



REPUBLIC OF KENYA

THE NATIONAL INVESTMENT STRATEGY

**Ministry of Investments, Trade and
Industry**

**“Premier Investment Destination in
Africa.”**



Message from the Cabinet Secretary

DRAFT

Hon. Lee Kinyanjui
Cabinet Secretary
Ministry for Investments, Trade and Industry

Message from the Principal Secretary

DRAFT

Abubakar Hassan Abubakar,
Principal Secretary,
State Department for Investment Promotion
Ministry for Investments, Trade and Industry

Foreword

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Acknowledgements

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Table of Contents

Glossary and Definition of Terms	12
1 Introduction.....	18
1.1 Background	19
1.1.1 Overview of Investment in Kenya's Economy	19
1.1.2 Model for Foreign Direct Investment, Domestic Investment and Diaspora Direct Investment.....	25
1.2 Global Context:	27
1.3 Regional Context.....	29
1.4 Strategy as an imperative for Success.....	31
1.5 Methodology for developing the strategy - Approach and Process	31
2 Policy, Legal and Institutional Framework for Investment in Kenya	33
2.1 Policy and Planning Framework.....	34
2.1.1 Vision 2030, MTP IV and BETA	34
2.1.2 Kenya Investment Policy 2019	35
2.1.3 The National Industrialization Policy Framework for Kenya (2010-2030), Sessional Paper No. 9 of 2012	36
2.2 Legal Framework: A Thematic Analysis.....	36
2.2.1 Establishing and Maintaining Businesses in Kenya	39
2.2.2 Regulating Investments.....	40
2.2.3 Laws on Incentivized Zones.....	40
2.2.4 Fiscal Regime	41
2.2.5 Property Rights.....	42
2.2.6 Labour Rights and Management	44
2.2.7 Dispute Settlement Mechanisms	45
2.2.8 Regional and International Agreements	46
2.2.9 Devolution and County Legal Frameworks	47
2.3 The Institutional Framework.....	47
2.4 Conclusion.....	49
3 Analysis of Strategic Environment	53
3.1 SCOT Analysis for Kenya Investment and Business Ecosystem.....	53
3.2 Pillar 1: Create an enabling, facilitative and competitive investment climate and business environment.....	53
3.2.1 Situational Analysis	54
3.3 Pillar 2: Attraction, Facilitation and Retention of Direct Investment.....	63
3.3.1 Situational Analysis	63
3.3.2 Strategic Issues.....	64
3.3.3 Assessment of Investment Opportunities in Key Economic Sectors and Key Value Chains for Medium Term Plan (MTP)-IV.....	73
3.4 Pillar 3: Incentivising Investment	75
3.4.1 Introduction to Investment Incentives.....	75
3.4.2 Strategic Issues on Incentivising Investment	81
3.5 Pillar 4: De-risking FDI, DDI and DI in Kenya	83
3.5.1 Situational Analysis	83
3.5.2 Approaches to Addressing Strategic Issues in Derisking	87
4 Strategic Direction: Strategic Issues, Objectives, and Key Result Areas	97

4.1	Vision Statement.....	97
4.2	Mission Statement	97
4.3	Strategy Goal.....	97
4.4	Strategy Values and Principles	97
4.5	Key Result Areas.....	97
4.6	KRAs, Strategic Issues and Strategic Objectives	98
5	Implementation and Coordination Framework	108
5.1	Overview	108
5.2	Implementation Plan	109
5.2.1	KRA 1: Creation of an Enabling, Facilitative and Competitive Investment Climate and Business Environment	109
5.2.2	KRA 2: Attraction, Facilitation and Retention of Direct Investment	133
5.2.3	KRA 3 Incentivising Investment.....	145
5.2.4	KRA 4: De-risking FDI and DI in Kenya	153
5.3	Risk Mitigation Framework and Contingency Planning	166
5.4	Institution and coordination framework	168
5.5	Financial Requirements for National Investment Strategy.....	172
5.6	Sources of Technical Assistance, Financial and Human Resources Required in the Strategy ..	173
6	Monitoring and Evaluation	175
7	Appendices	177
7.1	Appendix 1. Model to Estimate DI, FDI and DDI in Strategy Period.....	177
7.2	Appendix 2: Institutional Membership of Technical Working Group for National Investment Strategy.....	181
7.3	Appendix 3: Stakeholder Analysis	182
7.4	Appendix 4: Participants at the TWG Workshop, May 7-10, 2024	188
7.5	Appendix 5: Counties Participating in Baseline Strategy Framing Workshop for County Governments, May 11-17, 2024.....	189
7.6	Appendix 6: MTP-IV Sector and Value Chain Investment Opportunities.....	190
7.7	Appendix 7: Thematic SCOT Summary Pillars 1-4.....	195

List of Tables & Figures

Tables

Table 1: FDI inflows into Selected East African countries 2018 to 2023 (USD Million)	21
Table 2: Select Investment Laws in Kenya and Ongoing Reforms	37
Table 3: A Comparison of Aftercare, IGMM, and Ombudsman	51
Table 4: Selected Performance Indicators of the Export Processing Zone Programme (2019-2023)	79
Table 5: De-risking instruments Options Matrix	90
Table 6: Summary of Key Result Areas, Strategic Issues and Strategic Objectives	98
Table 7: KRAs, Strategic Objectives and Strategic Initiatives	103
Table 8: KRA 1 - Implementation plan.....	109
Table 9: KRA 2 - Implementation plan.....	134
Table 10: KRA 3 - Implementation plan.....	146
Table 11: KRA 4 - Implementation plan.....	154
Table 12: Risk management Framework	166
Table 13: Institutional Coordination Framework	168
Table 14: Financial Requirements	172
Table 15: Sources of Technical Assistance, Financial and Human Resources Required in the Strategy.....	173

Figures

Figure 1: Visual Representation of the National Investment Strategy- Strategy Goal, Key Pillars and Foundations.	17
Figure 2: Growth of Key Economic Sectors in Kenya, GDP, 2023 (%).....	19
Figure 3: Contribution of Key Sectors to Kenya's GDP in 2023 (%).	20
Figure 4: Ratio of Sector Share of GDP Growth to Sector share of GDP in 2023- Kenya.....	21
Figure 5: FDI Inflows in Selected East African Countries, 2020 to 2023, (USD Million)	22
Figure 6: Kenya's Merchandise Imports, Exports and Balance of Trade (2019-2020)	24
Figure 7: Global FDI inflows (1990 - 2023)	28
Figure 8: FDI trends by region 1990 to 2023	29
Figure 9: FDI into Africa' RECs, 2018 and 2023 (USD Billion)	30
Figure 10: FDI into Africa's RECs, 2017 and 2022 (USD Billion).....	30
Figure 11: Investment Cycle	33
Figure 12: Summary SCOT Analysis of Kenya Investment Climate and Business Environment	53
Figure 13: Global Competitiveness Index - Overall rankings and scores for 5 East African and 3 South Asian Countries, 2019	55
Figure 14: Corruption Perception Index (CPI) rank and score for 5 East African & 3 South Asian countries, 2023	58
Figure 15: Practices of informal competitors continue to be considered the main obstacle to private firms' operations (World Bank, Enterprise survey, 2018).....	59
Figure 16: Investment in environmental technologies bucks the trend	62
Figure 17: Case Study - Korea Trade-Investment Promotion Agency (KOTRA).....	69
Figure 18: Kenya's Performance in Investor Information Portals and Single Window	71
Figure 19: The Investor Journey	72
Figure 20: Location of Gazetted SEZs in Kenya (February 2024).....	80
Figure 21: Growth of Kenya's Diaspora Remittance Over Time.....	88
Figure 22: Venn Diagram on FDI/DDI/DI Interactions	89

Abbreviations and Acronyms

ACA	Anti-Counterfeit Authority	KES	Kenyan Shilling
ADR	Alternative Dispute Resolution	KFJKA	Kenya Federation of Jua Kali Associations
AEO	Authorised Economic Operator		
AFC	Agricultural Finance Corporation		
AfCFTA	African Continental Free Trade Area	KIC	Kenya Investment Corporation
		KIE	Kenya Industrial Estates
AGOA	Africa Growth and Opportunity Act	KIIs	Key informant Interviews
ASCM	Agreement on Subsidies and Countervailing Measures	KIP	Kenya Investment Policy
ATI	Africa Trade Insurance	KIPI	Kenya Industrial Property Institute
AU	African Union		
B2B	Business to Business	KNBS	Kenya National Bureau of Statistics
		KNCCI	Kenya National Chamber of Commerce and Industry
		KPA	Kenya Ports Authority
BEEEP	Business Environment and Export Enhancing Programme	KPLC	Kenya Power and Lighting Company
BETA	Bottom-up Economic Transformation Agenda	KR(C)	Kenya Railway (Corporation)
BESS	Battery Energy Storage Systems	KRA	Kenya Revenue Authority
BIT	Bilateral Investment Treaty	LPI	Logistics Performance Index
		M&E	Monitoring & Evaluation
BLA	Bilateral Labour Agreements	MDA	Ministries, Departments and Agencies
BOI	Board of Investments		
BPO & ITES	Business Process Outsourcing and IT Enabled Services	MGR	Metre Gauge Railway
BRAPDC	Business Reform Action Plan Development Committee	MICE	Meetings, Incentives, Conferences and Exhibitions
BRS	Business Registration Services	MIGA	Multilateral Investment Guarantee Agency
BREXIT	British Exit (UK exit from EU)	MITI	Ministry of Investment, Trade, and Industry
		MFN	Most Favoured Nation
CAIP	County Aggregation and Industrial Park Chapter	MNCs	Multinational Corporations
CAP	Commission on Administrative Justice	MSE	Micro and Small Enterprise
CAJ	Collective Bargaining Agreements		
CBA	Central Bank of Kenya	MSME	Micro, Small, and Medium Enterprises
CBK	County Executive Committee Member	MTP-IV	Fourth Medium Term Plan
CECM	Common External Tariff	NDC	Nationally Determined Contributors
CET	Chief Executive Officers		
CEOs	Credit Guarantee Scheme		
CGS	Cost, Insurance and Freight		
CIF	Comprehensive Investor Services Framework	NDF	National De-risking Framework
CISF	County Investment Units	NDFDT	National De- risking Framework
		NEB	Net Economic Benefit
COMESA	Common Market for Eastern and Southern Africa	NEMA	National Environment Management Authority
CoG	Council of Governors	NIFCA	Nairobi International Financial Centre Authority
CoK	Constitution of Kenya		
		NGO	Non-Governmental Organisations
CPI	Corruption Perception Index		

CRM	Customer Relationship Management	NDFDTWG	National De-risking Framework
CS	Cabinet Secretary		Development Technical Working Group
CWWDA	Coast Water Works Development Agency	NEB	Net Economic Benefit
DBRT	Department of Business Reforms and Transformation	NIC	National Investment Council
		NILT	National Investment Land Trust
		NIFP	National Investment Focal Point
		NIRR	National Investment Risk Register
DDI	Diaspora Direct Investment	NISK	National Investment Strategy Kenya
DI	Domestic Investment	NLC	National Land Commission
DFI	Development Financial Institutions	NTBL	Non- Through Bill of Lading
DPP	Director of Public Prosecutions		
DVM	De-risking Valuation Methodology	OSC	One Stop Centre
EAC	East African Community	OSS	One-Stop Shop
EACC	Ethics and Anti -Corruption Commission	OSR	Own Source Revenue
ECOWAS	Economic Community of West African States	ODA	Overseas Development Assistance
ECMA	EAC Customs Management Act	PESTEL	Political, Economic, Socio-cultural, Technological, Ecological, Legal
		PPA	Power Purchase Agreements
eFNS	Electronic Foreign Nationals Services	PPP	Public-Private Partnership
ELRC	Employment and Labour Relations Court	PS	Principal Secretary
EPA	Economic Partnership Agreement	REC	Regional Economic Commission
EPRA	Energy and Petroleum Regulatory Authority	RIA	Regulatory Impact Assessment
EPZ	Export Processing Zones Authority	ROI	Return on Investment
ESG	Environmental, Social and Governance	SACCO	Savings and Credit Cooperative
		SCC	Shared Services Centres
FDI	Foreign Direct Investment		
FIS	Foreign Investment Strategy		
FPI	Foreign Portfolio Investment	SADC	Southern African Development Community
GAT	General Agreement on Tariffs	SAGA	Semi-autonomous Government Agency
GARDRR	Global Assessment Report on Disaster Risk Reduction	SD	State Department
GCI	Global Competitiveness Index	SDG	Sustainable Development Goal
		SDI	State Department for Industry
GDP	Gross Domestic Product	SDIP	State Department for Investment Promotion
GFCF	Gross Fixed Capital Formation	SDT	Special and Differential Trade
GNCF	Gross Nominal Capital Formation		
GNP	Gross National Product	SEZ	Special Economic Zones
GoK	Government of Kenya	SEZA	Special Economic Zone Authority
GPDI	Gross Private Direct Investment	SGR	Standard Gauge Railway
GVCs	Global Value Chains	SLO	State Law Office
		SOFA	Special Operating Framework Agreement
ICT	Information and Communication Technology	SPUI	Single Products Unique Identifier
		STIP	Strategic Trade and Investment Partnership
ICTA	Information and Communication Technology Authority	SCOT	Strengths, Challenges, Opportunities, Threats
ICDC	Industrial and Commercial Development Corporation	TBL	Through Bill of Lading
ICMS	Integrated Customs Management System		

IDF	Import Declaration Fee	TFA	Trade Facilitation Agreement
IFD	Investment Facilitation for Development	TI	Transparency International
IGM	Investor Grievance Management	TOU	Time of Use
IGMM	Investment Grievance Management Mechanism	TFC	Tourism Finance Corporation
IGWGI	Intergovernmental Working Group on Investment		
IIAs	International Investment Agreements		
IPA	Investment Promotion Agencies	TNT	The National Treasury
IPR	Intellectual Property Rights	TRIMS	Trade Related Investment Measures
IPPS	Independent Power Producers	TWG	Technical Working Group
JECC	Joint Economic Commission for Cooperation	UHC	Universal Health Coverage
JPCC	Joint Political Commission for Cooperation	UNCITRAL	United Nations Commission on International Trade Law
KAA	Kenya Airports Authority	UNCTAD	United Nations Conference on Trade and Development
KAM	Kenya Association of Manufacturers	UNDRR	United Nations for Disaster Risk Reduction
KCV	Kenya Climate Ventures	USD	United States Dollar
KDC	Kenya Development Corporation	USTR	United States Trade Representative
KenInvest	Kenya Investment Authority	VAT	Value Added Tax
KEPHIS	Kenya Plant Health Inspectorate Services	WAIPA	World Association of Investment Promotion Agencies
KEPSA	Kenya Private Sector Alliance	WBG	World Bank Group
KEPROBA	Kenya Export Promotion and Branding Agency	WEF	World Economic Forum
KeBS	Kenya Bureau of Standards	WTO	World Trade Organization
KEPHIS	Kenya Plant Health Inspectorate	YEDF	Youth Enterprise Development Fund
KES	Kenyan Shilling		
KFJKA	Kenya Federation of Jua Kali Associations		
KIC	Kenya Investment Corporation		
KIE	Kenya Industrial Estates		
KII	Key informant Interview		
KIP	Kenya Investment Policy		
KNCCI	Kenya National Chamber of Commerce and Industry		

Glossary and Definition of Terms

Aftercare: is post-establishment investment facilitation designed to assist the investment navigate start-up, then develop and grow. Aftercare seeks to have the investor decide to stay in the country and reinvest. Aftercare focuses effort on getting investments to deliver economic benefits to the local economy in the form of: (a) sustainable development; (b) employment opportunities; (c) linkage with local economy; (d) developing sector-specific knowledge advancement.

Business environment: the business environment comprises the legal, regulatory, policy and institutional frameworks that affect the firm at micro-level.

De-risking: the structured process for minimising or eliminating in-nation risks that improves its attractiveness as an investment destination.

Diaspora Direct Investment (DDI): is a category of cross-border investment where a Kenyan who is resident outside Kenya acquires a lasting interest in an enterprise located in Kenya (usually above 10% share) and has a voice in the management of the enterprise.¹

Domestic Investment (DI): this is where an investing entity acquires a lasting interest (usually over 10% share) of an enterprise located in the investing entity's country of residence. The investing entity also has a voice in the management of the enterprise. At a macro level it is approximated by the difference between Gross Fixed Capital Formation and FDI.

Foreign Direct Investment (FDI): is a category of cross-border investment where a foreign entity owns a lasting interest in a resident enterprise (usually above 10% share) and has a voice in the management of the enterprise.²

Foreign Portfolio Investment (FPI): is investment in financial securities such as stocks, bonds, and other financial assets within a country different from the investor's country of residence. It does not involve any active management by the investor.

Investment: The contribution of local or foreign capital by an investor, including the creation or acquisition of business assets by or for a business enterprise and includes the expansion, restructuring, improvement or rehabilitation of a business enterprise.³

Investment Climate: An enabling environment that fosters private investment flows into an economy for the achievement of broader inclusive growth and sustainable development goals. This includes macroeconomic stability, political stability, business environment, human development, natural environment, climate change and migration.

Investment promotion (attracting DI/FDI): This is a means to attract potential investors that have not yet selected an investment destination. It focuses on image building initiatives, that is fostering a positive image of a host country. This includes branding of the host country as a profitable destination. Investment promotion also involves investment generation, by marketing techniques which target specific sectors, activities, or, in the context of this Report, priority value chains (OECD, 2020).

Investment facilitation: it relates to providing support to investors in their establishment, retaining existing ones, and encouraging reinvestments. This is done by responding to investor needs and

¹ Balance of Payments and International Investment Position Manual, 6th edition, IMF (modified for Kenyan context).

² Balance of Payments and International Investment Position Manual, 6th edition, IMF.

³ (Republic of Kenya (2004). *The Investment Promotion Act, Chapter 485 B, Revised Edition 2009*)

challenges.⁴ Unlike promotion, investment facilitation starts at the pre-establishment phase, once an investor has already shown interest in investing in the host country.

Investment retention: this involves monitoring and evaluation to get feedback from investors and includes the continued improvement of legal and regulatory framework for investment. Investment retention may be categorised into advocacy and aftercare services (World Bank, n.d.).

⁴ <https://www.oecd.org/investment/Towards-an-international-framework-for-investment-facilitation.pdf>

Executive Summary

The National Investment Strategy for Kenya (NISK) seeks to significantly increase foreign direct investment (FDI), domestic investment (DI) and diaspora direct investment (DDI) into the country over a five-year period - 2024/5 to 2028/9 as a means to obtaining socio-economic benefits like technology and skills transfer, employment creation, economic diversification, income enhancement, export growth and increased output.

Chapter 1 introduces background and context for NISK. In recent years, Kenya has experienced macro-economic instability with rising commodity prices coupled with rapid depreciation of the Kenya shilling at a time when Kenya's debt to GDP ratio had reached historically high levels. These together with rising domestic interest rates and a negative trade balance creating "the perfect economic storm" in the country. The government, through the Fourth Medium Term Plan of Vision 2030 (MTP-IV) charted a new path to economic growth. MTP-IV challenges Kenya to produce what she consumes, to add value to raw materials before exporting them and to expand labour intensive production activities to create jobs for young Kenyans. The investment climate and business environment must be both attractive (easy to do business) and competitive (cost-effective). Despite improvements in Kenya's ranking in the World Bank's Ease of Doing Business Index up to 2018, Kenya's attraction of FDI as recorded by UNCTAD's World Investment Report, inward inflows of FDI have stabilised at between \$1.4 billion and \$1.6 billion between 2020 and 2023, leaving room for growth.

The Strategy sets progressively stretched targets for FDI - rising from USD 1.504 billion in the baseline year (2023/24) to USD 5.079 billion in FY 2028/29. Domestic investment is projected to double from USD 22.276 billion in 2023/24 to USD 44.870 billion in 2028/29. Diaspora Direct Investment (DDI) is set to rise from a zero-base to USD 1.677 billion by 2028/29.

Both primary and secondary data were used to identify barriers to investment, the interventions to address them and the target investment opportunities. Primary data was collected through key informant interviews with the private sector, via workshops for national and county governments and from online surveys on the Kenyan investment climate and business environment. This produced strategic issues clustered in 4 thematic key result areas (also referred to as Pillars in the document) namely:

- KRA1: Creation of an enabling, facilitative and competitive investment climate and business environment
- KRA 2: Attraction, facilitation and retention of direct investment.
- KRA 3: Incentivising investment and
- KRA 4: De-risking FDI, DDI and DI in Kenya.

Chapter 2 reviews the policy, legal and regulatory framework for investments in Kenya, highlighting the Kenya Investment Policy (2019) which described 8 barriers to investment and MTP-IV which implements the Bottom-Up Economic Agenda's priorities. Laws and regulations related to investment are described including highlighting problem areas. Chapter 3 undertakes a situational analysis using S-C-O-T to assess the business environment and the investment climate in Kenya and to highlight strategic issues which influence competitiveness and attractiveness for investment.

Chapter 4 develops the high-level strategy elements and provides strategic direction— the strategy's mission, vision, goal, values and principles and the key result areas. It links strategic issues with twenty-one strategic objectives which are cascaded to fifty nine strategic initiatives. Chapter 5 provides the five-year implementation and coordination framework with a detailed action plan where each of four e has strategic objectives, outcome indicators and targets; strategic initiatives and key

activities. Each activity has outcome indicators, performance targets, budgets, timelines and institutions responsible. This chapter also discusses risk mitigation strategies, summarises resource requirements and the strategies to mobilise them, institutional and coordination framework along with a monitoring and evaluation plan.

Some strategic issues and interventions in the strategy include:

Under Pillar 1: Create an enabling, facilitative and competitive investment climate and business environment.

- High cost of doing business including costly energy - seeking to reduce the tariff for large industrial consumers from 25.3 KES/kWh in December 2023 to 15.5 KES/kWh, by removing inbuilt power tariff taxes, expanding private generation of sustainable off-grid and on-grid power, introducing an auction-based energy sector procurement system, fostering usage of battery energy storage systems; create regional power pools in KPLC promoting private investment in power transmission and distribution; and where feasible retooling thermal plants to use sustainable power sources and promoting private investment in power transmission and distribution, while expediting use of wheeling and net metering by private generators.
- High regulatory compliance burden - reviewing levies, cess, charges and fees; harmonising county regulatory frameworks; reducing taxes, implementing a national tax policy.
- Counterfeiting and illicit trade-expanding use of single product unique identifier technology
- Corruption - enhancing digitization of corruption case records, expansion of corruption courts and automation of administrative processes to reduce discretion.
- Gaps in ICT and transport infrastructure-expanding private sector investment in ICT infrastructure, streamlining inward freight logistics and reducing tariffs
- Inadequate regional economic integration -- solidifying Kenya's role as an anchor state in deepening continental economic integration, harmonising Kenya-EU and Kenya-UK EPA import tariffs with EAC CET, considering ratification of AfCFTA Protocol on investment and examining benefits of WTO Investment for development agreement (IFD).

Under Pillar 2: Attraction, facilitation and retention of direct investment

- Weak strategic planning in investment agencies - integrating strategic planning in investment through resource-based prioritisation, conducting resource mapping in counties, strategic attraction of investment, developing a rolling medium term investment attraction programme and establishing a diaspora investment promotion initiative.
- Weak coordination of investment functions at national and county levels – establishing intergovernmental coordination mechanisms and supporting capacity building in county investment units, implementing targeted investment attraction strategies.
- Insufficient focus on data driven investor services and after care – establishing cross-institutional customer relationship management (CRM) system to streamline investment related administrative measures, expanding use of investor information portal.
- Inadequate focus on aftercare - revamping customer service culture in key public agencies, harmonising the one-stop shops.
- Lack of reliable data on investment – establishing an efficient investment data capture system for planning and reporting, enhancing collaboration in collection of investment data for enterprises through surveys; and data sharing arrangements with key state departments and agencies.

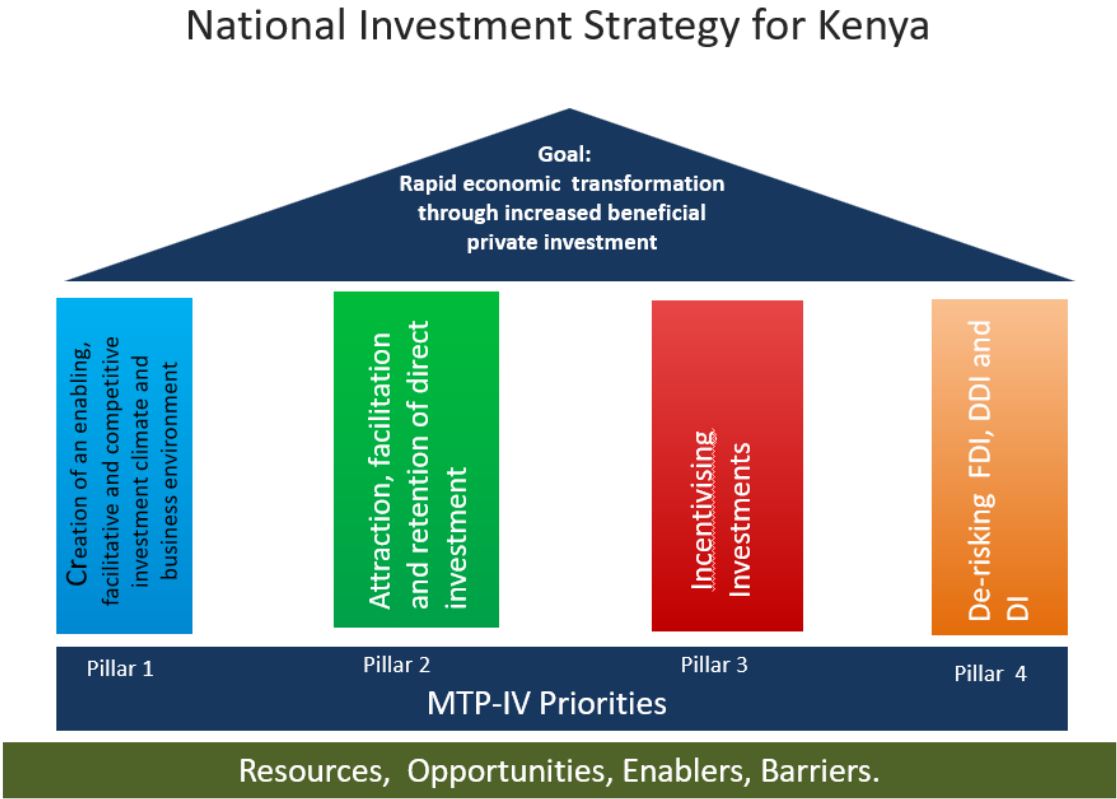
Under Pillar 3: Incentivising investment

- Limited range of results -based incentives for investment - widening WTO compliant performance-based incentives to induce beneficial investment outcomes
- Lack of infrastructure and utilities in some industrial parks and zones - implementing a prioritised zone/park development programme, prioritising supply enhancement in water stressed zones.
- Regulatory inconsistencies and high cost of services in incentivised schemes- harmonising power tariffs across zone schemes and developing a competitive work permit regime
- Fragmented value chains – promotion of investment in ventures that use local inputs, developing linkage programmes to source local raw materials, increasing production of local raw materials to meet value chain demand.

