing and negotiating lending and trade finance deals to customers.

INSURANCE

Indian insurance companies have had presence in Kenya even prior to its independence. In 1978, Indian Insurance Companies operating in

Indian shareholding in KenIndia Assurance (percentage)



Source: Kenya National Bureau of Statistics

Note: (1) 2015 Provisional





Kenya decided to merge and form a joint venture with financial support from leading local businessmen as KenIndia Assurance Company Limited.

At present, Indian shareholding in KenIndia Assurance is around 56%. Local shareholders include M/s Chandaria Foundation, Sansora Group of Companies and Mehta Group of Companies. In last 38 years, with 11 branches, KenIndia has become a leading household name in Kenya. KenIndia is the sixth largest life insurer in Kenya with a life fund in excess of KES 18 billion in 2015.

Though the uptake of insurance is on the rise in Kenya, penetration is still relatively low. Hence there is a scope to develop new insurance products.

TELECOMMUNICATIONS

Bharti Airtel acquired Zain in June 2010, hosting Airtel Africa HQ in Kenya. Airtel has created 11,000 jobs directly through 120 distributors, agents, and sales outlets. Airtel Kenya Limited operates as a subsidiary of Bharti Airtel International (Netherlands) B.V. Ltd, with around 10% market share.

In 2014, Essar Telecom, which was operating yuMobile service in Kenya, sold its network and office infrastructure to Safaricom, while Airtel Kenya took over the 2.55 million subscriber base. The total deal value of the transactions was approx. US\$ 120 million.

REAL ESTATE

In 2007, Reliance Industries entered into a JV with Delta Corporation, which developed high-end office blocks and a residential estate in Nairobi. According to KenInvest, they invested US\$ 865 million in two projects - Delta Centre (which was sold to the World Bank Group) and 21-storey twin-tower (sold to consultancy firm PwC and the University of Nairobi's Staff Pension Scheme). Delta exited the Kenyan market after selling these two projects.

OIL & GAS

Gulf Africa Petroleum Corporation (GAPCO registered in Mauritius), a subsidiary of Reliance Industries Ltd. is involved in petroleum product imports, retail and wholesale marketing, trading, storage, distribution, supply and transport of oil products in Kenya. GAPCO Kenya has the largest oil storage facilities at Mombasa port. GAPCO dominates Kenya's oil import business.

In 2009, Essar Company bought 50% stake in Kenya Petroleum Refineries Ltd for US\$7 million from a group of oil marketers, including BP, Chevron and Royal Dutch Shell. Essar has retail

and direct sales in Kenya. Government of Kenya plans to take over ownership from Essar by paying US\$ 5 million for a refinery in Mombasa and to convert it into a storage plant. The refinery has not been operational since 2013 after plans for US\$1.2 billion upgrade were abandoned on the advice of consultants.

CHEMICALS

In 2005, Tata Chemicals acquired Magadi Soda Company, Africa's largest soda ash manufacturer and one of Kenya's leading exporters. Over 95 per cent of the company's product is exported to South East Asia, Indian sub-continent, Africa and the Middle East. Tata has invested over US\$ 160 million in the company, with over 450 people on its payroll.

AGRICULTURE

Kirloskar Kenya Limited is involved in trading and servicing of Kirloskar Products in East Africa since 1977. NABARD Consultancy Services Private Ltd (Nabcons) has opened a representative office in Nairobi in 2009. Jain Irrigation Systems has its office in Kenya.

“ With India's strengths in the herbal and organic segment, Kenya is the ideal market to expand Indian wellness related products. ”

**Kaushal Porwal, Himalaya Herbals
Healthcare**

“The experience of operating in Kenyan market has been very good, in terms of sound infrastructure, sound regulatory framework, growing market & availability of good quality of human resource. New molecules and innovations in the medical field are readily accepted in Kenyan market by the entire medical fraternity. The future is very bright for all Indian Pharma companies, in trade as well as for manufacturing, as Kenya is the gateway for the entire East African Countries and beyond.”

R.N. SIDDIQI, Cadila

FAST MOVING CONSUMER GOODS

In February 2016, subsidiary of Godrej Consumer Products Limited (GCPL) acquired majority equity stake of Canon Chemicals Limited, which manufactures and distributes products in the personal and home care categories. Its major brand is Valon, a petroleum jelly.

GPCL also holds 90% stake in Darling Group Holdings, Mauritius, which owns Kenya's Style Industries. Dabur has set up a plant in Kenya for production of personal care products.

PHARMACEUTICALS AND HEALTHCARE

Kenya's pharma market size in 2014 was US\$ 714 million. Generic market size in which India participates is US\$ 465 million or 63% of the market. In 2014-15, India's pharmaceutical export

to Kenya was US\$ 282.51 million.

Major Indian pharma companies such as Dr. Reddy, Cipla, Himalaya, Micro Labs, Emcure and Cadila have presence in Kenya. Apollo Hospitals, Medanta, Shalby, Global and VLCC have representative offices in Kenya. Indian Immunological Limited also has a representative based in Nairobi.

POWER TRANSMISSION

KEC International Ltd, Karuturi Ltd., Kalpataru Power Transmission Ltd., Power Grid Corporation of India Ltd., L & T Power Transmission & Distribution and Shyama Power are executing power transmission related projects.

IT & BPO

Many IT companies like TCS and Mahindra Satyam are also operating in Kenya. Recently, several Indian companies have pledged investments in Kenya during various investment and entrepreneurship summits, organized by County Governments of Kenya (Narok pledged around US\$ 50 million in 6 projects. In Feb 2016, Kanoria Group of India signed an MoU with Kisii County to invest US\$ 50 million to establish a sugar complex to produce sugar, ethanol and

