

Invest in Kenya

Local Business Intelligence



Agribusiness ■ Tourism ■ Financial Services

In partnership with:



Invest sustainably, choose your sector

Why local business intelligence?

With **company-level information** on key sectors, this profile complements the wealth of market intelligence on the investment readiness of a country, i.e. the United Nations Conference on Trade and Development's Investment Policy Reviews. It provides a snapshot of the investment readiness of Kenyan companies grounded in unique survey data. Firm-level data of this nature are relatively underexplored by the investment community, but can be a useful tool to help investors make informed decisions. This can help developing countries attract investment and integrate into international production and distribution networks.

Selecting competitive sectors

This profile focuses on **three key sectors** – agribusiness, tourism and financial services – that have been prioritized in Kenya's long-term development strategy. These sectors offer the possibility for investors to contribute to the Sustainable Development Goals while reaping good business returns.

- **Agribusiness:** Kenya is a regional leader in agricultural productivity and sustainable agricultural certification. Strong growth in both production and exports signals exciting prospects for investment.
- **Tourism:** Kenya welcomes a growing number of tourists every year. Investment in the sector has increased as a result, and is projected to exceed \$1.3 billion a year by 2028.
- **Financial services:** Kenya has the third-largest financial sector in sub-Saharan Africa and aspires to be the regional hub for financial operations. The sector is proactive in promoting impact investment and financial inclusion throughout Africa.

National ownership

The International Trade Centre, in **partnership** with the Kenya National Chamber of Commerce and Industry and the Kenyan Ministry of Industry, Trade and Cooperatives, collected the data analysed and presented in these pages. This reflects efforts to strengthen information ecosystems.



Why invest in Sustainable Development Goals?

Investors can promote the long-term profitability of their portfolios by **investing in sustainable development**. This profile guides private sector investors on their journey to becoming stewards of sustainability, without sacrificing returns in the process.

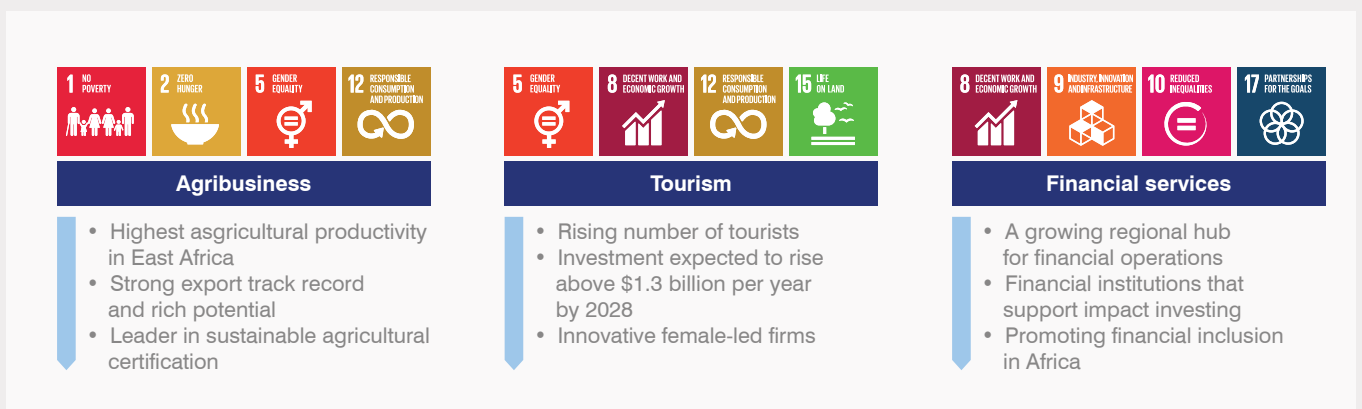
'We need to step up our efforts in developing innovative financing and in mobilizing private investment. Without the private sector and the business community, the goals are simply not achievable.'

*António Guterres, Secretary-General,
United Nations*

Where can investment have the biggest impact?



Sectors covered and their contribution to SDGs



Source: See endnotes.¹

Kenya agribusiness

A regional leader in agroprocessing, Kenya has the highest agricultural productivity level in East Africa.² This is the result of active government support, favourable climatic conditions, availability of expertise, year-round international demand and direct air transport to Europe and the Middle East.