Under Pillar 4: De-risking FDI, DDI and DI in Kenya

- The absence of a comprehensive approach to investment De-risking – establishing a *National De-risking Framework* (NDF) to de-risk FDI, DDI and DI and to mitigate the effect and impacts of Country Risk, Industry Risk and Project Risk on investment flows and so enhance Kenya's competitiveness as an investment destination
- Investor's negative perception of Kenya's country risk – establishing a *country risk* management protocol including developing a Kenya credit rating predictive model, enhancement of fiscal discipline, paying down debt using yields from a sovereign wealth fund.
- Inadequate tools to address industry risk – strengthening KDC as a fully fledged DFI offering non-financial business support service, providing simplified Lines of Credit for business in targeted value chains to acquire plant and equipment, incorporating relevant climate and environment de-risking measures.
- Lack of a *project risk* management protocol to mitigate risk- establishing a national investment land trust to de-risk investors' long term access to land, offering project risk insurance products to investors, supporting KDC and other DFIs to acquire equity participation in FDI ventures.

Figure 1: Visual Representation of the National Investment Strategy- Strategy Goal, Key Pillars and Foundations.



1 Introduction

In March 2024, the State Department for Investment Promotion (SDIP) with assistance from the Business Environment and Export Enhancement (BEEEP), funded by the European Union and managed by Trademark Africa, commissioned an assignment for the preparation of a National Investment Strategy for Kenya (NISK). The imperative for the strategy stems from the importance of investment for the country's economic growth and development, particularly to provide capital for productive economic activities. The Government of Kenya through the Ministry of Investments, Trade and Industry (MITI) set an ambitious target of growing foreign direct investment (FDI) inflows as well as to increase domestic investment (DI) in a five-year period (2024/25 – 2028/29). The strategy also deliberately targets increases in diaspora direct investment (DDI), seeking to direct remittances into productive investments. Overall, this strategy is meant to reverse the downward trend in Kenya's FDI over the past decade, which declined from USD 2 billion in 2013 to USD 1.504 billion in 2022 and to achieve positive socio-economic gains from the investment realised.

The development of the strategy is premised on four pillars: (1) a competitive and attractive investment climate and business climate for FDI, DDI and DI; (2) promotion and facilitation of investment in existing investment opportunities; (3) incentivising investments and (4) de-risking FDI, DDI and DI. The strategy aligns with MTP-IV and the Bottom-Up Economic Transformation Agenda (BETA), by focussing on MTP-IV priority sectors and value chains. The strategy also builds on the findings and recommendations of the Kenya Investment Policy (2019) which it seeks to implement.

This Final Strategy Document and Implementation Action Plan is the fifth deliverable for the National Investment Strategy for Kenya. It builds on Deliverable 3 "Draft Strategy Document" which applied the findings of the Investment and Business Climate Assessment report (Deliverable 2) provided interventions to address barriers to investment, clustered into strategic issues. The Draft Strategy Document spelled out the high-level strategy elements (strategy vision, mission, goal, values and key principles) which were further cascaded through strategic objectives to address the earlier identified strategic issues, to be acted upon through a series of prioritised, practical strategic initiatives and key activities.

In line with the Inception Report, the Final Strategy Document and Implementation Action Plan contains prioritised, practical recommendations for improving the business and investment climate. It provides a detailed strategic framework to achieve twenty-one strategic objectives, clustered in four pillars or KRA's. It also provides high level notes on sequencing of strategies and activities with consideration of dependencies and interconnections and gives indicative timelines for each activity.

The Final Strategy Document and Implementation Action Plan estimates financial resources required to actualise its full implementation and identifies potential sources of human resources, technical assistance and funding. It also provides details of the institutional coordination framework and potential risks, with risk mitigation strategies.

The strategy aims to move Kenya rapidly towards a transformed investment climate and business environment where private capital can leverage available investment opportunities, particularly those prioritised by MTP-IV which focus on production for both domestic consumption and export, to deliver socio-economic benefits. These benefits may include lower costs of doing business, a supportive ecosystem for investment; employment creation, transfer of skills and technology, economic diversification, increased output, improved incomes, expanded exports with an improved balance of trade position and enhanced stability of the Kenyan currency.

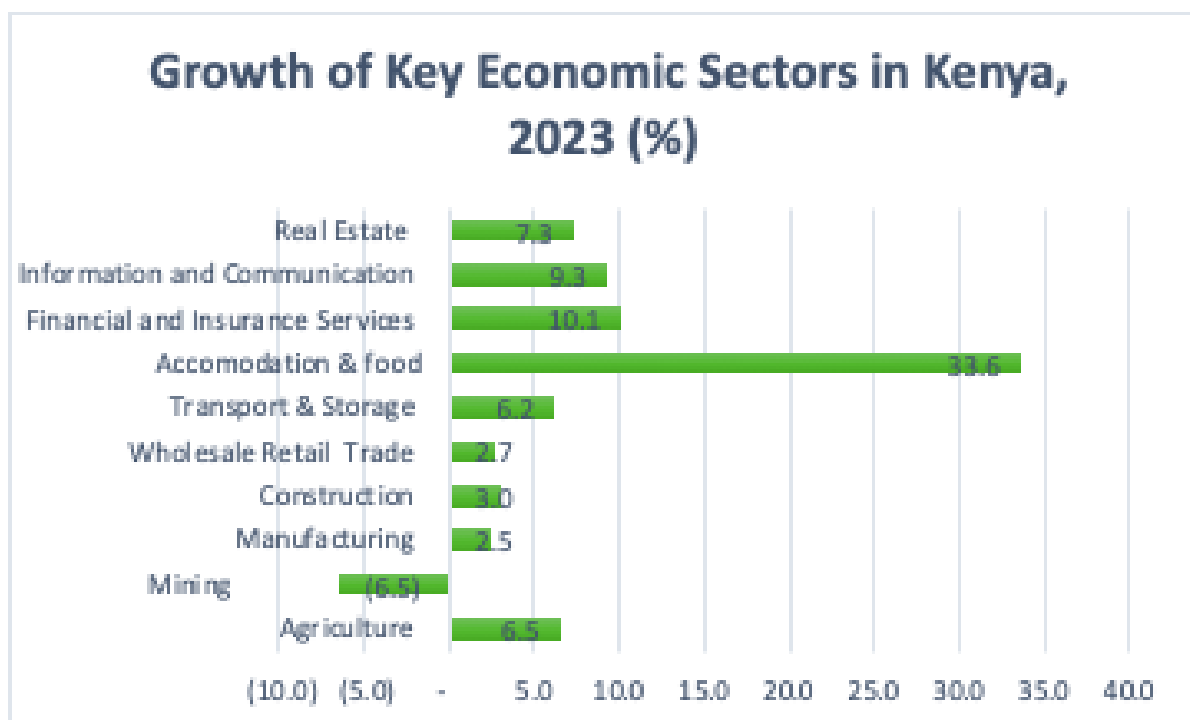
1.1 Background

1.1.1 Overview of Investment in Kenya's Economy

Kenya continues to show her economic resilience in the post-COVID period and in the period following the 2022 general elections. Data from the Kenya Economic Survey, 2024 shows Kenya's economy grew by 5.6% in 2023 compared to the revised growth of 4.9% recorded in 2022.

As can be seen from Fig. 2 below this positive performance was attributable to growth in most economic sectors.

Figure 2: Growth of Key Economic Sectors in Kenya, GDP, 2023 (%)

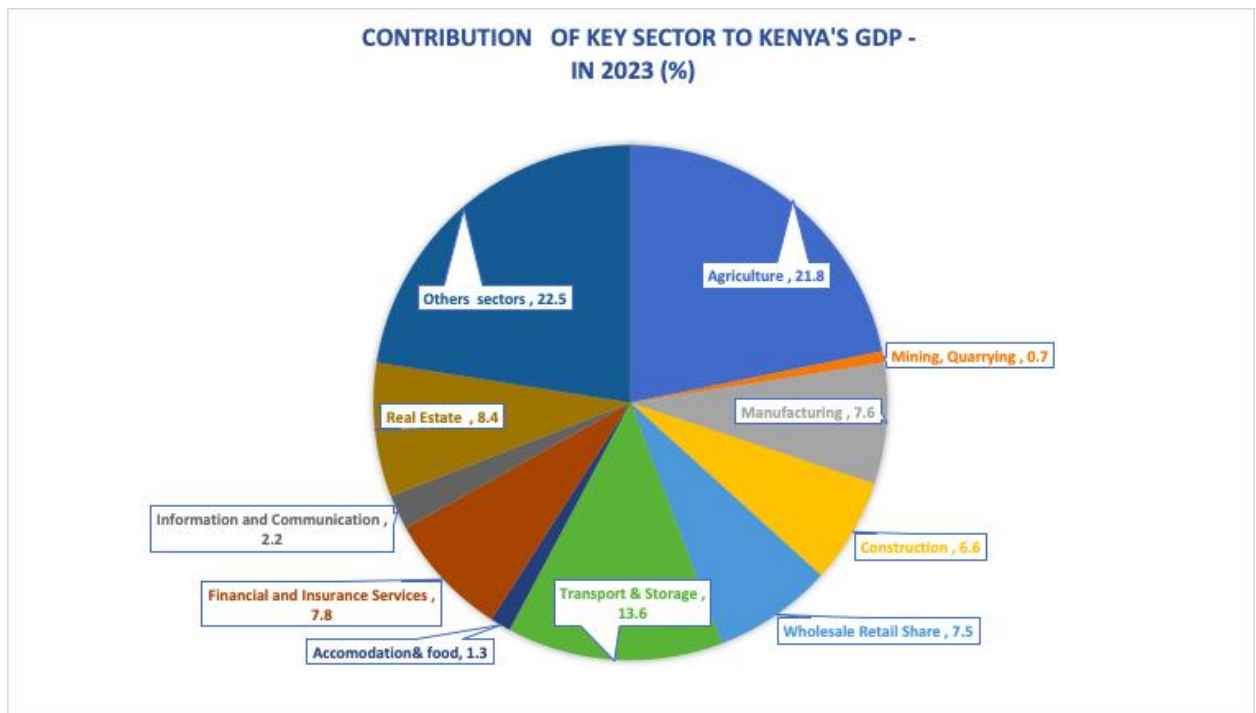


Source: Economic Survey 2024, Table 2.2

The agriculture sector benefited from favourable weather conditions, unlike in preceding two years, recording 6.5% growth compared to a contraction of 1.5% in 2022. Other sectors driving GDP growth were information and communication technology (9.3%), transportation and storage services (6.2%), financial and insurance services (10.1%), real estate (7.3%), and accommodation and food (33.6 %). The mining sector shrunk by 6.5 % while manufacturing growth decelerated to 2.5%. Mining sector contraction was mostly due to the decline in the production of titanium ores and soda ash, while the manufacturing sector was derailed by the high cost of production, a high tax burden, inflationary pressure and exchange rate fluctuations.

Figure 3 below shows the contribution of different sectors to GDP in 2023. The leading contributors were agriculture at 21.8%, transport and storage at 13.6%, real estate at 8.4%, finance and insurance services at 7.8%, manufacturing at 7.6% and wholesale and retail trade at 7.5%.

Figure 3: Contribution of Key Sectors to Kenya's GDP in 2023 (%).

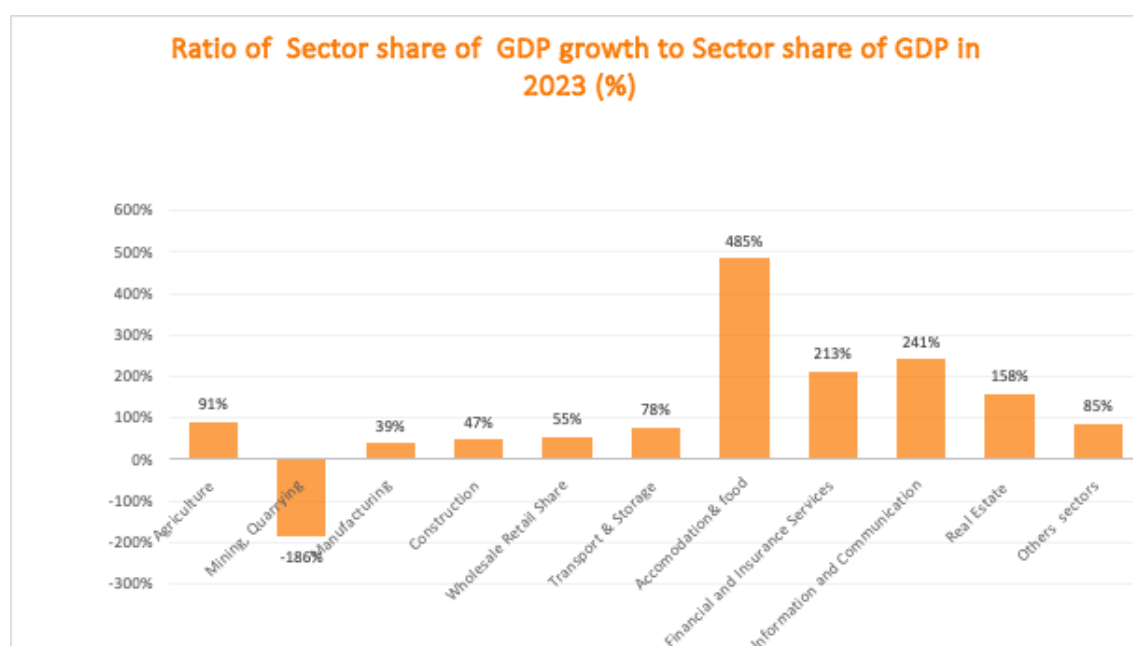


Source: Economic Survey, 2024, Table 2.2

Figure 4 below shows the ratio of sector contribution to GDP growth expressed as a percentage of the sector's share of GDP. Any percentage above 100% shows that the sector grew faster than the average for the economy. In this case, four sectors showed high contributions to growth, namely the accommodation and food sector at 485%, the ICT sector with a ratio of 241%, financial and insurance services at 213%, and real estate at 158%. All other ratios were below 100% meaning the sector's contribution to GDP growth was less than its contribution to GDP last year. Notably, manufacturing has the lowest positive ratio at 39% showing it is struggling to achieve growth, a situation attributable to the high cost of doing business in Kenya.

The accommodation and food sector's high rate of growth reflects the upsurge in visitor arrivals, which have reverted to pre-COVID level. KNBS attributes this to several international conferences which drew a large number of delegates. With the high number of available hotel beds, this gives hope for full recovery of the tourism sector, including through meetings, incentives, conferences and exhibitions (MICE), a form of business tourism. The ICT sector's high ratio reflects the expansion of mobile telephony, data services, mobile money, broadband data and the digital applications enabled by ICT for a large section of the population. Financial services and real estate also have ratios above 100% at 218% and 158% respectively with banks profiting from high yields offered for treasury bills and bonds.

Figure 4: Ratio of Sector Share of GDP Growth to Sector share of GDP in 2023- Kenya



Source: Economic Survey, 2024. Data from Table 2.2 and 2.4.

In terms of employment, the informal sector continues to play a significant role in the economy accounting for 85% of the 848,200 new jobs created in 2023. The economy employed a total of 20.0 million persons in 2023 compared to 19.1 million in 2022. The dominance of the informal sector presents the country with an opportunity to forge initiatives that can enhance capital accumulation and designing pension schemes that encourage those in the informal sector to save for their retirement.

Table 1 below shows that Kenya's FDI inflows over the past six years remained relatively steady between USD 1.14 and 1.60 billion. According to the UNCTAD's World Investment Report, 2024, Kenya's FDI inflows in 2023 were USD 1.504 billion, marginally down 5.82 % from the 2022 peak of USD 1.597 billion, consistent with a 2 % drop in global FDI flows in 2023. It should be noted that the 2020-2022 figures differ from those in the World Investment 2023 Report, highlighting the challenge of reliable data on investment data for Kenya.

Table 1: FDI inflows into Selected East African countries 2018 to 2023 (USD Million)

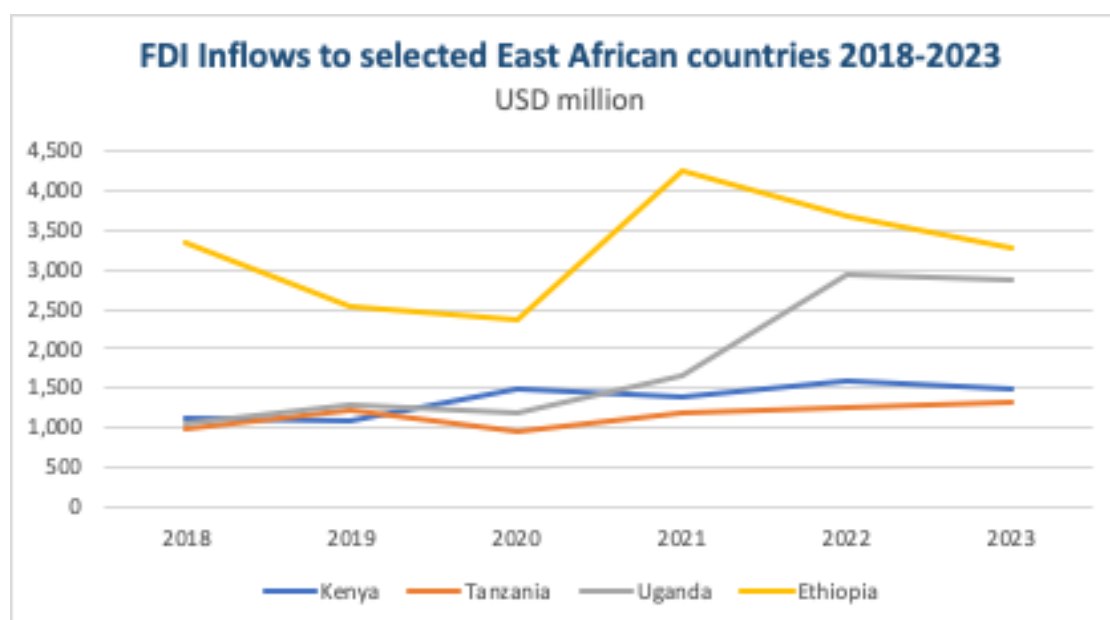
	2018	2019	2020	2021	2022	2023	% change 2023
Kenya	1,139	1,098	1,510	1,406	1,597	1,504	-5.82%
Tanzania	972	1,217	944	1,190	1,265	1,339	+5.85%
Uganda	1,055	1,303	1,191	1,648	2,953	2,886	-2.27
Ethiopia	3,360	2,549	2,381	4,260	3,670	3,263	-11.09%

Source: World Investment Report, 2024 – Annex Table 1, UNCTAD, 2024

By way of comparison with neighbouring countries, Table 1 above and Figure 5 below show that Kenya attracted less investment than Uganda which received FDI inflows of USD 2.886 billion in 2023, but which was a drop of 2.7% compared with USD 2.953 billion in 2022. Tanzania, on the other hand, attracted less investment inflows than both Uganda and Kenya at USD 1.339 billion but with a 5.85% increase over its 2022 inflows. Ethiopia attracted the largest value of FDI in the region at USD 3.263

billion, but still 11.09% down from 2022 inflows and lower than the peak of 4.260 billion in 2021. Kenya, Uganda, and Tanzania have continued to focus on attracting FDI, given their role as anchor economies in the East Africa Community (EAC), where FDI inflows grew by 9% in the 10 years to 2022. The bloc has established the EAC investment Policy 2019-2024, with the goal of attracting FDI and increasing DI through common legal and regulatory approaches.

Figure 5: FDI Inflows in Selected East African Countries, 2020 to 2023, (USD Million)



Source: World Investment Report, 2024 – Annex Table 1, UNCTAD, June 2024

Table 2 below shows some economic parameters in Kenya including GDP at current prices, GDP growth rate and also gross fixed capital formation (GFCF) which closely approximates private investment. This latter indicator is expressed as a percentage of GDP and is compared with gross nominal capital formation (GNCF) as a percentage of GDP over 5 years for Kenya and 4 other Eastern African countries – Ethiopia, Rwanda, Tanzania and Uganda. Kenya's GFCF as a percentage of GDP ranges between 17.24 % and 19.32 % while GNCF ranges from 17.86 to 20.39, the lowest of the 5 countries with Tanzania having the highest, with percentage ranging between 37.01% and 40.32% over the 5 years.

Table 2: Gross Fixed Capital Formation, Gross Nominal Capital Formation in Eastern Africa

GDP, Gross Fixed Capital Formation in Kenya, Gross Nominal Capital Formation in Eastern Africa (2019-2023)					
	2019	2020	2021	2022	2023 *
Real GDP Growth % - Kenya	5.1	-0.3	7.6	4.9	5.6
GDP KES Million (Current prices) Kenya	10,237,727	10,715,070	12,027,662	13,489,642	15,108,806
Gross Fixed Capital Formation KES (Current prices) - KES Million, Kenya	1,941,234	2,070,321	2,367,797	2,509,782	2,605,387
Gross Fixed Capital Formation as percentage of GDP (%) - Kenya	18.96	19.32	19.69	18.61	17.24
Gross Nominal Capital Formation as Percentage of GDP (%) - Kenya	19.34	19.65	20.39	19.16	17.86
Gross Nominal Capital Formation as Percentage of GDP (%) - Ethiopia	35.26	30.75	28.02	25.34	21.04
Gross Nominal Capital Formation as Percentage of GDP (%) - Rwanda	23.46	25.11	26.13	24.50	24.32
Gross Nominal Capital Formation as Percentage of GDP (%) - Tanzania	39.66	39.37	40.32	37.01	38.22
Gross Nominal Capital Formation as Percentage of GDP (%) - Uganda	26.41	27.71	27.26	26.62	30.63
Source: Economic Survey 2024 for Kenya GDP & GFCF; IMF-Data Access to Macroeconomic and Financial Data - for GNCF					
* 2023 IMF figures were projections.					

Table 3 below, similarly shows that Kenya had the lowest savings to GDP percentage of the 5 Eastern African comparator countries, between 2020 and 2022, with only Rwanda having a similar rate of savings. All these factors point towards a Kenyan economy with a low gross fixed capital formation and the lowest gross national savings rate, indicating insufficient surpluses from savings to channel into internal investments.

Table 3: Gross National Savings as a percentage of GDP, Eastern Africa (2020-2022)

Gross National Savings as % of GDP	2018	2019	2020	2021	2022
Ethiopia	32.33	29.91	26.58	25.17	21.29
Kenya	13.97	14.10	14.91	15.16	14.01
Rwanda	11.26	11.57	13.05	14.88	14.68
Tanzania	34.50	37.74	37.85	37.10	31.66
Uganda	19.16	19.79	18.34	18.93	18.39

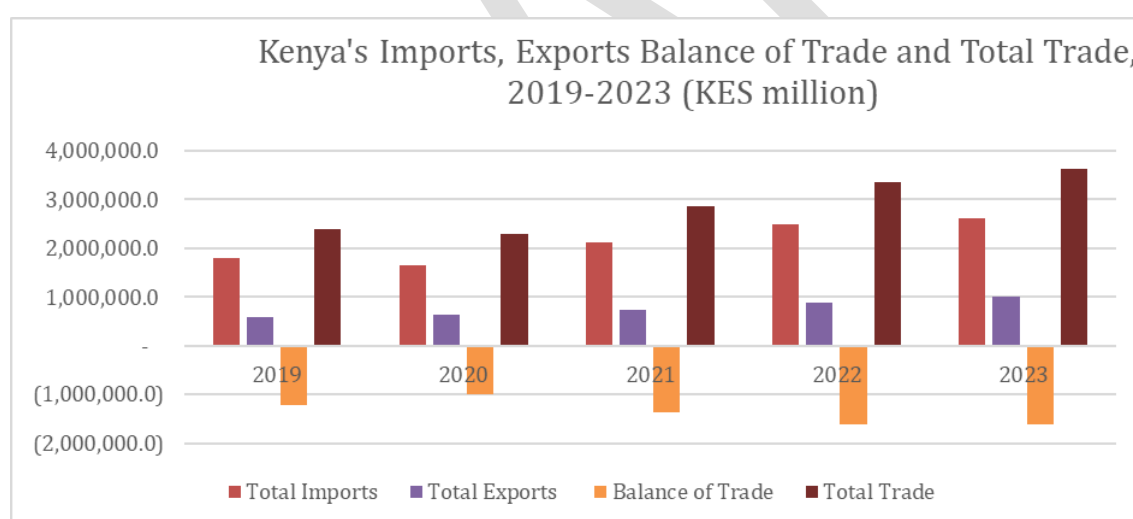
Source: IMF - Data Access to Macroeconomic and Financial Data

Despite Kenya achieving gains in the Ease of Doing Business Rankings up to 2018, good rankings are not the only determinant of investment. Kenya needs to radically enhance her attractiveness and competitiveness as an investment destination, with pre-requisites for an attractive and competitive investment climate being identified within this strategy and suggestions made on how Kenya can more closely reflect those characteristics.

