



REPUBLIC OF KENYA

INVESTMENT OPPORTUNITIES IN KENYA

PREPARED

BY

MINISTRY OF TRADE AND INDUSTRY

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SECTORS FOR INVESTMENT

INTRODUCTION

The Government of Kenya in recognition of the role of private sector in spear heading Industrialization has put in place a policy frame-work to foster the creation of a conducive environment for private sector participation in the economic development.

Pursuant to this, the Government has designed suitable incentive packages and export promotion programmes such as Manufacturing Under Bond(MUB), Export Promotion Zones(EPZs), both of which enjoy such privileges as tax holidays, exemption from duty on machinery, raw materials and intermediate inputs as well as removal of restrictions on foreign capital repatriation.

In addition, Kenya has been designated as a beneficiary sub-Sahara African country to benefit from Africa Growth and Opportunity Act (AGOA). Under the AGOA initiative, Kenya's manufactured products enjoy duty free market access into US market. The Government has put in place measures to take full advantage of this arrangement. Both foreign and local investors are encouraged to channel their resources towards the production of textile, leather, horticulture, fish, rubber, iron and steel products which can benefit under the AGOA scheme.

Kenya offers numerous investment opportunities in infrastructural development, financial sector, agro-processing, agro-chemicals, chemicals, pharmaceutical, mining and mineral processing, electrical and electronics, metallurgy, engineering and construction industry.

I INVESTMENT OPPORTUNITIES IN THE DEVELOPMENT AND UPGRADING OF INFRASTRUCTURE

1.0 CIVIL AVIATION

1.1 Potential projects exist in the form of developing airports to cater for the ever increasing passenger volumes and the growth in air traffic.

1.2 In accordance with the International Civil Aviation Organization Plans for Future Air Navigation Services; all countries that are signatories to the ICAO Convention, should gradually modernize the existing Air Navigation, Satellite/Air Traffic Management (CNS/ATM) systems. This in essence is a Regional/Global project, which should be fully operational by the year 2010. Kenya as a signatory to the said convention must follow suit and usher aviation into the 21st century.

1.3 Opportunities exist to provide both ground based and air borne CNS/ATM systems.

2.0 PORT FACILITIES

2.1 Investment opportunities exist in the rehabilitation of berths to give them a new lease of life for efficient and economic operations.

2.2 Conversion of port Berths into Container Berths -Mombasa

Investment opportunities exist in the conversion of Berths 13 and 14 at Mombasa port into container berths to cater for increased container traffic at an estimated cost of US \$ 36.00 Million subject to review.

2.3 Container Terminal Management Systems

Investment opportunities exist in the study and installation of modern information technology systems at Mombasa container Terminal and enhance the fluidity of container traffic movements. The details of the work to be done is as follows:

Rehabilitation of Berths 16 and 17 at a Cost of US \$ 7.00 Million.

The container Terminal Management Systems. The estimated cost of the project US \$ 2.8 Million.

Mombasa Container Freight Station at a cost of US \$ 57.00 Million.

Improvement of Port Water Supply System at a cost of US \$ 5.00 Million.

Improvement of Kipevu Causeway at a cost of US \$ 7.00 Million.

Rehabilitation of Bunkering Lines at a cost of US \$ 2.8 Million.

Improvement of Permanent Way at a cost of US \$ 7.00 Million.

Rehabilitation of berths Nos. 8, 9, 10 cost of US \$ 12.00 Million.

The above costs are tentative and therefore subject to review.

2.4 Construction of Bypass to Substitute the Likoni Ferry

Likoni Ferry in Mombasa presents a major transportation bottle neck. This is particularly so when one takes into account the traffic moving to and from the south coast. ICDC has intention to interest investors with the necessary technical know-how and finance to construct a road bypass to replace the Likoni Ferry. This is at proposal stage and no preliminary work has been done.

3.0 TELECOMMUNICATION AND TRANSPORT PROJECTS

3.1 Telecommunication

The ongoing liberalization and privatisation present enormous investment opportunities to private investors particularly in the information technology and telecommunication sectors. ICDC wishes to interest investors in joint ventures in the sector. This includes the provision of cellular phones and internet services. This is a proposal by the Corporation to investors with the necessary experience in the sectors.