Agricultural exports constitute 70% of total Kenyan exports

The agricultural sector already represents 70% of Kenya's exports and has been growing by almost 5% annually.³ The sector also shows the highest export potential in the country, led by tea (such as value-added teas with special flavours) and flowers, where the export potential largely exceeds actual exports.⁴ Increases in productivity and exports affect the incomes of the small-scale farmers that dominate the sector.



More than 80% of goods dispatched to clients arrive on time

Logistics services are critical for agribusiness, particularly for fresh products, vegetables and flowers. High-quality infrastructure is an important driver of both growth and efficient logistics services. Kenyan firms rate highly both the quality of transport infrastructure and the quality of services offered by logistics companies. As a result, on average 81% of goods dispatched to clients arrive on time (almost 90% in central counties).

Over 40% of agribusiness firms participate in value chains

Kenyan agribusiness companies are integrated into domestic and international markets, often through tightly coordinated value chains that boost the quality of inputs and sustain long-term relationships with overseas lead firms. Some 43% of surveyed agribusiness firms say they are part of a value chain.

About 75% hold an internationally recognized certificate

Levels of certification among Kenyan agribusiness firms are high by global standards. Companies consistently point to high-quality, accessible processes and institutions for defining standards and carrying out conformity assessments. As a result, 75% of the interviewed enterprises in the sector hold at least one type of internationally recognized certificate among safety, quality and sustainability certificates, enriching them with better management practices and access to better markets.



Two-thirds report high skills match and availability of skilled workers

Kenya is well known for its large pool of highly educated and skilled workers. The agribusiness sector benefits from this, as confirmed by Kenyan businesses themselves. More than two-thirds of surveyed companies are content with the high availability of skilled workers in the sector, and many provide on-the-job training that fosters the empowerment of women and youth.



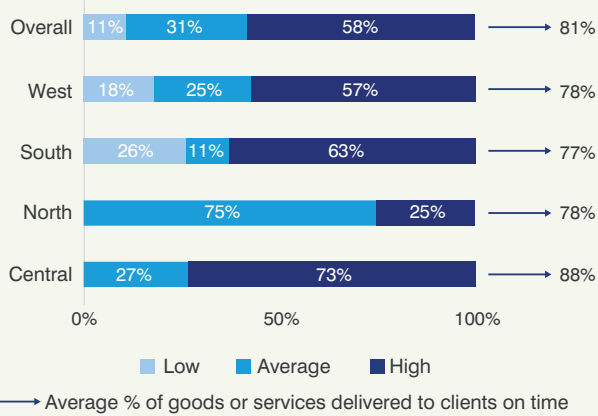
Generous government support to help grow your investment

The Government of Kenya offers incentives to encourage production, investment and export in the agribusiness sector. These include tax incentives, value-added tax refunds, subsidies, business allowances and investment deductions.

Kenya pulls in 20% of foreign direct investment to the region

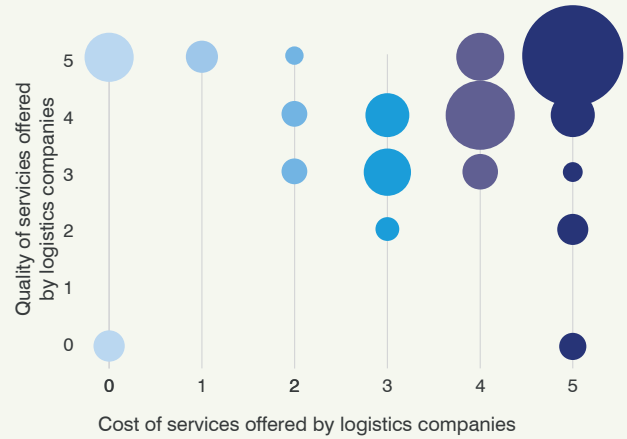
Investors have already identified the agricultural sector as a good opportunity in Kenya: agribusiness in the country has drawn 20% of total foreign direct investment to the East African Community region. Want to know more about investment opportunities in agribusiness? KenInvest can help (<http://invest.go.ke/>).

