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A: ROADS:

1.0 OVERVIEW OF THE ROADS SUB-SECTOR

An effective road transportation network is an important factor both in economic and social development. Whereas, there may be small areas with insufficient density of classified roads, the coverage of Kenya's road network is generally adequate to support the present level and type of economic activity.

2.0 POLICY FRAMEWORK

The planned road development programs are geared towards supporting the national and regional developments which entail social and economic adjustment to cope with the prospective urbanisations, minimisation of regional economic gap, promotion of employment opportunities, increase of foreign exchange earnings, development of transport facilities, and environment conservation. The overall development policy compatible with these socio-economic issues will be summarised as constructing and maintaining a sustainable road network that will support agricultural development, strengthening of manufacturing industry, support tourism development and accommodate high traffic demand.

The total expenditure required for 57.1 per cent of the classified road network, which is in maintainable condition, is about US \$ 102.7 million annually. If the entire classified network was in maintainable condition a sum of US \$ 126.7 million would be required annually for its upkeep. To address the maintenance-funding problem, the Government introduced the Road Maintenance Fuel Levy in July 1994.

At the beginning of 1997, the Government of Kenya launched the strategic plan for the roads sub-sector. The objective of the plan is to increase productivity and efficiency in the sub-sector by implementing coherent and consistent policies. The policies relate, in the main, to institutional reforms, management of the highway system, contracting strategy, equipment policy, materials department, training, funding, and management and staff remuneration.

To ensure effective utilisation of resources, the Kenya Roads Board, which will oversee the maintenance and rehabilitation of all major roads, and the District Roads Committees, which will oversee the maintenance of roads in rural areas, will be fully operationalised. This will enable the channelling of resources to the districts and facilitate the upgrading and maintenance of rural access roads.

3.0 CURRENT STATUS

Kenya is currently connected by bitumised roads to her neighbours except Ethiopia and Somalia.

Most of the classified roads are concentrated in areas of high population and economic activity. By the year 2000, Kenya had 63,290.7 kilometres of classified roads. Out of this total, 8940 kilometres were bitumised and the remaining 54,350.7 kilometres are earth/gravel.

Table 1 below gives the details of road network in Kenya.

Table 1

Kilometres of Roads as at 1st July 1997 and 1st July 2001 by type and classification:
‘000 km

Type of Road	Bitumen	Earth/Gravel	Bitumen	Earth/Gravel
A - International Trunk	2.65	0.96	2.89	0.87
B - National Trunk	1.30	1.37	1.43	1.37
C - Primary	2.56	5.47	2.49	5.18
D - Secondary	1.18	10.16	1.17	10.05
E - Minor	0.75	26.30	0.75	25.80
F - Special purpose	0.22	11.00	0.21	11.09
				54.36
Total	8.66	55.26	8.94	54.36

Source: Economic Survey 2002

The above table shows that between 1997 and 2001, national trunk roads under bitumen recorded a rise of 10 per cent while secondary roads under bitumen decreased by 3.2 per cent.

4.0 OPPORTUNITIES FOR INVESTMENT

With a view to ensuring that future road network effectively supports the national socio-economic development, it is proposed that the network be improved and its management enhanced by undertaking the following projects which may be of interest to a private investor.

I. Axle Load control

The Ministry of Public Works is now preparing a cabinet paper to request that the private sector be involved in axle load controls. Private sector weighbridge contractors will be licensed to weigh vehicles at the origin of the journey and issue certificates of compliance with axle load requirements. The Government will play supervisory and monitoring roles using mobile weighbridges.

The Roads Department, has submitted to the European Union a proposal on the process of procurement of Automatic Data Collection systems to monitor the overall loading situation. Response from the European Union is being audited so that installation of the system can be done as soon as possible.

ii. Commercialisation of Mechanical & Transport Department

In view of the contracting orientation that will characterise future operations of the Roads Department in the roads maintenance area, the Government has decided to reduce its equipment holding and to commercialise the operations of the Mechanical and Transport Department. Towards this end, terms of reference for consultancy and technical assistance for commercialisation of the Department have been submitted to the World Bank.

iii. Road Improvements

Improving the standards of the Mombasa B Nairobi B Mau Summit – Kisumu – Uganda border (approximately 1000 Km.)/Mau Summit – Eldoret B Uganda border 250 km. (Road Nos. A 109, A 104 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 carriageway on some sections of the road and fully controlling access to the road.