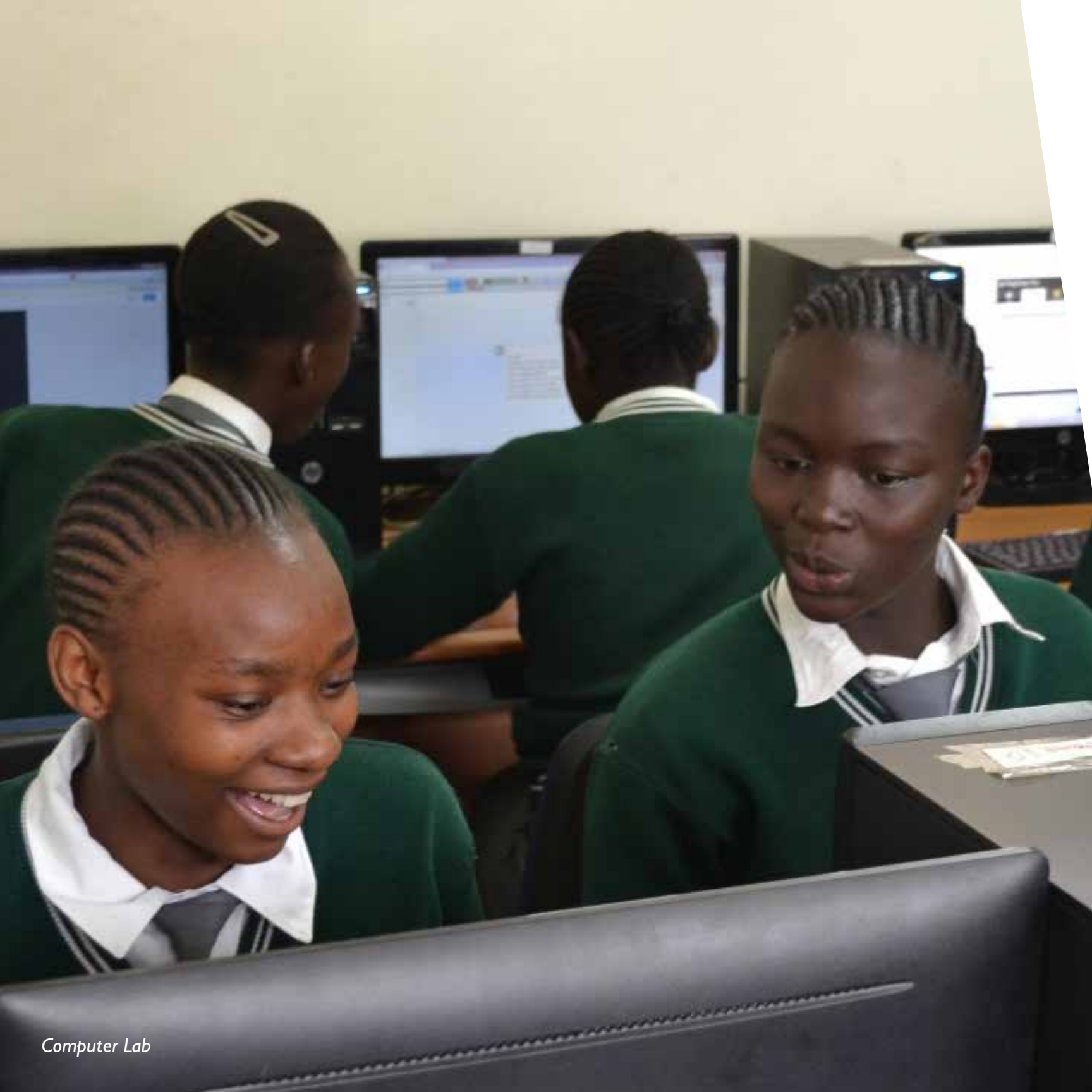
INDIA'S PHARMACEUTICAL EXPORTS TO KENYA IN USD MN

Category	2012-13	2013-14	2014-15	Gr%
Ayush	2.35	3.12	2.74	-12.2
Bulk drugs	25.13	30.84	26.99	-12.5
Formulations	224.19	203.48	249.33	22.5
Herbals	0.13	0.16	0.18	17.9
Surgicals	0.00	2.68	3.27	22.1
Grand Total	251.80	240.28	282.51	17.6

Source: Pharmaceuticals export promotion council of India



*Kenyan Smiles : A public health and
Dental Care Project*



Computer Lab

power.) In addition, major groups like Shapoorji Palonji, L&T Construction, VIL Limited, Jyoti Structures, Voyants Solutions, Technofab Engineering Ltd. are implementing various projects in Kenya.

5.4 BILATERAL TRADE AGREEMENTS, MOUs AND LOCs

An India-Kenya Trade Agreement was signed in 1981, under which both countries accorded Most Favoured Nation status to each other. The India-Kenya Joint Trade Committee (JTC) was set up at the Ministerial level in 1983 as a follow-up to the Agreement. The JTC has met six times since its formation, the last meeting of the same was held in October 2010 in Nairobi.

India-Kenya Double Taxation Avoidance Agreement (DTAA) was signed in 1989. The 2nd round of negotiations to review the DTAA was held in Nairobi in November 2010. India and Kenya started negotiations on Bilateral Investment Treaty in 2002, which were stalled since India was in the process formulating its model Bilateral Investment Treaty. The model Bilateral Investment Treaty was ratified by the Indian Cabinet in December 2015. Negotiations on the BIT will now be based on the new model text.

India and Kenya signed Air Services Agreement (ASA) in June 1996 to enable air transport carriers of both countries to fly to each other

“We are working in Kenya since 2013. So far our experience working in Kenya has been rewarding. The working environment in Kenya is conducive. The Kenya energy market has a lot of potential and future growth prospects.”

Apar Jain, Shyama Power India Limited.

territories. Air India, Jet Airways and Kenya Airways are designated carriers entitled to transport passengers and cargo traffic between two countries. Presently, Kenya Airways flies to Mumbai. Kenya Airways signed a code-share agreement with Jet Airways in 2010. Foreign airlines also provide air connectivity via Doha, Dubai, Abu Dhabi and Sharjah. Air India is going to revive its direct connectivity with Kenya in near future.

India offers development assistance to Kenya in the form of loans and credit. This includes a loan of Rs. 50 million to Government of Kenya in 1982 and Lines of Credits (LoCs) by EXIM Bank to Industrial Development Bank Capital Ltd. An Agreement on extension of an LoC of US\$ 61.6 million by EXIM Bank to the Government of Kenya for utilization in the power transmission sector was signed during the visit of Prime Minister Raila Odinga to India in November 2010.