81% of goods dispatched to clients arrive on time, owing to high-quality **transport infrastructure**

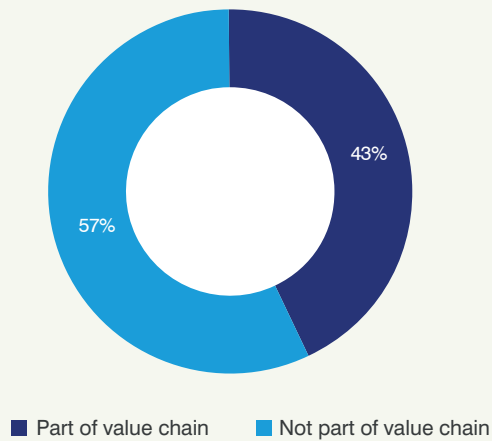


Logistics companies offer outstanding service quality, 76% rating it as high or very high

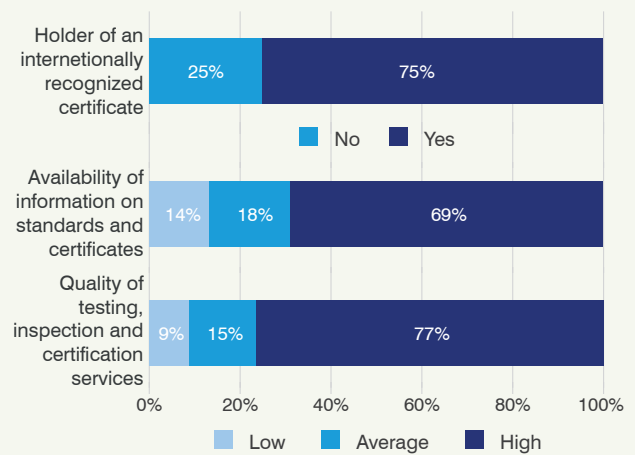
(Scale 0-low; 5-high. Bubble size represents number of firms)



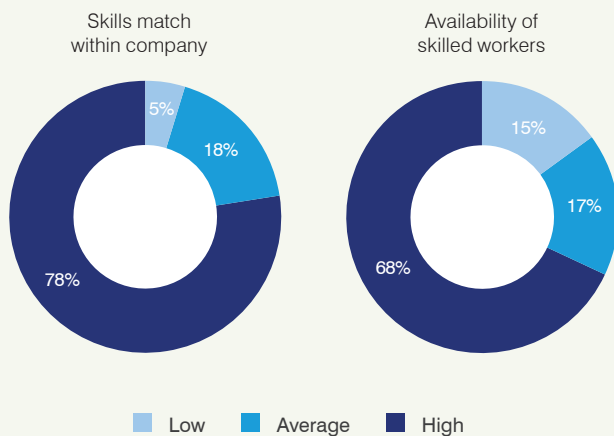
Among surveyed agribusiness firms, 43% are **value chain** participants



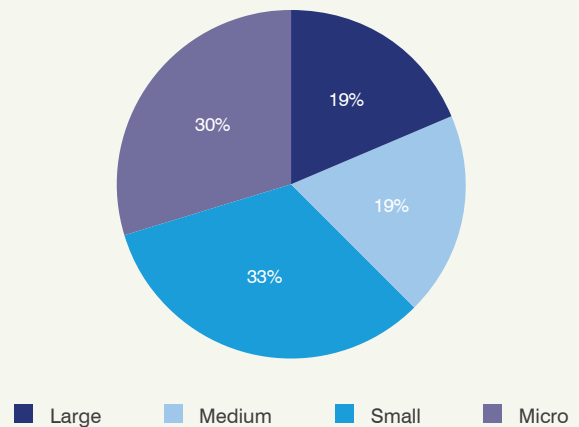
75% of agribusiness firms hold an internationally recognized **certificate**



Skills match and availability of skilled workers are high, say more than two-thirds of respondents



SMEs constitute 81% of firms surveyed in the agribusiness sector



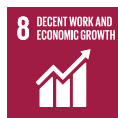
Kenya tourism

Kenya can cater to practically any type of tourist. It is home to more than 50 national parks and wildlife reserves, contains East Africa's largest and most populous city (Nairobi), and retains the cultural essence of the motherland in its wild regions. This variety has underpinned the internationalization and diversification of the tourism sector, a trend that is set to continue.



Businesses are betting on tourism

The number of tourists visiting Kenya is on the rise. And capital investments are pouring in as investors take advantage of this market opportunity. Investments totalled \$880 million in 2018 alone, and are projected to exceed \$1.3 billion a year by 2028.⁵ These investments help provide good jobs in local businesses. What makes Kenya such an attractive destination for tourism?



