

# Kenya



## RISING EXPECTATIONS

Kenya is East Africa's awakening giant. The peaceful transition of power to an administration dedicated to good governance has set the region's largest economy on course to capitalize on its vast potential.

**A** new feeling of optimism is in the air in Kenya, a general impression that prospects have brightened and that the country's 30 million-strong population can look to the future with confidence.

The landslide victory of President Mwai Kibaki and the National Rainbow Coalition (NARC) in presidential and legislative elections in December 2002 has marked the beginning of a new political era by ending almost four decades of one-party rule.

The new administration has embarked on policies that focus on economic development, building up the country's infrastructure, and generating employment.

The economic recovery program is targeted to achieve an 8 percent growth rate

and industrial status for Kenya by 2025, creating 500,000 jobs a year in the process. President Kibaki has called on Kenyans to work with the government to realize the country's enormous potential.

The administration's promotion of good governance and an aggressive campaign against corruption have won back the support of the World Bank and the International Monetary Fund, and raised Kenya's profile as a destination for foreign investment.

The Central Bank of Kenya has pledged to pursue "a stable monetary policy, which accommodates the highest economic growth rate possible", while keeping inflation low and stable. Its Governor, Andrew Mullei, underlines the government's commitment to transparency as a key requirement for encouraging economic growth.

"The people have high expectations of the new government, and to meet those expectations we need to look at what is required to provide an enabling environment," Mr. Mullei says. "Good governance makes a major contribution toward enhancing productivity."

Moves to liberalize the economy taken over the last ten years have laid the groundwork for an investment-friendly environment in Kenya. The country has been politically stable since it gained its independence in 1963, and the recent peaceful

transition of power to the new administration has been widely praised as an impressive example of African democracy in action.

Kenya is an important player in East Africa. Strategically placed, with a major port, Mombasa, and the best-developed financial markets in the region, the country has the makings of a regional services hub in banking, information, and transportation.

The country's membership in the East African Community (with Tanzania and Uganda) and the Common Market for Eastern and Southern Africa (COMESA), makes it an attractive base for U.S. companies looking to access the East and Central African market.

"When you invest in Kenya, you are investing in a very large market," says Minister of Trade and Industry Mukhisa Kituyi. "We are one of the biggest players in COMESA, which represents a market of 385 million people."

Exports from Kenya enjoy preferential access to both the United States and the European Union. Considerable effort has been made to take advantage of opportu-

**Priority sectors for investment include tourism, Kenya's third largest foreign exchange earner**

nities offered by the African Growth and Opportunity Act (AGOA) to penetrate the U.S. market. Analysts say AGOA is responsible for almost \$13 million in new investments in Kenya, and the creation of 20,000 new jobs.

Major Kenyan products that qualify for duty-free access under AGOA include textiles, apparel, and leather products. Indeed, textile and apparel products have become Kenya's dominant export category to the United States, and more than doubled to \$130 million in 2002.



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## ONE STEP AHEAD

The advantage of being able to offer its clients a highly professional local service backed up by the resources of a leading international company has helped AON Minet to become Kenya's leading insurance brokers.

The Chicago-based AON Corporation owns 40 percent of the company, while the government-owned Industrial Development Corporation is the main stakeholder in Kenya.

Formerly the London-based Minet Group, the company was acquired by AON in 1997. Since then, it has benefited not only from a high level of investment in both manpower development and infrastructure, but also from ready access to the AON network and resources.

"It puts us one step ahead of most of our competitors," says AON Minet's Managing Director, Josephat Macharia. "We are able to call for assistance in handling the most intricate insurance programs.

Within East Africa, AON also has offices in Uganda and Tanzania, with which we work closely. We coordinate the insurance arrangements for any of our clients operating in the region."

The company describes itself as a customer-driven organization that aspires to meet the highest standards. One of its strengths is its commitment to continuous staff training.



**JOSEPHAT MACHARIA**  
Managing Director  
of AON Minet

AON Minet's main business comes from blue-chip companies. "We concentrate on the corporate level, the multinationals and NGOs (non-governmental organizations), but we also provide services to government-owned companies, so we spread across the board," Mr. Macharia explains.

"Our mission has always been to provide professional insurance services, brokering, and risk management with the highest sense of integrity for all our customers."



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## MAXIMIZING POTENTIAL

A range of incentives is on offer to attract investors

The Kenyan government sees the private sector as the engine of future growth, and a modernized and expanded infrastructure as central to its economic strategy. Major enterprises in its privatization program include Telkom Kenya, the Port of Mombasa, and Kenya Rail.