Last year in April 2015, GOI approved US\$100 million LoC to

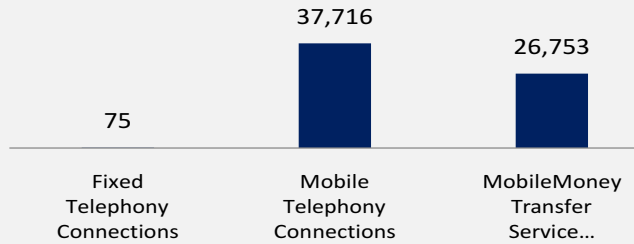
Government of Kenya for Agricultural Mechanization Project. In January 2016, GOI decided to extend a LOC of US\$ 15 million (as first tranche out of US\$ 30 million) to IDB Capital Limited, Kenya for development of various SMEs and in February 2016, a LOC of US\$ 29.95 million was approved by GOI to the Government of Kenya for upgradation of Rift Valley Textiles Factory.

5.5 OPPORTUNITIES FOR INDIA FOR INVESTMENT

IT & Telecommunication

Over the last decade, Kenya has experienced substantial growth in ICT. Kenya has been ranked among the top five African countries with the fastest growth in telecommunication, infrastructure and mobile money innovations. The engine behind the rapid growth has been mobile telephony which led to a mobile revolution in the country.

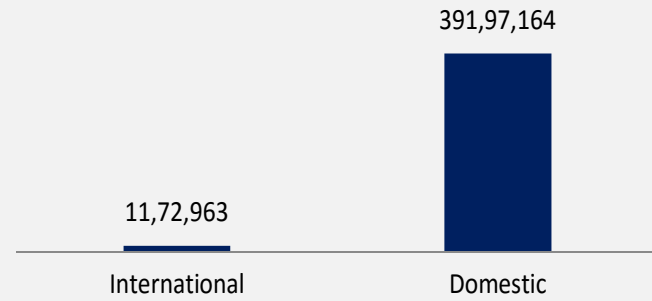
Fixed and Mobile Network Services, 2015¹ (000's)



Source: Communication Authority of Kenya/Central Bank of Kenya

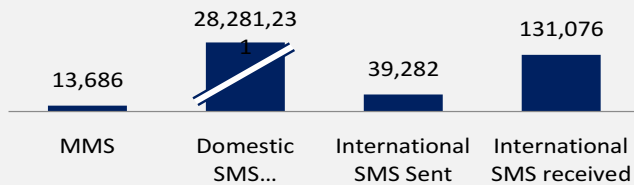
Note: (1) Provisional; Includes Local Loop Operators, the wireless connections were decommissioned in 2015

Telephone Call Traffic, 2015 (Minutes '000)



Source: Communication Authority of Kenya

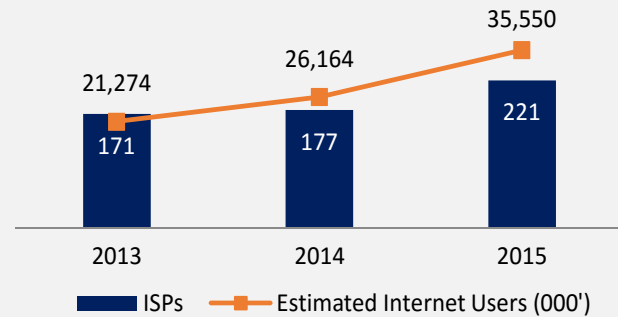
Message Traffic, 2015¹ (Number '000)



Source: Communication Authority of Kenya

Note: (1) Provisional

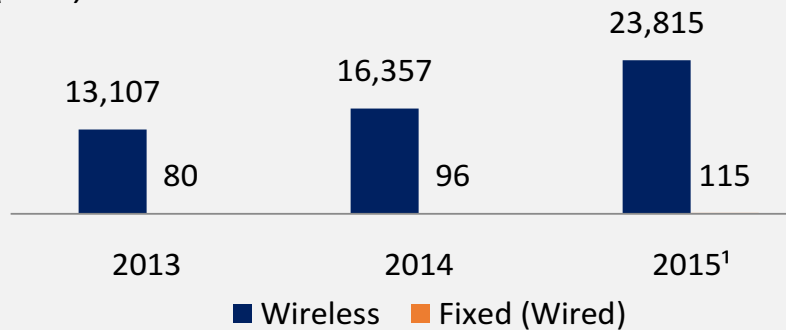
Licensed Internet Services Providers (ISPs), Users (Number)



Source: Communication Authority of Kenya

Internet Subscriptions

(000s)



Source: Communication Authority of Kenya

Note: (1) Provisional

The growth of M-pesa (M stands for mobile and pesa is Swahili for money, is a mobile phone-based money transfer and financing service) in the country has driven change in the business model of most financial institutions in the country. Mobile money agents represent three-quarters of the total financial access points in Kenya and are a major driver in bringing financial access points closer to the population.

Konza Technology City represents a strategic opportunity to invest in the growth of the ICT sector in Kenya as

well as the country's overall economy. When completed, Konza Technology City will be a world-class technology hub, home to leading companies in education, life sciences, telecom, and BPO/ITES. Commercial space will be complemented by diverse residential neighborhoods, hotels, variety of retail offerings, community facilities, and other public amenities.

PHARMACEUTICALS AND HEALTHCARE

Despite major achievements in the health sector, Kenya still faces many

challenges. The infant mortality rate is high at approximately 44 deaths per 1,000 children in 2012. The WHO estimated in 2011, that only 42% of births were attended by a skilled health professional.

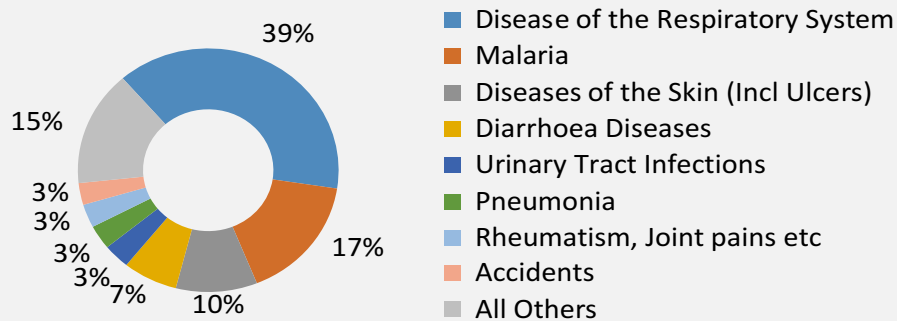
Half of Kenyans live below the poverty level. Preventable diseases like malaria, HIV/AIDS, pneumonia, diarrhoea and malnutrition are the biggest burden and major child-killers.