The National Investment Strategy, hereinafter makes recommendations on strategic actions needed to be taken by the Government, to assist Kenya achieve the strategy's investment targets within a framework of the four strategic KRA's.

Market access and trade opportunities influence decision-making on private direct investment. On the international trade front, as shown in Figure 5, Kenya's merchandise trade grew 7.6% in 2023 to KES 3,619.9 billion. Kenya managed to narrow the trade deficit from KES 1,617.6 billion in 2022 to KES 1,604.1 billion in 2023 through an increase in export earnings to KES 1,007.9 billion, a 15% increase from 2022. Kenya's food imports by volume, except for maize, continued to rise in 2023, attributable to growing demand for food products, driven by drought in the first quarter of 2023. Products whose import volumes increased include sugars, molasses and honey, rice, un-milled wheat, and animal and vegetable oils and fats, commodities Kenya could produce, rather than relying on import. In 2023, Kenya's trade suffered from the effect's high international prices for principal imports such as petroleum and from the depreciating shilling, which made imports more expensive.

Figure 6: Kenya's Merchandise Imports, Exports and Balance of Trade (2019-2020)



Source: Economic Survey 2024, KNBS, 2024, Table 6.1

On exports, the African continent continues to be a significant export market for Kenya accounting for 43.2% of all exports, a good indicator of strengthening intra-Africa trade. ⁵

Equally, the East African Community (EAC) accounted for 30.3% of Kenya's exports market in 2023 cementing the position of the bloc as a key trading partner. Kenya's exports to EAC countries continue

⁵ KNBS, Economic Survey, 2024

to grow, calling for concerted efforts to address such trade challenges with neighbouring states, to foster a predictable investment climate and business environment.

1.1.2 Model for Foreign Direct Investment, Domestic Investment and Diaspora Direct Investment

The national investment strategy is a key instrument to realise the goals of MTP-IV with progressively higher targets set for different types of private direct investment over the five years. These investments are an aggregation of investment in multiple enterprise projects in diverse sectors, mainly in the MTP-IV key sectors and the MTP-IV target value chains.

The National Investment Strategy seeks to increase three types of private direct investment - domestic Investment (DI), Foreign direct investment (FDI) and Diaspora Direct Investment (DDI). The meaning of these three types of investment is explained in the glossary of definitions. One of the key challenges identified in the Kenya Investment Policy (2019) and once again appearing as a strategic issue for NISK is the inadequacy of tools to accurately collect information on direct investments made by the private sector. This section seeks to provide a deductive model to estimate and therefore model FDI, DI, and DDI from available data in order to establish targets. The detailed spreadsheet model is attached as Appendix 1: Model to Estimate DI, FDI and DDI in Strategy Period.

Gross Private (Direct) Investment

Gross Fixed Capital Formation (GFCF) a key component of GDP and can serve as a proxy for Gross Private Investment⁶, or Gross Private Direct Investment (GPDI). It excludes public investment. In MTP-IV, the ratio of investment to GDP is given for the 4-year period leading up to MTP-IV and also as projected for the five years MTP-IV plan period. The investment to GDP ratio is approximated by the GFCF to GDP ratio.

The growth of Gross Private Direct Investment (GPDI) depends on the growth of GDP in the strategy period which is projected to increase from 5.0% in the baseline year FY 2023/24 to 7.2% p.a. real GDP growth by 2028/29. The projections of investment entailed developing estimates for both GDP at current prices and GDP at constant prices during the plan period, in order to estimate Gross Private Direct investment (GPDI).

Foreign Direct Investment (FDI)

Kenya's FDI data is collected every two years by the Foreign Investment Survey (FIS) Report⁷. KNBS conducts a survey of enterprises with foreign shareholding, in collaboration with KenInvest and the Central Bank of Kenya (CBK). The survey provides insights on sources of liabilities and assets on Kenya's Balance of Payments with FDI being a component. KNBS measures both FDI inflows and outflows as well as FDI stock. For purposes of NISK, investment inflows is the indicator of interest since it is the major measure of successful attraction of FDI. The data is collected in KES and may be converted to USD using applicable mean exchange rates available from CBK. This has been applied in the model and it is noteworthy that the FIS FDI inflow figures produced, are consistent with those appearing in the Kenya Fact Sheet for the World Investment Report (2024) produced by UNCTAD.

From baseline year levels (in 2023/24) of USD 1,504 million, FDI inflows are projected to increase to USD 5,079 million in FY 2028/29. FDI as a percentage of private investment is projected to grow from

⁶ <https://datahelp.imf.org/knowledgebase/articles/536206-where-do-i-find-data-on-private-investment>

⁷ Foreign Investment Survey Report (2024), KNBS

6.3% in FY 2023/4 to 10.2% by FY 2028/29, largely as a result of expanded attraction of FDI into new sectors including those prioritised by MTP-IV.

Domestic Investment (DI)

Domestic investment is the predominant type of private direct investment reflected in GPDI. In this model it is assumed that inventories and other adjustments are insignificant and so the balance of GPDI after subtraction of FDI, consists of DI. Being a residual measure, the value of DI depends on the value of GFCF and the level of FDI inflows. The model in the appendix, shows DI projected to double from USD 22.276 billion in baseline year 2022/23 to UDS 44.787 billion in the fifth year of the strategy, FY 2028/29. This increase is expected to result from additional investment attraction.

Diaspora Direct Investment

Kenyans living outside the country form part of the Kenyan Diaspora. While they are resident in the host countries, they maintain close social and economic ties with their motherland and remit considerable portions of their earnings back to Kenya. By definition, DDI is a form of FDI as the investor (who by definition will have some measure of management control and at least 10% shareholding of the venture in Kenya) is resident outside the country. Some of the cash remittances presently sent to Kenya, can be routed to more productive ventures, while still funding social and family causes.

CBK undertook a survey of Diaspora Remittances in December 2021. The survey examined the amounts of cash remitted, to whom it was remitted, the purpose or intended use of the funds, the value remitted per annum for each category, sources of funds, method of remittance and sources of information on investment opportunities in Kenya.

The survey found that 16% of cash remittances were for the senders' payment of mortgage in Kenya, 6% for construction of a residential or commercial building owned by the sender and 27% for purchase of land or houses for the recipient (usually a relative)⁸. The quantum of remittance for other purposes was relatively low, meaning that real estate is a high potential sector for DDI if proper products and mechanisms are developed to serve the diaspora collective segment. The study also found that Kenyan nationals in the Diaspora found it hard to find reliable, credible information on investment opportunities in Kenya. While it would be difficult to currently define these investment related remittances as FDI, it would be possible to channel these remittances as a source of a structured, collective formalised FDI.

Creation of special-purpose-vehicles registered in the Diaspora for solo ventures or in joint ventures with credible, experienced housing and commercial real estate developers in Kenya would be a possible avenue for safe investments in housing and commercial buildings by Diaspora investors. KDC, international banks and mortgage lenders can support such initiatives with de-risking tools described in the De-risking section of this Strategy.

Diaspora Direct investment using these new instruments is projected to grow from a zero base in FY 2023/24 to USD 1.677 billion diverting 25% of diaspora remittances into investment by 2028/29.

⁸ Diaspora Remittances Survey, Central Bank of Kenya, December 2021, Table 14b, p.14

A summary of the breakdown of historical and projected FDI, DDI and DI over the years is given in Table 4. below.

Table 4: Projections for Foreign Direct Investment, Domestic Investment and Diaspora Direct Investment.

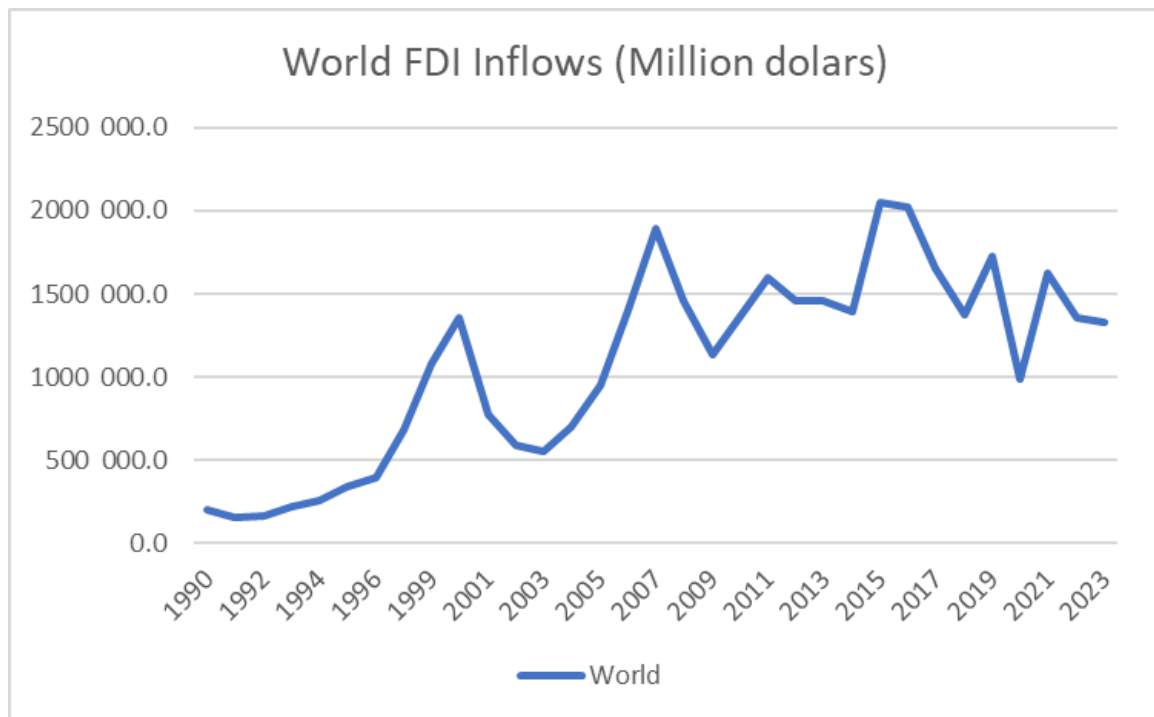
Fiscal Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Gross Private Direct Investment (USD Mill)	18,607	19,712	20,789	21,331	21,992	23,780	27,641	32,443	38,375	44,345	49,948
Domestic Investment (USD Mill)	17,468	18,614	19,279	19,925	20,395	22,276	25,911	30,368	35,781	40,843	44,870
FDI Inflows (USD Mill)	1,139	1,098	1,510	1,406	1,597	1,504	1,730	2,076	2,594	3,502	5,079
Diaspora Direct Investment (USD Mill)	-	-	-	-	-	-	229	504	831	1,219	1,677
						Baseline					

1.2 Global Context:

FDI flows have become an integral element of an increasingly interdependent global economy with governments all over the world adopting strategies to increase FDI inflows to their countries. Growing economies like Kenya are thus competing for FDI with countries with very attractive investment climates and business environments.

Trends in global FDI flows reflect global economic geopolitical shocks which have induced inflation and reduced profitability of business activity. Investors have had to reflect on whether building global value chains (GVCs) for efficient export production will continue to be a viable and safe path, or whether “near-shoring” and developing regional value chains is the better option. Consequently, global FDI flows have been in decline for several years as global MNCs re-strategize. This has rendered planning based on long term trends very challenging. For instance, from a peak of USD 2.062 trillion in 2015, global FDI flows have been on an 8-year decline to USD 1.364 trillion in 2023, a 7% decline from 2022 flows. Although there was a slight uptick in 2021 after the COVID-19 pandemic to USD 1.478 trillion, FDI flows in subsequent post COVID-19 years are on a downward trend.

Figure 7: Global FDI inflows (1990 - 2023)

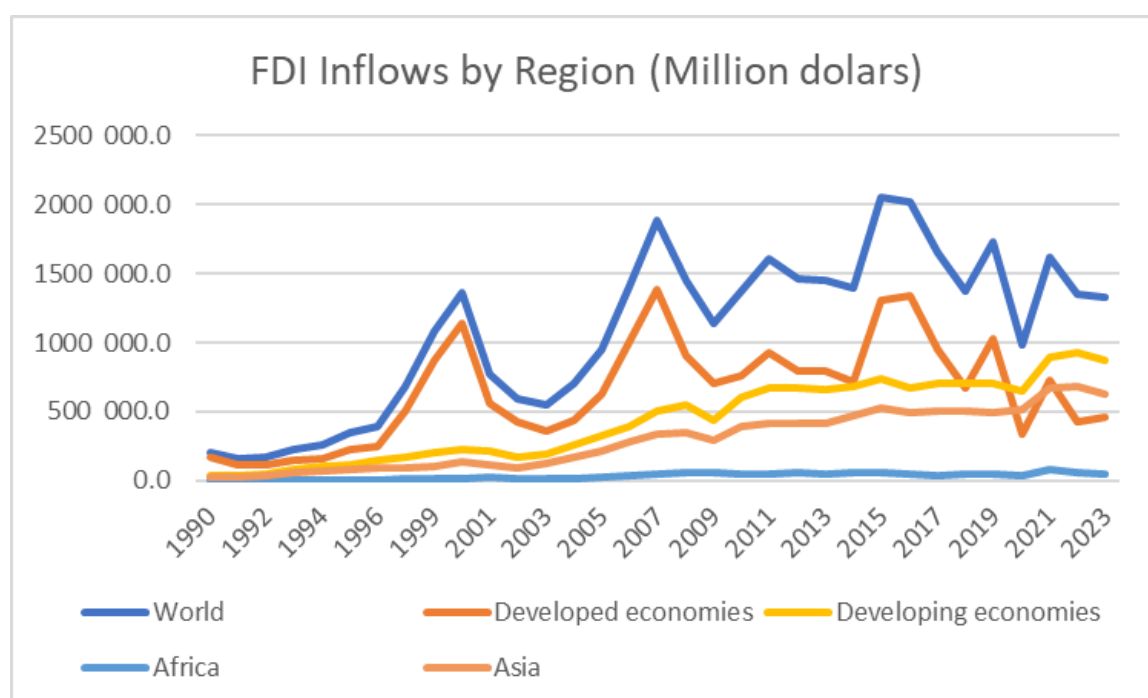


Source: UNCTAD World Investment Report, 2024

Inherent risks and falling rates of return, have therefore contributed to caution amongst firms seeking to expand globally. Ironically, developing nations, which have the largest investment gap, have not only suffered the biggest constriction of FDI, but have environments that inhibit FDI growth. FDI flows to developed economies continue to fall. In 2023, flows to developed economies amounted to USD 464 billion of global flows, an 9% increase from 2022, with the rest flowing into developing economies. Although a bigger proportion of annual FDI flows went to developing countries, there are significant variances between countries in this category. Flows to Asian countries accounted for 72% of developing country flows, with flows to Africa amounting to only 6% of flows to developing countries and only 4% of global flows. Notably, flows into Africa dropped by 8% from 2022 to USD 53 billion in 2023.

FDI flows to the global South were dominated by Asia. China and Hong Kong alone accounted for 21% of total global FDI flows in 2023. Asian economies accounted for 47% of total FDI flows in 2023, an 8% drop from the 2022 performance. The rise in FDI inflows to China and the South-Eastern Asian economies, points to the upside of globalisation and interdependence. This general trend is shown in Figure 8 below.

Figure 8: FDI trends by region 1990 to 2023



Source: UNCTAD World Investment Report, 2024

At the multilateral level, during the WTO 13th Ministerial Conference that took place in Abu Dhabi from 26 to 29 February 2024, 120 WTO Members participating **under the Joint Initiative for Investment Facilitation for Development (IFD)**, proposed a plurilateral agreement on IFD to be added as Annex 4 to the Marrakesh Agreement Establishing the WTO. Participating members averred that an IFD Agreement in the WTO would create clear and consistent global benchmarks for investment facilitation, reducing regulatory uncertainty and anchoring domestic reforms in an international agreement with the attendant signalling effect to potential investors. Although no consensus was reached on the proposal, it nonetheless behoves Kenya to pay closer attention as discussions evolve on this subject at the WTO.

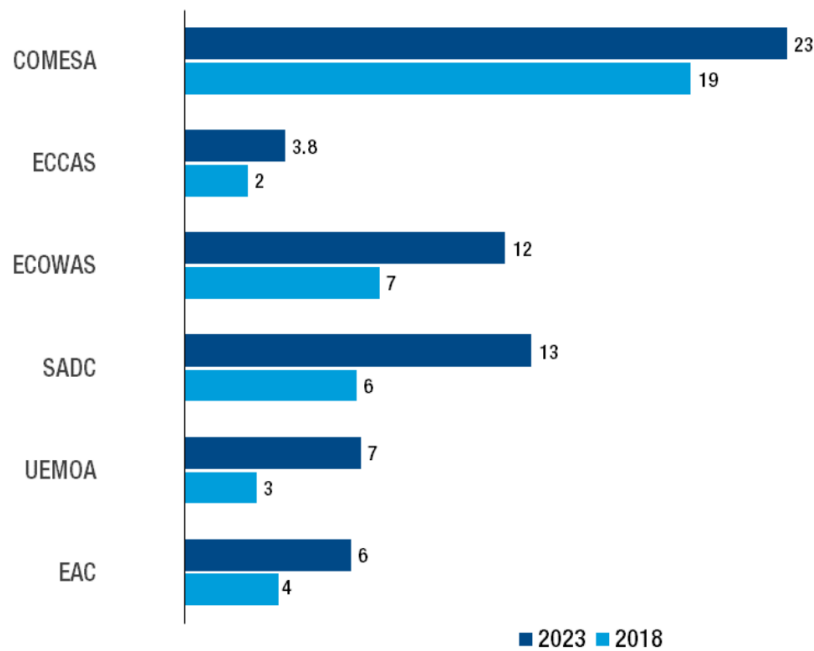
1.3 Regional Context

The trends in global FDI flows mask significant regional and sub-regional differences. FDI flows were highest in Africa in 2021, with inflows of USD 79.58 billion, followed by a sudden drop to USD 44.92 billion in 2022 - a 44% decline within one year - before a slight increase to USD 48 billion in 2023. Between 2017 and 2022, all regional economic communities (RECs) in Africa experienced increases in FDI inflows except for ECOWAS. The Common Market for Eastern and Southern Africa (COMESA) nations registered an increase in inward FDI of 14%, Southern Africa Development Cooperation (SADC) - an increase of 400%, West African Economic and Monetary Union (UEMOA) - a doubling of FDI inflows; and the East African Community (EAC) an increase of 9 per cent, to reach FDI inflows of \$3.8 billion in EAC.

Africa, notably, attracted only 4.0% of global FDI inflows in 2023. African heads of state and government have sought to redress this through the AfCFTA Protocol on Investment which was adopted in February 2023. The Protocol will provide the legal framework underpinning the development of regional value chains. It will mitigate against negative effects of exclusion from global value chains, as a new geography of investment emerges, stemming from inter alia policies aimed at

forestalling any future disruptions to global supply chains. It is hoped that the Protocol will help Africa increase her share of global FDI flows as multinational corporations inside and outside of Africa seek to take advantage of the huge market presented by a mainly young, continental population of 1.3 billion people. The AfCFTA Investment Protocol will come into force 30 days after the depositing of the 22nd instrument of ratification of the protocol. Kenya is yet to ratify the AfCFTA protocol on investment.

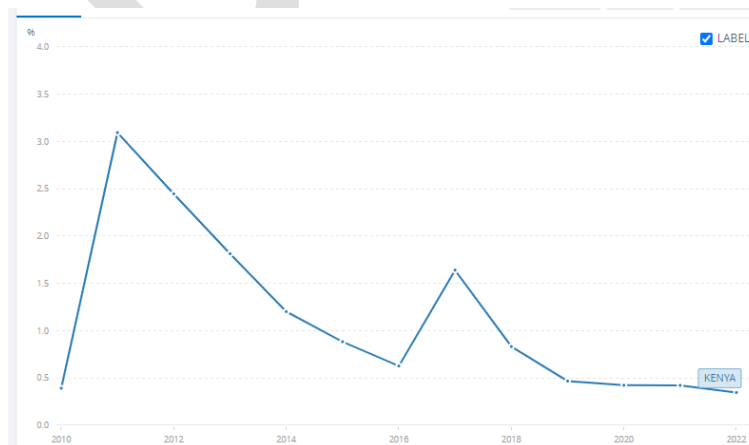
Figure 9: FDI into Africa' RECs, 2018 and 2023 (USD Billion)



Source: UNCTAD, WIR 2024

Africa's approximately 3.5 to 4.0% share of both international trade and global FDI flows is testimony to the difficulties faced by African enterprises in plugging into global and regional value chains.

Figure 10: FDI into Africa's RECs, 2017 and 2022 (USD Billion)



Source: World Bank

1.4 Strategy as an imperative for Success

Kenya aims to become an upper middle-income economy by the year 2030. As demonstrated in the previous sections of this report, the country has not achieved the consistent economic growth necessary to achieve this goal. Substantial new growth can come from private sector investment in productive activities, which will stimulate expanded output in key sectors. Most African governments recognize the potential of private direct investment from both local and foreign sources to fund transformative economic development. FDI inflows, capture of remittances as DDI and increased DI can become important drivers of this national aspiration. However, as discussed earlier, FDI inflows in Africa have remained low as can be seen from Figure 10 above. In 2023, FDI inflows as a percentage of nominal GDP were only 0.347%. This a significant decline from 3.095% of GDP in 2011.

For Kenya, despite having scored well on Global Ease of Doing Business benchmark indices up to 2018, the economy has continued to perform below potential and faces macroeconomic imbalances. This implies that the difficulty lies outside of merely providing better regulations and laws, important as they are, but rather that other aspects of the investment climate impede increased investment inflows. This first national investment strategy for Kenya analyses the pain points in Kenya's investment climate and then prioritises those barriers which have a large impact on attraction of investment (like energy costs) for elimination, mitigation or improvement within the strategy period. The strategy therefore acts as a roadmap to take Kenya from its current economic status to one of accelerated, integrated and inclusive economic growth, building on Kenya's strengths to optimise economic opportunities in diverse sectors, through a four-pillar approach.

1.5 Methodology for developing the strategy - Approach and Process

Following the submission of the Inception report, a Technical Working Group (TWG) for the National Investment Strategy was constituted by SDIP in the Ministry of Investments, Trade and Industry, to guide the development of NISK. The TWG comprises key government ministries, departments and agencies (MDAs) with mandates considered key to investment promotion, facilitation and retention (see Appendix 2).

The methodology for the preparation of this strategy followed a mixed method approach that utilises secondary and primary methods of data and information collection. The data thus collected was then analysed through thematic analysis that categorised the challenges into identified themes and a SCOT analysis conducted. The four thematic areas that anchor NISK were:

1. Creation of an enabling, facilitative and competitive investment climate and business environment
2. Attraction, facilitation and retention of direct investment
3. Incentivising investments
4. De-risking FDI, DDI and DI in Kenya

Before data were collected, a stakeholder mapping exercise was conducted to identify and categorise stakeholders, as well as to determine the method of engagement that was optimal for data collection and analysis. Stakeholders were purposely selected, based on their role in the promotion, facilitation and retention of private investments in Kenya.

Stakeholder engagement was conducted in an inclusive manner to ensure representation across various stakeholders. These included government ministries, departments and agencies, county governments, and private sector membership organisations. A summary of these institutions and their mandates, expectations and expected roles in the national investment strategy are given in Appendix 3- Stakeholder Analysis

Secondary data was collected through document analysis. Documents analysed include laws and regulations, policies, strategies, masterplans, position papers, sectoral and industry reports, investment reports and statistical databases. The information was analysed, barriers classified into PESTEL categories. Related interventions and investment opportunities and institutions responsible also noted.

Primary data was collected through three main approaches: Key Informant Interviews (KIIs) with pre-selected stakeholders, workshops and surveys. Surveys were sent to a number of private firms. The surveys were aimed at the identification of barriers and challenges inhibiting investment and business growth, as well as interventions to these barriers. An interview held with KAM produced two important position papers.

Two baseline strategy framing workshops, hosted by the SDIP, were held. They discussed cross-cutting areas of legal, regulatory and institutional environment, with the aim of identifying the challenges and interventions related to investments in Kenya, and conducting a situational analysis of Kenya as an investment destination. The first workshop, held from 7th May to 10th May 2024 was attended by 42 people representing national government MDAs comprising the TWG. The list of participants is provided in Appendix 4. A second workshop was then conducted with participants mainly comprising County Executive Committee Members (CECMs) for trade. 31 counties were represented in this workshop in addition to two representatives from the CoG. During the meeting, the representatives engaged in discussions aimed at understanding the current investment climate and business environment in the counties, identifying barriers to investment, and proposing interventions to these barriers. Information from the focus group discussions was analysed using thematic analysis, classifying barriers into six broad categories, namely: Political, Economic, Social, Technological, Environmental and Legal (PESTEL), which were then prioritised in accordance with the significance and impact of the barrier on the nation's investment agenda. Information from the County Government workshop was analysed using thematic and gap analysis. This was based on their responses to questions regarding the investment climate and business environment in the counties. The list of counties present at the workshop and those participating through online surveys is attached as Appendix 5.

