



DOING BUSINESS IN
KENYA 2016

EEPCINDIA
ENGINEERING THE FUTURE

THE EEPC INDIA 'DOING BUSINESS' SERIES

Doing Business in Kenya 2016
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PREFACE

INDIA-KENYA trade links and commercial ties between India and Kenya go back several centuries. At present, Kenya has a large minority of Indians and Persons of Indian Origin (numbering over 100,000 people); most of them are descendants of laborers brought in by the British to construct the Ugandan Railway. After independence in 1948, India established an Office of the Commissioner for British East Africa resident in Nairobi in 1948. Further, following Kenya's independence in 1963, an Indian High Commission was established in Nairobi and an Assistant High Commission set up in Mombasa. Kenya maintains a High Commission in New Delhi. This High Commission is concurrently accredited to Bangladesh, Sri Lanka and Singapore. Kenya and India are members of international bodies such as the United Nations, Non-Aligned Movement, Commonwealth of Nations, G-77 and G-15 and the Indian Ocean Rim Association for Regional Cooperation and often cooperate with each other at these fora.

Bilateral cooperation between the two countries has tremendously improved post the economic reforms in India. In April 2015, the Government of India approved US\$100 million LOC to the Government of Kenya for the Agricultural Mechanisation Project. Further in January 2016, an LOC of US\$ 29.95 million was approved by Government of India to Kenya to upgrade the Rift Valley Textiles Factory. With regard to investments, Indian investments in Kenya are now worth \$1.5 billion and India's pharmaceutical exports have played a key role in making essential drugs available at affordable prices in Kenya. India also offers 101 fully funded scholarships for Kenyans annually under its Indian Technical and Economic Cooperation Programme for training them in technical skills. The area of cooperation between the two countries also includes development of various SMEs.

EEPC India's 'Doing Business Series'

This endeavor by EEPC India to publish 'Doing Business in Kenya' is an attempt to create greater awareness on trade and investment opportunities that exist in Kenya. It contains information on broad economic and trade indicators, including basic facts; key economic indicators; trend in trade, including engineering products; and useful contacts. It is expected to create much needed awareness about products' market and opportunities for trade and investment in Kenya. It will also help Indian business communities take informed decisions.

We hope that the business communities in India and Kenya, by capitalizing on the ongoing initiatives by the two governments for increased cooperation, can successfully build a strong and sustainable partnership that will usher in a new era of cooperation.



MESSAGE

It gives me immense pleasure to share with you the first edition of 'Doing Business in Kenya 2016'. EEPIC India is a trade and investment promotion organization under the aegis of Ministry of Commerce & Industry, Government of India. EEPIC India has always promoted India as a brand on the international front and strives to develop its bilateral ties with countries by improving bilateral trade and investments.

Indian Engineering Exhibition (INDEE) in Nairobi, Kenya from 9-11 November 2016 is being organized with a view to promote bilateral trade with Kenya. INDEE provides a platform to the Indian business community to showcase their products in Kenya and to understand current market trend and economic sentiments of the country. Kenya's global engineering imports were US\$ 6620 million in 2013 and India had a recommendable share of approx 11% in its total engineering imports. India is the third largest exporter of engineering products to Kenya.

Doing Business in Kenya 2016 can be looked at from a larger perspective. Kenya is the largest economy in the Eastern Africa region, access to which will act as a gateway for Indian manufacturers into the Eastern Africa region. Bilateral ties has been growing at a faster pace between the two countries after the recent visit of the Indian Prime Minister, Mr Narendra Modi.

Doing Business in Sri Lanka is a knowledge bank for India's business and industry. We hope this publication will give adequate information for venturing into the Kenyan market.