Priority sectors for investment in Kenya's economy include agriculture, tourism, manufacturing, ICT, and energy. A range of incentives is on offer, such as investment allowance, duty remission, and tax exemptions in the country's export processing zones, and the government guarantees repatriation of capital and profits. A one-stop shop facility is provided by the country's Investment Promotion Center, which recently opened a liaison office at Jomo Kenyatta International Airport, Nairobi.

Kenya has liberalized exchange controls, removed price controls, freed the Kenyan shilling exchange rate to be market driven, abolished import licensing, and opened up its capital markets to foreign participation.

The country's strategic position provides easy access to regional and world markets. There is a well-developed international and domestic air transport infrastructure, and the airports are well-placed to become regional transit points. The Port of Mombasa is the gateway to Eastern and Central Africa, and one of the most modern ports on the continent.

Kenya is the most industrialized of the East African countries, but agriculture is the mainstay of the economy, accounting for 30 percent of gross domestic product and more than 60 percent of export earnings. Tea and coffee

are traditionally among the country's leading foreign exchange earners, but horticulture products have become increasingly important.

Kenya exports 46,000 tons of flowers annually, most of it to Europe. "Something like 60 percent goes to Holland because it is the hub of the flower industry," says Erastus Mureithi, Chairman of both the Kenya Flower Council and Suera Flowers Ltd.

Flower exports are worth around \$110 million, representing around 8 percent of the country's entire export earnings. The Kenya Flower Council works with the government to ensure that production complies with EU standards and international labor practices.



Flower exports, mostly to Europe, earn Kenya around \$110 million annually

Suera Flowers, one of Kenya's leading flower plantations, uses only non-hazardous chemicals in line with European regulations, and is at the forefront in establishing a cleaner environment through the development of wetlands.

The company regularly wins awards at the International Flower Trade Show.

The supermarket chain Uchumi is 80 percent owned by the private sector, with the government retaining 20 percent through ICDC and Kenya Wine Agencies.

Despite facing increasing competition, Uchumi has maintained its dominance in the market. The company is currently halfway through a five-year strategic plan to increase its profitability and returns for shareholders.

"The critical thing is to make sure that the promises we make to shareholders are fulfilled," says Managing Director Kennedy Thairu.

Uchumi has been extending its branch network and modernizing existing stores.

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Leading supermarket chain Uchumi has been modernizing and opening new stores

The company is looking for opportunities throughout the East African region, and recently opened its first store in the Ugandan capital, Kampala.

Building up Uchumi's own brands on products such as milk, bread, and rice is an important part of the strategy, which focuses strongly on the customer. The company is also modernizing its IT systems and enhancing the skills of its employees through training in key areas of customer service.

"The basic approach has been to concentrate on areas where we see opportunities to offer customers better value and thus achieve sustainable and profitable growth," explains Mr. Thairu.

## PETROLEUM FUELS THE ECONOMY

Kenya Pipeline Company is consolidating its role as the dominant player in the regional energy sector

A ready supply of energy is vital to Kenya's ambition to become an industrialized state by the year 2025. Currently, the country relies on electricity and petroleum products, but the government is investigating various forms of sustainable, environmentally friendly energy, including the use of liquid petroleum gas (LPG).

The largest proportion of the electricity supply comes from hydropower stations at dams along the upper Tana River, as well as the Turkwel Gorge Dam in the western part of the country. Oil fired and geothermal power stations, and electricity imported from Uganda make up the rest of the supply.

The electricity sector has been liberalized, and, according to Minister of Energy Ochiyo Ayacko, there are major investment opportunities available. "We need investment in generation and transmission, and U.S. companies can play a pivotal role," he says.

Along with its neighbors, Uganda and Tanzania, Kenya is heavily dependent on imported petroleum. Approximately 75 percent

of the commercial energy required to facilitate economic growth and development in Kenya comes from petroleum products.

The three East African countries are working together to promote investment opportunities in petroleum exploration in the re-



Kenya Pipeline Company transports 90 percent of petroleum products consumed in Kenya

gion. Though little exploration for oil has taken place in Kenya, recent seismic tests have revealed that the coastal region may have high potential for natural gas.

Kenya Pipeline Company Ltd (KPC) transports approximately 90 percent of the petroleum products consumed in Kenya's domestic

market. As the owner and operator of the only refined petroleum products pipeline in East Africa, KPC is also the dominant player in the regional energy sector, exporting to Uganda, Tanzania, Rwanda, Burundi, Democratic Republic of Congo, and Sudan.