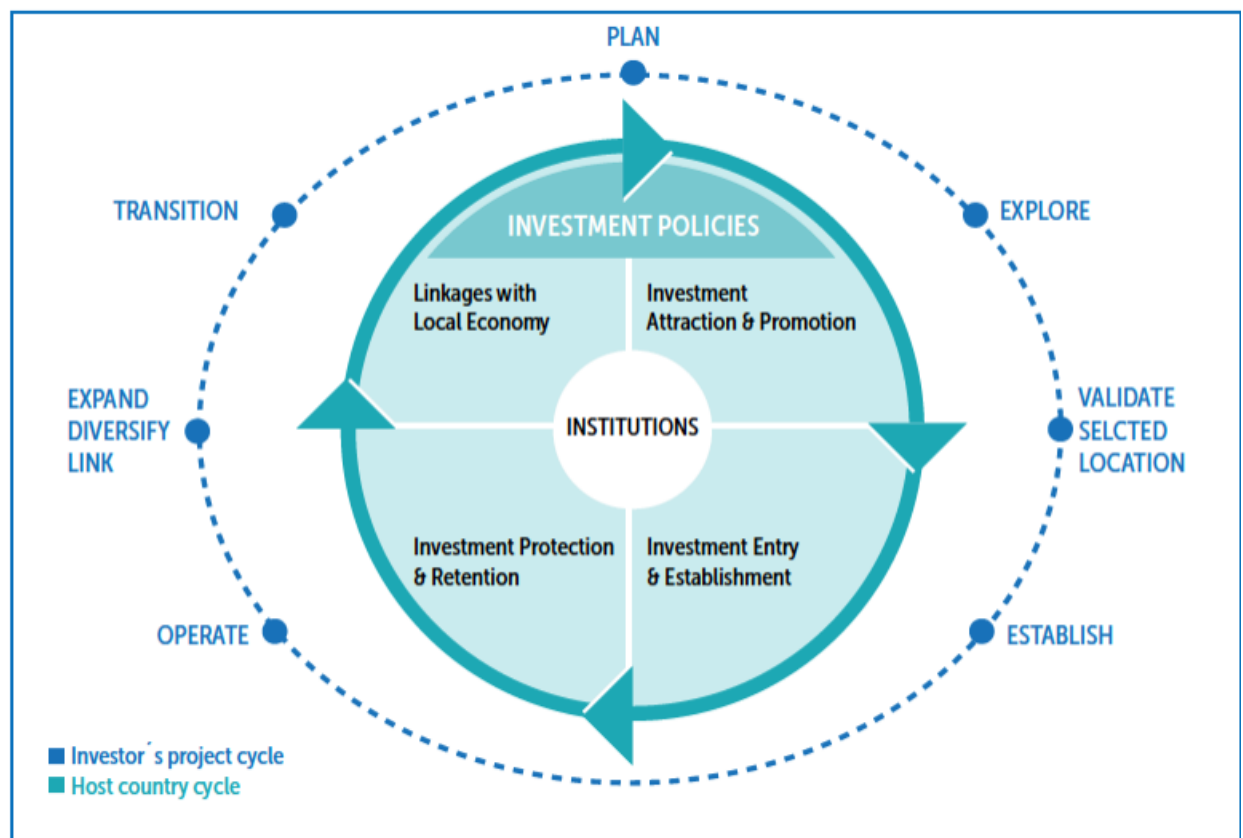
2 Policy, Legal and Institutional Framework for Investment in Kenya

Government policies and laws play a decisive role in stimulating business activity and enhancing market contestability.⁹ Thus, implementing transparent, inclusive, predictable and efficient policies and laws, such as laws and regulations relating to establishing and maintaining businesses, regulation of investors and investments (licensing and inspection), property rights, labour rights, incentives, and tax regimes are vital to attracting productive local and foreign firms to invest, operate and grow, both domestically and internationally.

In the value chain approach to development, the policy, legal and institutional framework cuts across different sectors, ministries, departments and agencies within the investment lifecycle. Fig 11 below shows the lifecycle of an investment project from initial exploration to selection of location, establishment and operation, expansion and/or diversification and finally to transition (through closure or sale of the enterprise). At every stage, the investor interacts with institutions that implement investment measures embedded in laws, regulations, and administrative guides.

Figure 11: Investment Cycle

The Investment Lifecycle



Source: Author updated based on the World Bank 2019/2020 Global Investment Competitiveness Report

This section highlights the policies, laws and institutions which form part of the investment lifecycle. The analysis includes all relevant domestic laws and regulations as well as regional and international laws relevant to this assessment. It also discusses ongoing legal reforms.

⁹ World Bank

2.1 Policy and Planning Framework

There are many policies and plans that inform the investment lifecycle. Three policies and Plans are key: Vision 2030, the Fourth Medium Plan 2023-2027 (MTP IV) and the Bottom-Up Economic Transformation Agenda (BETA), the Kenya Investment Policy, and the National Industrialisation Policy Framework 2012-2030.

2.1.1 Vision 2030, MTP IV and BETA

Vision 2030 is Kenya's economic blueprint, developed in 2008 to guide Kenya's development over 18 years to 2030. The implementation of the Vision is undertaken through successive five-year medium-term plans. The Fourth Medium Term Plan (MTP IV) was developed to guide Kenya's development between 2023 and 2027.

MTP IV helps to actualise the Bottom-Up Economic Transformation Agenda (BETA), which targets economic turnaround and inclusive growth through a value-chain approach. BETA's key objectives were to bring down the cost of living, eradicate hunger, create jobs, expand the tax base, and improve foreign exchange balances, all of which would be achieved with inclusive growth. The BETA growth will be achieved by targeting high-impact sectors to drive economic recovery. This involves targeted investments in five core pillars: agriculture, micro, small and medium enterprises (MSME) economy, housing and settlement, healthcare, the digital superhighway and creative economy.

The MTP IV provides a coordinated planning and implementation framework to guide the socio-economic transformation envisaged in BETA through the five MTP IV pillars – Finance and Production, Infrastructure, Social, Environment and Natural Resources, and Governance and Public Administration. It recognizes that despite growth in per capita income in the previous plan periods, Kenya still faces challenges of low productivity, inequality and weak resilience, coupled with rising inflation and interest rates, fiscal distress and structural weaknesses that have converged into the “perfect economic storm”. By 2022, national investment and savings as a percentage of GDP had underperformed at 19.3% and 14.2% against targets of 25.4% and 21.2%, respectively, due to this “perfect storm”. The plan thus seeks to address these challenges and strengthen the country's prospects towards enhancing Kenya's competitiveness and her transition to being an upper middle-income economy.

Most of the sector challenges identified in the MTP IV have as their recommended solution the attraction of additional private investment needed to bridge the country's development resource gap. The attraction and retention of such private investment will require reforms to the investment climate and business environment to improve its attractiveness and competitiveness. MTP IV also identifies industrial infrastructure development in SEZs, development of MSMEs, and development of small, medium, and large industries through investment attraction, retention, facilitation, and enablement. The plan further identifies opportunities in various sectors prioritised for government support and investment by local and foreign investors. They include the BETA value chains under the Finance and Production sector, the building of houses, universal healthcare under the Social Sector, and BPO and IT-enabled services (ITES) under the infrastructure sector. Overall, the MTP IV provides an overarching direction and pinpoints areas of strategic focus for the national investment strategy in coordination with the larger national framework. The sector opportunities for local production of what has hitherto been imported will create local value added, save foreign exchange, develop the sectors and employ Kenyans. Details of the BETA/MTP IV investment sector opportunities are given in Appendix 6.

2.1.2 Kenya Investment Policy 2019

The Kenya Investment Policy 2019 (KIP) was developed to provide a clearly defined policy focused on investment generation and retention of private investment at national and county levels. The KIP proposed an institutional framework that fosters coordination for the efficient conduct of investment-related roles. The policy actions recommended by KIP were designed to support private sector development, improve overall ease of doing business and enhance competitiveness in the economy, with the goal of Kenya becoming the premier investment destination for over 50% of multinational enterprises establishing their continental headquarters in Africa. KIP identified eight significant challenges in Kenya's investment climate and business environment. These were:

1. Limited coordination. The existence of multiple, fragmented investment-related agencies created by diverse legislation. There is a need for a strong mechanism for the coordination of these institutions.
2. Barriers to investment entry and establishment which arise from the application of investment certificates and minimum investment thresholds for FDI. The policy questions the efficacy of these policy tools, which were meant to foster local business, protect sensitive sectors from foreign influence and prevent unfair competition for micro and small enterprises. The policy also noted the administrative and financial burden of applying for work permits for investors and key staff.
3. Lack of adequate incentives framework, needing a well-articulated framework to grant and monitor incentives in line with national development goals while also responding to special requests for incentives.
4. Conflicting legislation which blurs requirements, procedures and responsible institutions for investments, creating overlap and some confusion as to how an investor should proceed.
5. Inadequate aftercare given to investors mainly due to under-resourcing the investment promotion agencies, yet this can be a source of investor satisfaction and loyalty, leading to retention, expansion and referrals.
6. Inadequate access to ready industrial buildings. Acquisition of property can be a slow and complicated process for a foreign investor, while the government is well placed to intervene and provide industrial estates with ready factory sheds.
7. Balancing foreign direct investment (FDI) and domestic investment (DI). A mechanism to ensure that domestic investors benefit from FDI through spillover effects which benefit the local private sector and communities.
8. Lack of effective FDI and DI data collection mechanisms. Since investors are not required to register their investment and, by doing so, provide investment data to the authorities, KenInvest, the Central Bank and KNBS have relied on periodic surveys to collect data on various aspects of FDI and DI, which give estimates. Thus, timely and accurate investment data for economic and strategic planning is unavailable.

The policy measures proposed in the KIP include establishing a National Investment Council (NIC) as the investment oversight body and assigning the primary role of investment promotion to the Kenya Investment Authority (KenInvest). KIP also recommended measures to facilitate investment entry and establishment, undertake investment retention and aftercare, assess proposed investments' benefits, and establish land banks. This strategy serves as a tool for implementing the KIP. All the above elements have been incorporated into the NISK.

2.1.3 The National Industrialization Policy Framework for Kenya (2010-2030), Sessional Paper No. 9 of 2012

The National Industrialization Policy, developed through a consultative process involving the public and private sector, civil society, development partners and non-governmental stakeholders, furthers Vision 2030 by focusing on value addition for both primary and high-valued goods and linkages between industrial sub-sectors to drive the industrialization process in Kenya.

The key principles of this policy include High-value addition and diversification, regional dispersion, productivity and competitiveness, and technology innovation. Industrialization is a crucial component of growing FDI and DI, and thus, this policy is critical to the country's investment promotion, facilitation, and retention objectives. The policy aims to raise the share of Kenyan products in the regional market from 7 to 15 per cent and to develop niche products through which Kenya can achieve a global competitive advantage. It also aims to increase the share of FDI in the industrial sector by 10 per cent and to establish an Industrial Development Fund with a minimum of KShs. 10 billion for long-term financing of manufacturing enterprises. Regarding MSMEs, the policy targets increasing their manufacturing share by 20 per cent.

The Policy identifies four main components which constitute Kenya's manufacturing sector. They are the Micro, Small, Medium and Large. Medium and large industries constitute less than 5 per cent of the total enterprises but contribute over 60 per cent to the manufacturing sector GDP. Micro and small enterprises comprise approximately 95 per cent of the number of industries but contribute only about 20 percent to the manufacturing sector GDP; hence, there is a need to create support systems to enhance capacities.

To achieve these goals, the Policy identifies the following key strategies:

- i. Creation and expansion of productive employment in manufacturing.
- ii. Attracting DI and FDI in manufacturing and related services.
- iii. Promoting value addition in the industrial sector for local and foreign markets.
- iv. Creating sustainable development of MSMEs and creating support systems and
- v. Creating an institutional, legal and regulatory framework that will support a vibrant industrial sector.

2.2 Legal Framework: A Thematic Analysis

The legal environment for investment in Kenya is established through national laws, the regulations developed under those laws, the regional and multilateral framework and county laws and regulations under those laws. Various institutions and agencies are established under those laws to implement their provisions.

It is crucial to emphasise that investment promotion, facilitation, and retention operate within a broad legal framework. For example, if an investor decides to invest in the cotton sector, the sector-specific laws will apply. The same principle extends to mining, energy, banking, finance, insurance, and livestock sectors. While the applicable laws in these sectors and other sectors where investment activities may be undertaken are not the focus of this discussion, they are essential for ensuring smooth investment activities and must be carefully considered in any reform process.

The key investment laws include the Constitution of Kenya (2010), the Investment Promotion Act, the Investment Dispute Convention, the Foreign Investments Protection Act, the Companies Act, the Insolvency Act, the Private Public Partnerships Act, the Micro and Small Enterprises Act, the Movable Property Security Rights Act, the Employment Act, the Kenya Citizenship and Immigration Act, Kenya Revenue Act, Value Added Tax, Income Tax Act, Miscellaneous Fees and Levies Act, Ethics and Anti-Corruption Commission Act, Computer Misuse and Cybercrimes Act, Land Act, Land Registration Act,

National Land Commission Act, Community Land Act, the Data Protection Act, and the Industrial Property Act.

This section examines a few of the above laws, including the ongoing reforms, in the context of the following nine thematic areas:

1. Establishing and maintaining businesses in Kenya
2. Regulating Investments
3. Incentivised Zones
4. Fiscal Regime
5. Property Rights
6. Labour Rights and Management
7. Dispute Settlement Mechanisms
8. Regional and International Agreements
9. Devolution and County Legal Frameworks

Below is a table summarising some of the investment laws in Kenya under the above nine thematic areas and the ongoing reforms.

Table 2: Select Investment Laws in Kenya and Ongoing Reforms

THEMATIC AREA	LAW	ONGOING REFORMS	INSTITUTION COORDINATING REFORMS
Establishing and maintaining businesses in Kenya	- Companies Act - Business Registration Service Act - Insolvency Act - Public Private Partnerships Act - Micro and Small Enterprises Act - Movable Property Security Rights Act	Insolvency Act – to introduce ‘Fast Track Procedures’ for MSMEs.	- BRS - MSE Authority
Regulating Investments	Investment Promotion Act	The Investment Promotion and Facilitation Bill 2024 proposes, among other things, amending the minimum capital requirements and establishing the Kenya Investment Corporation (KIC) to succeed KenInvest.	- KenInvest - NIC
Incentivized Zones	- Export Processing Zones Act - Special Economic Zones Act	- On 13 March 2024, the Cabinet Office (Executive Office of the President) sanctioned the SEZ and EPZ Authorities merger to address institutional challenges in managing Economic Zones. - The SEZ Act is undergoing reform. Some of the proposed amendments include further benefits for investors and reducing work permit processing fees for organisations with over 95% Kenyans as their workforce.	SEZ Authority
Fiscal Regime	Value Added Tax Act	Ongoing reforms TBC.	KRA

	- Income Tax Act - Miscellaneous Fees and Levies Act - Kenya Revenue Authority Act - Finance Act		
Property Rights: Tangible Property	- Land Act - Land Registration Act - National Land Commission Act	- The Ministry of Lands, Public Works, Housing and Urban Development, through the State Department for Land and Physical Planning, made public the 1st Draft National Land Policy, 2024. - Kenya Investment Policy (2019) recommends the establishment of Land Banks in line with the Land Act and subject to Article 65 of the COK (2010). - Introduction of the Ardhi Sasa portal.	- NLC - Ministry of Lands, Public Works, Housing and Urban Development
Property Rights: Intangible Property	- Copyright Act - Trade Marks Act - Anti-Counterfeit Authority Act - Industrial Property Act	ACA ongoing initiatives on inter-agency collaboration for illicit trade and intellectual property rights recordation.	- KIPI - ACA - KECOBO
Labour Rights and Management	- Employment Act - Kenya Citizenship and Immigration		- Ministry of Interior and Coordination of National Government. - Ministry of Labour and Social Protection
Regulation of Cybercrime	- Data Protection Act - Computer Misuse and Cybercrimes Act		Office of Data Protection Commissioner (ODPC)
Dispute Settlement Mechanisms	Small Claims Court Act	The court has been rolled out in 12 counties, and over 27,000 cases have been determined, valued at approximately KES. 4.6 billion.	Judiciary
Regional and International Agreements	- Treaty Establishing the EAC. - AfCFTA Investment Protocol. - WTO	- AfCFTA negotiations on various annexes are ongoing. - WTO IFD work is ongoing to incorporate into WTO legal architecture. Note: <i>There is a need to examine all the BITs and either terminate them or renegotiate them to ensure they accord Kenya policy space.</i>	- Department of Trade - Ministry of East African Community, Arid and Semi-Arid Lands and Regional Development. - Office of the Attorney General
Devolution and County Legal Frameworks	- Intergovernmental Relations Act. - County Licensing (Uniform Procedures) Act.	County Governments (Revenue Raising Process) Bill, 2023.	Council of Governors

2.2.1 Establishing and Maintaining Businesses in Kenya

The registration and administration of companies in Kenya are primarily guided by the *Companies Act (2015)* and the *Business Service Registration Act (2015)*. The Companies Act provides for the formation and registration of businesses (sole proprietorships), partnerships and companies. On the other hand, the *Business Service Registration Act (2015)* establishes the Business Registration Service (BRS), the corporate entity responsible for facilitating the registration of the said entities and the imposition of registration fees.

In the event of financial distress where a business cannot pay its debts, the *Insolvency Act (2015)* provides for corporate insolvency procedures, which may be triggered by either Members Voluntary Liquidation, Creditors Voluntary Liquidation or Liquidation by the Court. There are three notable features of the Act. First, it provides alternatives to the liquidation of companies, namely, administration and company voluntary arrangements. Administration occurs upon the appointment of an administrator, while company voluntary arrangements are facilitated by a supervisor. Secondly, the procedures and alternatives available to incorporated bodies, companies formally registered under the Companies Act, are also available to unincorporated bodies. Thirdly, it provides for cross-border insolvency procedures, which occur in cases where the insolvent debtor has assets in more than one state or where some of the debtor's creditors are not from the state where the insolvency proceeding is taking place. In addition, the United Nations Commission on the International Trade Law (UNCITRAL) Model Law on Cross-Border Insolvency (adopted in 1997) is applicable under section 270 of the Act and the Fifth Schedule. The Model Law allows for, among other things, recognition of foreign proceedings, cross-border cooperation, and coordination of concurrent proceedings. The Companies Act and the Insolvency Act are currently undergoing an amendment process. In particular, the Insolvency Act is being amended to introduce 'Fast Track Procedures' for specific MSMEs.

To facilitate the growth of local investments, in particular by MSEs (defined in section 2 of the Micro and Small Enterprises Act as a firm, trade, service, industry or business activity whose annual turnover does not exceed KES. 500,000 and employs less than ten (10) people); two important Acts were introduced in 2013 and 2017, respectively. The Micro and Small Enterprises Act (2013) was enacted to promote the development and proper regulation of MSEs. The Act mainly does this by, among other things, providing an enabling business environment and facilitating access to business development services for MSEs. The Act also establishes the Micro and Small Enterprises Authority, whose primary mandate is to formulate and review policies and programs for micro and small enterprises. The Authority is, therefore, centrally placed to coordinate, harmonise and facilitate MSEs to grow and contribute meaningfully to the country's investment climate and business environment.

Another key statute for MSEs is the Movable Property Security Rights Act No. 13 of 2017. This statute's purpose is to facilitate the use of personal property as collateral. These may include tangible assets such as livestock, crops, machinery, business inventory, electronics and furniture and intangible assets such as account receivables, choses in action, account savings or deposits, unpaid invoices, electronic securities, intellectual property and shares. One collateral may be used against multiple credit facilities. The law has promoted access to credit for MSMEs and ensures consistency, efficiency and certainty in securing financing where a movable asset is used as collateral. The Business Registration Services (BRS) digital platform was upgraded to support instant, remote and efficient registration of security rights of movable properties.

The office of the Registrar of Movable Property Security Rights and the Registry of Movable Property Security Rights is established under section 19 (1) of the Act to oversee the general running of the Registry. The registry is vital as it receives, stores, and makes public information on registered collateral accessible. It, therefore, acts as a public database for any entity interested in lending against a

particular collateral. The entity can verify whether the collateral is already encumbered and, if so, whether it can lend against the same collateral.

The law has contributed to promoting financial inclusion by widening the scope of assets that can be used as collateral. Also, the collateral registry has created a verifiable way of establishing ownership of secured collateral, certainty concerning priority rights, and shortened the time of registering a security through online services. Some challenges include double registration, such as motor vehicles at the National Transport and Safety Authority (NTSA) and slow uptake of intellectual property as collateral because of legislative gaps.^[4] Intellectual property laws do not envisage the creation of charges over intellectual property, which creates an enforcement problem.

2.2.2 Regulating Investments

The statutory focus on investments in Kenya is geared towards promoting, facilitating and retaining investments. The primary statute in investments is the *Investment Promotion Act (2004)*. The Act's stated purpose is to promote and facilitate investment by, among other things, providing an enabling environment for investors to acquire necessary licences for investment activities. The Act establishes the Kenya Investment Authority (KenInvest), a state agency whose mandate is to promote and facilitate investment in Kenya. It also establishes the National Investment Council (NIC), whose purpose is to advise the Government on increasing investment and economic growth in Kenya. However, stakeholders consider this legal and institutional framework inadequate. As such, the government commenced reforms of the investment regime, which culminated in the publication of the Investment Promotion and Facilitation Bill (2024). The Bill establishes a comprehensive legal framework to foster domestic and foreign investment in Kenya. The Bill is supposed to create a conducive legal environment that is more responsive to the needs of investors and supportive of the government's agenda. It aims to correct the country's investment regime, from the registration of an investment-to-investment retention procedures (aftercare services). A notable proposal in the proposed Bill is the replacement of KenInvest with the Kenya Investment Corporation (KIC), a body which would be granted a broader implementation mandate than KenInvest. KIC would be responsible for facilitating the registration of foreign investors. The relevant strategic issues arising from these efforts are discussed in detail in Chapter 4.

Another important piece of legislation is the Foreign Investments Protection Act, which grants the Cabinet Secretary responsible for finance the power to grant foreign investors intending to invest foreign assets in Kenya a certificate that the enterprise in which the assets are proposed to be invested will further the economic development of Kenya. The foreign investor must invest the foreign assets the certificate relates to within the approved period, failure to which the certificate shall be deemed revoked. The Act grants certified investors benefits, including the right to transfer out of Kenya in the approved currency and at the prevailing rate of exchange the profits, including retained profits which have not been capitalised, after taxation arising from or out of its investment in the foreign assets.

In addition, section 8B of the Act allows the Cabinet Secretary responsible for finance to enter into arrangements with the government of any country to promote and protect that country's investments in Kenya for the period agreed upon. These arrangements must be published in the Kenya Gazette.

2.2.3 Laws on Incentivized Zones

Over the last few decades, the Government of Kenya has sought to encourage investments by establishing Incentivised Zones. This started with the establishment of Export Processing Zones via the *Export Processing Zones Act (1990)*. This statute was enacted to promote and facilitate export-oriented investments through the establishment of EPZs and the granting of incentives to enterprises, developers and operators licensed to operate within the EPZs by the Export Processing Zones Authority (EPZA), the government body mandated with the overall responsibility of developing and managing EPZs in Kenya. The Act grants these categories of persons 'tax holidays' for taxes payable under the

VAT Act, the Income Tax Act and the Customs and Excise Act. More specifically, the beneficiaries are guaranteed tax exemptions from 'all existing and future taxes and duties' payable under the Customs and Excise Act and the VAT Act on all EPZ imports for use in the eligible business activities of the EPZ enterprise. Other tax incentives include exemption from the payment of income tax for the first ten years from the date of first sale as an EPZ enterprise and, upon expiry, twenty-five per cent after that.

Thereafter, Special Economic Zones (SEZ) were introduced in 2015 through section 3 of the *Special Economic Zones Act (2015)*. The Act also provides for tax incentives and fee waivers by the SEZ Authority, established in section 10(1). The SEZ Authority is the government body mandated to develop and manage SEZs in Kenya. Some key features of SEZs include One-Stop Shop support, a single operating licence, exemptions from various regulations and fees, quick project approval, no exchange controls, onsite customs support, unrestricted foreign investment, and work permits for employees. Concerning applicable fiscal incentives, they include zero-rated VAT for the supply of goods or taxable services to a SEZ and exemption from stamp duty on any executing documents or instruments relating to the business activities of SEZ enterprises, developers, and operators. Notably, the SEZ Act is currently undergoing reforms. Some of the proposed improvements include further benefits for investors, reduced work permit processing fees for organisations with over 95% Kenyans as its workforce, automatic citizenship for any investor who invests a minimum of USD 300 million spread over three years, minimum investment values and land acreage, and enhancement of administrative penalties from KShs. 300,000 to KShs. 5 million.

2.2.4 Fiscal Regime

Investors in Kenya are subject to the country's tax regime. The tax regime in Kenya is primarily enforced by the Kenya Revenue Authority (KRA), a state agency established by the Kenyan government via the *Kenya Revenue Authority Act (1995)* to assess and collect revenue and administer and enforce the laws relating to revenue. These laws are approximately twenty-five. The key laws in the context of investment, from a general perspective, include the *Income Tax Act (Cap 470)*, the *Value Added Tax Act (Cap. 476)*, the *Miscellaneous Fees and Levies Act (Cap. 469C)*, the *Excise Duty Act (Cap. 472)*, the *Stamp Duty Act (Cap. 480)*, the *Tax Procedures Act (Cap 469B)* and the *Tax Appeals Tribunal Act (Cap. 469A)*.