Tarvinder Singh Bhasin

Chairman
EEPIC India



MESSAGE

India and Kenya share a good economic and bilateral relations. Kenya is a growing economy, and no other Sub-Saharan African country is as poised for rapid economic growth as Kenya. Some obstacles, such as slow progress towards regional integration, rising inequality and infrastructure deficits, persistently undermine Kenya's economic performance and growth potential. Kenya is a part of three major regional economic communities of the African continent. These include EAC (East African Community) which consists of six eastern African countries and having a combined GDP of US\$ 169.5 billion (2015); COMESA (Common Market for East and Southern African countries) which comprise of nineteen countries; and SADC (Southern Africa Development Community). Kenya's membership in these regional integration provides an expanded market of approximately 300 million people.

There is a huge potential for the Indian companies in Kenya in sectors like power, infrastructure- roads, railways and ports, agro-industrial, small and medium enterprises and transfer of technology. Indian business participation till now not only include trade but also several investment activities promoted by the respective governments of Kenya.

EEPC India is providing an opportunity for exploring Kenya's market potential through Indian Engineering Exhibition (INDEE) in Nairobi, Kenya from 9–11 November 2016. 'Doing Business in Kenya' is an attempt to provide our participating companies and other stakeholders a glimpse of the possibilities that exists in this beautiful country.

Mahesh K Desai

Chairman of the Territorial Committee on Central, Eastern and Southern Africa
EEPC India



MESSAGE

Kenya is the largest economy in East Africa in terms of GDP. Kenya's GDP was valued at US\$ 61.1 billion in 2014, and is increasing annually at an impressive rate primarily because of policy changes. It is also because of improvement in economic scenarios and developmental steps taken by the Kenyan government leading to recent up gradation of Kenya to a lower middle income country from a least developed country by the World Bank. Positive expansions have taken place in the key sector of tourism, in electricity, which benefitted from improvements in power supply.

Kenya is an emerging economy with huge scope for bilateral trade and investment. Kenya offers investment in mostly all the sectors majorly in agro based industries, machinery and building materials, furniture, textiles machinery, food processing, pharmaceuticals, electronic goods, solar technology products, roads, ports, railways and energy sector. Small businesses in Kenya, however, are constrained because of lack of essential business support services, and predominant role of agriculture in Kenya's economy.