Kenya has great potential in Information Technology (IT), particularly software development due, in part, to her large pool of educated English speakers. Software development is simply basic logic and most Kenyans have the requisite basic education.

3.2 Road Sub-sector

With a view of ensuring that the future road network effectively supports the national socio-economic development it is proposed the network be improved undertaking the following projects which may be of interest to a private investor for being heavily trafficked and levying of toll charges may justify the investment:-

Improving the standards of the Mombasa - Nairobi - Kisumu/Eldoret - Uganda border (Road Nos. A109.....A104 and B2) which is the main artery of the road transport system in Kenya to ensure a high mobility and safety. The improvement will entail widening to dual carriage way some sections of the road and full controlling access to the road.

Developing bypass roads in both Mombasa, Nairobi and Nakuru.

Widening to 4 lanes some major roads like Mombasa - Kilifi and Makutano Junction to Embu.

There is proposal to venture into the construction of underground transport system as is found in European cities. ICDC is willing to go into partnership with foreign investors who are interested in forming joint ventures in the development of infrastructure for urban transport including Road , Rails and Tram ways.

4.0 **THE ENERGY SECTOR**

Presently, the Kenyan oil market whose total product sales volume is around 2.3 million cubic metres per annum is served by eight private companies. The Government of Kenya expects that upon deregulation of the oil industry, the Kenyan market will open to new marketing companies. This will therefore be an opportunity for investment.

The annual demand for Liquefied Petroleum Gas (LPG) is approximately 28,000 metric tons. It is expected that potential demand is likely to be twice this quantity in the near future. However, supply and distribution of LPG has been constrained by a number of factors including limitation of production from the Kenya Petroleum Refineries Ltd (KPRL), lack of adequate rail transport wagons, and lack of import handling and loading facilities. LPG supply and distribution is therefore an area where there are opportunities for investment.

The Government also plans to undertake other investments in the petroleum sub-sector which include such projects as oil exploration expected to cost about US\$ 10 million and oil pipeline rehabilitation estimated at US\$ 20 million.

5.0 **ELECTRICITY SECTOR**

5.1 The growing demand for electricity is estimated at 5.4% per annum between 1994 and 2000. To meet this demand, the Government jointly with the World Bank has prepared an investment program for the electricity sub-sector. The National Power Development Plan recommends that during the next 15 years geothermal generation should increase to 280 MW. This is because of the success of Olkaria geothermal project and the predicted abundance of geothermal energy resources in the country. The areas where the new development is planned are Olkaria North East, Olkaria West and Eburru.

It is anticipated that the implementation of the above program will be financed by both public and private sectors. In this regard, the Government encourages private sector participation in power generation. As a first step, both Kipevu and Olkaria III have been set aside for promotion by private sector and tenders for the two projects have been received and are in the process of being evaluated.

5.2 Transformers

ICDC has the intention of promoting together with interested investors a project to manufacture transformers mainly for electric power. Currently, all the country's requirements are imported. ICDC would like to invite interested investors for a joint venture partnership in this venture. ICDC is presently doing the preliminary work including working with the local power company in support of this project.

Manufacture of Electrical Distribution Transformers in the power range of 25KVA to 1600KVA. Transformers currently used in Kenya are all imported from Tanzania, Denmark, Germany, India and Japan. The ongoing programme on rural electrification within the country has increasing demand for distribution of transformers.

II INVESTMENT OPPORTUNITIES IN THE MANUFACTURING SECTOR

6.0 PHARMACEUTICAL INDUSTRY

Possible areas of investment in this sub-sector which however require further studies to determine their viability include:

- ◆ Multipurpose chemical plant for bulk production of intermediate inputs such as paracetamol, aspirin, etc.
- ◆ Chemical plant to manufacture the anti tuberculosis, anti-leprosy, antibiotic rifampicin from the penultimate state.
- ◆ Manufacture of Quinine by extraction from Cinchona bark and subsequent purification and synthesis to Quinine sulphate.
- ◆ Extraction of Hecogenin from sisal waste and synthesis of Betamethasone from Hecogenin.

Salt Works

ICDC has received a proposal for a joint venture in a 400 ton per day salt processing plant at the Kenyan coast. This is a project with an estimated total cost of US\$ 8.8 million. The local partners are contributing US\$ 3.3 million and are looking for other interested investors to facilitate realisation of the project.

