



REPUBLIC OF KENYA

POLICIES AND INVESTMENT OPPORTUNITIES IN KENYA

BY

DEPARTMENT OF INDUSTRY

NOVEMBER, 2000

I POLICY FRAMEWORK

1.0 ECONOMIC PROFILE OF KENYA

- 1.1 At independence in 1963, Kenya inherited an agricultural economy that did not have much link with other sectors of the economy. As a result the agricultural sector lacked the necessary industrial support in processing and therefore value addition to the agricultural exports. In addition, lack of domestic source of agricultural inputs made the cost of agricultural undertaking costly, unsustainable, and unreliable.
- 1.2 From 1963 to mid 1980s, the country followed a policy of market economy with strong government intervention and public-sector led growth and development. Policy in the early years also focused on import substitution. Impressive progress was made both in social and economic development during the first decade of independence. The annual average rate of growth of the economy, as measured by Gross Domestic Product, was 6.5%.
- 1.3 Maintaining high level of growth achieved in the first decade after independence became difficult partly due to external factors. Firstly, the 1973/74 steep oil price increases caused a crisis as prices of commodities escalated and balance of trade deteriorated; Secondly, the combined effect of the collapse of the East African Community in 1977 and world recession in 1979 contributed to further decline of the rate of growth GDP.
- 1.4 The economy also registered mixed performance in the 1980s and early 1990s due to prolonged drought; low aggregate domestic demand; foreign exchange shortage; and high inflation. The import substitution industrialization policies also had its limitations too, as it encouraged enterprises that would otherwise not be viable in an open market.
- 1.5 From 1986, however, policy switched to one of decreased direct government presence in the economy, with government's main role being that of creating an enabling environment in which the private sector could flourish.
- 1.6 In the recent years this has included a move to reform the entire economic system. These reforms, it is hoped, will re-establish economic stability, and accelerate and sustain development. In the immediate term, it is hoped that they will result in renewed business confidence, both by domestic investors and potential foreign investors.
- 1.7 In a bid to rectify some of the macro-economic imbalances responsible for

poor economic performance, the Government introduced significant economic liberalization reforms since 1993.

The reforms undertaken include:

- 1) Abolition of import licensing, except on items that affect State security, public health and environment;
- 2) Foreign exchange controls fully liberalized
- 3) Elimination of price controls;
- 4) The Kenya shilling floated;
- 5) Public enterprise reform and privatization and reform of the financial sector are on-going;
- 6) Foreign investors are allowed to invest in the stock market;
- 7) New investment incentives introduced; and
- 8) Investment procedures have been simplified through the establishment of the Investment Promotion Centre as a one stop decision making facility.

1.8 Kenya's new ambition is to achieve high quality and sustainable growth with stability based on an unshakable commitment to pursue consistently prudent fiscal and monetary policies and good economic governance.

2.0 Industrial Transformation

2.1 It is now a national vision to make Kenyan industrial sector the dominant sector in the economy. The necessary policy framework for attaining this objective has been put in place in the Sessional Paper No. 2 of 1997 on Industrial Transformation to the year 2020. The Industrial Transformation process envisages the development of a vibrant private sector as the prime mover of economic development.

2.2 The Sessional Paper No. 2 of 1997 reiterates the government's commitment to providing enabling environment for private sector to thrive. It emphasises on trade policies which foster an export bias and stimulate private foreign investments; develop the country's human resources through education and training; increase competitiveness by adoption of appropriate technologies; pay keen attention to product standards; liberalize labour market to increase labour mobility; reliance on private sector to determine industrial expansion; and exploitation of sectoral linkages.

2.3 All the tools and methods of efficiency promoting exports will be vigorously pursued, while existing technological bases and human resources

development for industry are also being strengthened.