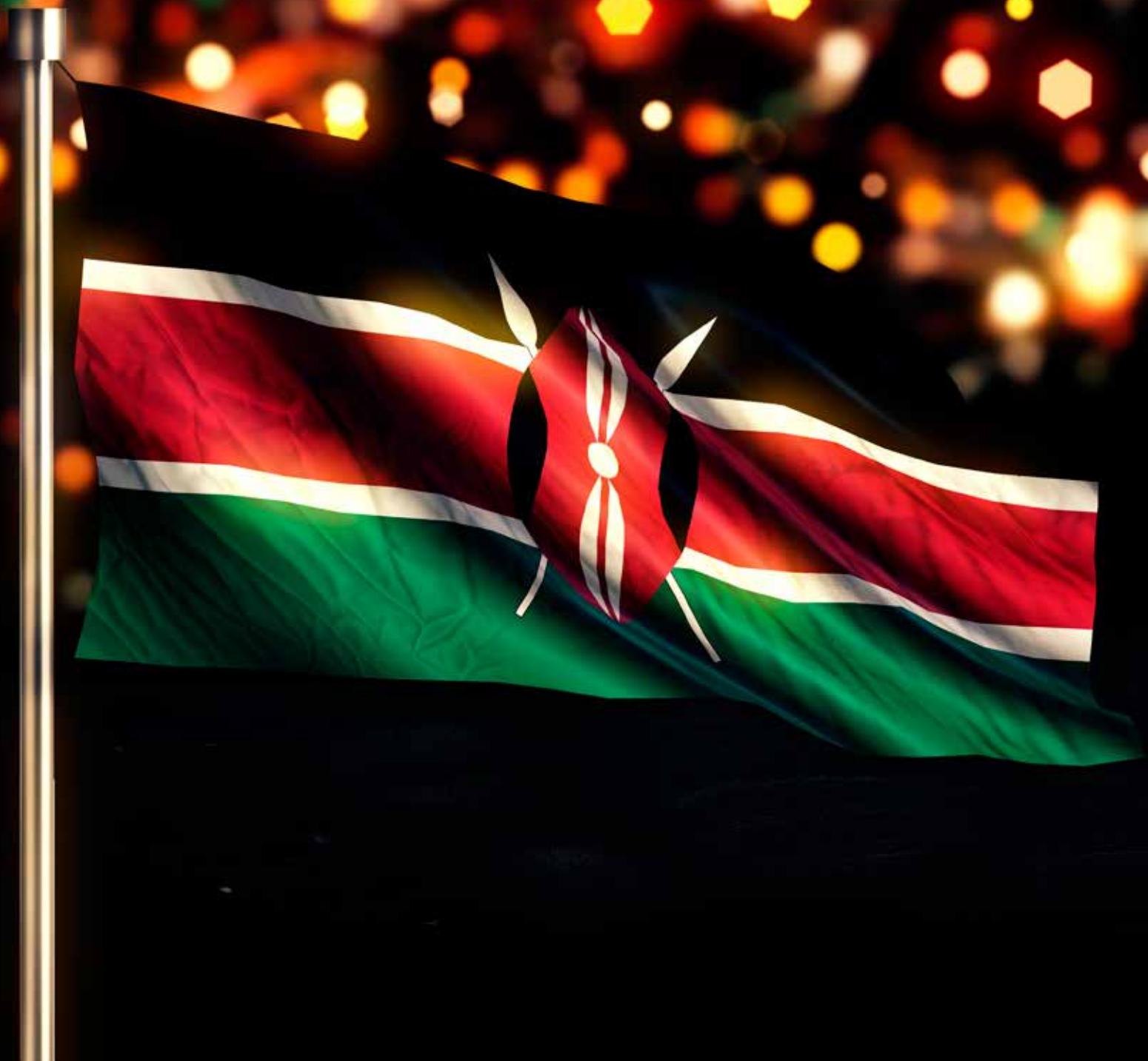
EPC India, in its endeavor to support India's engineering export, has taken several initiatives and INDEE Kenya 2016 is one such initiative. INDEE Kenya 2016 would provide opportunities for both the Indian manufactures and SMEs and also the Kenyan SMEs to develop and expand their ventures.

I am sure 'Doing Business in Kenya' will enhance the knowledgebase of Indian industries on opportunities in Kenyan market. Further, it would also help Indian business community in taking more informed decisions.

A handwritten signature in black ink, appearing to read 'Bhaskar Sarkar', with a horizontal line underneath.

Bhaskar Sarkar

Executive Director & Secretary
EPC India

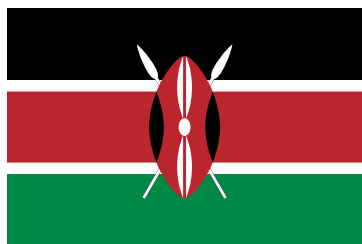


A decorative background on the left side of the page featuring a bokeh effect of out-of-focus lights in warm colors like orange, yellow, and red, with a few cooler blue and purple tones. The lights vary in size and brightness, creating a soft, glowing atmosphere.

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DOING BUSINESS IN KENYA 2016



Key Facts

Geography	
Location	Southern Asia, island in the Indian Ocean, south Eastern Africa, bordering the Indian Ocean, between Somalia and Tanzania of India
Area	580,367sq km
Climate	Varies From Tropical Along Coast To Arid In Interior
Time Difference	IST (India is 2 hours and 30 minutes ahead of Kenya)

Demography	
Population	45,925,301
Population growth rate	1.93 %
Literacy Rate	98 %
Major Languages	English (official), Kiswahili (official)