The *Income Tax Act* provides for the imposition of income tax for each year of income upon all income of a person accrued in or derived from Kenya. Both domestic (local) and foreign investors must pay income tax on all gains or profits from their businesses and dividends or interest. However, for investment activities carried out within export processing zones, the developers, operators, and enterprises are exempt from the obligation to pay this tax for the first ten years from the date of the first sale as an EPZ enterprise and upon expiry of the period, the income tax is limited to twenty-five per cent for the ten years following. This is a positive addition to the statute as it facilitates investment activities in the country.

Under section 41 of the Income Tax Act, the Government may enter into double taxation agreements with other countries. These agreements allocate tax rights between a source and a resident country to reduce tax barriers and create certainty. The Double Taxation Agreements making process is governed by the Treaty Making and Ratification Act, 2012 and the Statutory Instruments Act, 2013.

On the other hand, the *Value Added Tax Act* governs all matters relating to the imposition of VAT. Section 5 requires payment of VAT on all 'taxable supplies' made by a registered person in the country, the importation of taxable goods and a supply of imported taxable services. Section 7, read with the Second Schedule of the VAT Act, exempts goods and services produced within special economic zones from the obligation to pay VAT. The Schedule also exempts from the obligation to pay VAT on plant and machinery imported by manufacturers of pharmaceutical products.

The *Miscellaneous Fees and Levies Act* governs the imposition of duties, fees and levies in connection with the importation or exportation of goods. One of the levies imposed through this Act is the export and investment promotion levy on specified goods imported into the country. Some of the goods subject to this levy are described in the third schedule of the Act and include cement clinker (17.5% of the custom value), unbleached sack Kraft paper (10% of custom value), bars and rods of iron (17.5% of custom value) and semi-finished products of iron (17.5% of custom value). The purpose of the levy is to discourage imports and protect local industries, increase exports of value-added products, and attract investors.

Because of the existence of different statutes on tax, the *Tax Procedures Act* was enacted to provide uniform procedures for tax administration unless a tax law specifies a procedure unique to the administration of the respective tax.

Analysts have often observed the multiplicity of applicable taxes as a key barrier to investment activities. Proposals have been made for a simplified tax regime. Stakeholders have also complained about the manner in which tax administration is carried out. The most notable complaints raised are related to VAT refunds and the handling of tax disputes. Chapters three and five discuss this in more detail.

2.2.5 Property Rights

Property rights include both tangible and intangible property. Tangible property includes land, buildings and machinery. Intangible property includes intellectual property rights such as patents, trademarks and copyrights.

2.2.5.1 Tangible Property

Land is a crucial factor in investment decisions. Land matters in Kenya are primarily governed under the Land Act (2012), Land Registration Act (2012), National Land Commission Act (2012) and the Community Land Act (2016).

The *Land Act (2012)* provides for the sustainable administration and management of public, private and community land and land-based resources. It recognizes four forms of land tenure in alignment with the Constitution of Kenya, 2010: freehold, leasehold, partial interests, and customary land rights. Investors may acquire an interest in land under these forms of land tenure through allocation, land adjudication process, compulsory acquisition, prescription, settlement programs, transmissions, transfers, and long-term leases exceeding twenty-one years created out of private land. For foreign investors, interest in land may be acquired through long-term leases.

One of the significant reforms to this statute, and particularly the procedure of acquiring land, is the recognition of electronic signatures for purposes of execution. In addition, the National Land Commission may grant a foreign investor a licence to use unalienated public land for a period not exceeding five years, subject to prescribed planning principles and the payment of agreed fees.

One of the key recommendations in the Kenya Investment Policy (2019) is to establish Land Banks in line with the Land Act and subject to Article 65 of the COK (2010). The policy recommends that counties establish mandatory savings schemes where a percentage of the county budget allocation goes to purchasing land for investment-related purposes. Section 110 of the County Government Act (2013) provides for spatial plans as part of the county integrated development plans. County governments are, therefore, crucial players in the development of land banks at the county level, and their involvement is key to enabling these initiatives. However, the Land Act does not contain provisions allowing land banks to be established. Therefore, the Land Act reforms should align with the specific recommendations in the Kenya Investment Policy (2019).

The *Land Registration Act (2012)* was enacted to rationalise the registration of titles to land and to give effect to the principles and objects of devolved governments in land registration. It deals with the registration of public, private, and community land interests, such as leases, charges, transfers, and transmissions. For foreigners, all acquired land must be registered per the Act. Section 107(3) reiterates the provisions of Article 65(1) of the Constitution of Kenya, 2010, that non-citizens can only hold land under leasehold tenure not exceeding ninety-nine years.

One of the significant developments regarding the registration of interests in land is the introduction of the Ardhi Sasa portal. The portal is a national land information management system developed by the Ministry of Lands, Housing and Urban Development in consultation with the National Land Commission, County Governments and other stakeholders. The platform enables landowners, citizens, investors and other stakeholders to assess credible, reliable and efficient land and land-based services. Land registration and other processes are now undertaken in this portal.

The *Community Land Act (2016)* is a crucial legislation for counties because a majority of Kenya's community land is in the counties. Since county governments are also involved in investment promotion and facilitation, regulating community land is vital. Community land is land vested in and held by a community on the basis of ethnicity, culture or other similar community interests. It, therefore, includes (i) land lawfully registered in the name of group representatives, (ii) land transferred to a specific community by any process of law, (iii) land that is declared by statute to be community land, and (iv) land lawfully held, managed or used by a particular community as a community forest, grazing areas, or shrines. The Community Land Act, therefore, gives effect to Article 63 of the Constitution by providing for the recognition, protection, and registration of community rights and the management and administration of community land. Hence, the conversion of community land should adhere to the provisions of the Community Land Act and its regulations to ensure that a mutually beneficial relationship is promoted between investors and the community to minimise opposition to investment activities by communities, thereby creating an efficient investment climate and business environment. Relatively, and with due regard to the sustainable development of the country, natural resources on community land must be used and managed sustainably and productively for the benefit of the whole community, both current and future generations, with transparency and accountability, and based on equitable sharing of accruing benefits. Thus, when an investor identifies an investment opportunity on community land, the investment promotion process, which includes entering into an investment agreement with the community, must entail public participation to ensure that the process is consultative.

Concerning public land management in Kenya, the National Land Commission (NLC) is an important institution. It was established in 2010 by Article 67(1) of the Constitution. After that, the National Land Commission Act (2012) was enacted in May 2012 to make further provisions regarding the functions and powers of the NLC. The functions of the NLC are in line with Article 60(1) of the Constitution and include (i) alienating public land on behalf of and with the consent of the national and county governments, (ii) monitoring the registration of all rights and interests in land, (iii) ensuring that public land under the management of any designated state agency is sustainably managed for the intended purposes, and (iv) receiving and investigating all historical land injustice complaints and recommending appropriate redress. Thus, the NLC must be involved in all transactions relating to public land, including the compulsory acquisition of land by national or county governments.

2.2.5.2 Intangible property

Kenya recognizes and protects various intellectual property rights, including patents, copyrights, trademarks, and industrial property designs.

The Copyright Act provides for the protection of original works of authorship, including artistic and literary works, for a term of 50 years. Section 3 of the Act establishes the Copyright Board to oversee copyright administration, licensing, and coordination.

The Trademarks Act protects words, phrases, symbols, or designs identifying the source of goods and services of one party, distinguishing them from those of others, for a term of 10 years.

In 2001, the Industrial Property Act was enacted. It establishes the Kenya Industrial Property Institute (KIPI) in section 3. The functions of KIPI include considering applications for and granting industrial property rights, screening technology transfer agreements and licences, providing industrial property information to the public and promoting inventiveness and innovativeness in Kenya. KIPI also registers trademarks.

Although not a regulation protecting a specific type of intellectual property right, the Anti-Counterfeit Act (2009) is an important statute for protecting intellectual property as it prohibits trade in anti-counterfeit goods. The law is implemented by the Anti-Counterfeit Authority, which is established under section 3 of the Act. The primary function of this Authority is to combat trade in anti-counterfeit goods by, among other things, facilitating the investigation of complaints. Even with the power to investigate such complaints, the Authority should develop an illicit trade index that will provide evidence of pricing and actual illicit trade practices. Additionally, the enforcement of anti-counterfeit surveillance is crucial. A streamlined import process and the enforcement of surveillance will boost investor confidence and enhance government revenue collection.

2.2.6 Labour Rights and Management

Labour, being a factor of production, is important in attracting investment. The *Employment Act (2007)* and the *Kenya Citizenship and Immigration Act (2011)* are key statutes in this regard. These two statutes are aligned to Article 41 of the Constitution of Kenya, 2010, which grants every worker a right to fair labour practices.

The Employment Act is the primary law regulating employers' and employees' rights and obligations and is a crucial component of promoting and facilitating investment in Kenya. Investment decisions are influenced by the flexibility in employment regulations and clarity on redundancy costs for foreign and domestic investors.

The Employment Act applies to all employees under a contract of service and covers both oral and written contracts. The Act provides for the payment of wages for work done, when wages are due, and the place where the employer should pay such wages. It contains other minimum conditions of employment, including annual leave, sick leave, water, food, and medical attention, and the requirements for termination or dismissal of employees.

The Act also provides for alternative forms of dispute settlement. Any party to an employment dispute may complain to a Labour Officer if the other party fails to fulfil contractual obligations. Further, the parties may use other forms of alternative dispute resolution, such as arbitration and mediation, which would ideally allow speedier resolution of disputes compared to referring disputes to the Employment and Labour Relations Court (ELRC).

The Employment Act operates within a broader framework of international law, namely Bilateral Labour Agreements (BLAs). These agreements are essential to this conversation because they form

part of the regulatory framework that applies to migrant workers in Kenya, to the extent that those workers are citizens in countries that are party to a BLA with Kenya. This means that workers from the countries with which Kenya has concluded BLAs are subject to the minimum standards guaranteed within these frameworks. Kenya has BLAs with countries such as the United Kingdom, Poland, Qatar and Saudi Arabia.

Based on the outcome documents by the Business Reform Action Plan Development Committee, unpredictable employment taxes were identified as a barrier to business growth. The committee noted that the random and often unplanned ceremonial rises in minimum wage affect large employers' planning. They proposed the development of a Minimum Wage Policy that provides for periodic wage increases of, for example, every two years or a National Tax Policy with a similar provision.

Another concern was the current Wage Guidelines, which were developed/revised in 2005 and are outdated because they do not respond to global and emerging market trends. Minimum wage fixing relies on sectoral wages, councils, occupations, regional banding and inflation rates. An ongoing reform process in this regard is developing the Draft Wages and Remuneration policy (2023). The draft policy proposes to reform collective agreements and revise wages to align them with productivity increases. This will protect workers' competitiveness and increase employment opportunities. This also aligns with the Kenya Vision 2030, which emphasises skills development and appropriate minimum wage requirements.

The Kenya Citizenship and Immigration Act (2011) is also an essential law in matters of labour and FDI. It provides for, among other things, the issuance of travel documents, permits and other related immigration matters. Thus, it is instrumental because it guides the process of obtaining work and residence permits by foreign investors. The Permits Section of the State Department for Immigration and Citizen Services under the Ministry of Interior and National Administration is responsible for the processing and issuance of work permits and passes. All applications for permits and passes are made and submitted online. Once processed and issued, applicants can print their permits or passes on their eFNS Accounts. Different types of work permits and passes are usually issued, including Class A: Prospecting and Mining, Class B: Agriculture and Animal Husbandry, Class C: Prescribed Profession, Class D: Employment, Class F: Specific Manufacturing, Class G: Specific Trade, Business of Consultancy, and Dependant's Pass. For investors, this section of the Kenya Citizenship and Immigration Act is read with section 13 of the Investment Promotion Act (2004), which entitles investors with investment certificates to three Class A for management or technical staff and three H, I or J permits for owners, shareholders or partners. The challenge with this statute is the failure to clarify the criteria for granting foreign investors permits, particularly the conditions attached to the different classes of permits. Thus, even though the Investment Promotion Act guarantees investors various classes of permits, the criteria for such issuance are similarly unclear.

2.2.7 Dispute Settlement Mechanisms

Speedy and effective dispute settlement are critical components of a good investment climate and business environment. Kenya has both court and 'out of court' procedures to resolve investor disputes. Article 159 (2) (c) of the Constitution of Kenya, 2010, provides for the resolution of disputes by utilising alternative dispute resolution mechanisms. These include mediation, arbitration and traditional dispute-resolution mechanisms. A large part of enforcing this provision involves the utilisation of Court Annexed Mediation by the Judiciary to secure the expeditious resolution of disputes. Arbitration has also been embraced in the corporate sector, with the Nairobi Centre for International Arbitration and the Chartered Institute of Arbitrators-Kenya playing a significant role in promoting and facilitating the use of arbitration to settle disputes expeditiously.

Regarding court procedures, Small Claims Courts (SCCs) were established under the Small Claims Court Act Cap 10A of 2016. SCCs are specialised commercial courts designed to provide judicial determination

involving small amounts of money not exceeding KES 1 million. Thus, they aim to provide speedy resolution of disputes in a cost-effective and simplified manner, enhancing access to and expeditious delivery of justice. Establishing these courts is part of a broader initiative to improve the ease of doing business in the country.

2.2.8 Regional and International Agreements

Kenya is a party to several regional economic arrangements that are useful in promoting, facilitating, and retaining investment. These instruments and their enabling policy documents have been discussed in the next chapter and include:

2.2.8.1 The East African Community (EAC)

The East African Community (EAC) was established through the *Treaty for the Establishment of the East African Community* (2000). Within this framework, Member States committed to promoting investment in priority sectors within the customs union, including agriculture and agribusiness, manufacturing, oil, and gas.

Chapter 12 of the Treaty contains obligations for Partner States to cooperate in investment and industrial development. In Article 80, 1 (f), States are required to harmonise and rationalise investment incentives, such as those relating to the taxation of industries, particularly those that use local materials and labour, to promote the development of the EAC as a single investment area. Article 127 equally requires Member states to create an enabling business environment through the implementation of investment policies which *inter alia* remove barriers to investment and development of the private sector.

From the High-Level Interventions outcome document developed by the Business Reform Action Development Committee, it was highlighted that there is a need to implement the four-band EAC Common External Tariff, which is meant to promote local manufacturing, enhance value addition, and drive industrialization, which would lead to job creation.

This implementation should be done through various legislative frameworks, such as the VAT Act (which is discussed earlier) to implement the following:

- a) The classification of tea as a food crop and zero-rate purchase for value addition.
- b) The reduction and/or removal of taxes on tanning chemicals used in leather production.
- c) The reduction and/or removal of taxes on imported shoe soles used in leather shoe product production.
- d) The reduction and/or removal of 10% import levy on imported raw materials useful for glass manufacturing.

2.2.8.2 The EAC Common Market Protocol

The EAC Common Market Protocol highlights the importance of Partner States' cooperation in investment. Article 29 particularly mandates Partner States to protect cross-border investments and investment returns of the investors of other Partner States within their territories and provide a schedule for removing existing restrictions on the free movement of capital within the EAC. In this regard, the 6th EAC Development Strategy and Private Sector Development Strategy aims to integrate investment activities and private sector development in priority areas to improve the investment climate and business environment. The EAC Trade and Investment Policy (2019 – 2024), developed after the EAC Summit during their 8th Extraordinary Meeting, enables a framework to establish a regional promotion agenda which leverages the region for competition for investors from Africa and the world.

2.2.8.3 The African Continental Free Trade Area (AfCFTA), the World Trade Organization (WTO) and the Economic Partnership Agreements (EPAs).

These international and continental agreements have been discussed in detail in chapter 3.

2.2.8.4 Bilateral Investment Treaties.

Because states are sovereign and have the discretion to accept or refuse foreign investments in their territories and the conditions under which the investments will be made, Bilateral Investment Treaties (BITs) are essential in governing the relationships between host states and foreign investors. To attract FDI, Host States enter into BITs to grant foreign investors certain standards of treatment. Articles 2 (5) and 2 (6) of the Constitution of Kenya, 2010, allow the application of BITs entered into by Kenya because they form part of the Laws of Kenya. Kenya has entered into various BITs with different countries, such as Japan, the United Kingdom, Finland, Germany, the United Arab Emirates, and France. Most of the BITs are considered old-generation BITs, thus limiting Kenya's right to legislate for the interest of the public (policy space). Hence, there is a need to examine all the BITs and either terminate them or renegotiate them to ensure they accord Kenya policy space.

2.2.9 Devolution and County Legal Frameworks

The Fourth Schedule of the Constitution provides for the distribution of functions between the national government and the county governments. Some of the functions of county governments include county abattoirs, markets, county planning and development and trade development and regulation including licensing. Undoubtedly, the national and county governments must collaborate and constantly communicate for effective economic growth at the national and county levels. Hence, the Intergovernmental Relations Act (2013) was enacted to:

- i. provide a framework for consultation and cooperation between both levels of government,
- ii. (ii) establish the Council of Governors to oversee and facilitate the effective implementation of county roles, and
- iii. (iii) to lay down the framework for the County Development Fund, which enables the implementation of investment activities within counties. Also, the Counties can enact county laws.

The County Investment Handbook (2019) has been instrumental in guiding counties on investment promotion and facilitation matters. One of the recommendations in the handbook is the establishment of County Investment Units (CIUs), as well as the preparation of county investment profiles and a database of bankable projects. These have been discussed in detail in chapter 4.

2.3 The Institutional Framework.

The existing institutional framework also shapes the investment landscape. Some of the institutions established by statutes have been discussed in the preceding section of this chapter. The Ministry of Investments, Trade and Industry (MITI) is responsible for investment, trade and industry. Its mandate includes promoting investments in Kenya, including formulating and implementing policies to promote, attract, develop and retain domestic and foreign direct investments and to create an enabling environment for investors for ease of doing business (SDIP, 2024).

The State Department of Investment Promotion (SDIP) is one of the three departments under MITI as per Executive Order No. 2 of 2023. SDIP's mandate includes investment policy and strategy; promotion both locally and internationally of opportunities for investment in Kenya; promotion and oversight of SEZs and EPZs; coordination of transformation of the ecosystem supporting private sector

development; development of business reform agenda across the entire government; and re-engineering of government business and service processes.

The State Department for Industry (SDI) is another department within MITI. Its mandate includes industrial policy and planning; Buy Kenya Build Kenya policy and strategy; promoting standardisation in industry and quality control; Kenya property rights policy (patents, trademarks, service marks, innovation); promotion of value addition and agro-processing; promotion, development and oversight of aggregation and industrial parks; textile sector development; leather sector development and promotion of the value chain; oversight and regulation of scrap metal industry; industrial training and capacity building; combating counterfeiting trade and other dealings in counterfeit goods; and oversight, administration and enforcement of local content policy.

The State Department for Trade with MITI also plays a supportive role in investment. Its mandate includes trade policy, export development, promotion of E-Commerce, trade negotiations and trade advisory services, championing trade integration in COMESA, CFTA, EPAs, AFCFTA, etc., liaising with UNCTAD, WTO on trademarks, protection of Kenyan goods against dumping and subsidised imports and recommending countervailing measures, coordination of multi-agency task forces on the elimination of illicit trade and counterfeits, liaison with international trade bodies for national development, management of weights and measurements in trade, promotion and regulation of wholesale and retail trade, and promotion of fair-trade practices.

The agencies undertaking investment promotion, facilitation and retention under MITI include KenInvest, SEZA, EPZA and KDC.

Other key ministries and agencies in the context of investment promotion and facilitation include the National Treasury and Economic Planning, Business Registry Services (BRS) under the Office of the Attorney General, the State Department of Lands and Physical Planning, the National Land Commission (NLC), the Kenya Revenue Authority, the State Department for Labour and Skills, Immigration Directorate, Ministry of Foreign Affairs (including State Department for Diaspora Affairs), the State Department for East African Community Affairs, the State Department for Micro Small and Medium Enterprises (MSMEs), State Department for Energy, State Department for Transport, State Department for Water and Sanitation, the State Department for Environment and Climate Change, Kenya National Bureau of Statistics (KNBS), and Kenya National Bureau of Standards (KeBS).

The NISK strategic action plan discussed in Chapter 6 includes TWG member MDAs and the MDAs listed above as having a pivotal role to play in one or more strategic initiatives. At the county level, the County Investment Units play a vital role in attracting and facilitating investment in their respective county. County Investment Units are discussed in detail in Chapter 3.

The existence of multiple institutions dealing with investment promotion and facilitation confuses investors.¹⁰ In addition, there is weak coordination among government agencies and departments because of a lack of an overarching coordination mechanism for investment promotion and facilitation matters.¹¹ To address this challenge, Pillar Two of this NISK (Attract, Facilitate and Retain Direct Investment) has as one of its investment retention activities the establishment of the National Investment Focal Point (NIFP). The NIFP will be a permanent technical committee. Its membership will constitute representatives of the key departments and agencies undertaking any function within the investment lifecycle, including promotion, facilitation, retention and advocacy. It is proposed that the NIFP be chaired by the Permanent Secretary responsible for Investment Promotion and KenInvest be the secretariat. The role of the NIFP will be to coordinate investment activities within the investment

¹⁰ Kenya Investment Policy pp.22

¹¹ Kenya Investment Policy pp.22

lifecycle, coordinate regulatory reforms to ensure they are not undertaken in a silo manner, resolve investor issues escalated from the Investor Grievances Management Mechanism proposed in Pillar 2, and support KenInvest in advocacy. The NIFP will report to the National Investment Council (NIC), and at that level, the NIC will offer guidance on all matters, including directions on issues the NIFP has been unable to handle.

2.4 Conclusion

This chapter has presented an overview of the policy, legal and institutional framework that governs investments in Kenya. It has also identified ongoing legal reforms to improve the investment climate and business environment. Nevertheless, further interventions in the legal environment for investment need to be undertaken to strengthen investor confidence to retain and expand FDI and DI. The proposed interventions are undertaking a legal reform impact analysis to enable an evidence-based upgrade of the laws and developing an Investment Grievance Management Mechanism (IGMM) to manage political and operational risks, therefore avoiding divestment and legal disputes. These two strategic interventions fall under Pillars One and Two of the NISK and have been considered under those Pillars. Below is a brief discussion of the two interventions.

i. Undertaking a Legal Reform Impact Analysis and Upgrade of Laws

The legal framework governing the investment climate and business environment has been undergoing periodic reform. Although these reforms are being undertaken in a silo manner, they have contributed to the country's investment climate and business environment. Nevertheless, as indicated in the analysis above, further interventions in the legal environment for investment need to be undertaken to strengthen investor confidence to retain and expand FDI and DI. The reforms should be done in a coordinated manner rather than in silos to yield evidence-based and effective measures which will contribute positively to investment.

The legal reform process should commence with a legal reform impact analysis to examine the impact of previous legal reforms on the investment climate and business environment and the gaps. The results of this analysis will inform an evidence-based upgrade of the laws.

The legal reform Impact analysis entails a systematic approach of critically analysing the positive and negative effects of existing laws and regulations on investments in Kenya. Legal reform is most effectively undertaken from an evidenced-based approach. Thus, the legal reform impact analysis will record and explain how each investment law has worked over some time.¹² In particular, it will examine the law's effect on the investment climate and business environment since it was enacted or amended. The analysis period could be from the time when a comprehensive legal reform of investment laws was undertaken to improve Kenya's ease of business ranking and the investment climate and business environment or any other agreed period.

The main question in the analysis will be, "How has the law worked out in practice?" The parameters for the analysis will include the extent to which the laws have:

- Promoted the entry, operation and growth of businesses of both DI, DDI and FDI.
- Balanced the investment operations and public interests such as environment, health and safety.
- Addressed institutional and administrative deficiencies that impact private investment.
- Streamlined bureaucracy to lower the cost of doing business and reduced opportunities for corruption and informal activities.

¹²Colin S. Gibson, Legal Impact Analysis: The Ideal and the Practicable. Journal of the Indian Law Institute, Vol.24. No. 4, pp. 837-847.

- Brought equality with regards to opportunities for women, youth and people living with disabilities to start and run businesses and access credit.
- Enhanced multi-sectoral collaboration.
- Reduced multiplicity of licences and permits.
- Facilitated effective tax administration; and
- Promoted expeditious resolution of investment-related disputes.

The information to be collected will enable comparisons between the state of things as a result of the new law or amendment and the situation before the commencement of the statute/law or amendment.

An upgrade of any law following the analysis must be undertaken only where socio-economic goals are not attained as intended. The analysis is an interdisciplinary socio-legal analysis.

Because of the value-chain approach to development, the analysis and subsequent upgrade of the laws require a coordinated approach where all the relevant ministries, departments and agencies (MDAs) are involved as opposed to a silo approach where each ministry, department or agency is undertaking its own analysis and upgrade. A coordinated upgrade of the laws avoids duplicity of efforts, overlap and inconsistencies. Thus, a mapping exercise should be undertaken to identify the relevant MDAs to be involved in the legal reform impact analysis. After that, the mapped MDAs will be responsible for designing and implementing a program to upgrade the relevant laws that require updating following the said impact analysis. The program should contain clear targets, measurable results and timelines.

ii. Developing an Investor Grievance Management Mechanism

One of the Strategic Issues under Pillar 2 is managing political and operational risks to enhance customer service, advocacy and aftercare to attract, retain and expand investment. An Investor Grievance Management Mechanism (IGMM) is an investment retention mechanism. Strengthening investors' grievance resolution processes is key to retaining investments.