- 2.4 The Government has also prepared a programme for the maintenance and upgrading of the country's infrastructure, including roads, electricity generation and expansion of telecommunication networks.
- 2.5 In addition, the Government is committed to create a conducive environment within which the private sector can flourish. The structure of the civil service is being reshaped to rationalise its functions and strengthen its analytical and policy-making capabilities. This programme is going hand in hand with better macro-economic management.
- 2.6 The Government realises that the industrial growth that we envisage can only be achieved by both local and foreign investments. By promoting local investment vigorously we hope that this will lead to creating investor confidence such that foreign investors will be encouraged to join us to develop the economy for our mutual benefit.

3.0 Incentive Packages for Investment

- 3.1 In the manufacturing sector, it is a Government objective to promote Kenya as a base for core industries that are strong and sustainable. Our strategy is to capitalise on our competitive advantages. The target sectors include both resource based industries and heavy industries.
- 3.2 Kenya offers numerous investment opportunities in agro-processing, agro-chemicals, chemicals, pharmaceutical, mining and mineral processing, electrical and electronics, metallurgy, engineering and construction industry.
- 3.3 In order to exploit the investment opportunities available in our economy we have established the following incentive packages and programmes for attracting and encouraging foreign and local export-oriented industries:

3.3.1 Export Processing Zones (EPZs) Programme

The establishment of Kenya's EPZ programme was borne of the realisation that the country needed to re-orient its development strategy from import substitution to export promotion in order to attract both domestic and foreign capital for industrialization. We have 13 Export Processing Zones, one is public and the rest are

private which include single factory zones. All applications for operating in the EPZs

are processed by Export Processing Zones Authority (EPZA) which operates a

one-stop shop facility.

All EPZ investors can take advantage of the following incentives:

- i) **Fiscal Incentives:-** Helps to reduce start up and operational costs thereby making exporters internationally price competitive. These include:
 - ◆ 10 years tax holiday and a flat 25% tax for the next 10 years;
 - ◆ Exemption from all withholding taxes during the first 10 years;
 - ◆ Exemption from import duties on machinery, raw materials, and inputs;
 - ◆ No restrictions on management or technical arrangements;
 - ◆ Exemption from Stamp Duty;
 - ◆ Exemption from Value Added Tax; and
 - ◆ Single licensing.

- ◆ **Procedural Incentives:-** Are designed to reduce bureaucratic procedures involved in establishing of enterprise, as well as providing an efficient and enabling environment for industrial operations. The investor benefits from:
 - ◆ No restrictions on foreign capital repatriation;
 - ◆ A one stop shop service project approval and licensing;
 - ◆ Logistical support for imports and exports;
 - ◆ Work permits for technical and managerial staff; and
 - ◆ Clearance of cargoes at the zones rather than at the port;

- iii) **Infrastructural Incentives:-** Investor has access to high quality infrastructure designed to cater for all industrial needs. These include:
 - ◆ Serviced plots with pre-built godowns with water, electricity and telecommunication connections;
 - ◆ Garbage collection;
 - ◆ Sewerage facilities; and
 - ◆ Landscaping and office services.

3.3.2 **Manufacturing Under Bond (MUB) Programme**

The MUB programme was established in 1986 and is aimed at encouraging investors

to manufacture for export. At the moment the designated locations for the scheme are Nairobi, Mombasa, Kisumu, Thika, Eldoret, Nakuru and Nyeri. All applications

for MUB are processed by Investment Promotion Centre which operates a one-stop facility.

Enterprises operating in the MUBs enjoy the following benefits:

- ◆ Exemption from duty and Value Added Tax on imported plant, machinery and equipment and raw materials and other imported inputs;
- ◆ 100% investment allowance on plant, machinery, equipment and buildings; and
- ◆ goods produced under bond are exempted from all export taxes and levies.

3.3.3 **Duty Remission Facility**

The Export Promotion Programmes Office (EPPO) was set up in 1992 under the Ministry of Finance to administer the duty remission facility.

Materials imported for use in the manufacture for export or for the production of raw materials for use in export manufacture are eligible for duty and value added tax remission.

The programme is also open to Kenyan companies producing goods that can be imported duty free, or goods for supply to the Kenyan Armed Forces or to an approved aid-funded project.