Key Economic Indicators	
Currency	Kenyan shillings (KES)
Exchange Rate	Kenyan shillings (KES) per US dollar - 99.73 (2015 est.)
GDP Official Exchange Rate	US\$ 61.41 billion (2015)
GDP- real growth rate	5.4% (2015)
GDP Per Capita (PPP)	US\$ 3, 200 (2015)
GDP - composition, by sector	Agriculture: 29.9% Industry: 19.5% Services: 50.6% (2015)
Industries	Small-Scale Consumer Goods (Plastic, Furniture, Batteries, Textiles, Clothing, Soap, Cigarettes, Flour), Agricultural Products, Horticulture, Oil Refining; Aluminum, Steel, Lead; Cement, Commercial Ship Repair, Tourism
Export	US\$ 5.679 billion (2015)
Export commodities	Tea, Horticultural Products, Coffee, Petroleum Products, Fish, Cement
Export Partners	Uganda 11.3%, US 8.3%, Tanzania 8.1%, Netherlands 7.4%, UK 6%, Pakistan 4.2% (2015)
Import	US\$ 16.2 billion (2015)
Import Commodities	Machinery And Transportation Equipment, Petroleum Products, Motor Vehicles, Iron And Steel, Resins And Plastics
Import Partners	China 30.1%, India 15.5%, UAE 5.7%, US 4.8%, Japan 4.7% (2015)
Ports and Terminals	Major Seaport: Kisumu, Mombasa
Rank on the Ease of doing Business Index, 2015	108
Source: www.cia.gov	



Nairobi, the capital city of Kenya

Introduction

KENYA is considered as the regional hub for trade and finance in East Africa. The political instability and its impact on key sectors like agriculture and tourism, had dampened the expectations of continuous growth in the country. But a diversified economy has helped East Africa's largest economy, to experience a considerable growth in the past few years. The growth is driven by several key factors like reasonably well-educated labour force, a vital port that serves as an entry point for goods destined for countries in the East African and Central Africa interior, abundant wildlife and kilometres of attractive coastline and above all, a government that is committed to implementing business reforms. Kenya's agricultural development remains the most important contributor to GDP.

Kenya's position as the economic, commercial and logistical hub in Eastern Central Africa, places the country as one of the best investment destinations globally. Foreign Direct Investments (FDI) has been on the rise and is strongest

in the East Africa region. Kenya is the dominant economy in the East Africa Community, contributing more than 40% of the region's GDP. This is also uniquely distinguished from many countries by the fact that Kenya's economy is one of the most diversified with no oil, nor gas exports. Kenya's growth is projected to rise to 5.9% in 2016 and 6.1 % in 2017.

India and Kenya are working on strengthening the ties shared by the two countries. To help bilateral cooperation attain new heights, the Prime Minister of India, Mr Narendra Modi, paid a State Visit to Kenya from 10 to 11 July 2016. The visit culminated in the signing of the following agreements to boost bilateral cooperation:

- MoU on Defence Cooperation
- MoU on Cooperation in the field of National Housing Policy Development and Management
- Agreement for the Avoidance of Double Taxation and the Prevention of

DOING BUSINESS IN KENYA 2016

Fiscal Evasion with Respect to Taxes on Income

- MoU between Bureau of Indian Standards and Kenya Bureau of Standards
- Agreement on Exemption of Visa for holders of Diplomatic Passports
- Line of Credit Agreement for US\$ 15 million to IDB Capital Limited, for development of small and medium enterprises [SMEs]
- Line of Credit Agreement for US\$ 29.95 million to the Government of Kenya for upgrade of Rift Valley Textiles Factory [RIVATEX]

Commercial guide to Kenya

Private sector-led economic growth has since the early 2000s, been Kenya's Priority. Kenya has a market-based economy and is generally considered the economic, commercial, and logistics hub of East Africa. With the strongest industrial base in East Africa, Kenya has been successful in attracting private equity capital. The Government's business-friendly stance has helped set development benchmarks for a number of priority sectors. This has been complemented by the integration of the East African Community (EAC) and the establishment in 2005 of a customs union and a common market. Kenya is a member of COMESA (Common Market for Eastern and Southern Africa) with 19 countries, and 14 of which are in a Free Trade Area (FTA). Three regional economic blocks i.e EAC, COMESA and SADC (South African Development Community) with a combined population of over 600 million people are currently developing a joint framework and roadmap towards a Free Trade Area by 2015. With all these developments happening, the real GDP growth which was 5.3% in 2014, is estimated to be 6.4 % in 2017.