Nearly 90% of surveyed tourism firms have a business bank account

Kenya leads Africa in digital payment adoption and technologies. Nearly all enterprises in the tourism sector have a bank account, allowing quick and easy payments.

Close to 70% of the surveyed companies meet international standards

Internationally recognized quality certificates signal to buyers that a company's product satisfies global expectations. About 80% of land and air transport companies that were surveyed have international certificates. This share reaches 82% for travel agencies and tour operators. Many companies are developing sustainable tourism firms that create jobs, promote local culture and demonstrate impact.



57% report high availability of skilled workers

According to businesses in the Kenyan tourism sector, the availability of skilled workers depends on location. The central and western parts of the country have the highest availability of skilled workers, so firms in these areas find it easier to hire appropriately skilled workers.

About 70% rate the quality of internet and logistics services as high

Quality and reliability of logistics are significant factors when managing complex supply chains. Business survey evidence suggests that the quality of logistics services across the country is high. The quality of the internet connection is also rated highly.

On the fence? These incentives will help

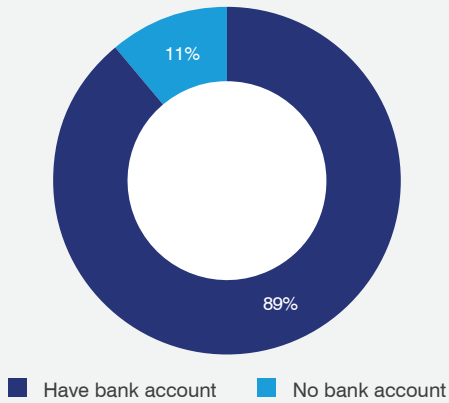
Tourism is one of Kenya's most important sectors. As a result, sector-specific investment incentives exist. For hotels, a 10% capital deduction applicable within the first 10 years of operation is offered. This, combined with wear and tear deductions on business equipment as well as other capital deduction incentives, makes Kenya an attractive long-term investment.

Tourism in Kenya is gender-inclusive: women own about one-third of tourism firms

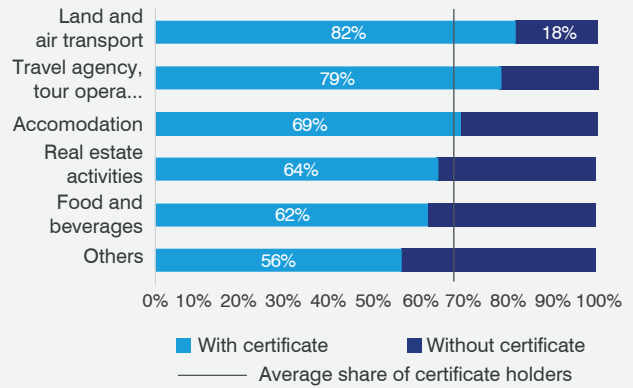
Investing in Kenyan tourism is also investing in women. Women own about one-third of tourism firms surveyed. Women-owned businesses are more likely to source their inputs locally. This, in turn, helps businesses build stronger links with the local community.



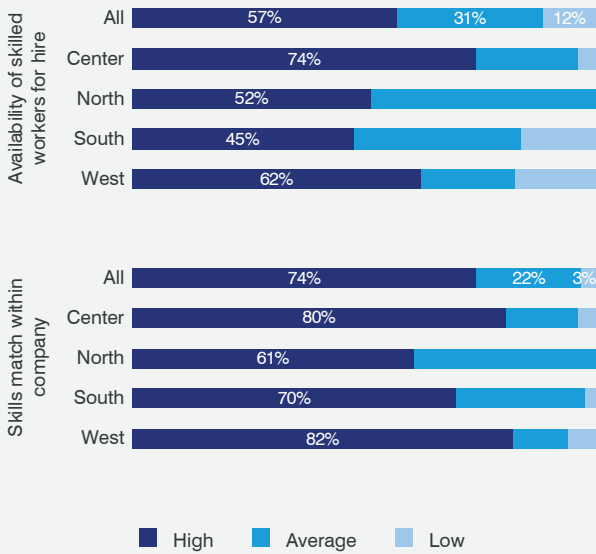
89% of surveyed tourism firms own a business bank account