3.3.4 **Other Incentives include:**

i) Depreciation

Liberalised rates are allowed for depreciation of assets based on book value as follows:

1) *Buildings*

- ◆ Industrial buildings - 2.5% (straight line)
- ◆ Hotels - 4% (straight line)

2) *Machinery*

- ◆ Tractors, combine harvesters, earth-moving equipment, and similar vehicles
— 37.5% (declining balance)
- ◆ Other self-propelled vehicles, including aircraft- 25% (declining balance)

- ◆ All other machinery, including ships- 12.5% (declining balance)
- ◆ Computers and other office equipment- 30% (declining balance)

ii) Loss Carried Forward

Business enterprises that suffer losses can carry forward such losses to be offset against future taxable profits.

iii) Remission from Customs Duties

Duties on capital goods, plant and machinery are at the rate of 5%. Large scale private investment projects whose expenditure on productive physical assets are in excess of \$ 5 million within a two year period, and that will generate net economic benefits for the country, can recover the value of import duties paid on imported capital goods for the project against income liability.

iv) Investment Allowance

Attractive Investment Allowance of 60% on plant, machinery, buildings and equipments is offered, excluding MUBs and EPZs which is 100%. In addition, eligible capital expenditures have been expanded to include certain infrastructure and environmental protection equipment expenditures related to the manufacturing activity.

3.3.5 Market Access

Exports from Kenya enjoy preferential access to world market under a number of special access and duty reduction programmes. These include:

1) *Regional Markets*

Kenya is a member of the East African Co-operation (EAC) comprising of three East African States of Uganda, Tanzania and Kenya. Further, it is also

a member of Common Market for Eastern and Southern African embracing

22 members States with combined population of about 385 million people. Exports and imports within member countries enjoy preferential tariff rates.

2) *EU-African-Caribbean-Pacific/Lome Convention*

Exports from Kenya entering the European Union are entitled to duty reductions or exemptions and freedom from all quota restrictions under the terms of the LOME Convention. These are under regulation.

3) *Generalised System of Preferences (GSP)*

Under the GSP a wide range of Kenya's manufactured products are entitled to preferential duty treatment in the USA, Japan, Canada, Switzerland, Scandinavian Countries, Australia, Austria, New Zealand, and most European countries.

4) African Growth and Opportunity Act (AGOA)

Kenya has been designated as one of the sub-Saharan African countries to Benefit and will benefit from duty /quota free export of a wide range of products.

3.3.6 **Guarantee to Investors**

Kenya provides the following guarantees to local and foreign investors:

1) *Repatriation of Capital and Profits*

Capital repatriation and remittance of dividends and interest is guaranteed to foreign investors under the Foreign Investment Protection Act (FIPA) (Cap. 518).

2) *Guarantee Against Expropriation*

The Kenya Constitution provides a guarantee against expropriation of private property. Expropriation may only occur either for security reason or public interest, where upon fair and prompt compensation is guaranteed.

3) *Other Guarantees*

Kenya is a member of the World Bank-affiliated Multilateral Investment Guarantee Agency (MIGA), which issues guarantees against non-commercial risks to enterprises which invest in signatory countries. Kenya is also a

member of the International Centre for the Settlement of Investment Disputes (ICSID).

3.3.7 Anti-Dumping and Anti-Subsidies Legislation

Provisions that are consistent with the World Trade Organization (WTO) Agreements are in place to ensure legitimate protection to local producers so that underpriced or subsidized imports do not cause damage to our industries.

4.0 Taxation

Kenya raises most of its taxes from Income Tax, Value Added Tax, Excise Duties and Customs Duties. Over the recent years, reforms to the tax structure have been effected resulting in lower and more uniform tax rates.

4.1 Company Tax

All resident companies are subject to tax on their incomes at the rate of 32.5%.