Kenyan economy is on the path of expansion and offers opportunities for more cooperation in engineering, electronics, pharmaceuticals, textiles and information technology sectors.

Market challenges

The market in Kenya is evolving and also shares good relations with its neighboring countries in the African continent. But a few challenges faced by the business community while doing business in Kenya are : physical infrastructure- though Kenya has a superior infrastructure as compared to its neighboring countries but still it remains underdeveloped and a key obstacle to economic development; low level of price competition in Kenya compared with many other fast-developing countries which is a challenge for traders as it affects market efficiency; insecure environment for business especially in urban settings and corrupt dealings are also prevalent in Kenya; Legal recourse in Kenya is slow and expensive. But the Kenyan



The business district of Nairobi

government is trying its best to overcome these hindrances and build a strong market base.

Market opportunities

Despite the many challenges that Kenya presents, there are a good number of opportunities locally and regionally. Kenya offers potential investment opportunities in sectors like infrastructure, environment & natural resources, Building and construction, manufacturing, agribusiness engineering services like : power generation equipment and power transmission infrastructure, household appliances.

Market entry strategy

A common strategy followed in Kenya is to first appoint an agent or distributor, and then to enter and register. Kenya is one of the key logistical conduits into the East Africa Community (EAC) regional market consisting of South Sudan, Kenya, Tanzania, Uganda, Rwanda, and Burundi. Many foreign companies operating here do business under their own name to manage penetration into the larger, regional market. Companies that create jobs and implement strong Corporate Social Responsibility (CSR), education and training programs are appreciated. Capacity building to create employment is needed to support Kenya's economic development goals.

India-Kenya bilateral trade

India and Kenyan government have cordial relations and good cooperation dating back to several centuries. The Indian Diaspora in Kenya has contributed to Kenya's progress. The migration of Indians to Kenya took place in the late 19th century and the early 20th century to help build Mombasa-Kampala railway line. Also many of the Indian have set up businesses in Kenya. Both the countries share common views on regional; and global interests and co-operated closely in regional and multi lateral fora. The bilateral engagements between the two countries have been strengthening with regular high level visits, growing trade and commerce as well as extensive people to people contacts and business opportunities.

Year	2011-12	2012-13	2013-14	2014-15	2015-16
EXPORT	2,277.46	3,770.34	3,882.15	4,117.93	3,025.85
IMPORT	113.39	105.95	126.63	117.42	127.55
TOTAL TRADE	2,390.85	3,876.29	4,008.78	4,235.36	3,153.40
% Growth		62.13	3.42	5.65	-25.55
Trade Balance	2,164.07	3,664.38	3,755.52	4,000.51	2,898.30

*Source: Ministry of Commerce & Industry, Govt. of India
VALUE IN MILLION US\$*

Kenya is an important trade and investment partner for India. Bilateral trade was US\$ 4.235 billion during 2014-15. There has been a growing trade (US\$ 3.15 billion in 2015-16) and investment partnership. Indian firms

have invested in telecommunications, petrochemicals and chemicals, etc. and have executed engineering contracts in the power and other sectors. Kenya is a founder-member in the Indian Ocean Rim Association. India's exports were worth nearly US\$ 4.12 billion. Principal Indian exports to Kenya include pharmaceuticals, steel products, machinery, yarn, vehicles and power transmission equipment. Main Kenyan exports to India include soda ash, vegetables, tea, leather and metal scrap.