“Life in Kenya is very comfortable for expats and doing business in the country is very easy”.

Subir Khare, Voyants Solutions Pvt Ltd.

Incidence of Diseases in Kenya, 2015¹

(percentage); Total 47 mn

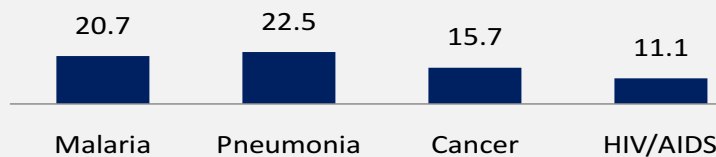


Source: Ministry of Health, Health Management information System

Note: (1) Provisional

Registered Deaths by Top 5 Major Causes, 2015¹

(000s)



Source: Civil Registration service

Note: (1) Provisional

“Kenya’s desire to bring in best-in-class health care to the country is a potential area for collaboration with India. Better flight connectivity and a liberal visa regime will enable Indian companies to focus on capacity building in the sector and improve access to quality healthcare in Kenya”.

Dr. Jignesh Sanghavi, Apollo Hospitals group.

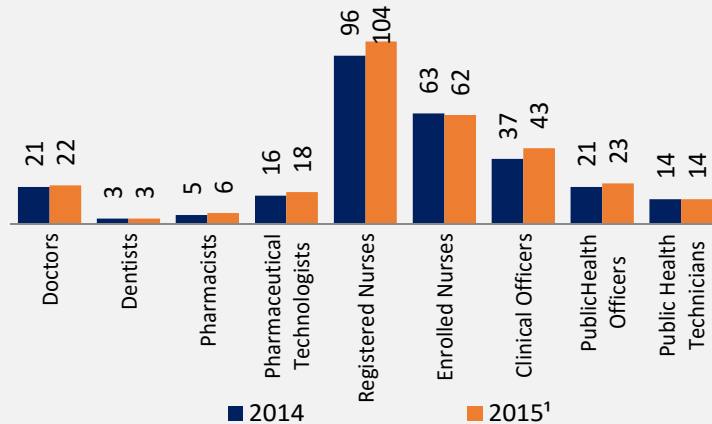
Rising disposable income, regulatory changes, and market developments have each invigorated an industry increasingly dominated by the private sector and it is estimated that private expenditure on healthcare will range \$1.8 – \$3.1 billion by 2025, which could account for 75% of total health expenditure. This translates into capital requirements exceeding \$1 billion. To serve the Kenyan mass market, private health care players require innovative business models that can supply consistent quality and coverage at lower prices with higher volumes.

Estimates from the African Development Bank identify a Kenyan middle class of more than 18 million people. A lack of skilled medical professionals — especially doctors — is widely identified as a challenge to health provision across Africa, with 2 physicians per 10000 people. In recent years Indian healthcare sector has attracted many people from Kenya for affordable treatment.

The challenges in healthcare system of India are similar to challenges of Kenya. Indian companies, health service providers and skilled worker in this domain can contribute immensely to Kenyan health sector with the following favorable conditions :

- Free pharmaceutical pricing environment in the private sector.

Registered Medical Personnel 2014-2015 (No Per 100,000 Population)

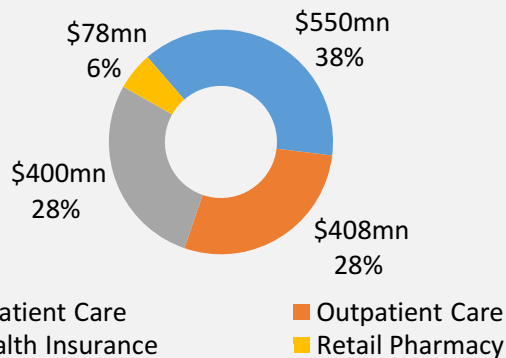


Source: Health Management Information System, Ministry of Health, Clinical Officers Council, Nursing Council of Kenya, Medical Practitioners & Dentists Board and Universities
Note: (1) Provisional

“Kenya’s pharmaceutical industry is on a rebound, riding on the back of increased expenditure in healthcare. Kenya is a semi regulated emerging pharmaceutical market. Acceptability of Indian Pharma products is quite high by healthcare providers. Companies can win big in Kenya if their Global competencies can be tailor-made to suit the local Kenyan market.”

Sanjeev Sehgal, Micro labs Ltd.

Expected Capital needs in Kenya Private Healthcare sector by 2025 (USD mn)



Source: Ministry of Health, Health Management information System

- No import tariffs on pharmaceuticals.
- Progress has been made towards establishing the East African Medicines and Food Safety Commission (EAMFSC), which would improve drug registration processes.
- Herbal medicine production for local market and export.
- Programme to introduce a national health insurance scheme will improve access to medicines in the longer term.

BANKING AND INSURANCE

In the banking sector in Kenya, there are opportunities to increase the scale and enhance the capital base through consolidation and merger of smaller players.



Workers

“Robust supervision by the Banking Regulator, rapid penetration of the ICT industry, thrust on infrastructure, and growing economic engagement with India makes Kenya a great opportunity for Indian financial institutions to strengthen their presence”

**S.S.Rao, Central Bank of India, Kenya
Representative Office.**

Out of 41 commercial banks, only six are classified as large, controlling 52.4 per cent of assets. The remaining are small and have limited reach, thus restricting competition. The already existing Indian banks can play an important role in consolidation of this sector.

At 1.6 % of GDP, total insurance penetration in Kenya is below the African average of 3.6%. Health insurance represents less than 10% of total insurance premiums in the country. The existence of millions of uninsured Kenyans indicates an opportunity for insurers to expand their market. Indian insurers could launch partnerships with Micro Finance Institutions (MFIs) or Savings and Credit Cooperatives (SACCOs) to design and distribute low-cost products with specific coverage.

“Bank of Baroda’s journey in Kenya over the last 60 years beginning from a single branch in Makadara, Mombasa in 1953 to be among the top 14 banks in Kenya is a testimony of the trust that we have built with the people of Kenya. We want to march hand-in-hand with Kenya into the world of 21st century banking”.

