KenInvest
PROMOTING INVESTMENTS IN KENYA
Kenya Investment Authority

POTATO SECTOR INVESTMENT PROFILE SUMMARY

KENYA

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).

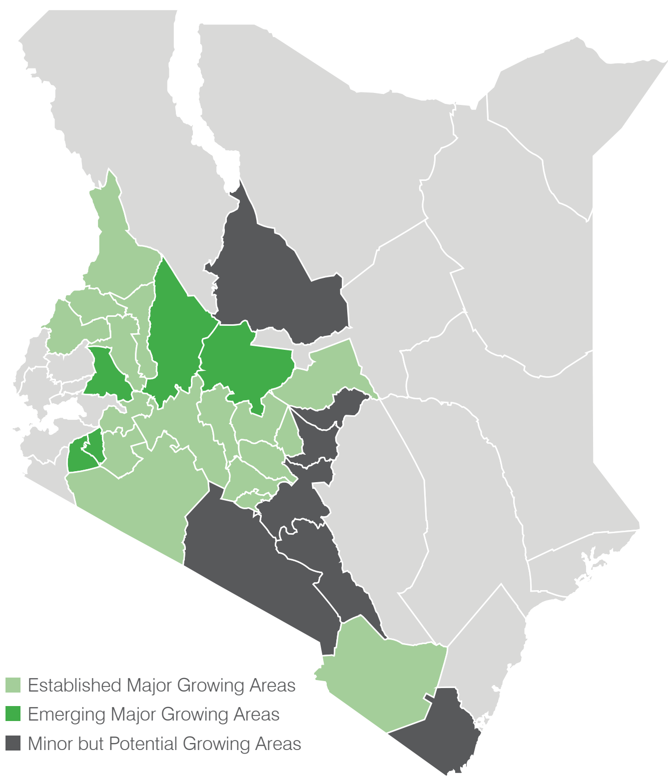
Agriculture is the mainstay of Kenya's economy. The country's agricultural productivity is one of the highest in the region, favoured by suitable climatic conditions ranging from tropical to temperate, ideal for growing the 56 potato varieties currently produced in Kenya.

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.

Potato *(Solanum tuberosum)*, grown across 21 counties in Kenya, is one of the most consumed food crops in the country, after maize, and accounts for 23.5% of the total value of horticultural produce. It serves as a staple food crop as well as cash crop for many rural and semi-urban households.

Potato-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 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, such as presidential roundtables to addresses 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, and digitization of government services.
- 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.
- 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 major export markets for Kenya's fresh/chilled potatoes and seeds are Uganda, Somalia, Djibouti and South Sudan.

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 ware potatoes.
- Approximately 48.5% of the total land area in Kenya is suitable for agriculture. The growing demand for potato and potato products has seen the total land area under potato cultivation rise by 12.3% in the last five years.

AVAILABILITY OF HIGHLY SKILLED HUMAN CAPITAL

- Kenya prides itself on 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 km^2 and a greater concentration of the youthful, productive workforce in the potato-growing belts, Kenya offers a reliable talent pool for investors.

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.	▪ 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) *For Mombasa, Nairobi and Kisumu.*	290–320: Industrial complex (two-storey) 270–310: Warehouses 350–380: Office blocks (four-storey)
Minimum wages* (per month) *For agricultural Industry.*	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.

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.
- The Crops (Irish Potato) Regulations, 2019 guides the development, promotion and regulation of production and trade of Irish potatoes in Kenya.

GOVERNMENT SUPPORT FOR POTATO SECTOR

- Provision of certified seeds to farmers and advisory services through research and extension services.
- National Roots and Tuber Crops Development Strategy (2019–2022) 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 potato 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.

INVESTMENT OPPORTUNITIES

Potato production

Adaptive research and implementation of rapid multiplication technologies for in vitro, minituber and field generation seed categories, and equitable business models to stimulate the seed sector through public–private partnership (PPP). There is a projected market potential of 22,000 tons for certified seeds in the country. Certified seed can increase yield from approximately 8t/ha to 16t–20t/ha for smallholders, but, currently, only an estimated 5% of the demand is satisfied (TechnoServe, 2017). Investors are encouraged to tap into this potential.

Potato cold storage

There are no ware potato 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. The County of Nyandarua, the largest potato-producing belt in Kenya, proposes to put up five cold storage facilities (one facility per sub-county) with capacity of 1,000 metric tons each under public–private partnership (PPP). The estimated cost of each facility is $0.6 million. Feasibility study is complete.

Potato processing

The county government of Nyandarua presents a PPP project worth $20 million aimed at commercializing potato farming through cooperatives. This will be achieved through establishment of a processing unit and supporting infrastructure. The processing plant will comprise a cooling, grading and packaging facility as well as a sales outlet in Ol Kalou town, Nyandarua County. There is also potential for similar investment in other parts of the county. Feasibility study is complete.

Technology transfer

The potato-growing belts need sufficient supply of machinery, equipment and technical know-how for potato growing, harvesting and processing at different scales of production. Kenya produces approximately 2 million tons of ware potatoes annually and engages approximately 3 million Kenyans across the value chain. A great potential, therefore, exists in technology transfer to increase this production to be able to meet the growing demand for potato 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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International Trade Centre

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