India-Kenya trade in engineering goods

India and Kenya have maintained strong trade ties over the years. India is the third largest exporter to the country for engineering goods.

Year	2011-12	2012-13	2013-14	2014-15	2015-16
EXPORT	644.01	701.12	741.23	630.07	661.17
IMPORT	13.91	7.89	6.07	13.55	6.12
TOTAL TRADE	657.92	709.01	747.3	643.62	667.29

*Source: Ministry of Commerce & Industry, Govt. of India
VALUE IN MILLION US\$*

The above table contains the trade figures for India-Kenya bilateral trade in engineering sector. The total trade and exports from India in engineering sector between the two countries has been increasing until a downfall experienced in 2014-15. After the downfall the trade between the countries has been on a rising path. But a different trend has been seen in the imports of engineering products by India from Kenya. In the year 2014-15, where total trade and exports experienced a fall, India's imports from Kenya in engineering products jumped by more than 100% and falling by the same magnitude in the immediate year.

Top engineering exports to Kenya by India

As per the DGCIIS classification of the HS Codes at 2-digit level, we have segregated the top 10 panels of engineering products which have been exported to Kenya from India. Out of these 10 panels 3 panels have experienced negative growth. Panels like 76 and 79 have established growth more than 40% for rest of the panels the growth has not been that significant.



A view of Mount Kilimanjaro from Amboseli National Park, Kenya



Table 3: India's top 10 engineering exports to Kenya sector-wise

HS Code	Commodity	Value of Exports (2014-2015)	Value of Exports (2015-2016)	Growth (%)
84	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	171.94	190.82	10.98
87	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof.	137.64	131.39	-4.54
85	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And Reproducers, and Parts.	103.94	126.81	22.00
73	Articles Of Iron Or Steel	61.25	63.34	3.41
76	Aluminum And Articles Thereof.	32.36	60.8	87.89
72	Iron And Steel	60.54	28.84	-52.36
90	Optical, Photographic Cinematographic Measuring, Checking Precision, Medical Or Surgical Inst. And Apparatus Parts And Accessories Thereof;	18.62	18.73	0.59
79	Zinc And Articles Thereof.	8.31	11.9	43.20
94	Furniture; Bedding, Mattresses, Mattress Supports, Cushions And Similar Stuffed Furnishing; Lamps And Lighting Fittings Not Elsewhere Specified Or Inc	11.1	9.54	-14.05

Source: Ministry of Commerce & Industry, Govt. of India
VALUE IN MILLION US\$

Kenya's up gradation to Middle Income Country

The World Bank's latest estimates of Gross National Income per capita (GNI) showed improved economic performance in many low-income countries, including Kenya and now becoming lower-middle income countries, joining those with annual incomes of \$1,046 to \$4,125. Kenya now becoming a lower middle income country, as declared by the World Bank, East Africa's largest economy, hopes that it would be one of the continent's most successful growth stories. Kenya has underperformed its peers in economic growth, investment, and exports over the past decade, now it aims at becoming an upper middle income country by 2030. To meet its goal of becoming a developed economy by 2030, the country will be targeting to jumpstart stagnating industries, provide more jobs for its youth, and reduce corruption, and create a secure environment for business to attract more investment.

EXIM Bank Lines of Credit (LoC) to Kenya

EXIM Bank provides three LOCs to Kenya worth US\$ 106.55 million to be used in setting up power transmission lines, Development of various small and medium enterprises and for up gradation of Rift Valley Textiles Factory (RIVATEX East Africa Ltd).

Currency and Banking in Kenya

Banking in Kenya is easy and efficient. Banks can be found in most major towns and cities. If you have a Visa Card you can withdraw at most of the ATMs only there may be charges attached to the transaction and the charges may vary from one machine to another. For Master Card Masteo the CFC Stanbic Bank allows the withdrawal of up to KES 10000 per each withdrawal and the number of withdrawals per day that you can make is as per the limit on the card. Charges tend to be quite reasonable. Debit cards are not widely used. Money can be exchanged at any Kenyan bank.