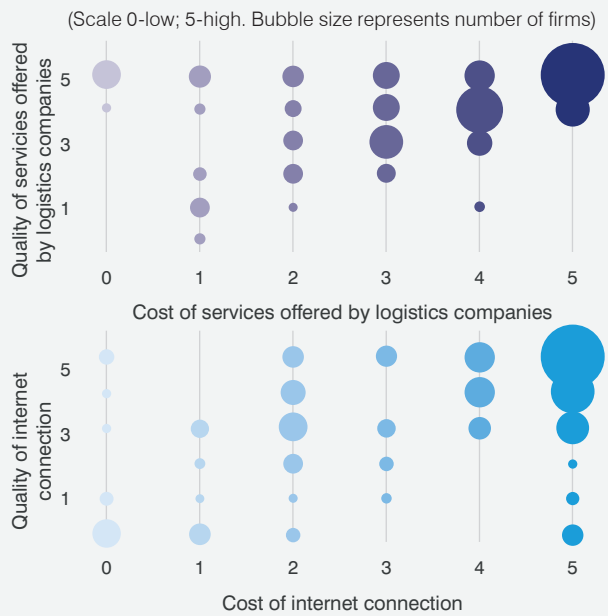
Close to 70% of the tourism firms hold an international certificate



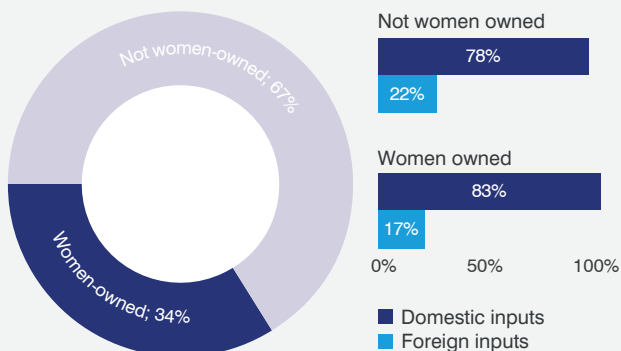
74% testify high skills match within their company; 57% state high availability of skilled workers for hire



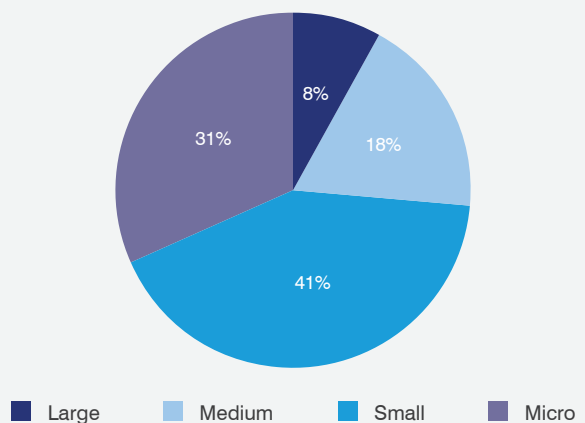
About 70% of firms rate the quality of internet and logistics services as high or very high



Women owned businesses constitute 34% of respondents and are more likely to source their inputs locally



SMEs make up 92% of surveyed firms in the tourism sector



Kenya financial services

Kenya's financial services sector is the third largest in sub-Saharan Africa.⁶ Healthy fundamentals have ensured steady growth and a strong performance over time. By end-December 2017, the total net assets of the banking sector reached \$39.5 billion, an impressive growth achievement of 8.3% from the previous year.⁷

A thriving telecom sector ensures the success of mobile money

The success Kenya has enjoyed in mobile money makes the country an example for other African markets. In 2018, 1.7 billion mobile money transactions valued at \$38.5 billion were carried out, equivalent to 44% of the country's GDP.⁸ The system has been successful in reducing inequality by increasing access to financial services, thereby promoting the economic inclusion of all. The high quality of the internet connection complements this access, according to most surveyed firms in the sector. The extensive reach of the mobile money network is a crucial input to other elements of the Kenyan financial services sector.



62% of respondent financial services firms offer high quality and tailored products

Among surveyed companies, 62% compete by offering high-quality products or services. This statistic is telling in a country where the key driver of growth among banks is their ability to tailor products to meet the needs of customers. This attitude enabled Kenya to reach an 82% rate of financial inclusion in 2017,⁹ one of the highest rates in the developing world.¹⁰

Over 80% have high-quality, low-cost information about their clients

Tailoring is only possible if enterprises have sufficient knowledge about their customers. More than 80% of surveyed companies say they have access to good- or excellent-quality information about their customers. Most importantly, obtaining this information is not expensive, according to more than half of the firms.