7.0. TYRES

The country currently has only one tyre manufacturing facility i.e. Firestone (E.A.) Limited. ICDC has had long experience in this sector having been joint venture partners in this company. ICDC is convinced that another tyre manufacturing facility

would be a feasible proposition and is therefore looking for joint venture partners to promote one. Some of the major dealers of imported brands could be interested in the proposal.

8.0 AGRIBUSINESS

8.1 FERTILIZER SUB SECTOR

There is potential for the following projects:-

- ◆ Establishment of a fertilizer plant in Mombasa to manufacture DAP, CAN, NPK using imported intermediate inputs.
- ◆ Establishment of a bio-fertilizer plant in western Kenya (Mumias Sugar Co. Ltd) to utilise bagasse and wastes from timber industries.
- ◆ Production of nitrogen fixing micro organisms such as Rhizobium which can be used in leguminous plants to increase crop yields.

8.2 PESTICIDE SUB-SECTOR

Kenya produces a lot of pyrethrum which is exported in a semi-processed form or as dried flowers which fetch little money in the world market. This can be processed into the final product and in addition to imported ingredients, these can be formulated into insecticides locally and exported as finished products.

There is also opportunities for the manufacture of fungicides using some imported ingredients and mixing with locally available filler materials such as soapstone, limestone, clay etc.

The processing of Neem tree extract as a source of a pesticide raw material should also be explored. The tree is being promoted by ICIPE in Kenya and it has been found that the extract has pesticidal properties. This is a very promising area since the extract is a natural organic substance that is biodegradable and hence poses less danger to the environment due to less persistency.

8.3 COMMERCIAL DAIRY FARMING

8.3.1 Artificial Insemination (A.I) Services

Artificial Insemination plays an important role in development of the dairy sub-sector. Since the Government is in the process of privatising these services, this offers an important opportunity for investment by the private sector.

8.3.2 Dipping Services

Dipping services are important in control of tick-borne diseases hinder the development of high quality beef and dairy products. In the past the Government has been providing the services which are now being privatised. This area offers an important opportunity for private investment.

8.3.3 Clinical Services

Like dipping services, the Government is also privatising clinical services. The response by the private sector to invest in this area has not been encouraging as it entails large capital investment. Therefore it is important that donors assist in setting up a strong private sector in this field.

8.4 **FOOD INDUSTRY**

8.4.1 MEAT

Beef processing units to be put up in major livestock production regions such as the Rift Valley Province.

Game meat is a new area which has a very wide investment scope in Kenya. Areas like ostrich farming and crocodile farming have already proved profitable.

At present commercial poultry processing is almost under one monopoly. There is scope to set up a second large scale production and processing facility in order to supply chicken at affordable prices to the Kenyan consumers. There is investment potential in deep-sea fishing (for prawns, lobsters, Tuna etc) prawns, farming, fish filleting and fish farming.

8.4.2 OIL CROPS

Most oil crops are well suited to Kenyan conditions, being drought resistant and without many serious plant diseases. These characteristics render, especially sunflower (but not maize) suitable for relay planting after the main crop (using residual soil moisture) and for planting during the short rainy season where bimodal precipitation occurs. Recent changes in imported oil costs indicated that sunflower may now be a financially attractive crop, and major expansion potential is believed to exist.

Potential may also exist for a number of oil crops that have not previously been grown on a commercial scale in Kenya. These include oil palm and sunflower. Insufficient information exists to predict whether these crops could be attractive for agricultural producers, but further field trials of suitable varieties would be worthwhile.

8.4.3 CASHEWNUTS

The Coast Development Authority has approached ICDC to facilitate establishment of a cashewnut processing factory at Kwale in Kenya's South Coast. This will be a facility with capacity to process up to 20,000 tons of raw nuts per year. Up to 85% of the output will be for export. An earlier facility at Kilifi (North Coast) has closed down due to mismanagement. This was processing 15,000 tons of raw nuts per year. Presently, the bulk of cashewnuts are exported before they are processed. The ICDC and the Coast Development Authority will be enjoined in the joint venture together with interested foreign investor(s).