List of Banks in Kenya and their contact details

African Banking corporation Ltd

ABC Bank House
P.O Box 38610-00800, Nairobi
Tel: +254 (20) 4447352, 4447353, 4442401, 4442382

Bank of Africa Kenya Limited (BOA Kenya)

Re-insurance Plaza, Taifa road,
P.O Box 69562-00400, Nairobi
Tel: +254 703 058 120 / +254 20 327 5000

Cooperative Bank of Kenya

Nakumatt Mega, opposite Nyayo Stadium
Uhuru Highway
Tel: 0202776000
Email Id: <https://www.co-opbank.co.ke/atm-and-branch-locator>

INDIAN BANKS IN KENYA

Bank of Baroda

Baroda House
29, Koinange Street,
P.O Box 3033-00100
Nairobi, Kenya
Email: kenya@bankofbaroda.com , ho.kenya@bankofbaroda.com

Bank of India

Tel: +254 – 020 2221414/15/16
Email Id: seniormanager.operations@boikenya.com

Important source of Information	
http://www.yellowpageskenya.com/	The Yellow Pages Kenya
http://www.mfa.go.ke/	The Kenya Ministry of Foreign affairs
http://www.industrialization.go.ke/	The Kenya Ministry of Trade and Industry
http://www.knbs.or.ke/	Kenya National Bureau of statistics
https://www.centralbank.go.ke/	Central Bank of Kenya

Trade Promotion Organizations in Kenya

- Kenya association of Manufacturers: <http://www.kam.co.ke/>
- Kenyan National Chamber of Commerce and Industry: <https://portal.kenyachamber.or.ke/>

Working Hours in Kenya

- Monday to Friday 9:00 am to 13:00 pm and 14:00 pm to 17:00 pm

Preferable Mobile Networks in Kenya

- Airtel : www.africa.airtel.com/kenya/
- Safaricom : www.safaricom.co.ke
- Orange (Telkom Kenya) : www.orange.co.ke

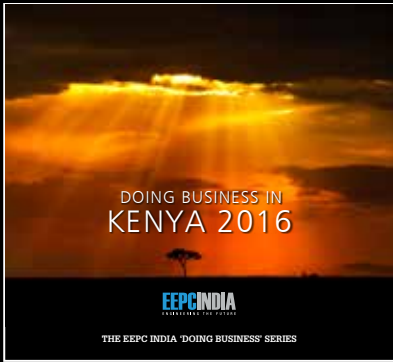
Diplomatic Missions

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DOING BUSINESS IN KENYA 2016

Upcoming Exhibitions in Kenya			
Exhibition	Sector	Venue	Date
INDEE KENYA	Pharmaceuticals & Packaging Machinery And Equipments, Industrial And Electrical Machinery, Agricultural Machinery & Parts Etc	Nairobi, Kenya	8th - 10th November 2016
KENYA TRADEX	Multi-sector International Trade Exhibition. Tradex features sectors include Automotive, Building, Industrial, Lighting, Machinery, Security, Plastics, Food, Hotel, Agriculture, Consumer & Household, Printing & Packaging, Medical & Health, Garments	Kenyatta International Conference Center, Nairobi, Kenya	8th - 10th December 2016
SECUREXPO EAST AFRICA	Largest International Trade Show in East Africa dedicated to Commercial, Homeland and Cyber Security, Fire Protection and Safety	Visa Oshwal Convention Center, Nairobi, Kenya	8th - 10th November 2016



Doing Business in Kenya 2016

Kenya's position as the economic, commercial and logistical hub in Eastern Central Africa places the country as one of the best investment destinations globally. Foreign Direct Investments (FDI) has been on the rise and is strongest in the East Africa region. Kenya is the dominant economy in the East Africa Community, contributing more than 40% of the region's GDP.



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