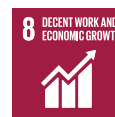
More than 70% report a high degree of innovation and collaboration

Innovation is the key word to explain the success of the Kenyan banking sector. More than two-thirds (78%) of surveyed financial services firms frequently develop or apply new or improved processes or products, and 71% collaborate with research networks. This is no surprise in a country where the M-Pesa mobile money system is the largest mobile money service, holding roughly two-thirds of the mobile market.¹¹



Complementary business opportunities

Investors looking into the Kenyan financial services sector may be interested in complementary investment opportunities. The high rate of technology adoption in the sector creates room for the development of compatible ICT-enabled services, as well as for further investment in cybersecurity, monitoring and record-keeping. Kenya's pool of well-educated and multilingual professionals can support diversification into innovative business.

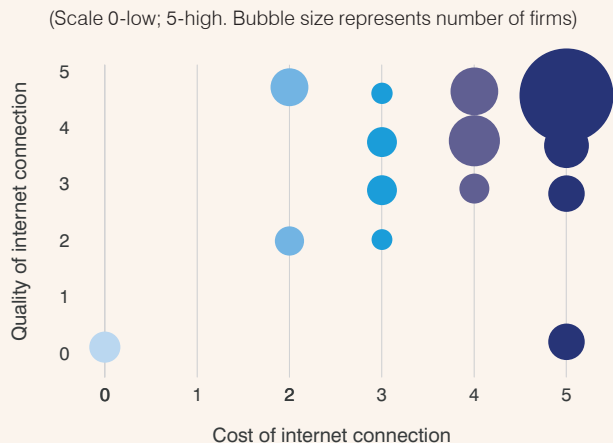


A regional hub for financial operations

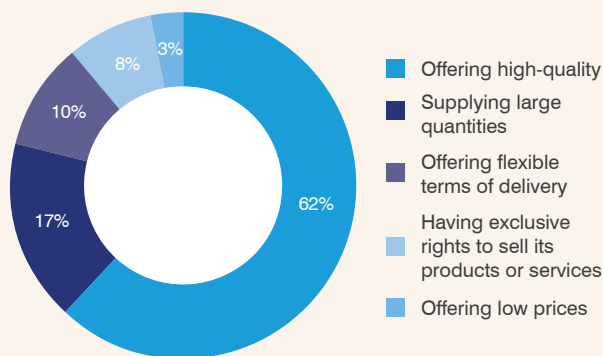
Kenyan banks excel at home and abroad: about 10 already operate in other countries in East Africa and in South Sudan. The stable business environment in the country can serve as an anchor to stimulate investment in the region. With this in mind, the Government is setting up the Nairobi International Financial Centre as a regional hub for financial operations.



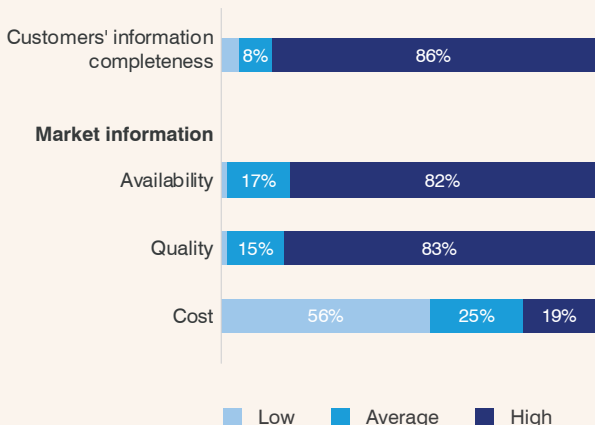
73% of financial services firms regard the quality of their internet connection as high or very high



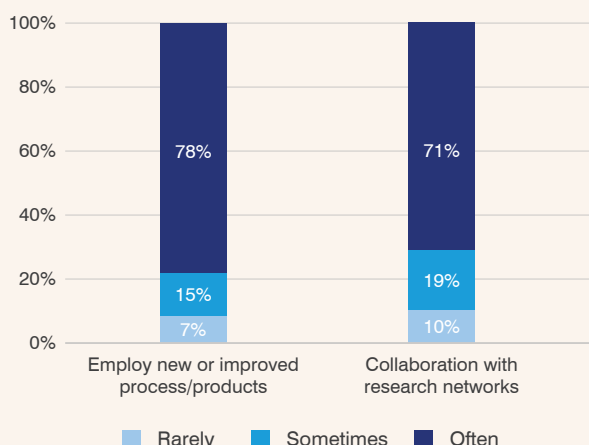
62% of financial services companies compete by offering high-quality products or services