**Yatish Chander Tewari, Bank of Baroda
(Kenya) Ltd Nairobi.**

MINING

The mining industry in Kenya is dominated by the production of non-metallic minerals such as soda ash, fluorspar, cement, coloured gemstones. However, the sector accounts for just 0.9 per cent of GDP. Major mineral deposits like titanium ores – titanium, ilmenite and zircon – have been discovered along the coast, while significant coal deposits exist in the Mui Basin. Recent discoveries of oil in the tertiary rift basin, and of natural gas in one of the offshore wells in the Lamu Basin indicate commercially viable quantities of oil and gas.

ENERGY

Kenya depends heavily on hydro power, and during dry seasons, the power generation drops quite significantly. Implementation of geothermal energy, wind energy and solar projects would significantly reduce the country’s dependence on hydro projects and fossil fuels.

Development of geothermal energy in Africa started, in 1981, with the commissioning of Olkaria I plant in Olkaria, located 120 km north of Nairobi, which is an area with very high geothermal potential. In October 2014, geothermal overtook hydro as the leading source of electricity in Kenya. It is estimated that the

QUANTITY AND VALUE OF MINERAL PRODUCTION, 2015¹

	Quantities - Tonnes	KES million	USD million	INR million
Soda Ash	295,417	6,970	69.9	4,647
Fluorspar	70,096	1,428	14.3	952
Crushed Refined Soda	614,055	410	4.1	273
Gemstones	442	798	8.0	532

Source: Department of Mines and Geology

Note: (1) Provisional

country has a potential of upto 10,000 megawatts of geothermal power. A study carried out by KenGen revealed that Kenya is among the top ten leading producers of geothermal power in the world with the installed capacity surpassing that of economic giants like Germany, Japan, Russia and China.

KenGen is seeking to increase its geothermal power production capacity to 1,260 megawatts till 2018, to support the demand for electricity estimated to grow 8 per cent annually.

Oil reserves have been discovered in Kenya in the areas of Turkana, Lamu and Isiolo counties. There have been recent discoveries of oil in the tertiary rift basin and of natural gas in one of the offshore wells in the Lamu Basin which show promising future for oil and gas in Kenya. In oil and gas exploration,

opportunities are available in upstream as well as downstream sectors. Indian companies such as Reliance, Cairn, OVL etc can look towards investment in oil exploration, pipeline construction, and refined oil manufacturing etc under PPP mode. There have been recent discoveries of oil in the tertiary rift basin, and of natural gas in one of the offshore wells in the Lamu Basin which show promising future for oil and gas in Kenya.



Lake Nakuru-Baboon hill view



Transmission lines built by Shyama Power

Kenya has got huge potential for Solar and Wind power. The Wind Resource assessments show that over 73% of the total area of the country experiences annual mean wind-speeds more than 6 m/s at 100 m above ground. The wind regimes in many parts of Kenya especially the northern and eastern regions such as Marsabit, Ngong and the Coastal region can support large scale utility electricity generation.

Kenya receives 4 to 6 kilowatt hours of sunshine per square metre each day. The total potential for photovoltaic installations is estimated at 23,046 TWh/year. But very little has been harnessed to generate power on a large scale. However, now Kenya too is looking towards solar energy in a big way. Commercial and industrial applications are also becoming increasingly important; for example, many flower and vegetable farms have already installed captive renewable energy systems to contribute to the power supply on their premises.

Promotion of decentralized solar energy options and improved cook stoves would not only provide energy access to the energy poor rural households but also improve their quality of life.

Kenya is a prospective member of the International Solar Alliance (ISA) and has been actively involved in its activities.

Government of Kenya has offered various incentives including feed-in-tariff to attract investments in renewables for the private sector. Indian companies based on their experience in strongly

growing solar and wind power generation in India, can also invest in Kenya in this sector.

KEY INVESTMENT PROJECTS:

- Coal Plant in Lamu: Generation of 980MW of power by Independent Power Producers (IPPs) on a Build, Own, Operate and Transfer (BOOT) basis for 20-25 years. Selection of an IPP, negotiations with preferred bidder is underway.
- LNG Power Plant at Dongo Kundu: 800MW LNG power plant to be built at Dongo Kundu in Mombasa on design, finance, construct, own, operate and maintain for a period of 20 yrs.
- Geothermal Olkaria VI: A 560MW Geothermal Olkaria VI project pipeline (divided into four equal projects of 140MW each) on Build, Own, Operate and Transfer basis for a period of 15 years. 140MW Phase I is under preparation for tender stage.
- Wind Plant at Meru: Development of a 400MW wind farm power plant at Meru, on an area of about 18,000 acres, through IPPs on PPP model.

- Menengai Geothermal Project Phase- I : A green field electricity generation project whose objective is to increase the installed national capacity by an additional 400MW. Contracts signed and project implementation underway for the 1st 90MW. 2nd 60MW project is under tender preparation. Exploratory drilling is underway for the remaining 250MW.

Apart from these projects some projects such as 40MW Solar Power Plant at Muhoroni, 800MW Menengai Geothermal Project Phase II, 800 MW Bogoria-Silali Geothermal Project and 300MW geothermal plant at Suswa are at proposal stage.

INFRASTRUCTURE

Kenya's infrastructure landscape is undergoing significant transformation. Over USD 20 billion towards infrastructure development has been committed through public private partnerships. Commissioning of new railway lines, upgradation of current railway and airport infrastructure, development of ports, cities offers greater investment opportunities.

“The Kenyan government’s focus on infrastructure and power sector offers ample opportunities for Indian companies in the construction sector”.

Rahul Sikka, Larsen & Toubro Limited

Key on-going / future Infrastructure projects (\$50 billion Megaprojects):

- The 600 km Standard Gauge Railway (SGR) (Est Project cost: \$2.6 B) line of raised tracks connecting the hub cities of Nairobi and Mombasa. It would open for business in 2017. It also includes state-of-the-art new passenger stations at Nairobi, Voi and Mombasa.
- Nairobi Commuter Rail (Est Project cost: \$ 138 M): Rehabilitation of existing 100km railway line, doubling of sections and support infrastructure. Design and provision of rolling stock and operation of the commuter rail link between Nairobi CBD and the Airport.
- Up-gradation of Jomo Kenyatta International Airport with Greenfield terminal and second runway. (Est Project cost: \$654 M)
- Lamu Port (Est Project cost: \$5.5 B): The multi-faceted Lamu port and Lamu-Southern Sudan-Ethiopia Transport corridor (LAPSSSET) including LAPSSSET pipeline project with \$23 billion investment.
- Mombasa 2nd Container Terminal Phase 2&3 (Est Project cost: \$ 600M): A draft concession plan has been submitted to PPP-unit. For Phase 2&3, a consultant has been hired to conduct the feasibility study.
- 2nd Nyali Bridge (PPP): The

development of a 2nd Nyali Bridge connecting the Mombasa Island with the North mainland to ease congestion on the existing Nyali Bridge and to make the traffic less dependent on a single channel crossing. Feasibility study underway.