This is a role it aims to expand and consolidate. "The company's domestic environment is the entire Eastern and Central African region," says George Okungu, KPC's Deputy Managing Director.

The company was formed as a fully-owned government parastatal in 1973 to provide an efficient, reliable, and low cost means of transporting petroleum products to Nairobi from the Port of Mombasa, where Kenya has a 4.2 million-ton capacity oil refinery.

A second pipeline stretches from Eldoret to Kisumu in the west of the country, and the company's most recent project is to extend the pipeline from Eldoret to Kampala in Uganda, under the auspices of the East African Community (EAC).

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# KENYA IS CALLING.

There's a new investment spirit in the air of Kenya. With the peaceful transition of power in last year's general election to a more transparent and accountable government, heads are turning to Kenya for investment opportunities.

One great opportunity is Uchumi Supermarkets Ltd. Established in 1975, Uchumi is the largest retail operation in East Africa with 27 stores in Kenya and one recently launched in Uganda. With an annual turnover of over \$114 million, Uchumi has recently embarked on an aggressive expansion plan to meet the needs of an increasingly affluent market.

To take advantage of this great investment opportunity please e-mail: [enquiry@uchumi.com](mailto:enquiry@uchumi.com)



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The combination of high economic growth and low development in the region provides KPC with the opportunity to increase its export volume. The EAC and COMESA trading blocs represent a move toward an expanded commercial environment, which the company is seeking to exploit.

Mr. Okungu believes that an environment is evolving that will change the way business is being done in the region. "This is the time for the East African Regional market to really integrate their economies and carry out joint ventures," he says.

"For instance, it makes more sense to build another extension from the existing Kenya pipeline to serve Tanzania, rather than Tanzania going it alone and building one from Dar es Salaam."

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## ADDING TO ITS NATURAL ADVANTAGES

The home of the safari, Kenya is seeking to diversify its tourism industry and attract more visitors

Kenya is a land of breathtaking scenic beauty, with a landscape that ranges from wilderness to mountains, forests, lakes, and desert plains. Outstanding natural attractions include Lake Victoria, the second largest freshwater lake in the world, Mount Kenya, the Rift Valley, and the Maasai Mara, widely considered to be the world's greatest game reserve.

Kenya is home to the world's largest concentrations of elephant, buffalo, giraffe, and zebras, and the opportunity to view them in their natural habitat is one of the most compelling attractions for visitors.

The country developed its tourism industry well ahead of its East African neighbors, promoting game park safaris and its beautiful beaches to high-end travelers, and attracting visitors mostly from the United States and Europe. Today, tourism is Kenya's third largest foreign exchange earner.

Diversification is a key element of the government's strategy for the sector, and the wide range of attractions already on



The Holiday Inn, Nairobi, exemplifies the high standard of service in Kenya's hotels

offer is actively promoted by Kenya Tourism Board.

For investors there are excellent investment opportunities in conference tourism, cultural tourism, eco-tourism, and cruise ship tourism. Superb facilities are available

for business visitors at Kenyatta International Conference Center in Nairobi, which can cater to up to 5,000 delegates.

The high standard of service is exemplified at the Holiday Inn, a comfortable, spacious, and modern hotel, with the distinctive architecture of 1940s colonial Kenya, set in 12 acres of lush gardens.

Situated in a popular shopping and residential suburb, close to Nairobi city center, and 12 miles from Jomo Kenyatta International Airport, the hotel caters to both leisure and business guests, and offers fully equipped conference and meeting facilities, and a business center.

"Holiday Inn is a brand that is recognized all over the world, and our standards of hygiene, safety, security, and staff training are exactly the same as those of a Holiday Inn in Boston or Atlanta," says General Manager Adrian Penny.

"We have a very well defined standard of operations in the hotel. We take our guests' satisfaction very seriously, and our service is unsurpassed in the local hotel industry."

## Our pipeline goes on and on...



The Kenya Pipeline Corporation owns and controls the Mombasa - Nairobi pipeline, and the pipeline that extends from Nairobi and Nakuru, to Eldoret and Kisumu in the west of the country.

The latter is embarking on a further extension from Eldoret to Kampala in Uganda under the sponsorship of investors and private international participants, providing an efficient and safe mode of transport for products to the Ugandan capital and beyond.

Fully integrated into the global economy, Kenya is the gateway to Africa and a nucleus for national and international enterprises to unearth the untapped opportunities of East Africa.

### Pumping up investment opportunities in Kenya.