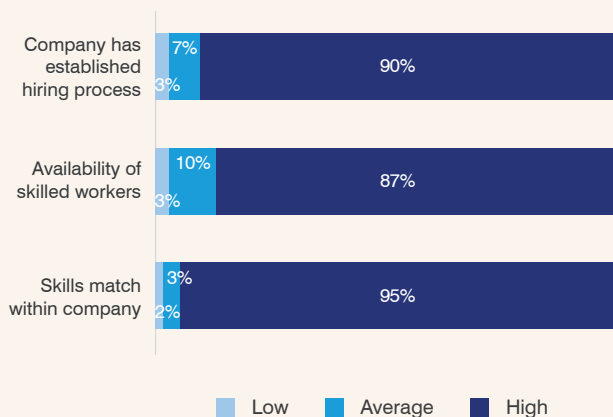
More than 80% of firms enjoy high-quality and low-cost market information



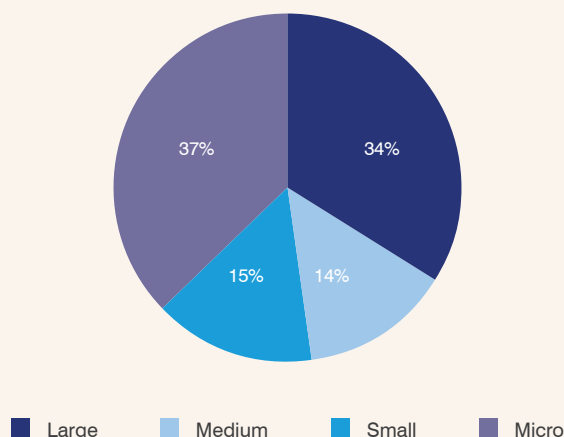
Over 70% of firms in financial services indicate high extent of innovation and collaboration



Skills match within company and availability of skilled workers for hire are high



SMEs represent 63% of surveyed firms in the financial services sector

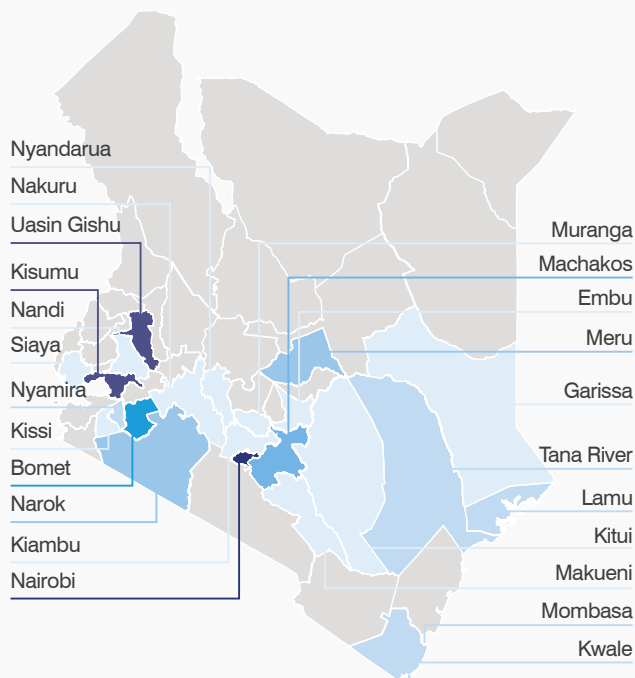


Key indicators

Capital	Nairobi
Area	581,309 km ²
Population, total	49.70 mm (2017)
Population growth	2.5 (annual %)
Language	Swahili and English
Working age population	56.8% (2017)
Literacy rate (15+ years)	Male: 89.0% (2015) Female: 80.2% (2015)
Human development index (HDI) value	0.590 (2018)
GDP (at current prices)	US\$ 89.59 bn (2018)
Real GDP growth	6% (annual %, 2018)
GDP per capita (at current prices)	US\$ 1870 (2018)
Currency	Kenyan Shilling (KES)
Foreign Exchange control	No, however banks must report to the central bank all transactions above USD 10,000
Accounting principles	International Financial Reporting Standards (IFRS)