8.4.4 SOYA BEAN PROJECT

ICDC intended to venture into processing of vegetable oil and the project

was mooted. However, due to various reasons it could not implement the project. Some of the equipment that had been acquired for the project are still lying at Mombasa. DESMET of Belgium who were the suppliers of the machinery and equipment for the project have now agreed to help find a buyer for these equipment. We would therefore appreciate if the delegation could find time to visit DESMET offices in Brussels.

8.4.5 HORTICULTURE

There is ample scope of investing Processed horticultural produce consists of a range of products. These include:-

(i) FROZEN

French beans, snow peas, Juice concentrates.

(ii) CANNED PRODUCTS

French beans, Baby corn, Juices, Jams, Marmalade, Pineapple Slices, Pickled Cucumbers, Mango Slices, etc.

(iii) DEHYDRATED PRODUCTS

Cabbages, Onions, Carrots, etc.

Most of the processed products have either been canned, dehydrated or preserved in brine water. However, the market trend is shifting from canned to frozen products. Facilities for freezing of popular fruits and vegetables for export by sea need to be introduced.

9.0 **TEXTILE SECTOR**

- ◆ ICDC has been involved in the textile sector for a long time. At the present it still has Rift Valley Textiles in its books. This project requires substantial refurbishment to bring the technology to the present age. ICDC has received some inquiries regarding the purchase of the plant but would prefer a comprehensive rehabilitation package.
 - ◆ There is scope and potential of investing in synthetic fibres (e.g. nylon, polypropylene) and dyes.
 - ◆ There are also other opportunities for involvement in the textile sector in making garments for European and American markets.
 - ◆ Over and above this we have opportunities for investment in cotton growing, ginning, spinning and weaving.

10. **IRON AND STEEL INDUSTRY**

The following are some of the potential areas for investment:

10.1 **An Integrated Iron and Steel plant With Billet Casting Facility**

The total requirement for billet would be over 300,000 tons per annum by

the year 2003. To meet these demands consideration should be given to the establishment of an integrated iron and steel plant with Billet Casting Facility to feed the existing rolling mills in the three East African countries.

Billets will be supplied to down stream mills in Tanzania, Kenya and Uganda. Billets, blooms and finished products can be exported to Mauritius, Re-union, Madagascar and neighboring countries which are COMEASA countries like Mozambique and Zambia.

10.2. Manufacture of Aluminum Cans

In Kenya and East Africa region, all cans for use in packaging of canned beers and soft drinks are imported. Consumption of canned beverages is becoming very popular. Export of Kenyan beers in bottles is being hampered by the limitations of glass, which include bulkiness and breakages. The production of beers and carbonated beverages in Kenya has grown tremendously over the years. Investors are advised to put up an aluminum canning plant, which can also cater for the needs of Uganda, Tanzania, Mauritius, Rwanda and Burundi.

10.3. Component Manufacture: Design and Local Manufacture of components and parts for use in the steel plants with capacities of 10-30,000 tons per annum which are very popular in the COMESA region. The rate of growth of steel mills in the region has been steadily rising pointing to an exiting business opportunity for whoever can supply such equipment with good spare-part back up and after sales services. Currently these plants are being imported complete from India. There is no reason why at least some of this equipment can not be produced locally.

10.4. Production of High Strength Reinforcement Bars-A hot rolled square bar of mild steel, subsequently twisted when cold to produce the required strength is used almost exclusively in Kenya for concrete reinforcement purposes. This technology has completely been phased out in major steel companies in the world.

10.4 Manufacture of Ductile Iron rolls- there is only one country (Egypt) which is currently producing such rolls in the region. Gauging by the over 20 mills in the country and the East Africa region at large, a great deal of business opportunity exists in this field.

10.5. Production of casting sand/Moulding-

- ◆ A majority of foundry industries in the country still employ sand casting techniques. Sand casting material is available in the country but has not been fully exploited for commercial purposes. Such a project would meet casting sand requirement for the whole spectrum of foundry industries in the country.
- ◆ Along with foundry sand is the design and production of dies and patterns. The import bill on spare-parts is still increasing due to inability of local plants to produce them. A study to take stock of both industrial and agricultural spare-parts requirements would be necessary, as this would form the basis upon which to set up a center or an institute to start mass production of components and replacement parts.

