



KENYA: AN OVERVIEW

The Republic of Kenya is a mature democracy located on the eastern coast of Africa along the Indian Ocean. It is the 5th largest economy in Sub-Saharan Africa and the most dominant in the East African Community (EAC).

Agriculture is the mainstay of Kenya's economy. The country's agricultural productivity is one of the highest in the region, favoured by suitable climatic conditions ranging from tropical to temperate. This makes it ideal for cassava growing, which does best in elevations below 1,500m above sea level, in temperatures ranging from 25°C–29°C and in the rainfall range of 1,000–1,500 mm/year.

Cassava (*Manihot esculenta*) is mostly grown at the coast, and in the western, eastern and central regions of Kenya. It is an invaluable drought-resistant crop, ranking second in importance to Irish potato, among other root crops.

Key facts	
Capital city:	Nairobi
Area:	582,646 km ²
Population:	52.57 million (2019)
Population growth:	2.2% (2019)
Working age population:	25 million
Literacy rate (15+ years):	81.5% (2018)
GDP:	\$95.5 billion (2019)
GDP growth:	5.4% (2019)
GDP per capita:	\$1,816 (2019)
FDI inflow (current US\$):	\$1.33 billion (2019)
FDI growth:	26% (2018)
Total exports (current US\$):	\$11.49 billion (2018)
Total imports (current US\$):	\$20.409 billion (2019)
Currency:	Kenyan shilling
Exchange rate (per USD):	KSh 101.9 (2019)

Sources: KenInvest, Ministry of Agriculture, World Investment Report – UNCTAD, World Bank, 2020.

Cassava-growing belts in Kenya



WHY KENYA?

THRIVING ECONOMY

- **Strong GDP performance:** GDP growth has been at an average of 5.6% over the last 10 years, attributable to increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and a vibrant service sector. Agroprocessed products contribute 41% of the total manufacturing output.

Sectoral performance – percentage contribution to GDP (2012–19)								
SECTOR	2012	2013	2014	2015	2016	2017	2018	2019
Agriculture	26.1	26.4	27.5	30.2	32.0	31.5	34.2	34.2
Manufacturing	11.0	10.7	10.0	9.4	9.1	8.4	7.7	7.5
Construction	4.5	4.5	4.8	4.8	5.0	5.8	5.4	5.6
Wholesale and retail trade	7.8	8.1	8.0	7.5	7.3	7.6	7.4	7.5
Transport and storage	8.0	7.8	8.6	8.1	7.8	7.7	8.0	8.5
Finance and insurance activities	5.9	6.6	6.8	6.7	7.0	7.5	6.3	6.0
Information and communication	1.6	1.4	1.2	1.5	1.4	1.4	1.3	1.2

Source: KNBS Economic Survey, 2020.

- **Effective monetary policy:** Kenya has adopted an accommodative monetary policy that aims to support a non-inflationary credit expansion into key sectors of the economy such as agriculture and promote stability in the foreign exchange market. Consequent to this, Kenya ranks 4th out of 191 economies in the ease of getting credit according to the World Bank's Ease of Doing Business Report, 2019.

Performance of key macroeconomic indicators (2015–19)						
INDICATOR	UNIT	2015	2016	2017	2018	2019
Inflation	%	6.6	6.3	8.0	4.7	5.2
CBK interest rate	%	11.5	10.0	10.0	9.0	8.5
Current account as percentage of GDP	%	-6.9	-5.8	-7.2	-5.8	-5.8
GDP per capita	USD	1451.8	1558.8	1802.0	1917.8	2047.8
KES/USD exchange rate	KES	98.2	101.5	103.4	101.3	101.9

Source: KNBS Economic Survey, 2020.

IMPROVED BUSINESS ENVIRONMENT

- Key reforms and infrastructural frameworks are in place to support investment: presidential roundtables to address emergent issues in the business arena; a cabinet committee on ease of doing business to follow up on investors' concerns; a one-stop centre to provide pre-establishment support to investors; digitization of government services.
- Kenya's performance in the World Bank's Ease of Doing Business ranking has improved to position 56 out of 190 economies globally, and 3rd in Sub-Saharan Africa.