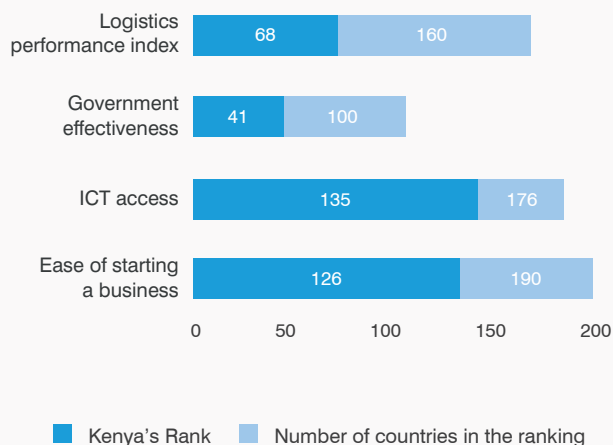
Location of surveyed firms in Kenya

(darker colours correspond to higher densities)

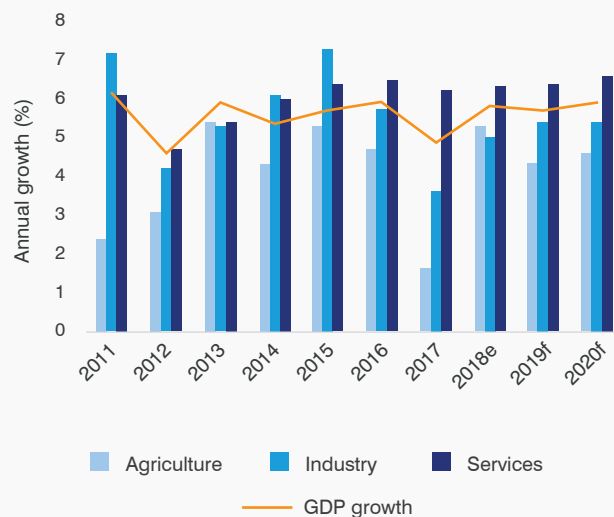


Kenya's rank in key business ecosystem indicators

(lower rank is better except for government effectiveness indicator, where higher rank is better)



Growth trends in Kenyan economic sectors



Endnotes

- 1 Kenya's average performance by SDG (0 - worst outcome; 100 - target outcome). Figure adapted from 2018 SDG Index and Dashboards Report, Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung.
- 2 KenInvest website. Agriculture – Regional Leader in Agro-Processing. KenInvest. Retrieved from <http://invest.go.ke/agriculture>
- 3 *Ibid.*
- 4 ITC. Export Potential Map - Kenya. Retrieved from <https://exportpotential.intracen.org>
- 5 World Bank. TCdata360. Capital investment in Travel and Tourism. Retrieved from <https://tcdata360.worldbank.org/>
- 6 KenInvest website. Financial Services – Innovation Leader in Fintech and Financial Inclusion. KenInvest. Retrieved from <http://invest.go.ke/financial-services/>
- 7 Central Bank of Kenya (2017). Bank Supervision Annual Report 2017. Retrieved from https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/1818825039_2017%20Annual%20Report.pdf
- 8 Central Bank of Kenya website. Mobile Payments. Retrieved from <https://www.centralbank.go.ke/national-payments-system/mobile-payments/>
- 9 World Bank (2017). The Global Findex Database 2017. Retrieved from <https://globalfindex.worldbank.org/>
- 10 This means about four out of five adults have access to a bank account or an account through a mobile money provider.
- 11 Oxford Business Group (2017). *Op cit.*
- 12 UNDESA's World Population Prospects 2017; World Development Indicators database, Kenya Economic Update 2019, Logistics Performance Index, Worldwide Governance Indicators, and Doing Business, World Bank; World Economic Outlook database, International Monetary Fund; ICT Development Index, International Telecommunications Union.

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For more information: <https://www.intracen.org/publication/SME-competitiveness-Kenya/>

Research based on the Small and Medium-sized Enterprises Competitiveness Survey (SMECS), administered to 893 businesses across Kenya in 2017–2018.

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Invest in Ghana focuses on
three key sectors:

- Agribusiness
- Tourism
- Financial services



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