4.2 Value Added Tax (Tax)

VAT is levied on the supply of goods imported into or manufactured in Kenya and taxable services imported or provided in Kenya. The standard VAT rate is 18%. Machinery and equipment are taxable between 10% to 15%

4.3 Excise Duties

These are levied on beer, tobacco products, matches, spirits, wines, mineral waters and biscuits. The rates vary for different products.

II SECTORS FOR INVESTMENT

1.0 TEXTILE SECTOR

There are opportunities for involvement in the textile sector in making garments for European and American markets. These include apparels, hand woven, hand loomed and folklore items.

Over and above this we have opportunities for investment in cotton growing, ginning, spinning and weaving.

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.

2.0 LEATHER AND LEATHER PRODUCTS

There are high potentials in producing high quality finished leather and well designed leather products eg. footwear, handbags, belts, jackets, wallets etc.

3.0 IRON AND STEEL INDUSTRY

The following are some of the potential areas for investment:

3.1 Production of Grinding Mill Balls- The technology is. There is a need to assess the demand by the users of such facilities e.g Bamburi Portland Cement Works.

3.2 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.

3.3 Production of sand casting /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.

3.4 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. New technology is therefore required in our existing factories as well as new ones to export demands.

3.5. 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.

3.6. 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.

3.7. 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 and for export.

3.8. 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

4. Machine Tool Industry.

4.1 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.

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

5.0 PHARMACEUTICAL INDUSTRY

These projects are only at the project idea stage; investors are invited to carry out investment studies to determine their viability.

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 a local DFI, 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.

6.0 AGRIBUSINESS

6.1 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.

6.2 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.

6.4 FOOD INDUSTRY

6.4.1 MEAT

Beef processing units to be put up in major livestock production regions such as the Rift Valley and North Eastern Provinces.

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 and ducks at affordable prices to the Kenyan consumers and for export. There is investment potential in deep-sea fishing (for prawns, lobsters,

Tuna

etc) prawns, farming, fish filleting and fish farming.

6.4.2 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.

6.4.3 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).

6.4.4 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. This project would still be a very useful one in Kenya.

6.4.5 HORTICULTURE

There is ample scope of investing Processed horticultural produce consisting of a range of products:-

(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.

7.0 CIVIL AVIATION

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

- 7.2 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.
- 7.3 Opportunities exist to provide both ground based and air borne CNS/ATM systems.

8.0 PORT FACILITIES

- 8.1 Investment opportunities exist in the rehabilitation of berths to give them a new lease of life for efficient and economic operations.
- 8.2 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.

- 8.3 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.

8.4 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.

9.0 **TELECOMMUNICATION AND TRANSPORT PROJECTS**

9.1 Telecommunication

The ongoing liberalization and privatization 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.

9.2 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 investors to team up with investors from Czech Republic who have expressed interest to venture in the development of the infrastructure for urban transport including roads, rail and tramway.

9.3 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. Inquiries have also been received from KIA Intertrade of Korea.

10.0 **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.

11.0 **ELECTRICITY SECTOR**

11.1 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.

The investment program comprises the following:-

COST (MILLION US\$)

Power Generation.....	= 878.30
75 MW Olkaria II Geothermal Plant	= 88.90
2x32 MW Olkaria II Geothermal Plant ..	= 184.90
60MW Sondu Miriu Hydro plant.....	= 167.10
75 MW Thermal Plant (Kipevu II).....	= 92.70
2x32MW Olkaria III Geothermal Plant ..	= 122.20
50 MW Mombasa Diesel I.....	= 90.80
180 Ewaso-Ng'iro Hydro Plant.....	= 131.70
Transmission/Distribution	= 343.60
Geothermal Exploration.....	= 107.80
Support Components.....	= 90.20
 TOTAL	 =1,420.00

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

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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.

11.2 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.

12.0 **COMMERCIAL DAIRY FARMING**

12.1 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.

12.2 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.

12.3 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.

13.0 **TOURISM SECTOR**

13.1 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.

13.2 Other opportunities exist in this sector in construction of tourist hotel and

game lodges all over the country.

14.0 **FINANCIAL SERVICES**

Government 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.