- Dualling of Mombasa – Nairobi Highway: The proposed project seeks upgradation, capacity expansion and subsequent operation and maintenance of the heavily trafficked 485 km Mombasa-Nairobi Highway (A109), which forms part of the longer Trans-African Highway (Northern Corridor). Feasibility study underway.
- Railway Cities (Nairobi, Mombasa & Kisumu) (Est Project cost: \$ 2.15 B): Joint Venture (85% private & 15% KRC). The project will include

the redevelopment of existing rail stations into mini cities which include business parks for light manufacturing, hotels, shopping arcades, restaurants and parking garages. Apart from the Kisumu Railway city, the others have completed feasibility studies and land is readily available for investor uptake.

- Konza Tech City (Est Project cost: \$14.5B): 5000 acres in the south of Nairobi, this site has been showcased as future city with hub of IT firms, universities and research facilities etc.
- Mombasa City Convention Centre (MICC) (Est Project cost: \$ 561 M): Development of a multipurpose Exhibition cum Convention Centre under PPP model. The Centre will consist of presidential

“Thanks to continued support from the Government of Kenya, we have become the largest and most technologically advanced leather tannery in East & Central Africa. We currently employ 42 Indian Expatriates in addition to over 2000 Kenyan Workers, and export to all regions of the world. The government has identified the leather sector as a major value addition and employment creation opportunity, with an estimated \$1 Billion business potential over the next decade.”

P.V. Sambasiva Rao, Alpharama Limited



Nairobi skyline at dusk



Bean Farming in Kenya

and VIP pavilions, coffee shops, five luxury hotels with 2,000 bed capacity, convention capacity for 3000 delegates, exhibition space, business centres as well as other social amenities.

- Two rivers Mall (62,000 sq meter area) – the biggest Mall in East Africa.

The Improvement in Infrastructure of Kenya will enhance connectivity to other East African countries, hence providing easier access to the market of countries like South Sudan, Uganda and DRC etc.

MANUFACTURING

Kenya aspires for a robust, diversified and competitive manufacturing sector and plans to increase its contribution to 10% of GDP to facilitate Kenya to become Africa's industrial hub. The Eastern African market is dominated by imports from outside the region and therefore provides potential market for Kenyan products.

KEY OPPORTUNITIES IN SECTOR:

- Shimoni Cement Productions (PPP) (Estimated Project cost: \$ 249.4 M): The cement production project is planned to be located at Shimoni, Kwale District, nearby a limestone mine and spread limestone deposit. Produced cement will be for domestic use and export.

- Special Economic Zone in Mombasa and expansion of Mombasa Port: The SEZ project will be established on a site of 300-500 acres of land and construction is projected to be completed by 2018. SEZ will host wholesale and retail trading, breaking bulk, re-packaging logistics, warehousing and handling and storage of goods. The Harbour channel in Mombasa port is to be deepened by 15 meters and widened to 500 meters to accommodate larger vessels.

AGRICULTURE, IRRIGATION AND AGRO PROCESSING

Though Agriculture is the mainstay for the majority of Kenyan people, it has not attained the optimum level of

efficiency. Kenya depends on import of most food items and is trying hard to achieve food security.

The second Medium Term Plan (MTP II) of Vision 2030 prioritises increasing land-under-irrigation to reduce dependence on rain-fed agriculture, especially in the arid and semi-arid areas of Turkana and Tana Delta. In addition, the plan envisages a more mechanised agricultural production, reviving cooperatives and farmers unions and subsidising farm inputs to raise productivity.

The Galana-Kulalu Scheme is a flagship project of Government of Kenya worth USD 2.88 billion, and is to be implemented over five years across one million acres. The aim of the project is to enable Kenya to become a food secure nation with opportunities

AVERAGE GROSS COMMODITY PRICES TO FARMERS, 2015¹

	UNIT	KES	USD	INR
Coffee	100 Kg	37,480	376	24,987
Tea	100 Kg	29,656	297	19,771
Sugar-cane	Tonne	3,126	31	2,084
Seed Cotton	100 Kg	4,200	42	2,800
Maize	100 Kg	2,870	29	1,913
Wheat	100 Kg	3,562	36	2,374

Source: Agriculture Economic review 2015

Note: (1) Provisional

Prices refer to the calendar year and may differ from those based on crop years. For tea and coffee, the prices are for black tea and coffee beans, respectively; USD, INR Conversion rates as of 1st April 2016; 1USD = 99.7 KES = 1.5 INR

for private sector investment in 50,000 acres of maize, 200,000 acres of sugarcane and 150,000 acres for livestock among others.

Of the total land area of Kenya, 18% has high to medium agricultural potential. The rest is arid and semi-arid land (ASAL). Only 15-35% of the irrigation potential has been utilized and largely the agriculture depends on rain-fed irrigation.

RETAIL MARKET PRICES FOR SELECTED FOOD CROPS, 2015¹

Crop	KES per kg		USD per kg		INR per kg	
	Mar	Sep	Mar	Sep	Mar	Sep
Maize	33.2	33.8	0.3	0.3	22.1	22.5
Beans	77.6	77.1	0.8	0.8	51.7	51.4
Finger Millet	83.7	88.9	0.8	0.9	55.8	59.2
Sorghum	55.5	53.6	0.6	0.5	37.0	35.7
Potatoes	34.5	34.1	0.3	0.3	23.0	22.7
Cabbages	38.9	22.2	0.4	0.2	25.9	14.8
Tomatoes	68.1	55.0	0.7	0.6	45.4	36.7
Bananas	37.3	37.5	0.4	0.4	24.8	25.0

Source: Agriculture Economic review 2015

Note: (1) Provisional

“I came to Kenya in 2004 with family. Since then its great experience in this beautiful part of world. Our business journey of 38 years in Kenya has been successful & fruitful. We have sold and selling our products throughout the country. There are great future prospects for doing business in Kenya. I am enjoying a better social as well as professional life and I never felt am out of India.”