Investors may experience different issues in running their operations (related to government). If these issues are not addressed promptly, it can lead to divestment decisions or legal disputes because of state liability for violating contracts or laws (domestic or international investment laws).

Some of the issues faced by investors that are directly related to investor-state matters include:¹³

- Abusive refusal of renewing permits/licences. Unreasonably lengthy delays in processing and renewing permits/licences, work permits, or visas to expatriates; construction permits; environment permits; operational permits/ licences; or inspection processes.
- Significant changes in terms of contract and unjustified termination of contracts.
- Serious infrastructure/utility quality or consistency issues (transformer blown, disconnection) affecting investment sustainability.
- Change in infrastructure/utility rates that render investments unfeasible.
- Discriminatory, unreasonably burdensome or improperly implemented labour rules.
- Labour/social unrest, strikes, road blockages.
- Undue and persistent targeting and harassment of particular investment projects and/or sectors by the tax administration.
- Non-transparent awarding of incentives.

¹³ Priyanka Kher, Eloise Obadia and Dongwook Chun, Managing Investor Issues Through Retention Mechanisms. World Bank 2022.

- Sudden changes in policies, laws and regulations.
- Sudden and excessive tax increase for a sector.
- Non-transparent and inconsistent application of laws, regulations, and policies.
- Discriminatory treatment against foreign investors.

Thus, an IGMM provides established investors who are negatively affected with a process to voice their issues.¹⁴ It addresses these issues promptly and consistently before they escalate to disputes by systemizing problem-solving for investors. It enables the government to identify, track and resolve investor issues in a timely manner. Hence, it facilitates the management of grievances that are under the control of the government by:¹⁵

- a) Receiving complaints or grievances from investors concerning their investments;
- b) Following up and undertaking actions for de-escalating potential differences or disagreements between investors and the state and
- c) Providing effective assistance in resolving difficulties experienced by investors and their investments in such a manner as to avoid disputes.

The IGMM should not be confused with dispute resolution systems, including courts, tribunals, alternative dispute resolution methods such as mediation and arbitration and the work undertaken by the Commission on Administrative Justice (CAJ)/the Office of the Ombudsman. It doesn't deal with disputes or maladministration (government agencies conduct) but with managing investor issues. Thus, IGMM is limited to or specialised in the investors' legal protections against political or operational risks, unlike the Office of the Ombudsman, which has a broader mandate.¹⁶ It is a retention mechanism focused on addressing severe issues that jeopardise the continuation of an investment project or may trigger the State's liability.

Table 3: A Comparison of Aftercare, IGMM, and Ombudsman

	Aftercare	IGMM	Ombudsman
Objective	Attract, retain and expand investment	Retain and expand investment as well as conflict prevention	Representative power to manage conflicts
Scope	Any issues (mostly operational) affecting an investment establishment, operations expansion with no potential State liability.	Political risks and operational risks leading to divestment and/ or legal disputes (Government conduct potentially impacts investor's rights or guarantees contained in domestic or international investment law or contracts between investor and the government)	Tracking maladministration (improper administration) in the public sector. Thus investigates complaints, delay, abuse of power, unfair treatment, manifest injustice or discourtesy.
Institutional Setup	Part of KENIVEST's mandate	Typically, strengthen leverage existing institutions	The Commission on Administrative Justice/Office of the Ombudsman.

¹⁴ Priyanka Kher, Eloise Obadia and Dongwook Chun, Managing Investor Issues Through Retention Mechanisms. World Bank 2022.

¹⁵ Article 45 of the Draft AfCFTA Investment Protocol, 2023 version.

¹⁶ Priyanka Kher, Eloise Obadia and Dongwook Chun, Managing Investor Issues Through Retention Mechanisms. World Bank 2022 at pp 9.

Problem-solving Techniques	Information sharing, networking, partnerships, advocacy, and negotiation.	Systemic bridging asymmetries, escalation mechanism based on a legal and economic analysis	Use political authority to recommend a resolution
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Source: World Bank Group but Author Modified

In addition to managing investor grievances promptly, an IGMM will assist government agencies at the source of the problem in understanding the implications of their actions while also exploring possibilities to modify or rectify those actions to solve the issue. It also assists multi-agency investment coordination to induce desired behaviour among public agencies, mitigating political and operational risks.¹⁷

¹⁷ Priyanka Kher, Eloise Obadia and Dongwook Chun, Managing Investor Issues Through Retention Mechanisms. World Bank 2022 at pp 9.

3 Analysis of Strategic Environment

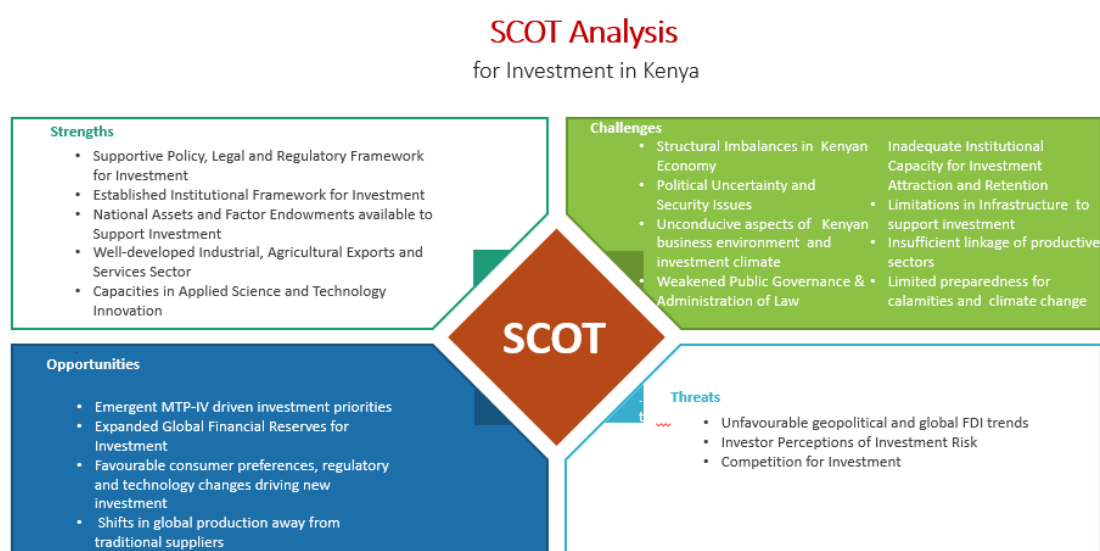
This chapter provides situational analyses to inform the selection of strategic choices for promotion of FDI, DI and DDI over the next 5 years. The chapter presents the strategic context in a summarised SCOT analysis and then highlights the emergent strategic issues in the four pillars.

3.1 SCOT Analysis for Kenya Investment and Business Ecosystem

SCOT stands for Strengths, Challenges, Opportunities and Threats. During the TWG workshop participants identified a number of factors which were conducive to increased investment (strengths and opportunities) and a number of factors that detracted from increasing investment (challenges and threats). Internal factors included strength and challenges while exogenous factors comprised opportunities and threats. The detailed SCOT is attached as Appendix 7

A summary of these factors is shown in Figure 12 below.

Figure 12: Summary SCOT Analysis of Kenya Investment Climate and Business Environment



3.2 Pillar 1: Create an enabling, facilitative and competitive investment climate and business environment.

One of the main aims of the Strategy is the creation of a competitive business environment and investment climate. The business environment can be construed to mean the aspects of public governance and regulation that businesses must interact with as they conduct their day-to-day activities. This includes all policies, laws, regulations, treaties, trade and investment agreements, administrative measures, and rules to help organise economic activity into an orderly, predictable and compliant manner. The investment climate consists of the business environment and the wider features of a particular jurisdiction, including physical infrastructure, political stability, markets, human capital, social infrastructure, technology, financial markets and ecological factors. Importantly, the business environment is largely under the control of the government, while the other aspects of the investment climate are in the domain of both the public and private sectors.

3.2.1 Situational Analysis

Kenya's global competitiveness has been declining over a number of years. The country performs poorly in some key indices used to measure a country's progress in its reform agenda and facets of business environment and investment climate. To analyse the status quo of the business environment and investment climate, this section collates findings from global indices, SDIP's Business Reform Action Plan Development Committee (BRAPDC) report which was an investment climate survey of over 160 chief executives (CEOs); insights from private sector representatives, views from county government officers and county executive committee members (CECMs) as well as written presentations from national government MDAs. The prioritised strategic issues include the cost of doing business, corruption, burden of regulatory compliance, illicit trade and counterfeits, trade and investment facilitation, institutional coordination and capacity, investor services, automation of investment service functions, strategic planning and sector prioritisation in investment promotion, investment grievance resolution mechanisms, legal reforms, infrastructure and utilities; value chain integration, political, ecological, regulatory and financial risk mitigation and national risk management frameworks and long term finance for investment projects, amongst others.

3.2.1.1 Competitiveness of Kenya's National Economy.

Global indices are a good measure of a country's reform agenda and progress. They act as benchmarks of a country's performance. Governments can use indices to pursue market-oriented reforms that improve the business environment to foster private sector activities and spur sustainable growth and job creation. Even though indices can be considered as investment guides, they tend to serve as the 'pulse' of the business environment which the private sector can use to check the health of the investment climate. Indices help the businesses in making trade and investment policy decisions. In view of improving and sustaining reforms, it is generally recommended that efforts be directed to improving Kenya's ranking and score in relevant global indices.

The World Economic Forum (WEF)'s Global Competitiveness Index (GCI) is one of the key indices used to measure the competitiveness of national economies. As shown in Figure 13 below, in the 2019 GCI (the last available), Kenya was ranked 95th with a score of 54.1. The best performing country out of 140, was Singapore with a score of 84.8. However, as seen from Fig. 13, Kenya led the other East African comparators: Rwanda (110), Uganda (115), Tanzania (117) and Ethiopia (126). Mauritius leads the Sub-Saharan Africa group at rank 52 followed by South Africa (60) and Namibia (64).¹⁸

¹⁸ https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

Figure 13: Global Competitiveness Index - Overall rankings and scores for 5 East African and 3 South Asian Countries



Source: GCI Report, WEF, 2019

Overall, Kenya's worst performing areas were health and surprisingly, ICT adoption. On health, Kenya's ranking on area of life expectancy was low, calling for better provision of health services. Equally, ICT adoption is weighed down by low rating on percentage of internet users to the population, a future characterised by limited ICT infrastructure beyond urban areas.

This is the latest GCI data available for Kenya and comparator countries and can thus give an indication of how Kenya was rated 5 years ago against the standard group of comparator countries, being ratings of respondents in response to questions posed to them about aspects of the investment climate. Having said the foregoing, it should be noted that the GCI data, while extremely relevant, is relatively old presenting a challenge of the indices' continuity and where, for instance, WEF has not published GCI data on Kenya in the past five years.

3.2.1.2 Strategic Issues

The situation analysis and issue prioritisation process for Pillar 1 identified 8 strategic issues that require attention within the NISK. These are: (i) Access to quality affordable and reliable clean energy. (ii) Burden of regulatory compliance including unpredictable taxation (iii) Corruption (iv) Illicit trade and counterfeiting, (v) Kenya's role as an anchor state in the deepening of regional and continental economic integration (vi) Effective utilisation of infrastructure services and trade facilitation (vii) Mainstreaming of global climate change mitigation and adaptation agenda in investment matters (viii) Coordination of legal reforms for strengthening investor confidence and expanding investment

(i) Access to quality, affordable and reliable clean energy

Kenya's overall investment competitiveness and that of the manufacturing sector in particular, continues to be undermined by high electricity costs along with only moderate quality and reliability of access to energy by industrial and commercial consumers. Building on Kenya's impressive transition to renewable energy, which accounted for 90% of electricity consumption in 2021, Kenya needs policy measures to reduce the high cost of electricity, in order to improve the competitiveness of its industries and exports. The cost of electricity in Kenya remains high compared to regional comparators, which is attributed to, among other things, high tariffs in Power Purchase Agreements (PPAs), the higher-than-average system and commercial losses (22%), as well as high taxes and levies.

According to Energy and Petroleum Regulatory Authority (EPRA)'s Biannual Statistics Report for FY 2023/24, covering period July to December 2023, the retail prices for industrial power for some categories reached KES 25 per /kWh by December 2023, this is equivalent to USD 0.172 /kWh¹⁹. This is expensive when compared with neighbouring countries like Ethiopia which has power costing below USD 0.03/kWh. Simulation of data from the Kenya Association of Manufacturers on a cement manufacturing plant shows a 58.9% increase in electricity prices between January 2021 and January 2024, with tariffs rising from KES15.8 to KES 25.1 per kWh. This high per power cost is also partly due to the high pass-through charges added to the base tariff. This included, in the latter six months of 2023, KES 4.55 per kWh for fuel energy charge, KES 1.8093 per kWh for forex adjustment, KES 0.23 as inflation adjustment and KES 0.014 as Water Resource Levy, all amounting to total of pass-through charges Ksh 6.60 per/kWh or an additional 45.2 % over the base tariff. This is despite the power generation profile for that period comprising 44.6% geothermal, 22.5% hydro, 14.3% wind, 3.5 % solar, 6.2% imports and only 8.9% thermal.²⁰

Besides the cost, electricity must be made reliable and reduce the incidence of power outages. EPRA estimates that during the period July–December 2023, Kenyan consumers, on average, experienced outages lasting 8.836 hrs against a set benchmark of 5 hrs per month There were and average 3.865 interruptions per month for each consumer. For manufacturers, the power outages lead to stoppages in production lines causing losses in production, and led to a higher use of diesel-powered generators which is costly.

To address these challenges with electricity, strategic recommendations include fostering an enabling environment for development of storage technologies for electricity to encourage transition to renewable energy and to reduce reliance on thermal energy; promoting use of net metering, wheeling tariffs and captive power plants; developing regional power pools within Kenya Power, promoting investment in power distribution lines, introducing a well-designed auction system for acquisition of new generation capacity and reducing taxes and levies on the electricity tariffs.

Fuel prices in Kenya are relatively high when compared to other countries in the region due to multiple taxes and levies impacting transport costs. The t raises the cost of production and renders local commodities less competitive in the local, regional, and international markets, making it cheaper to import than to manufacture in the country. The cost of fuel accounts for about 40% of the Consumer Price Index – and has the highest weight in inflation. This has a ripple effect on consumer prices, thus increasing the cost of living and reducing consumer purchasing power. High energy costs impede investment due to both the increased cost of doing business and reduced consumer disposable income.

(ii) Burden of regulatory compliance including unpredictable taxation

One of the most common findings from the research was investor frustration with the multiplicity of regulatory requirements, their cost and the lack of a predictable tax environment. There is insufficient harmonisation of licences and permits between countries so that inter-county trade and movement of goods is hampered when each county requires compliance with its own regulatory requirements, causing excessive administrative burden and added costs. The worst affected areas are movement of branded motor vehicles and payment of cess.

The recent Supreme Court decision which shifts the burden of proof of validity of land title to the land purchaser, again transfers administrative burden to the public, while in fact the relevant government

¹⁹ Energy-and-Petroleum-Biannual-Statistics-Report-July-December-2023.pdf

²⁰ Energy-and-Petroleum-Biannual-Statistics-Report-July-December-2023.pdf

department has a responsibility to ensure its records are up to date and that an official search on a land title returns a conclusive position on ownership, tenure and encumbrances such land.

Bureaucratic red tape is another hurdle for investors. Institutions are not able to deliver on their service charter promises because performance metrics are often not tracked or reported on, and the concept of continuous improvement is not widely applied. Public servants need to be encouraged to find creative ways to deliver exceptional customer service and build investor loyalty, whilst also being recognized and rewarded accordingly.

Another barrier to investment is the unpredictable tax environment where new measures are introduced without adequate consideration of possible impact. Recent examples of negative tax measures include 16% VAT on plant and machinery in HS Chapters 84 and 85 which has diverted capital investment to Tanzania and Uganda where there is no such tax. In addition, imposition of a 35% import duty on other bleached sack Kraft paper is misguided as this is not a finished product but either a raw material for production of packaging, which should be subject to the 4-band EAC CET framework of 0% on raw materials, 10% on intermediate goods, 25% on secondary intermediate goods and 35% on finished products.

Other taxes introduced include a 25% import duty on imported fluting paper, imported carton boxes and test line for the packaging industry, making Kenya's packaging uncompetitive. Tea is not classified as a food crop, omitting it from zero rating of tea purchased for purposes of value addition. Tanning chemicals used in the leather tanneries are mostly not made locally and yet are subject to higher import duties.

Capital gains tax is deemed too high at 15% instead of the former rate of 5% and negatively affects transfers between parties in the venture capital and private equity sector. There is a 1.5% digital service tax applicable on digital services provided by a non-resident person to a resident person, with no minimum threshold, and requiring the non-resident person to register for tax purposes in Kenya. This is unduly cumbersome and discourages local access to digitally delivered content and services.

Imported finished pharmaceuticals products including medications, non-pharmaceuticals, therapeutics and medical devices which have locally produced equivalents, pose unfair competition for the local drug industry due their duty-free importation. This tariff structure is a disincentive to local production for public and private healthcare sectors.

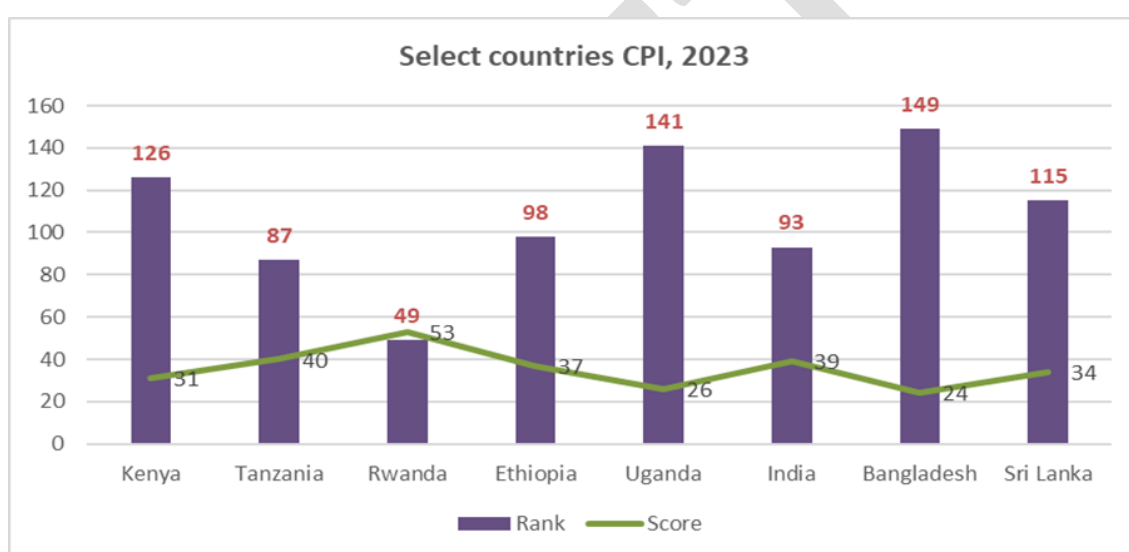
The export and investment promotion levy (EIPL) which is intended to support funding of national investment and export promotion activities needs to be reviewed and the tariff reduced. The EIPL can be as high as 17.5% on some products like imported steel billets, as introduced in Finance Act 2023, resulting in a combination of taxes and levies on imported billets of 31.5% of CIF in Kenya, versus less than 2% in other EAC partner states. For cement clinker (a raw material for cement) the EIPL is 10%, again to the disadvantage of local cement firms against regional competitors. Similarly, the Import declaration form (IDF) fee was increased to 2.5% of CIF rather than the former 1.5%.

All these taxes and levies add up to make Kenya an uncompetitive manufacturing location and have contributed to closure of manufacturing industries in Kenya, which are then replaced with trading companies selling those same goods, now made in another part of Africa, leading to the shrinkage of manufacturing sector's share of GDP to only 7.6% in 2023.

(iii) Corruption

Corruption is noted to be one of the key barriers to investment in Kenya. Transparency International (TI)'s Corruption Perception Index (CPI) serves as a good measure of how countries tackle corruption within their borders. Kenya's ranking and score in the CPI reveals a slight improvement in ranking in a decade. Kenya was ranked at position 136 out of 175 countries in 2013 with a score of 27 out of 100, and position 126 out of 180 in 2023 with a score of 31 out of 100²¹. Kenya's best CPI ranking, and score was in 2022 when ranked 123rd out of 180 countries with a score of 32. The best ranking country in CPI 2023, Denmark, managed a score of 88. Although Kenya is ranked ahead of Bangladesh and Uganda, its score was below that of Rwanda and Tanzania which were ranked 49th and 87th respectively and first and second best amongst comparators.²²

Figure 14: Corruption Perception Index (CPI) rank and score for 5 East African & 3 South Asian countries, 2023



Source: Transparency International, 2023

The drop in Kenya's CPI ranking in 2023, according to TI, can be attributed to the weak justice system in Kenya, which is one of the factors impeding Kenya's fight against corruption. This weakness has in turn eroded the public's confidence in the system. A key issue is the prolonging of cases and the costs of judicial processes. According to the 2023 National Trade Estimate Report on Foreign Trade Barriers, the United States Trade Representative (USTR) surmised that the corruption in the judiciary continues to erode judicial efficiency, productivity, effectiveness and credibility. The report also noted the long backlog of cases, the prosecution's termination of cases without any conviction, and weak investigations as indicators of risk to investors. Further, the appointment to public office of individuals who had prior integrity cases, weakens investors' confidence in Kenyan institutions causing perception that Kenya as a risky place to invest.

The country has earlier made efforts to deal with the corruption challenge through legal and institutional reforms. A notable change was the recognition of leadership and integrity as critical pillars of governance in Chapter 6 of the Constitution of Kenya, 2010 and the establishment of the Ethics and Anti-Corruption Commission as a constitutional commission (Art. 79, CoK, 2010), mandated to develop

²¹ Transparency International, Corruption Perception Index, 2013 and 2023.

²² Transparency International, 2023, n.d.

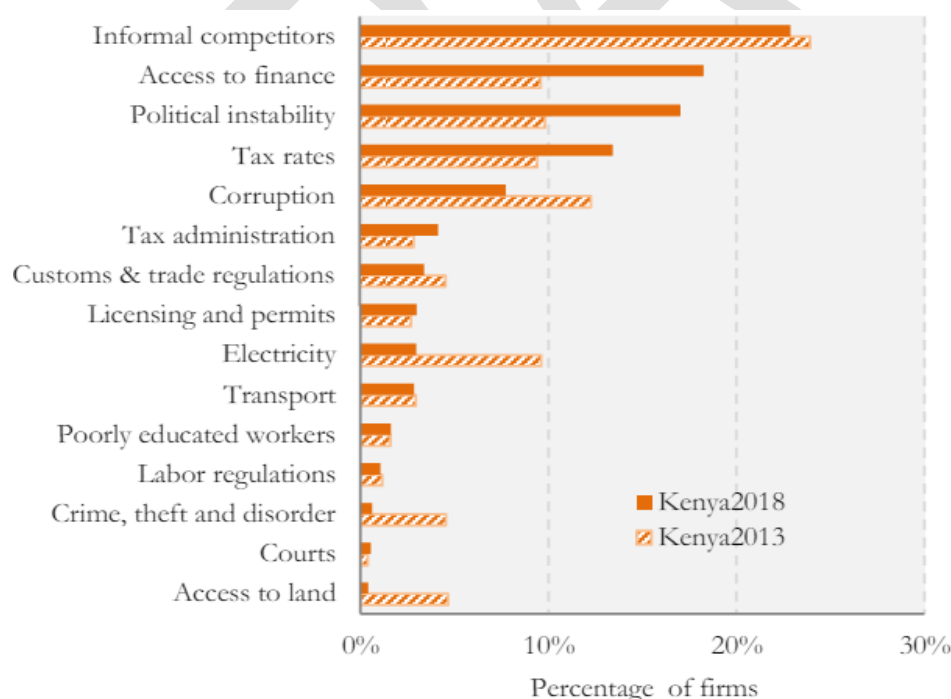
and promote standards and best practices in integrity and anti-corruption. Other notable laws are the Bribery Act (CAP 79B) which penalises the offence of bribery; the Anti-Corruption and Economic Crimes Act (2003) which penalises bid rigging, abuse of office, and dealing with suspect property; the Proceeds of Crime and Anti-Money Laundering Act (2010), which penalises the offence of money laundering. However, the effectiveness of the EACC is often questioned. The public perception of their success in prosecutions as well as their ability to curb the vice has been low.

Fighting corruption takes courage, persistence, strong political will and wide public support.

(iv) Illicit trade and counterfeiting

Respect for and effective enforcement of intellectual property rights (IPR) is a key determinant of an investor's decision to invest. For domestic investment, innovation and brand images are impacted negatively in an environment where illicit trade proliferates, thus adversely affecting the investment climate. Whilst Kenya has in the recent past engaged in a rigorous and determined effort to combat illicit trade, including setting up the legal and institutional framework, the menace persists. The Anti-Counterfeit Authority (ACA)'s Nation Baseline Survey of 2020 indicates that 30% of counterfeited goods are locally manufactured. In addition, according to ACA's National Illicit Trade Observatory, the size of illicit trade in 2018 was estimated at KES 826 billion, equivalent to 9.6% of the GDP, representing huge competition to existing and potential investment. In the 2018 World Bank Enterprise Survey, practices of information competitors was as the main obstacle to private firms' operations in Kenya, as shown in figure 15 below.

Figure 15: Practices of informal competitors continue to be considered the main obstacle to private firms' operations.



Source: World Bank, Enterprise Survey, 2018.