GLOBAL AND REGIONAL MARKET ACCESS

- Kenya has signed preferential trade agreements with a total population of more than 1.4 billion people and a market value in excess of \$29 trillion.
- Kenya is a signatory to trade-enhancing schemes that grant duty reductions or exemptions and freedom from all quota restrictions for industrial products and a wide range of agricultural products.
- The largest importer of cassava and cassava products from Kenya is the United Kingdom, followed by South Korea and Somalia.

TRADE AGREEMENT	MARKETS
African Growth and Opportunity Act (AGOA)	United States of America
Economic Partnership Agreement (EPA)	European Union
East African Community (EAC)	Tanzania, Uganda, Rwanda, Burundi and South Sudan
Generalized System of Preference (GSP)	United States, Japan, Canada, New Zealand, Australia, Switzerland, Norway, Sweden, Finland, Austria and other European countries
Common Market for Eastern and Southern Africa (COMESA)	Burundi, the Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Libya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Swaziland, Seychelles, Uganda, Zambia and Zimbabwe
Tripartite Free Trade Area (TFTA) between the EAC, COMESA and Southern African Development Community (SADC)	Regional markets, including South Africa
Bilateral trade agreements	Argentina, Bangladesh, Nigeria, Bulgaria, China, Comoros, Congo (DRC), Djibouti, Egypt, Hungary, India, Iraq, Lesotho, Liberia, the Netherlands, Pakistan, Poland, Romania, Russia, Rwanda, Somalia, South Korea, Swaziland, Tanzania, Thailand, Zambia and Zimbabwe

Source: UNCTAD, ITC, KenInvest.

STRATEGIC GEOGRAPHICAL LOCATION AND INFRASTRUCTURAL DEVELOPMENT

- Kenya is strategically located as a gateway to Eastern and Central Africa.
- There are four international airports (Jomo Kenyatta International Airport, Moi International Airport, Eldoret International Airport and Kisumu International Airport) that directly connect Africa to Europe, Asia and the USA, which are the largest markets for Kenya's agricultural exports.
- An extensive road and railway network, an expanding and liberalized energy sector, well-established digital telecommunication networks and the Port of Mombasa (largest sea port in the region) render Kenya as an effective transport, communications and logistics hub in Eastern and Central Africa.

LAND AVAILABILITY

- Land in Kenya is either public or privately owned. An investor can acquire land by leasing and obtaining a lease grant or by purchasing and obtaining a title of ownership. Maximum lease period is 99 years.
- Serviced land and ready factory buildings are available for sale or lease, in the export processing zones (EPZs) and special economic zones (SEZs), to companies engaging in value addition of cassava.
- Approximately 48.5% of the total land area in Kenya is suitable for agriculture, with a large portion of this ideal for cassava growing.

AVAILABILITY OF HIGHLY SKILLED HUMAN CAPITAL

- Kenya prides itself in its large pool of highly educated, skilled and sought-after workforce in Africa.
- According to the World Bank's Human Capital Index Report 2018, Kenya is ranked 4th in Africa and 94th globally.
- With an average population growth rate of 2.2%, a population density of 82 people per km² and a greater concentration of the youthful, productive workforce in the cassava-growing belts, Kenya offers a reliable talent pool for investors.



LEGAL AND REGULATORY ENVIRONMENT

- The Companies Act under Section 995 provides for simplified registration of foreign companies in Kenya.
- The Standards Act, Chapter 496 provides for Kenya's quality infrastructure for facilitation of trade.
- Kenya has opened itself to foreign investors with increased leeway in ownership. The law allows for 100% foreign ownership in most sectors such as manufacturing and agriculture.

GOVERNMENT SUPPORT FOR CASSAVA SECTOR

- Provision of cassava plantlets to farmers and advisory services through research and extension services.
- National Roots and Tuber Crops Development Strategy (2019–22) in place to provide a clear roadmap for sustainable growth and development of the root and tuber crops subsector.
- Enhanced large-scale production through provision of arable land for cassava and other food crops under the government's Big Four Agenda towards ensuring 100% food and nutrition security.
- Kenya Investment Authority facilitates implementation of new investment projects and provides aftercare services for existing investments.
- Incentives are provided to investors under SEZs and EPZs, including capital deductions, tax holidays, VAT exemptions and import duty exemptions.