Developing bypass roads in both Mombasa, Nairobi and Nakuru B totalling approximately 60 km. Widening to 4 lanes some major roads like Bachuma Gate B Mombasa road (approximately 70 km.) and Makutano B junction to Embu road (approximately 75 km.)

The indicative costs for rehabilitation and reconstruction for two lane 7 M wide high class roads is US \$ 416,700 per km while new construction costs approximately US \$ 583,300 per km.

As part of road sub-sector reforms the Kenya Roads Board was launched in July 2000 with the objective of overseeing the maintenance of all major roads, rehabilitation and upgrading trunk roads. As a result, the Roads Department would be responsible for class A, B, and C roads while the District Roads Committees would be in-charge of class D, E, and special purpose roads. The Kenya Roads Board has a majority representation from the private sector stakeholders. The board is responsible for disbursing and monitoring of the fuel levy funds. Other road development prospects includes developing a criteria to incorporate the private sector in road funding for rehabilitation and maintenance through Build Operate and Transfer (BOT) or Turn-Key projects.

B. KENYA RAILWAYS:

1.0 OVERVIEW:

Kenya Railways is a State Corporation, which was established in 1978 through an Act of Parliament and came into being when its forerunner the East African Railways Corporation ceased to exist as a result of the collapse of the East African Community. The railway line in Kenya is over 2,000 km. long and links with both Uganda and Tanzania Railways. The Kenya Railways is in both freight and passenger transportation business. It also operates both freight and passenger vessels on Lake Victoria. Freight business constitutes over 80% of the Kenya Railways revenue.

2.0 POLICY ISSUES:

In 1997, the Government of Kenya made a decision to privatise Kenya Railways. As a result, the Government has appointed a team of Canadian Consultants to oversee the privatisation process. The Consultants work is at an advanced stage and actual privatisation is expected to take place within 24 months after the completion of the report.

3.0 CURRENT STATUS

The corporation operates a metre-gauge railway network, which runs along the southern half of the country and inland waterways on the Kenyan side of Lake Victoria.

It has an active fleet of 156 locomotives, over 6,000 wagons nearly 600 passenger coaches, a heavy maintenance workshop at Nairobi and other assets. Together these assets are valued at Ksh.9 billion. The corporation employs about 16,000 members of staff.

The corporation's endeavour to efficiently operate the network has faced formidable Institutional and operational constraints.

Some of these constrains are:

- The single track with narrow gauge operated by railways inhibits fast train movements;
- There is low locomotives availability i.e. 51%;
- Telecommunication and signalling equipments are aged;
- Backlog in wagon maintenance has led to many wagons being stopped, thereby lowering their availability;
- The corporation has obsolete computer configuration which usually fails;
- Meagre internal financial resources are inadequate to finance essential spare parts.

4.0 INVESTMENT OPPORTUNITIES

The Government has decided to privatise Kenya Railways through unitary concession. The concession is largely expected to be foreign but will be required to enter into a joint venture with local investors.

Some of the opportunities are:

Locomotives:

- Overhauling of 50 type of 9 locomotives
- Overhauling of 16 type 8 locomotives
- Overhauling of 7 type 70 locomotives
- Re-powering 41 type 4 locomotives

Signalling and Telecommunication

- Enhancement of the capacity in Nairobi-Mombasa section;
- Radio communication west of Nairobi
- Purchase and installation of PABXs;
- Signalling at Voi station and
- Track circuiting station between Mombasa and Nakuru.

Purchase and commissioning of assorted track maintenance equipment and installation of concrete sleeper press.

- Computer: installation of distributed computer system;
- Renovation of Railways Training Institute;
- Training equipment;
- Technical assistance and training.

Implementation of the restructuring program will result in divestiture and/or sub-contracting out a number of areas, which include the following:

- Lake Victoria Marine services;
- Locomotive maintenance;
- Operation of the sleeper press;
- Supply of locomotive spare parts;
- Operation of non-core workshops in the central workshops at Nairobi
- Land development in joint ventures between Kenya Railways and private investors;
- Undertaking the conversion of wagons from one use to another;
- Running of all catering services except on-board train;
- Operation of loss making train lines.

These activities are non-core to Railways and would be viable if run by the private sector, which would also be able to offer the services more efficiently.

C: MARITIME SECTOR

1.0 OVERVIEW

Kenya's marine transport activities are concentrated in Mombasa on the Indian Ocean Seaport and at Kisumu on Lake Victoria. Mombasa is the only major seaport through which all of Kenya's and quite an appreciable amount of other Eastern African Countries international trade are routed. Her hinterland includes Uganda, Rwanda, Burundi, Eastern Zaire, Southern Sudan, North Eastern Tanzania, Somalia and Ethiopia.