(v) Kenya's role as an anchor state in the deepening regional and continental economic integration

Kenya is a member of the WTO and is signatory to many international bilateral and multilateral treaties and agreements intended to enhance Kenya's fair and even favourable access to global markets and to accord most favoured nation (MFN) status to the goods of other WTO members seeking space in the Kenyan market. Kenya has entered a Bilateral EPA with the UK following BREXIT as well as the European Union. Kenya was granted permission to commence the implementation of the EU-EAC Economic Partnership Agreement (EPA) under the principle of variable geometry vide the EAC Heads of State Communiqué of 27 February 2021. Similarly, Kenya is engaging the United States under the Kenya-US Strategic Trade and Investment Partnership (STIP) even as discussions on the successor arrangement to the African Growth and Opportunity Act (AGOA) which lapses in September 2025 gains momentum.

There is no gainsaying the critical importance of ensuring synergy between Kenya's negotiating stance and subsequent commitments at various levels of engagement on trade negotiations underpinned by the WTO compatibility requirements. Being derogations from the WTO Most Favoured Nation-principle of non-discrimination, regional Integration arrangements and bilateral agreements are required to be compatible with WTO rules Art. 24 of the General Agreement on Tariffs and Trade 1994 as well as in Art. V of the GATS clearly set out the parameters for compatibility.

A key issue that emerged from the recent EPA's Kenya entered with respectively the European Union and the United Kingdom is inconsistency between the commitments Kenya entered under those agreements with Kenya's commitments as a member of the EAC Customs Union. Duties on some products differed from those charged under the 4-band EAC Common External Tariffs (CET). Kenya's private sector has flagged the disruptions of these inconsistencies to regional trade and the challenges they portend for the business environment and investment climate.

Both the EU-Kenya and UK-Kenya EPAs contain a rendezvous clause on areas for future negotiations to be included in the respective agreements within five years of entry into force. The areas for future negotiations include investment and private sector development. Considering the inconsistencies cited in the 2 EPAs with Kenya's commitment under the EAC Customs Union, the scope for such inconsistencies going forward must be guarded against. The Investment Strategy will need to contribute to the development of a synergistic and coherent approach to the negotiations in various fora and their outcomes.

(vi) Effective utilisation of infrastructure services and trade facilitation

Kenya has invested heavily in its transport infrastructure in the past 2 decades - ports, airports, road networks and railways. Kenya provides transport and logistics services for its own business sector and for that of neighbouring countries. The transport sector comprised 13.6% of Kenya's GDP in 2023, growing at 6.2% and contributing 10.6% of total GDP growth that year. The development of the new regional transport corridor the Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) linking Kenya, Ethiopia and South Sudan is expected to lead to the opening of Kenya's Northern regions and addressing intra-regional disparities in economic development since Kenya's independence. It also provides a new platform for advancing regional integration in the Eastern and Horn of Africa region.

Undertaking trade facilitation reforms is key to enhancing transparency and governance of cross border trade. Equally, facilitating trade has a positive link in attracting foreign direct investment and thus a key component of an investment strategy. Notably, Kenya has undertaken several initiatives on trade facilitation led by the ratification and partial implementation of the WTO TFA, there still exist shortcomings in the implementation and the effects of some of the measures.

While Kenya can boast of having ‘considerably’ improved infrastructure and logistical connectivity, of government services accessible through online systems, and of well-developed financial systems as levers to facilitate trade and investment there still more to be done. Efficient and seamless movement of goods from the port of Mombasa would contribute to an improved investment climate by inter-alia reducing trade costs, boosting trade flows, and facilitating regional trade. Trade facilitation would be vastly improved if the inefficiencies within the SGR freight operations and in cargo verification processes are streamlined

A major cause of inefficient transport is the frequent and long downtime of cargo clearing systems including KenTrade’s single clearance window system, KEBS’ imports standards system and KRA’s integrated customs management system (ICMS). Another barrier is inefficient off-loading of container cargo from the ship to rail wagons, where containers are offloaded from the ship, stacked up and then later located and loaded onto a railway wagon. Time is wasted in locating the container, getting a railway wagon to load it onto and finally loading it for inward transport. Delays result in high port charges and demurrage. Finally, KRA’s authorised economic operator (AEO) designation for regular importers which enables them to avoid routine verification inspections at the port and save time, is not widely used by importers.

High cargo handling service fees are charged by both KPA and KAA, railway cargo freight tariffs are high on both standard gauge railway (SGR) and metre gauge railway (MGR), while MGR and SGR railway sidings and railway lines in industrial areas of major cities are dilapidated. All these barriers need to be addressed to reduce transport costs and increase efficiency of cross border trade.

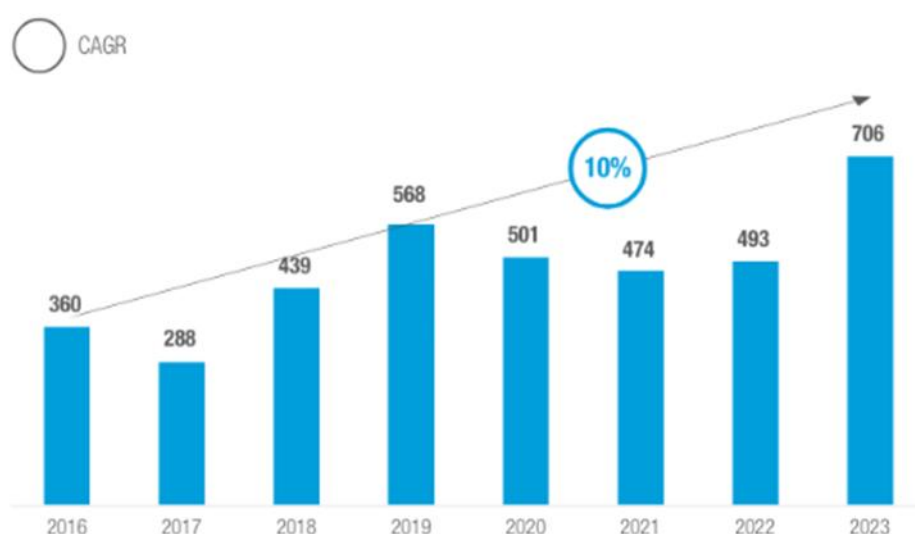
(vii) Mainstreaming of global climate change mitigation and adaptation agenda in investment matters.

New opportunities in investments that are geared towards the achievement of the global sustainable development goals have bucked the trend in declining global FDI flows. Moreover environmental, social and governance (ESG) issues are rising in importance as factors considered by investors in order to meet the demands of sophisticated global consumers. They feature prominently in the outward foreign direct investment (FDI) policies of a number of FDI source countries. There is thus a strategic imperative for ensuring that Kenya’s investment ecosystem is anchored to the SDG-gap financing sectors.

Figure 16 below demonstrates a steady increase in investment in environmental technologies, indicating that this an area for future investment growth.²³ These SDG-related sectors include infrastructure, renewable energy, water and sanitation, blue economy, food security, health and education and there are many instances where such investment could stimulate much-needed economic growth. One must, however, ensure that projects with greenwashing undertones do not find place in the SDG-related investment promotion ecosystem.

²³ UNCTAD, FDI Markets

Figure 16: Investment in environmental technologies bucks the trend



Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).

Note: CAGR: Compound Annual Growth Rate.

(viii) Coordination of legal reforms for strengthening investor confidence and expanding investment

The legal framework governing the investment climate and business environment has been undergoing periodic reform. Therefore, it is important to undertake a legal reform impact assessment to examine the impact of these reforms to the investment climate and business environment and identify the gaps. The results of this assessment will inform an evidence-based upgrade of the laws.

Because of the value-chain approach to development, the assessment and upgrade of the laws requires a coordinated approach where all the relevant ministries, departments and agencies (MDAs) are involved as opposed to a silo approach where each ministry, department or agency is undertaking its own assessment and upgrade. A coordinated upgrade of the legal framework avoids duplicity of efforts and uncoordinated upgrading of the laws.

To identify the relevant MDAs, a mapping exercise should be undertaken. Thereafter, the mapped MDAs will be responsible for designing and implementing a program for upgrading the relevant laws identified as requiring updating following the said impact assessment. The program should contain clear targets, measurable results and timelines.

The parameters for the assessment will include the extent the laws have:

- Promoted the entry, operation and growth of businesses, of both DI, DDI and FDI.
- Balanced the investment operations and public interests such as environment, health and safety.
- Addressed institutional and administrative deficiencies that impact private investment.
- Streamlined bureaucracy to lower the cost of doing business and reduced opportunities for corruption and informal activities.
- Brought equality with regards to opportunities for women, youth and people living with disabilities to start and run businesses and access credit.
- Enhanced multi-sectoral collaboration.
- Reduced multiplicity of licences and permits.

- Facilitated effective tax administration; and
- Promoted expeditious resolution of investment-related disputes.

3.3 Pillar 2: Attraction, Facilitation and Retention of Direct Investment

Investment promotion and facilitation are important levers for increasing FDI inflows and DI into an economy. Whilst the two concepts are related and mutually reinforcing, there are subtle differences between them. Investment promotion pertains to promoting a country (or location within a country) as an investment destination, while investment facilitation means ensuring that investors do not face undue hurdles in establishing or expanding investments or in conducting their business. In many countries, investment promotion and facilitation are undertaken by an investment promotion agency (IPA). To gather and connect worldwide IPAs for purposes of cooperating and sharing their experience and expertise, UNCTAD and 50 IPAs established an international NGO, the World Association of Investment Promotion Agencies (WAIPA) in 1995. WAIPA acts as a forum to promote and develop understanding among IPAs, provide them with technical assistance and capacity building and encourage networking and exchange of best practices in investment promotion. Other objectives of WAIPA include facilitating access to data, assisting IPAs in advising their respective governments on the formulation of appropriate investment promotion policies and strategies, and facilitating access to technical assistance and training. (WAIPA, 2024).

In Kenya, the mandate of promoting the country as an investment destination falls under the Kenya Investment Authority (KenInvest), a state corporation under SDIP established under the Investment Promotion Act, No. 6 of 2004 with the mandate of promoting and facilitating local and foreign investments in Kenya. It is mandated to assist investors in setting up their investments, review the investment environment and make recommendations to government on investment promotion and facilitation, promote local and international opportunities for investment in Kenya and provide post - investment customer care services for new and existing investments. KenInvest is a member of the World Association of Investment Promotion Agencies (WAIPA).

Even though KenInvest is mandated to undertake investment promotion and facilitation in Kenya, these two activities require inter-agency cooperation because other agencies have a component of investment promotion and facilitation within their respective mandates. These agencies include EPZA, SEZA, Konza Technopolis Development Authority, Nairobi International Financial Centre Authority (NIFCA) and to a lesser extent Kenya Development Corporation (KDC). Kenya's efforts in investment promotion and facilitation are coordinated by SDIP. SDIP investment facilitation activities revolve around ensuring transparency and improving the availability of information and making administrative procedures more effective and efficient.²⁴

This section evaluates Kenya's approach to investment promotion and facilitation and provides a qualitative view on the effectiveness of the same, identifies strategic issues in investment promotion and facilitation and concludes with recommendations on strategic actions to improve the country's investment promotion and facilitation.

3.3.1 Situational Analysis

Kenya offers a range of incentives to investors, that include both fiscal and non-fiscal incentives. (Incentives as a key determinant of FDI, DDI and DI are addressed under KRA 3)

In the devolved context, county governments are also involved in investment promotion activities. The County Investment Handbook (2019) offers guidelines on investment promotion and facilitation. One of the recommendations is the creation of County Investment Units (CIUs) and the preparation of

²⁴ Investment Facilitation | Investments (investmentpromotion.go.ke)

county investment profiles and a database of bankable projects. The CIUs undertake activities pertaining to trade promotion, facilitation and retention including offering incentives to investors while the investment profiles showcase the available resources and facilities in the county. Bankable projects refer to those that are investor-ready, as opposed to being speculative. 11 of the 44 Counties that responded to the survey of counties undertaken under deliverable two of these projects indicated that their county had a policy, strategy, or other investment guideline in place or in draft stage. These include investment policies, laws to protect investors, investment opportunity guidebooks and related bills such as Tourism Bill and Conservancies Bill. 29 of the 44 counties also indicated there was a CIU or other similar arrangement. 14 of the 44 counties had a mechanism to track private investments. In Fiscal Year 2022/2023, 13 counties had engaged in an investment promotion activity. These included investment conferences and trade expos, business to business matchmaking (B2B), participation in summits e.g. American Chamber of Commerce Summit, engagement with foreign investors and ambassadors, stakeholder roundtables and construction of county aggregation and industrial parks (CAIPs).

3.3.2 Strategic Issues

Kenya faces several challenges in the attraction, facilitation and retention of private investments. The World Association of Investment Promotion Agencies (WAIPA) conducts an annual survey of IPAs. In its 2019 report, five measures were identified that would both increase investment flows and their development impact. These include transparency and predictability of investment measures, streamlining and speeding up administrative procedures and requirements, a contact or focal point mechanism to enhance domestic coordination and cross-border cooperation, sustainable investments and other issues listed as cross-cutting themes.²⁵ In terms of transparency and predictability of investment flows, KenInvest has taken measures to avail relevant information regarding incentives and fees and other investment related information. Predictability of investment flows is however hampered by an unpredictable regulatory environment. Streamlining and speeding up of administrative procedures and requirements is addressed through the one-stop shop, whose function faces challenges caused by duplicity of investment efforts across several MDAs. While KenInvest is the national focal point for investments, CIUs are prescribed as the sub-national focal points for investments. These have not been instituted in all the counties which significantly reduces the efficiency of investment coordination. Regarding sustainable investments, there is the need for a clear framework to guide relevant MDAs and CIUs. Cross-cutting themes included smarter investment incentives, a database or list of domestic suppliers, ease of business, visas and work permits and alignment of domestic laws and regulations with international standards. These issues are discussed in more detail in other sections of this document.

WAIPA subscribes to the World Bank Group (WBG) Framework for Investment Promotion which is premised on three pillars for effective investment promotion. These pillars are (i) corporate strategic planning and sector prioritisation, (ii) institutional framework and (iii) investor services. The following section examines these strategic issues to identify the opportunities available for strategic interventions that will serve to promote and facilitate existing investment opportunities along with other pertinent strategic issues identified in the primary and secondary research phases.²⁶

²⁵ What can governments do to facilitate investments? A menu of the most important measures identified through surveys. WAIPA & WEF, 2019

²⁶ Sources: Kenya Investment Authority (KenInvest) Strategic Plan of 2023-2027. The KAM manufacturing priority agenda (MPA) 2024. FGDs the (TWG). The Survey of Key CEOs undertaken by SDIP in 2024.

(i) Corporate Strategic Planning and Sector Prioritisation

Corporate strategic planning and sector prioritisation entails improving strategic focus via development of strategic plans and prioritising select sectors for investment promotion. The WAIPA report states that, to build an effective IPA, the entity must develop an investment promotion and retention strategy that outlines the main shared objectives for achieving FDI attraction and retention and that outlines how to achieve these objectives. This document includes a systematic approach to identifying key sectors, a listing of quantifiable objectives, a roadmap toward providing relevant services to investors and a proper mechanism to measure success. The IPA's plans should also be aligned to the country's FDI strategy and National Development Plans.

A crucial part of the strategic planning for IPAs is sector prioritization. 81% of IPAs surveyed select the target sectors on the basis of a national development plan or similar high-level policy documents. Significantly, KenInvest faces the challenge of undertaking its mandate within shifting priorities that result from changing political agendas. In its 2023-2027 Investment Strategy, KenInvest aligns its strategic plans to the UN 2030 Agenda for Sustainable Development, the AU Agenda 2063, the EAC Vision 2050, the Constitution of Kenya (CoK) 2010, the Kenya Vision 2030, and the Bottom-Up Transformation Agenda (BETA). The Medium-Term Plan IV is aligned to the BETA and KenInvest takes cognisance of the priority sectors outlined in the plan.

Counties also have sector priorities based on resource availability at the county-level and national sector prioritisation. In the investment-related survey administered to the counties, they identified at least three key sectors that would attract investments. The responses were categorised into 20 themes that emerged from the survey. The top sector was agriculture which was cited by 25 counties and the second was tourism and hospitality cited by 20 counties. The third most cited sectors were trade and industry, and agro processing and agribusiness with 12 counties each citing these sectors.

In order to address these challenges, in May 2024, KenInvest published the Draft Investment Promotion and Facilitation Bill (2024) whose stated primary objective is to establish a comprehensive legal framework aimed at fostering domestic and foreign investments within Kenya. The proposed law aims to do this by creating a conducive legal environment that is more responsive to the needs of investors and supportive of the government's agenda. It aims to correct the country's investment regime, starting from the registration of an investor, up to investment retention procedures (aftercare services). To address the problem of lack of accurate and comprehensive data on investment, the bill proposes to introduce mandatory registration of investment of all domestic and foreign investment projects, with KenInvest. This is for projects above a certain value threshold, with the firms concerned receiving support from the One Stop Shop. The Bill proposes to increase the minimum capital requirements for local (domestic) and foreign investors from the current 100,000 USD for foreign investors and 1 million KES for local (domestic) to 500,000 USD and 5 million KES respectively to encourage only investments that align with the country's overall policy goals and promote sustainable practices.

(ii) The Institutional Framework

The second area in WAIPA's approach is the institutional framework. It states that an IPA should have institutional and financial autonomy, operational independence, coordination with key regulatory agencies at the national local levels, as well as with private sector organisations. An IPA should be fortified from external pressure, but also have sufficient relationships with an array of multi-stakeholder groups in investment promotion. This pillar emphasises the importance of the institutional framework under which IPAs operate. These include organisational structures, reporting lines, mandates, Board of Directors, staff, overseas and regional IPA representation and subnational IPAs, financial resources and institutional coordination mechanisms. The organisational structure of

KenInvest is based on its legal status as a semi-autonomous government agency (SAGA) and has a Board of Directors with representation from both the public and private sector. Its mandate is restricted to the promotion and facilitation of investments, and it is situated in the State Department for Investment Promotion (SDIP) which is a department under the Ministry of Investments, Trade and Industry. The WBG framework indicates that support from high levels of government is considered critical, as is reporting to a board including both public and private representatives and chaired by the President's office or key ministry. According to the WBG framework for investment promotion, the staff of an IPA are considered its most valuable asset, and should have the relevant education, experience and skills to develop an investor-minded and service-oriented organisation. KenInvest in its 2023-2027 strategy identifies one of its challenges as being the attraction and retention of staff due to the uncertainty caused by the proposed merger with other MDAs. Overseas representation is mainly through the country's embassies while sub-national representation should be through the CIUs. Efforts toward investment promotion and facilitation however face challenges due to the lack of CIUs in some counties. Financial resources pertain to sufficient and steady financial resources and allocation to core functions. Inadequate funding by the exchequer is a listed challenge in the KenInvest 2023-2027 strategic plan.

Kenya's ability to promote and facilitate investments is impacted by the prevailing institutional framework within which KenInvest operates. It also faces significant competition from other IPAs in comparable countries in the EAC. For Kenya to succeed in its goals of promoting and facilitating existing investment opportunities, it will be necessary to strengthen the capacity of Keninvest. The activities of KenInvest are constrained by limited financial and human resources. This makes it difficult to carry out its mandate including effective representation in crucial international bodies such as the World Association for Investment Promotion Agencies (WAIPA). Lack of funding also limits the visibility of other investment-related institutions in the country. The existence of an institution that is specifically mandated to the promotion, facilitation and retention of investments presents a good opportunity for Kenya with regards to increased investments. However, in and of itself, the existence of KenInvest is not adequate to foster Kenya's attraction, facilitation and retention of the large value of investments that MTP-IV targets.

One of the key provisions in the proposed Investment Promotion and Facilitation Bill (2024) is the succession of KenInvest by the Kenya Investment Corporation (KIC), a body which would be granted a broader implementation mandate than KenInvest. KIC would be responsible for facilitating the registration of foreign investors.

An additional area of concern is the lack of harmonisation of investment efforts at the two levels of government: national and county. The County Investment Handbook (2019) offers guidelines on investment promotion and facilitation. One of the recommendations is the establishment of CIUs, the preparation of county investment profiles and a database of bankable projects. The County Investment Handbook (2019) offers guidelines to facilitate the counties in implementing the Kenya Investment Policy (2019). The CIUs undertake activities pertaining to trade promotion, facilitation and retention including offering incentives to investors while the investment profiles showcase the available resources and facilities in the county. Bankable projects refer to those that are investor-ready, as opposed to being speculative. However, the efforts of CIUs and the country's investment promotion efforts are not optimally coordinated, which limits the country's investment promotion efficiency.

In an investment-related survey administered to counties as part of the preparation of the strategic plan, they listed at least three main barriers to attracting investments to their counties. The responses were categorised into the 12 themes that emerged. The top barrier was infrastructure, which was cited by 17 of the 44 counties, the second barrier was the legal framework which was cited by 16 counties, and the third was cost of production and administrative issues which were both cited by 14 counties each.

(iii) Investment Attraction

Investment attraction is pivotal to this strategy. As described earlier the Strategy seeks to increase FDI from USD 1.504 billion in FY 2023/4 to USD 5.079 billion in FY 2028/29. DI is expected to double from USD 22.3 billion in FY 2023/4 to 44.9 billion in FY 2028/29. DDI is projected to increase from nil to USD 1.677 billion by FY 2028/29. Such results will require step change in investment attraction - involving concerted, targeted and extensive investment attraction strategies and activities, including market research; information collection, packaging and dissemination; investor targeting, country branding, investment marketing, facilitation and support for establishment of incoming investors.

Investment Promotion Agencies (KenInvest, NIFCA, Konza TDA, SEZA, EPZA and CIUs) and private sector enterprises and investment consultants play a crucial role in attracting foreign direct investment (FDI), domestic direct investment (DDI), and diaspora investment. By streamlining processes, offering support services, and advocating for investor-friendly policies, IPAs can significantly enhance a country's investment climate. To attract FDI, IPAs focus on improving the business environment, facilitating investor entry, promoting investment opportunities, and providing post-investment support. For DDI, IPAs can stimulate domestic investment by raising awareness, building entrepreneurial capacity, and facilitating access to finance. Attracting diaspora investment involves engaging with diaspora communities, providing necessary support services, and creating investment-conducive policies. However, IPAs often face challenges such as resource constraints, sub-optimal coordination, data limitations, and the need for technological advancements. Overcoming these obstacles is crucial for maximising the impact of IPAs in driving economic growth and development.

Limited funding can hamper marketing efforts and the provision of essential investor services. Without adequate resources, IPAs may struggle to conduct effective market research, participate in international trade fairs and conferences, provide comprehensive investor support, and invest in digital marketing.

Lack of coordination among government agencies, CIUs, and trade offices creates uncertainty and causes inefficiencies for investors. It often leads to duplication of efforts as different agencies and counties target the same investors. These gaps can lead to conflicting messages and policies, bureaucratic hurdles, and missed opportunities.

Insufficient data on investor preferences and market trends hinders effective targeting and marketing efforts. Without reliable data, IPAs may struggle to identify target markets, develop tailored marketing campaigns, and measure the effectiveness of marketing efforts.

Limited access to technology and digital tools hinders marketing efforts and the provision of investor services. This can lead to inefficient processes, limited reach, and difficulty in analysing data.

Despite these challenges, Kenya offers significant opportunities for investors. Its strategic location, growing economy, and abundant natural resources make it an attractive destination for businesses seeking to expand their operations. To fully capitalise on these opportunities, it is essential to address the challenges and implement effective strategies to attract and retain investors.

Investment Promotion Agencies (IPAs) play a crucial role in attracting and facilitating investment in Kenya. By streamlining processes, offering comprehensive support services, and advocating for investor-friendly policies, IPAs can significantly enhance the country's investment climate.

A strong and positive brand image is essential for attracting investors. IPAs can contribute to building Kenya's investment brand by:

Showcasing Kenya's investment opportunities effectively. IPAs must develop targeted marketing campaigns, highlight success stories, and participate in international investment forums. Crafting compelling narratives that highlight the country's unique selling points is crucial for attracting investors. Additionally, IPAs should implement effective lead generation tactics, such as website forms, webinars, and content downloads, to capture potential investor information. Leveraging digital tools and marketing strategies is essential for attracting and engaging potential investors.

Nurturing strong relationships with potential investors. This requires personalised communication, providing valuable resources, and addressing their questions and concerns. IPAs must demonstrate a commitment to providing exceptional service and support to nurture these relationships.

Tracking key metrics and analysing performance. To evaluate the effectiveness of marketing efforts and make data-driven adjustments. IPAs should track key metrics, such as website traffic, lead conversion rates, and return on investment. Analytics can help identify areas for improvement and optimise strategies.

Developing synergies through collaboration. To maximise the impact of investment attraction efforts, fostering synergies among government agencies, CIUs, and trade offices is crucial. Collaborative marketing initiatives can amplify reach and impact by combining resources and expertise. Sharing information and best practices among different agencies can improve efficiency and effectiveness, avoiding duplication of efforts and identifying opportunities for collaboration. This can be achieved through the establishment of focal investment persons in relevant departments and agencies.

Encouraging cross-training among staff from different agencies can enhance understanding of each other's roles and responsibilities, leading to more cohesive and effective teamwork. Developing shared data platforms facilitates data sharing and analysis, enabling agencies to make informed decisions based on trends and progress tracking.

Finally, **coordinated investor outreach efforts** ensure a consistent and coherent message to potential investors, avoiding confusion and providing a more unified front. By working together, these agencies can create a more effective and impactful investment attraction strategy.

In summary, a robust investment ecosystem is essential for driving economic growth, generating employment opportunities, and fostering technological advancement. By implementing a strategic and coordinated approach to investment attraction, Kenya can capitalise on its comparative advantages and compete effectively for global capital.