Costs of utilities and other production factors	
Item	Cost (in USD)
Water (per cubic metre)	0.53–0.63
Electricity (per kWh) *5% discount during off-peak hours for CI1–CI5 commercial customers for 100% production capacity.	<ul style="list-style-type: none"> ▪ 0.10–0.15 - 16% VAT on related charges - Rural Electrification Programme (REP) levy at 5% of revenue from unit sales - Energy and Petroleum Regulatory Authority (EPRA) levy at 3 Kenyan cents per kWh ▪ 0.09 in export processing zones
Leasing space (per square metre) <i>For Mombasa, Nairobi and Kisumu.</i>	290–320: Industrial complex (two-storey) 270–310: Warehouses 350–380: Office blocks (four-storey)
Minimum wages* (per month) <i>For agricultural industry.</i>	67.36: Unskilled employees 76.89: Skilled and Semi-skilled employees

Source: Kenya Power Company Ltd; Nairobi City Water and Sewerage Company; Regulation of Wages Order (Agricultural Industry) 2018; Institute of Quantity Surveyors of Kenya.

INVESTMENT OPPORTUNITIES

Cassava production

The cassava-growing belts have large parcels of agricultural land available for investors. There exists great potential in investing in pre- and post-harvest mechanization through adoption of labour-saving devices in cassava production that will ensure more efficient and better services to field production. Average cassava yields in Kenya are estimated at 7.5 tons/ha to 10 tons/ha, but can be as high as 25 tons/ha with proper breeding improvements targeting nutritional content, disease resistance and yields.

Cassava cold storage

Fresh cassava roots deteriorate rapidly and are heavy to transport. There are currently no cassava cold storage facilities in Kenya to prolong the shelf life of the produce; therefore, farmers run into huge economic losses at the times of harvest. Kenya seeks investors in this segment of the value chain in the cassava-growing belts.

Cassava processing

The county government of Homa Bay, one of the major cassava-growing belts, presents a \$0.32 million joint venture project for the construction of a cassava processing plant, which will entail investment in building and machinery on a build–operate–transfer model. The county government is to provide land. This project will improve the living standards of cassava-growing farmers and the community, and will increase revenue generation in the county.

Technology transfer

The cassava-growing belts need sufficient supply of machinery, equipment and technical know-how for cassava growing, harvesting and processing at different scales of production. Kenya produces on average 850,000 tons of cassava annually over the past five years. A great potential, therefore, exists in technology transfer to increase this production to be able to meet the growing demand for cassava products.

For more information, contact Kenya Investment Authority: info@invest.go.ke

GETTING STARTED: BRIEF GUIDE

- Company registration: Done online through the eCitizen portal: <https://accounts.ecitizen.go.ke/register>.
- Complete investment application form (<http://www.invest.go.ke/wp-content/uploads/2016/10/Investment-Application-Form-2018.pdf>) and submit to Kenya Investment Authority for the issuance of an investment certificate to facilitate implementation and operation.
- Apply for directors' tax PINs and company's PIN on the iTax portal: <https://itax.kra.go.ke/>. You can request for facilitation from KenInvest.
- Open a local bank account using the company's PIN and other registered details of the company. Transfer your capital amount (at least \$100,000) into this account.
- Apply for a work permit. Present proof of capital investment of at least \$100,000 or its equivalent in other currency to the immigration office at KenInvest for facilitation of work permits of the directors/employees.
- Identify location or project site and undertake an environmental impact assessment (EIA) for approval by the National Environmental Management Authority as a precondition to the issuance of an investment certificate by KenInvest.
- Obtain single/unified business permit from relevant local authority (county government).
- Registration with the National Social Security Fund (NSSF). Important for local employees.
- Registration with the National Hospital Insurance Fund (NHIF). Important for local employees.

Please visit <https://eregulations.invest.go.ke/> **for more information.**



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