2.0 OPPORTUNITIES FOR INVESTMENT (*At the port of Mombasa*)

- Rehabilitation of berths to give them a new lease of life for efficient and economic operations.
- Conversion of Berths into Container Berths to cater for increased container traffic. The conversion of Berths 13 and 14 into container berths estimated at US\$36 million. Foreign Investment in this sector is welcome.
- Procurement of container terminal management systems. Trade opportunities exist in the study and installations of modern information technology systems at Mombasa Container Terminal and enhancing the fluidity of container traffic movements. The Container Terminal Management Systems is estimated to cost US\$2.8 million.

1.0 KENYA FERRY SERVICES LIMITED

This came into being in 1989, after the Government acquired the running of the ferry services both at Likoni and Mtongwe from Kenya Bus Services.

Currently, the Company runs a fleet of vessels, 2 on Likoni channel, 3 on Mtongwe and one on standby.

The Company's mainstream business is the carriage of pedestrians (free) and vehicles (at a fee) across the two channels. Currently the Company serves 4.2 million people and 1 million vehicles annually.

2.0 Investment and Trade Opportunities

- ◆ Procurement of New Vessels - The Company urgently needs to strengthen its existing fleet by replacing two old ferries.
- ◆ The Company estimates the cost of two new ferries at US\$3.5 million for a flat bottomed, pontoon type ferry with a carrying capacity of 50 cars and 2000 passengers to operate at Likoni.

D: CIVIL AVIATION

1.0 OVERVIEW:

The civil aviation sector in Kenya comprises of the following major government organs:

The Civil Aviation Board (CAB)
The Directorate of Civil Aviation (DCA)
The Kenya Airport Authority (KAA)

The Civil Aviation Board is a Government unit charged with the responsibilities of regulating air services in the Republic. All bilateral agreements with the foreign Air operators are undertaken by the CBA. The authority for all locally registered Air operators to operate in Kenya is also a mandate of the CAB.

The Directorate of Civil Aviation – a Department within the Ministry of Transport and Communications is charged with the responsibility to regulate and provide Air Navigation services to air operators in accordance with the International Civil Aviation Conventions. Among other things CDA provides Air traffic services, Aeronautical Communications, Licensing of both aviation personnel and aircraft. It also maintains the country's Aircraft Register.

The Kenya Airports Authority is a Parastatal within the Office of the President, which is mandated to develop and manage all major airports within the Republic. Currently KAA manages the Jomo Kenyatta International Airport in Nairobi, Moi International Airport in Mombasa and Eldoret International Airport. Other domestic airports and a number of smaller aerodromes are managed by KAA also. Air transport plays a significant role not only towards the development of the country but for both regional and international co-operation.

2.0 CURRENT STATUS

The Civil Aviation Sector in Kenya has grown steadily over the years. The Government's Commitment to continue providing the necessary infrastructure to rehabilitate airports to cope with the increasing passenger and air traffic growth will further propel air transport to greater development heights and modernise Air Navigation facilities.

Apart from the direct revenues derived from the passenger and cargo services provided at the various Kenyan airports, other benefits accrued include the growth of the tourism industry and agricultural exports, which have contributed significantly towards the growth of the Kenyan economy. The airports are served with needed infrastructural facilities in order to provide efficient services. The facilities include VHF and HF Communication systems, VHF measuring equipments, ILS, Radio Beacons, Radars and Flight Data Processing Computers. Other developments are in progress with regard to these Air Navigation Services.

3.0 POLICY ISSUES:

Within the context of the on-going macro-economic policies and the liberalisation programs that will continue to be pursued by the Government, there is intensified development in the fast-changing civil aviation sector.

The Government has already received a consultant's report, which highly recommends that Directorate of Civil Aviation be moved towards an autonomous Civil Aviation Authority.

These policy measures as envisaged, are to also expand the aviation related services industries, which generally include catering and aircraft maintenance and so on.

4.0 OPPORTUNITIES FOR INVESTMENT:

- Joint venture in the development of infrastructure at new and existing airports;
- Setting up of private airlines are also possible investment opportunities with regard to the envisaged growth in the aviation sector.

Identified Projects:

- Modernisation of the existing Air Navigation, Satellite/Air Traffic Management (CNS/ATM) system. Opportunities exist to provide both ground based and airborne CNS/ATM system.