10.6. Other Opportunities:-

- ◆ Forgings to manufacture wagon wheel, railway components, axles, etc
- ◆ Powder Metallurgy components for auto-spares
- ◆ Foundry and Shops for the manufacture of pumps and motors

11. Machine Tool Industry.

11.1 There is a big market in Kenya for the production of the following products:

- i. Industrial machinery and spares for agriculture, transport industry and workshop.
- ii. Pumps for irrigation, domestic waste handling purposes.
- iii. Equipment and hand tools for building sector, metal and wood working machine tools.

11.2. A local investor is looking for Joint venture with foreign investors in the manufacture of high precision engineering capital goods; and industrial spares.

III INVESTMENT OPPORTUNITIES IN TOURISM SECTOR

12. Floating Ship Hotel on Lake Victoria

ICDC has received proposal from a local investor who is interested in promoting this venture. This is a tourist facility located in Western Kenya on Lake Victoria. The idea is already working in Tanzania and is rated above average. The ICDC is also interested in joint venture with both local and foreign partners.

- ◆ Other opportunities exist in this sector in construction of tourist hotel and game lodges all over the country.

IV INVESTMENT OPPORTUNITIES IN FINANCIAL SERVICES

ICDC together with Industrial and Commercial Development Corporation Investment Limited have been desirous to establish a commercial bank to operate initially in Kenya and the East African market in the long term. An estimated initial capital of Ksh 200 million will be required. Preliminary work is in progress including approval by the Central Bank of Kenya. In order to realise this proposal, the local promoters are looking for foreign investors with finance and know-how.

JOINT VENTRE INVESTMENT PROPOSALS SUBMITTED BY LIOCAL INVESTORS

2002

Investors interested in any of the joint venture proposals, are invited to write to firms Listed for more information. It would be useful to copy such Letters to IPC in order to coordinate the integration of the joint effort and subsequent approvals of the proposed Projects. For more information, please visit our website at [www. Ipckeny.org](http://www.Ipckeny.org)

PROJECT	CAPACITY	EST. CAP. INV.	INVESTOR	PARTICIPATION SOUGHT
1. Rose Flower Farming	30 acres, required infrastructure available	-	John Waweru Wachira P. O. Box 1222 Nyahururu EMAIL- Saint @Stesh,Africa online com.	Partner to: (i) Give seeds on Long-term payment (ii) Offer technical backup (iii) Collect, airfright and market flowers
2. Light Bulb	3 – 5 . 1 Million light bulbs annually	USS 2.5 Million	Alklan M. Njagi P.O. Box 47268 Nairobi Tel : 254-2-797314	Financial partner to provide at least 25% of total project cost

			EMAIL:nabado@usa.com	
3. Printing and selling of stationery			S.K. Mbuti Managing Director Manufacturing and Consultancy Ltd P.O. Box 78848 Nairobi	Any willing partner
4. Construction of low cost houses.	Negotiable	-	Mr. Samwel N. Mbua Karatina Housiung Co. P.O. Box 22750 Nairobi Tel: 227177/3323399	American investors to Sell construction materials/technology
5. Oliver Farm	40kg per day 2,000MT of phytomedium p.a..	-	C.A. Njoroge Olive Farm Ltd P.O. Box 79509 Nairobi Tel: 246468	Willing partner

6. (I) Manufacture of high level apolstry, carpets and curtains. (ii) Ultra modern marine ship on Lake Victoria	7.5 acres of land and infrastructure available	-	Habill Nyasio - ET-CETERA LTD P.O. Box 34078 Nairobi Fax: 253797/9	Any willing partner
7. Passion fruit project	7.5 acres of land and infrastructure available	-	Mrs. Hellen Lel C/o P.O. Box 70 Rongai – Via Nakuru, Kenya	Seedlings ready for transplant. Partner to acquire more land for expansion
8. Flour producing factory	-	-	Penguin Grain & oil processing machinery co. Ltd. P.O. Box 47662 Nairobi Tel: 501050 Fax: 728546	Chinese partner to provide technology and equipment. Kenyan partner to provide infrastructure
9. Mini-sugar factory	350 – 500 TCD	US\$ 380,400	Mr. Tom R.O. Okoth P.O. Box 73808 NAIROBI	Local partner will provide land for factory site and raw material. Foreign partner to provide machinery