Rajkumar patil, Kirloskar kenya limited.

Agricultural price policies in recent years favour the producers and are characterized by strong presence and control of the Government, which sets, the producers and inputs prices.

In terms of productivity, for many crops the yield is lesser than crop yields in India (for example wheat: 3 t/ha (Kenya), 3.15 t/ha (India); Maize: 1.9 t/ha (Kenya), 2.5 t/ha (India)) and mechanization is even lesser compared to India, where many Indian companies and public sector units are contributing a lot.

Hybrid seed varieties developed successfully in India can be used in Kenya. Cultivation of dry legumes with improved varieties (which can be cultivated in dry-arid land) can be promoted for domestic consumption and export to India.



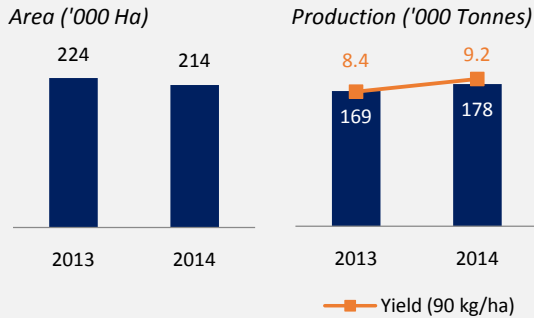


Cereals and Pulses

“Kenya’s strategic location, low tariffs, young workforce and fertile land offers great opportunities in the agriculture and the agro-processing sector”.

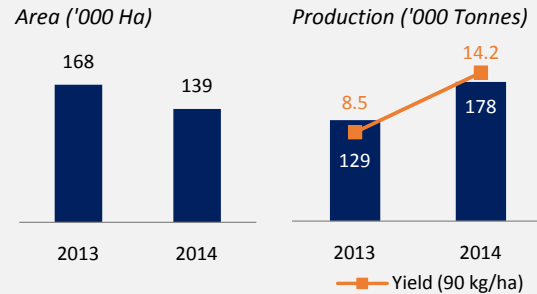
Sanjay Sethi
 Winner - The Africa Food Prize 2013,
 Signature Agri Ventures Ltd.

Sorghum (ज्वार) production



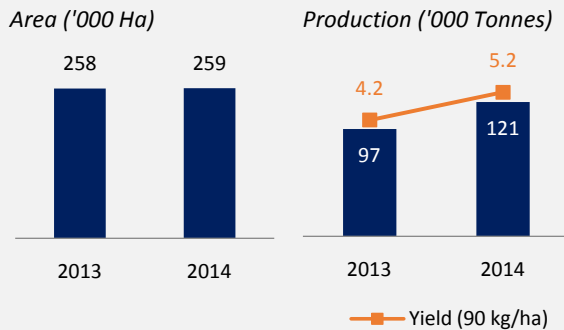
Source: State Department of Agriculture

Millet (बाजरा) production



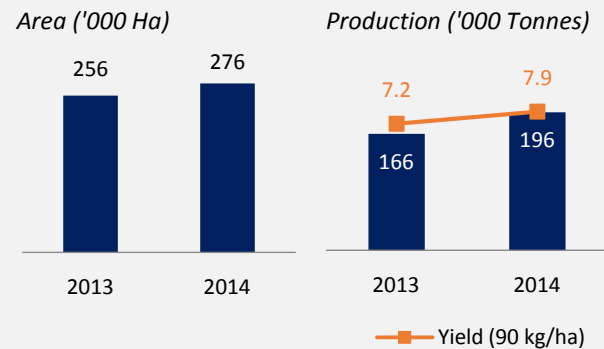
Source: State Department of Agriculture

Green Grams (मूंगदाल) production



Source: State Department of Agriculture

Pigeon Peas (अरहर- तूअरदाल) production



Source: State Department of Agriculture

AVERAGE (2014) PRODUCTION, HARVESTED AREA AND YIELD OF MAJOR FOOD CROPS IN KENYA

Crop	Harvested Area (ha)	Total Production (tonnes)	Yield ((90 kg bags/ha)
Maize	2,116,141	237,271	18.4
Wheat	147,210	328,637	24.8
Barley	21,532	65,402	33.7
Sorghum	213,520	177,553	9.2
Millet	138,829	1,442,761	14.2
Bean	1,052,408	615,992	6.5
Cowpeas	281,877	138,673	5.5
Green grams	259,167	121,076	5.2
Pigeon peas	276,124	196,324	7.9

Source: Agriculture Economic review 2015

Kenya needs huge investment in the agro processing sector. There are numerous opportunities in agro-processing which include the processing of white refined industrial sugar which is mostly being imported. Kenya only produces two types of fruit concentrates i.e. orange and mango. The rest of the fruit concentrates are imported from outside the East African region which presents investment opportunities for the processing of other concentrates. Also, the full potential in floriculture and horticulture still needs to be explored.

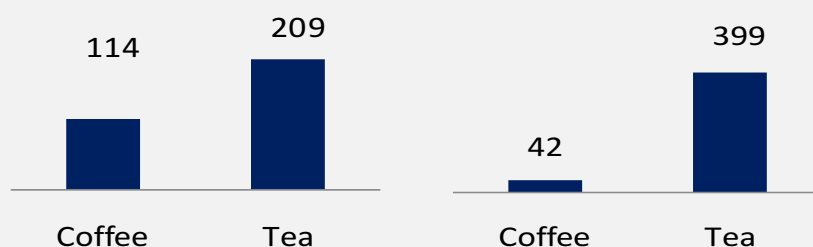
There is huge scope for value addition in cash crop wherein Kenya has competitive advantage as an investment location for the coffee and tea industry.

Investment could also be done in marketing infrastructure, transportation from farms to market, supply chain management such as cold storage system, logistics etc.

Production, Area of Coffee and Tea, 2015¹

Area ('000 Ha)

Production ('000 Tonnes)



Source: Agriculture, Fisheries and Food Authority, Coffee, Tea Directorate

Note: (1) Provisional

“Rising middle class incomes and changing tastes makes Kenya an ideal market for Indian companies in the FMCG sector”.

**Abhishek Rana,
Indus Coffee Pvt Ltd**

TOURISM

Tourism is one of Kenya's leading foreign exchange earner and third largest contributor to the GDP after agriculture and manufacturing.