E. METEOROLOGICAL SERVICES:

1.0 OVERVIEW:

The history of Meteorological Department in Kenya can be traced back to 1929, when the British East Africa Meteorological Services was formed. In 1967, with the formation of the East African Community, the Department was absorbed as an organ of the community and, was then known as the East African Meteorological Department.

With the collapse of the East African Community in 1977, Kenya established its own meteorological services. The Kenya Meteorological Department (KMD) was born and assumed its full status as a member of the World Meteorological Organisation (WMO).

The main role of KMD is the provision of weather and climatological data and forecasts for the shipping, aviation, agriculture, construction, manufacturing and tourism industries. KMD is also a regional WMO training centre for Anglophone African countries.

2.0 Trade and Investment Opportunities

Most of the equipment used to provide meteorological services are not manufactured locally and thus have to be procured from overseas. These requirements are:

- ❖ Upgrading of Meteorological/Telecommunications facilities.
- ❖ Upgrading Automation of the National Observation Network.
- ❖ Upgrading of Meteorological Computing facilities to enable the running numerical weather predication made is which require high computing power.
- ❖ Upgrading the Global Greenhouse Gases monitoring facilities.

F: TELECOMMUNICATIONS

1.0 OVERVIEW

The Kenya Government recognises that infor-communications development holds the key to our economy's development. This is because the availability of an efficient telecommunications services provides the impulse for the development of various sector of the economy including agriculture, tourism, and finance among others.

Table 2

Telecommunication Services, 1997-2001.

	Unit	1997	1998	1999	2000	2001
Telephone exchange capacity	No. (000)	384	403	411	444	446
Telephone exchange connections	No. (000)	272	280	296	304	321
Public call boxes	No.	6,309	7,263	8,397	8,388	8,346
Card phones	No.	49	212	876	1,061	1,158
Mobile telephones	No. (000)	5	9	15	85	668
Manual telephone calls made	No. (million)	4.60	3.70	3.50	3.86	4.25
Telex subscribers	000	1.20	1.10	1.00	0.69	0.65

Source: Economic 2002

Table 2 above shows a 5.7 per cent growth in the available number of telephone exchange connections recorded in 2001, with 304 thousand connections in 2000 to 321 thousand in 2001. Telephone exchange capacity expanded by 0.5 per cent. Total number of available public call boxes declined by 0.5 per cent as card phones increased by 9.1 per cent. Subscription for mobile phones increased significantly and reached 668 thousand subscribers in the year 2001 from 85 thousand subscribers in 2000.

POLICY FRAMEWORK

In order to meet the challenges facing the communications sector, the Government launched a number of policy papers to guide the sector. These include the policy framework paper of February 15, 1996, the Postal and Telecommunications Sector Policy Statement of January, 1997 and Sessional Paper No. 2 of 1997 on Industrial Transformation to the year 2020. The policy documents recognise that the information communications infrastructure and its efficient operation are key to the economic development and industrialisation of Kenya.

Consequently the Government has set the following targets:

- Improvement of penetration in rural areas from the present 0.16 lines per 100 people to 1 line 1000 people by the year 2015.
- Improvement of penetration in urban areas from the present 4 lines per 100 people to 20 lines per 100 people by the year 2015.

This works out to an additional 300,000 lines for rural areas and 2.4 million lines for urban areas, translating into an investment of 5.4 billion US dollars. This investment will have to be financed by both the private and public sectors.

In order to attract private sector, the Government tabled and parliament passed the Kenya Communications Bill 1998 and the Postal Corporations of Kenya Bill 1998. The bills provide for the separation of postal and telecommunications operations into two distinct legal entities namely the, Postal Corporation of Kenya and Telkom Kenya Limited. This also saw the creation of a regulator, the Communication Commission of Kenya (CCK).

INVESTMENT OPPORTUNITIES IN TELECOMMUNICATIONS SECTOR:

- 1) Privatisation of Telkom (K) Ltd. Through sale of 49% of the Government shares in the company to a strategic private investor. Negotiations on this are on-going.
- 2) Investing in value added services.
- 3) Provision of technological equipment and solutions to enhance telephone penetration and connectivity.
- 4) The Govt. has so far licensed two mobile phone providers and is considering licensing others with a view to lowering costs of provision and opening up the market for voice telephony.
- 5) Further applications for Internet Services Providers are being considered. The Parastatal Reform Programme has created enormous investment opportunities for private sector participation in this sub sector and there still exist opportunities to be exploited.

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