10. manufacture of industrial and automotive parts	-	-	Eng. Mwangi Maingi Machining complex Ltd P.O. Box 70660 Nairobi Tel: 244324 Fax: 214324	Investor has ferrous foundry and machining centre
11. Production of wattle back for export	-	-	J. Nzau Mzau & Associates P.O. Box 405 Machakos	Partner to assist in financial support in est. A chopping and bailing facility
12. Provision of quality, advanced communications applications	Licensed by Digital solutions, USA to cover COMESA	US\$ 380,400	Mr. James Odhiambo P.O. BOX 9279 Nairobi Tel: 222083/21789 9 Email: idatran HO Tmai	Investor to contibue 80% of project cost
13. Trade in rice	-	-	Managing Dire. Seven-Ays International Ltd 66A1 Block New Garden Town Lahore Pakistan.	Any willing partner

<p>14.</p> <ul style="list-style-type: none"> (i) Paper printing and packaging (ii) Construction and building materials (iii) (iii) Machine and/automotive industry (iv) Leather and textiles (v) Marketing and food industry (vi) Petroleum products (vii) Tourism and transportation (viii) Communications (ix) Overseas investments 	<p>Detailed brochure and video cassette available at IPC</p>	<p>-</p>	<p>Mr. K.M. Ntshangase Paradigm Solutions Ltd P.O. Box 7616 2572 Flamwood 127 Saambou Building 25 Boom Street, 22517 Klerksdorp South Africa</p>	<p>Any willing partner</p>
<p>15. Importation and distribution of LPG</p>	<p>-</p>	<p>US \$ 0.21 Million</p>	<p>JCL International Limited 206, South Ex Plaza, 389 Masjid month South Extentsion part 11 New Delhi 110049 Fax:91-11 6251574</p>	<p>Foreign partner to contribute 5% equity and technology. Local partner to provide equity</p>

16. Internet Communications provision	-	-	<p>Michel G. Nobile Satellite provisioning & Communications Inc 548 Beatty Street, Vancouver V6B 213 Canada Fax: 604-684-3854</p> <p>Noble@satpppppat .com</p>	Any interested company. Investor will carry out feasibility study
17. Grain Machinery factory	-	-	<p>Zhao maosheng President C.C. Henan Chamber of Grain & Oil Machinery Commerce Fax: 86 371 3916058 China</p>	Any willing partner

18. Pipe manufacturing	-	-	Eng. Per Olof Bengston Nordic Consulting Group 4 Jenkinson Cose, Chisipite P.O. Box GT 295 graniteside Hare Zimbabwe	Any willing partner.
19. Trade (i) Telecom equipment (ii) Electrical, engineering and automobile industry (iii) Pharmaceuticals, chemicals (iv) Rice tea, coffee, spices (v) Household goods (vi) Computer equipment	-	-	Vineet sachder Rose Mount Ltd 401-Arunachal Bldg New Delhi 11001 INDIA	Any willing partner Any

20. Manufacture of plastic woven equipment and high speed sewing machines	-	US\$ 100,000	Ms. Du Jing FAX : 0086-531-598851 China	willing partner
21. Plastic processing factory	-	-	Li Hong-ru Zhu Qiao villange, Huashan town, Licheng District Tel. 0086-531 8263023	
22. Granite processing factory	-	US \$ 200,000	Han Zhaotai 37 Heihua Rd. Licheng District, China	Investor will provide capital and equipment. Local partner to provide factory.
23. Manufacture of building materials.	1200,000 tons annually	US \$ 4 million	Mr. Li Jinxiang Fax:0086-531 8982390, China	Local partner to provide 1 million cubic metres of Limestone reserve
24. Manufacture of plastic window making equipment	30,000 sq. metres of output annually	-	Mr. Zhang Bolin TEL 0086-531-8907624, China	Any willing partner

92. Manufacture of environmental cleaners and condensers.	-	-	Mohamed Hegazy WTCO-EGYPT Fax :002 012 211 9600 Email: wtcom@link.. Com.eg	Distribution/Agent

CONTACT

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