Out of the 26 Parks and Game Reserves in Kenya, even less than 10 parks are fully operational accounting for almost 80% of the total number of visitors. This presents an opportunity to develop other parks with modern facilities and infrastructure.

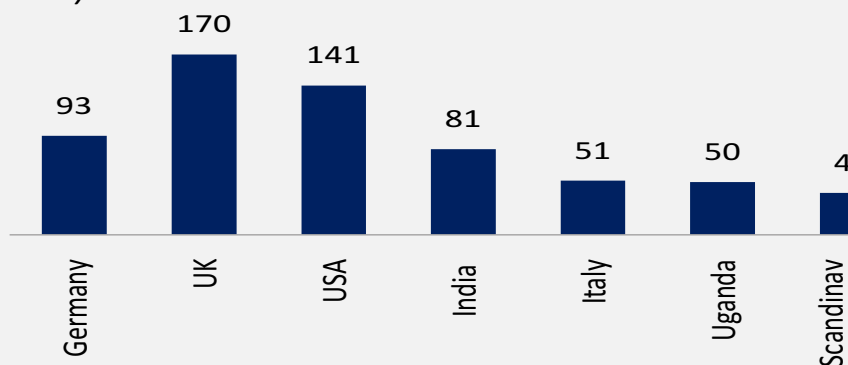
Investors can also take advantage of several strategies and programmes that have been earmarked by the government to attract investments into the industry such as establishment of resort cities, branding of premium parks, development of high value niche products and building of new high- end international hotels chains. Indian companies in sectors like Hotel, e-aggregators of tourism services, real-estate and restaurants can look to invest in this sector.

SCIENCE & TECHNOLOGY

India has been leader in innovation, in areas like space, nuclear, atomic research but also developing technologies which makes life of people easier. In this context, Indian technology may be more suited to the needs of African countries, particularly in the field of agriculture and renewable energy.

India has built considerable capacity in agricultural research. Two Indian institutions, namely International Crop Research Institute for the Semi-Arid

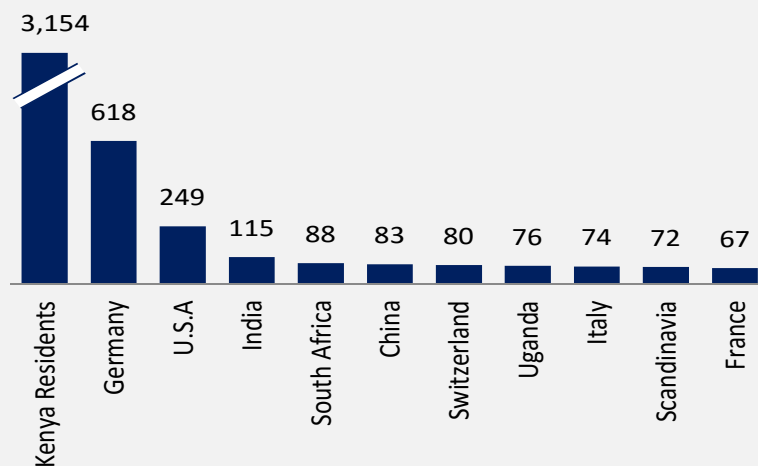
Visitors by Country of Residence, 2015¹ (000s)



Source: Kenya national bureau of statistics

Note: (1) Provisional, Excludes visitors whose purpose of visit is "Other"

Hotel Bed - Nights Occupancy by Country of Residence, 2015¹ (000s)



Source: Kenya national bureau of statistics

Note: (1) Provisional, Excludes visitors whose purpose of visit is "Other"

Tropics (ICRISAT) and International Livestock Research Institute (ILRI) lead India-Africa cooperation in agriculture.

ILRI has an ongoing India-Africa programme in Kenya. Given that less than 10% of the African farmers use high yielding varieties of crops, production of good quality seeds is a major challenge. The National Seed Association of India is partnering with the Syngenta Foundation

India in the “India-Africa Seeds Bridge” project. This project aims to develop the seed system by providing better seeds to farmers and creating a market for Indian seed companies.

India is also helping African countries bridge the digital divide. The Pan-Africa e-Network was launched in 2009, with a similar aim by harnessing socio-economic benefits of ICT, is functional

in Kenya. There is a lot of scope for investments in technical education, engineering and medical colleges. Some schools/colleges in Kenya are also run by the Indian diaspora. IGNOU also has a branch in Nairobi.

With Kenya emerging as one of the dynamic economies particularly in East Africa, it is imperative that we invest timely and appropriately in all possible sectors of cooperation.



Masai people



Masai man



06

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1	1	Flower farms in Kenya	Salakidogo
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4	4	Dr. Radhakrishnan Addressing people of Nairobi during opening of Gandhi Memorial Academy	University of Nairobi
5	10	Flower Farming in Kenya	Unknown
6	11	Kenyan woman farmer	Neil Palmer
7	12	Apparel Sourcing from Kenya	Fashionating World
8	15	Kenyan children	Alex Keller
9	16	Thika Super Highway	Smart Sign
10	18	Jomo Kenyatta International Airport Nairobi	Dilemma.Ex
11	21	Mombasa Port	Marisolgrandon
12	22	Upgradation of Railway Infrastructure	Railway Pro
13	29	Safari in Kenya	The World Links
14	35	Tea processing plant	Douglas Injugu
15	37	Workers at the Indian owned Alpharama Leather Manufacturing	FSD Kenya
16	43	Business executives	Youth LITE Kenya
17	44	Kenya money	FSD Kenya
18	50	Indian Workers laying Tracks in Kenya. More than 30,000 workers went from India to Kenya between 1896 to 1901.	BBC
19	51	Tata Chemicals Magadi Soda Factory	Tata

Sl. No.	Page No.	Title	Photo Credit
20	53	Kenyan Women Finance Trust	FSD Kenya
21	54	Airtel Kenya	Airtel
22	57	Kenyan Smiles : A public health and Dental Care Project	Centrix
23	58	Computer lab	Ventures Africa
24	64	Workers	Will Swanson
25	67	Lake Nakuru- Baboon hill view	Bjørn Christian Tørrissen
26	68	Transmission lines built by Shyama power	Shyama Power
27	71	Nairobi skyline at dusk	Ndi 01
28	72	Bean Farming in Kenya	Green Shoots
29	75	Cereals and pulses	unknown
30	79	Masain People	Guldemustun
31	80	Masai man	Philosophy for change



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