A key solution is the development and execution of a comprehensive investment attraction plan. This plan should encompass a wide range of activities, including market research, investor targeting, and the creation of attractive investment packages. Moreover, fostering collaboration among government agencies is crucial to streamline processes, reduce bureaucratic hurdles, and provide investors with a seamless experience.

To achieve this, **implementation of a comprehensive and coordinated strategy is imperative.** There is a need to establish a robust framework for investment attraction by strengthening institutional capacities, optimising resource allocation, and developing synergies between IPAs and other supporting institutions such as the global networks run by the State Department for External Trade, and the Ministry of Foreign and Diaspora Affairs. By aligning investment initiatives with national development priorities and delivering exceptional investor experiences, Kenya can position itself as a preferred investment destination.

As an example, the Republic of South Korea has developed a unified global network for the promotion of trade and investments. The text box below is a case study of how various agencies in the Republic of South Korea collaborate and take advantage of resulting synergies in their efforts to increase FDI and expand global trade.

Figure 17: Case Study - Korea Trade-Investment Promotion Agency (KOTRA)

KOTRA: A Powerful Force in South Korea's Economic Growth

The Korea Trade-Investment Promotion Agency (KOTRA), established in 1962, is a government agency that plays a key role in South Korea's economic success. With a global network of over 80 offices, KOTRA fosters economic growth through a unique synergy between trade promotion and investment attraction.

Synergy for Success

KOTRA understands that trade and investment are intertwined. Successful trade promotion creates a positive business environment, attracting foreign investors interested in partnerships or establishing a presence in South Korea. Conversely, foreign investment brings capital, technology, and expertise, boosting South Korea's export competitiveness. KOTRA leverages its extensive global network to facilitate both aspects. The agency's offices provide market intelligence, connect businesses, and offer support services to Korean companies expanding overseas and foreign companies seeking investment opportunities in South Korea.

Global Network, Global Impact

KOTRA's global network is a major differentiator. With offices in major economic centers and emerging markets, the agency offers a platform for businesses to connect and explore opportunities. KOTRA assists Korean companies in entering new markets with market research, business matchmaking, and trade show support. Additionally, the agency promotes South Korea as an investment destination, attracts foreign investors, and provides them with aftercare services. KOTRA also serves as a knowledge hub, sharing best practices and industry trends with both domestic and foreign businesses.

Measurable Success

KOTRA's impact on South Korea's economic transformation is undeniable. The agency has significantly contributed to export growth, helping SMEs expand globally. It has also attracted substantial foreign investment, creating jobs and technological advancement. Finally, KOTRA has played a crucial role in enhancing South Korea's image as a dynamic and innovative economy.

Source: KOTRA

To ensure the effectiveness of investment promotion efforts, continuous monitoring and evaluation are essential. By tracking key performance indicators and analysing investment trends, the government can identify areas for improvement, optimise resource allocation, and make data-driven decisions. By implementing a comprehensive and coordinated approach, Kenya can overcome its challenges and create a more attractive investment landscape. Through strengthening institutional capacities, fostering collaboration, leveraging technology, and building a strong brand, Investment Promotion Agencies (IPAs) can play a pivotal role in driving economic growth and development through Foreign Direct Investment (FDI), Diaspora Direct Investment (DDI), and diaspora investment.

(iv) Investor Facilitation

The investment-related survey administered to the counties included the identification of initiatives to support investments at the county level. The top initiative listed was County Aggregation and Industrial Parks (CAIPs) which were cited by 24 of the 44 counties, marketing of investment opportunities was the second initiative which was cited by 16 counties, and reforms to the regulatory framework and administrative processes cited by 14 counties.

The WBG framework for investment promotion identifies three aspects of investor services. The first is investor services throughout the investment lifecycle. The WBG Comprehensive Investor Services Framework (CISF) proposes that an IPA offers investor services and measures and evaluates the success of their activities at different stages of the investment cycle. The evaluation is mainly based on investor's potential for positive influence on the economy, for example job creation, exports, training, linkages, provision of basic services or infrastructure, and a positive environmental and social impact. To a lesser degree, evaluations are also based on the impact on gender issues. The four services categorised within investment promotion are marketing services, information delivery, assistance to investors and advocacy to improve investment climate.

The second aspect is managing the relations with investors. The IPA requires a well-developed information management system to effectively offer investor services. This includes the use of databases to provide information such as available land, industrial space and service providers. Grievance management is also considered as key to managing investor relations. The third aspect is the investment promotion monitoring function. KenInvest has a detailed structure of the monitoring function in their 2023-2027 strategic plan.

On investor services, the WBG survey found that IPAs are more focused on the provision of services at the attraction stage versus the entry and establishment stage. This strategy advocates for the improvement of investor-focused services based on the comprehensive investor services framework (CISF), which argues for the provision of a comprehensive, service-oriented, and investor-centric approach that would benefit all IPAs. One of the areas where Kenya ranks favourably in investment promotion and facilitation is multi-agency collaboration in the provision of information to investors and the single-window trade facilitation portals. In the 2018-2022 period, KenInvest facilitated 1,008 projects with a capital cost of KES 414,253 million. This comprised KES 335,008 million foreign and KES 79,263 million local capital cost. These projects employed 41,127 Kenyans. As part of investment facilitation and aftercare, KenInvest established a One-Stop Centre (OSC), developed an Investor Case Management (CRM) system, and established online platforms including e-regulations.

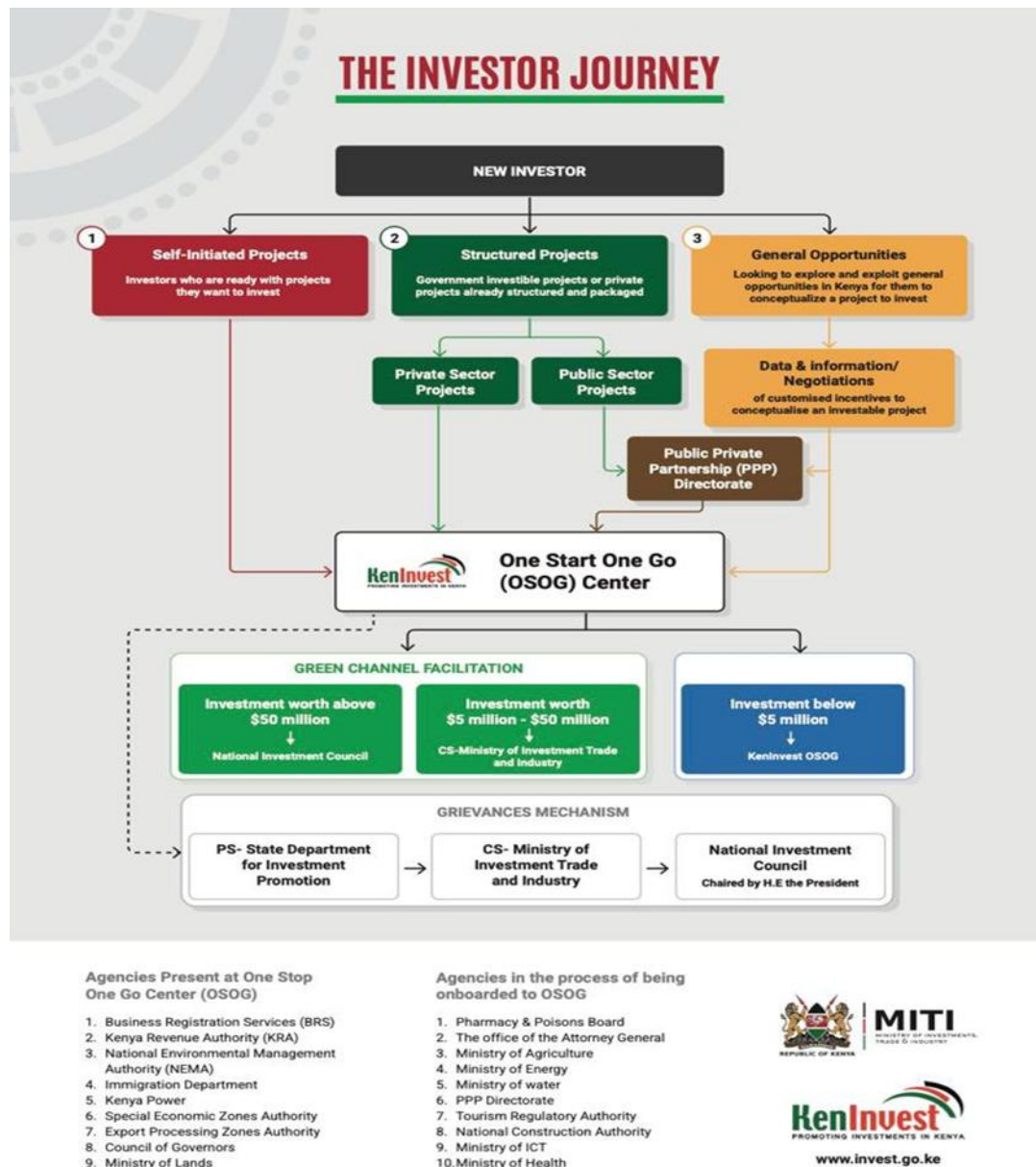
Figure 18: Kenya's Performance in Investor Information Portals and Single Window

World's best information portals in 2021				World's best single windows in 2021			
Rank	Country	Rating	Status	Rank	Country	Rating	Status
1=	Armenia	10	Developing	1=	Australia	10	Developed
1=	Benin	10	Developing	1=	Benin	10	Developing
1=	Bhutan	10	Developing	1=	Denmark	10	Developed
1=	Burkina Faso	10	Developing	1=	Iraq	10	Developing
1=	Cameroon	10	Developing	1=	Kenya	10	Developing
1=	Comoros	10	Developing	1=	Oman	10	Developing
1=	El Salvador	10	Developing	1=	Sweden	10	Developed
1=	Ethiopia	10	Developing	1=	Togo	10	Developing
1=	Guatemala	10	Developing	1=	Uzbekistan	10	Developing
1=	Guinea-Bissau	10	Developing	10=	Armenia	9	Developing
1=	Iraq	10	Developing	10=	Azerbaijan	9	Developing
1=	Kenya	10	Developing	10=	Estonia	9	Developed
1=	Lesotho	10	Developing	10=	New Zealand	9	Developed
1=	Libya	10	Developing	10=	South Sudan	9	Developing
1=	Mali	10	Developing	10=	Switzerland	9	Developed
1=	Montenegro	10	Developed	10=	Uganda	9	Developing
1=	Nicaragua	10	Developing	Countries with ratings of 9 and 10 out of 10 using the Ger.co methodology (see above)			
1=	Rwanda	10	Developing				
1=	Solomon Islands	10	Developing				
1=	Tanzania	10	Developing				
1=	Togo	10	Developing				
1=	Tuvalu	10	Developing				
Countries with a rating of 10 out of 10 using the Ger.co methodology (see above)							

Source: UNCTAD 202

The SDIP 'One Start One Go Centre' is a centralised location that facilitates investment procedures, by bringing together the key investment facilitators and investment stakeholders. The figure below illustrates the steps in the 'Investor Journey' taken by investors seeking to establish their enterprises in Kenya.

Figure 19: The Investor Journey



Source: State Department for Investment Promotion (2024).

KNBS and the State Department for Economic Planning require accurate investment data to support economic planning and macroeconomic performance reviews. The lack of a mechanism to collect case by case, DI and FDI information, poses a challenge for planning, projecting investment targets and monitoring investment performance under NISK. The Investment Promotion and Facilitation Bill proposes to make it mandatory for investors to register with KenInvest. Its effectiveness is contingent on the transparency and efficiency of the review of investment project applications and subsequent decision making, with no significant additional costs.

There is also a need to establish an investment grievance management mechanism that tracks investor grievances and disputes concerning regulatory implementation, such as administrative issues, across the different sectors and MDAs and resolve them in a timely manner. When investor disputes and grievances are not addressed in a timely manner, they hinder investment retention and growth.

(v) Aftercare services

Post-investment customer care is a key determinant for investment retention, expansion, diversification and positive referrals on a country's investment eco-system. Partly due to the lack of comprehensive data on both local and foreign direct investments, a comprehensive aftercare system needs to be developed. Effective aftercare entails multi-agency collaboration and a focal point for investor services including seeking assistance and following progress on applications and related processes. In addition to addressing investor concerns, the aftercare services should include building a cordial professional relationship with investors in the portfolio and managing the relationship proactively by sending relevant information tailored to investor needs. KenInvest, CIUs and other investment agencies require resources and capacity-building to enhance their ability to provide comprehensive aftercare services to investors.

3.3.3 Assessment of Investment Opportunities in Key Economic Sectors and Key Value Chains for Medium Term Plan (MTP)-IV

This section will give an overview of key investment opportunities, focus sectors and value chains under the MTP IV, which the strategy will seek to attract.

3.3.3.1 High Level Assessment of Sectors and Value Chains Targeted by MTP-IV

A key component of investment strategic planning is the selection of priority sectors. To fill the gap in financing development, the fourth five-year national MTP (2023-2027) is geared towards economic turnaround and inclusive growth through a value chain approach. MTP-IV identifies key sectors and value chains whose development will be prioritised. The NISK will also focus its investment efforts in the sectors and value chains identified in MTP-IV and the respective investment promotion agencies at national and subnational level will develop Unique Value Propositions for investment marketing. The prioritised MTP-IV sectors and value chains are:

3.3.3.1.1 Finance and Production Sector

- **Livestock** value chain including dairy, meat, leather and leather goods; honey;
- **Crops** comprising rice, tea, edible oils crops (canola, soya bean, sunflower, palm oil, coconut)
- **Tea** value addition
- **Textile** and apparel products including cotton
- **Construction/building materials** (cement, ceramic products, structural steel products, fittings, roofing materials)
- **Financial inclusion**, including new financial services such as mortgages, use of novel securities for credit, green and digital finance projects to promote green production
- **Industrial infrastructure** development such as Special Economic Zones, Export Processing Zones, Industrial Parks, County Aggregation and Industrial Parks,
- **Infrastructure Sector**
- The infrastructure sector is a key enabler of the productive sector. The priority infrastructure projects described in MTP-IV are to be developed by the public sector, either directly or through Public Private Partnerships (PPPs). This is outside the scope of private direct investment under NISK. The major exceptions from MTP-IV infrastructure sector for inclusion under NISK are:
 - **Business process outsourcing** and IT enabled services (BPO & ITES).
 - **Privately developed industrial parks** and economic zones (including EPZs & SEZs)
 - **Private power generation** and distribution projects, and
 - Construction of some of the 200,000 **housing units**.

3.3.3.1.2 Social Sector

A major initiative under the MTP-IV social sector is the universal health coverage (UHC) which will promote access to affordable essential health products and technologies. This is an opportunity for investment in:

- **Essential drugs** (medicines),
- **Hospital consumables** (gloves, masks, swabs, bandages, cannulas, catheters, syringes, needles, hair nets, aprons, etc.) and
- **Medical devices**
- **Hospital furniture** and equipment.
- **Other general opportunities** for investment include:
 - Investment in Meetings Incentives Conferences and Exhibitions (**MICE**) **tourism facilities**
 - Production of **agricultural tools and implements**, machinery
 - Production and distribution of seeds, **agrochemicals and fertilisers** including for conventional and for organic farming
 - Production of renewable **energy equipment and components** including photovoltaic panels, lithium-ion batteries, electric vehicle assembly, vehicle parts and components for electric vehicles as well as other renewable energy equipment
 - **Commercial forestry and agroforestry** for high value tree crops and timber species
 - **Commercial fisheries** and aquaculture
 - **Mining and mineral beneficiation** (metal ores including high value metals -niobium, coltan, gold, salts, pozzolana, gemstones)

Specific Investment Opportunities under MTP-IV sectors are listed in Appendix 7: MTP-IV Sector and Value Chain Investment Opportunities.

3.3.3.2 Sources of Investment Capital

The following are examples of global and domestic investment funds seeking suitable investment vehicles:

- **Sustainable Development funds** (USD 7 trillion in 2023 and up 29% from 2022) ²⁷available covering water and sanitation, agri-food security, health, the environment with USD 587²⁸ billion disbursed as “green” bonds including for renewable energy projects.
- **Sovereign wealth funds and public pension funds** of USD 30 trillion are available for well crafted, large-scale investment projects including in green finance. ²⁹
- **Kenya Diaspora remittances** of USD 4.19 billion in 2023 and USD 4.5355 billion³⁰, in fiscal year 2023/34. These funds mainly go to pay family expenses, buy/construct real estate, and invest in the money market. Diaspora remitters are looking for viable, profitable investment ventures through safe intermediaries
- **Kenyan Savings and Credit Cooperatives (SACCOs)** which held deposits worth KES. 677.775 billion in 2023³¹ or USD 4.902 billion (at KES 138.25 CBK mean exchange rate for 2023) SACCO’s seek viable, profitable and safe investment opportunities. Current interest rate is about 12% p.a.
- **Surpluses, savings and retained earnings** of enterprises within Kenya and neighbouring countries, mainly held in banks and capital markets.
- **Savings of individuals** who are seeking viable, profitable investment opportunities.

²⁷ UNCTAD, World Investment Report, 2024, p. 79

²⁸ Ibid. p. 82

²⁹ Ibid. p. 88

³⁰ <https://www.centralbank.go.ke/diaspora-remittances/>

³¹ KNBS, Economic Survey 2024, Table 4.14, p. 06

3.4 Pillar 3: Incentivising Investment

Stakeholder engagements identified inadequacies in the investment climate and business environment as key barriers to investment. Some of these can be addressed through providing incentives to overcome some comparative weaknesses and to support investment in economically desirable sectors of activities.

3.4.1 Introduction to Investment Incentives

According to Tavares Lehman et al, investment incentives are “targeted measures designed to influence the size, location, impact behaviour, or sector of an investment project³²”. Many governments utilise incentives to attract FDI and DI. According to Loewendahl, incentives are intended to meet some of the following objectives. First to overcome a competitive weakness such as high cost of doing business or an overall weak business climate. Second, to promote investment in relatively under-developed, deprived or poorer areas. Third, to attract particular desired industries. Fourth, to correct for market failures in the provision of capital and risk taking of companies, Fifth, to change the image of a location to make it pro-business.³³

There are various types of incentives granted to investors worldwide. They include regulatory incentives (exemption from various rules and regulations), fiscal incentives (measures to reduce or exempt some taxes), financial incentives (e.g. cash grants, subsidies including those for workforce training); and reduced charges (for land, services and amenities, administrative assistance, loan guarantees)³⁴. Other writers identify other types of incentives like technical investment incentives (such as provision of information, streamlined investment facilitation and aftercare service including through a One-Stop-Shop), and ready access to infrastructure, services and land.³⁵

Various types of tax incentives have different advantages. For instance, tax holidays are easy to administer, having revenue costs which are relatively transparent, but which suffer from challenges of firms closing down and reopening as a new investment; they do not grow the tax base and in some cases may displace domestic investment. Likewise, investment allowances, tax credits and accelerated depreciation are relatively transparent and can be targeted at certain types of investment but have an administrative burden and discriminate against investments with delayed returns, if loss carry forward provisions are inadequate. Exemptions from indirect taxes like VAT and import tariffs minimise the tax administration burden to both the revenue authorities and the investor but may suffer from diversion of exempt goods to non-deserving users.³⁶

Incentives were found to be important for efficiency-seeking investment (export-oriented investments) as they influence the final location choice amongst equally attractive locations, and are less important for market-seeking and for resource-seeking investment (including extractives like mining, petroleum and natural gas).

Best practices in developing countries include the specific linking of incentives to desired economic and social development benefits for a specific long-term planning goal. An example is Thailand Board of Investment (BOI)’s 7-year Investment Promotion Policy (2015-2021) which provided incentives for activities that encourage innovation, R&D and value creation in agriculture, industrial and service sectors; activities that are environmentally friendly, activities that save energy or use alternative

³² Tavares-Lehmann, Ana Teresa, Lisa Sachs, Lise Johnson, and Perrine Toledano. 2016. *Rethinking Investment Incentives: Trends and Policy Options* (New York: Columbia University)

³³ UN ESCAP, *Handbook on Policies, Promotion and Facilitation of FDI for Sustainable Development in Asia Pacific*, p. 173.

³⁴ Daniel and Fornerie, 2010, ICAS-World Bank,

³⁵ Van den Berghe, 2021

³⁶ UN ESCAP, *Ibid* p. 177

energy sources to drive balanced and sustainable growth; creation of clusters that create concentrations of investment in accordance with regional potential and that strengthen value chains.

The strategy incentivised special economic development zones both inside and outside industrial estates to create economic connectivity with neighbouring countries and prepare for Thailand's entry into the ASEAN Economic Community. The strategy also provided incentives to encourage Thai overseas investment to enhance competitiveness of Thai business and enhance Thailand's role in the global economy. Incentives granted included both fiscal incentives (exemption from income tax and import duties) and non-fiscal incentives such as ease of granting permits, but with requirements and procedures being different depending on the sector and activity, with seven sectors identified as being eligible for promotion.

In the Thai model, all incentives are granted on the basis of evaluation of projects against criteria for project approval. These criteria include level of value addition, minimum capital to be invested, the adoption of modern machinery and technology, confirmation of feasibility and environmental friendliness of the project. Additional merit-based incentives may be granted for projects likely to enhance Thailand's competitiveness, contribute to decentralisation and develop industrial zones.³⁷

3.4.1.1 Incentive Framework in Kenya

Kenya has an incentive framework consisting of General Sectoral Incentives (such as those tax exemptions given under the Income Tax Act, Value Added Tax Act) - comprising investment deduction allowances on capital expenditure for buildings and machinery, some exemption or reductions in corporate income tax, some exemption of withholding tax. These general sectoral incentives are granted to sectors such as the Digital and Creative Economy, Housing Sector, Health Sector, Energy Sector, and Agriculture.

Another group of incentives in the framework is the Special Incentives such as those granted to the Export Processing Zones scheme detailed in both CAP 517 and various tax laws and licensing regulations, the Special Economic Zones scheme and the Nairobi International Finance Centre which promotes investment in Green Finance, investment funds, fintech, holding companies and multinational headquarters. Finally, there are incentives under a Special Operating Framework Agreement (SOFA) signed between an investor and government, as provided for in the Finance Act of 2022. Under SOFA, companies that qualify for this regime have, among other benefits, reduced tax rates such as exemption from VAT and excise duties (subject to approval by the Cabinet Secretary for National Treasury). Eligible companies must have a minimum capital investment of KShs 10 billion. Activities eligible for incentives include taxable services (either locally purchased or imported by a company under this scheme), and manufacturing activities including manufacture of human vaccines.

Kenya offers a range of incentives to investors, that include both fiscal and non-fiscal incentives. Fiscal incentives are mainly tax exemptions, reductions in tax or reduced charges for government-provided services. These include, capital allowances, which are tax incentives for capital expenditure covering wear and tear allowances; industrial building deduction; investment deduction and farm-works deduction. Other financial incentives are structured to offer sector-based incentives. Such incentives include 100% investment deduction allowance on capital expenditure on buildings and machinery in various sectors

³⁷ Ibid p.179

An example of a sectoral incentive scheme is the Nairobi International Financial Centre programmes which is promoted by NIFCA. Investor companies certified by NIFCA and have invested a minimum of KES 5 billion will benefit from certainty that the capital gains tax applicable at the time they make their investments will remain unchanged throughout the lifetime of the investment.³⁸ Another category of fiscal incentive are customised incentives designed under the auspices of a Special Operating Framework Arrangement.

On the other hand, non-fiscal, non-financial investment facilitation tools, revolve around administrative and system mechanisms designed to reduce investment burden. These include special economic zones administrative incentives and export processing zones administrative incentives which are discussed later in this section.

Under the broader definition of incentives, there are other schemes where investment is encouraged and facilitated. These include the Kenya Industrial Estates Programme run by a State Corporation under the State Department for Industry and the County Aggregation and Industrial Parks Scheme (CAIPS) which is supported by the State Department for Industry in collaboration with the County government.

Details of some of these incentive programmes are given below.

3.4.1.2 County Aggregation and Industrial Parks (CAIPS)

The CAIPS programme was launched in 2023 with the intention of defragmenting broken value chains in the counties between small scale farmers (who account for over 70% of agricultural production) and the market for the produce. It was also intended to reduce post-harvest losses through proper post-harvest handling and storage of agricultural materials, to negotiate better prices for farmers through aggregation and stronger negotiating power, to enhance product quality and to increase output through better on-farm processes learned through extension services.

CAIPS are funded partly by the national government and partly by county governments. The county governments will incentivise occupants of the CAIPs with well-built sorting sheds and storage, common user facilities for cold storage and processing; quarantine areas, quality control laboratories and controlled atmosphere storage for perishable products, whilst also providing extension services at farm level, for primary production. The counties also intend to offer subsidies through lower fees and charges and exemption from some licences.

As a programme, CAIPS has suffered from inadequate funding for land acquisition and infrastructure development, insufficient technical capacity within counties to support design and development of the facilities and inadequate national infrastructure for connection to the parks issues which must be addressed by county and national government for effective implementation of this incentive to the productive sector.

3.4.1.3 Kenya Industrial Estates

The Kenya Industrial Estates were established in 1967 to champion development of MSMEs throughout the country, promoting industrial investments by indigenous entrepreneurs through incubation services. KIE offers incentives to its resident enterprises long term financing (tenor of 8 years with up to 12 months grace period) at concessional interest rates (10% p.a.), access to ready factory sheds rented at affordable rates, and technical support and training provided by KIE's extension team. In 2023, KIE handled 355 projects and lent KES 975.9 million. KIE has hosted over 4,000 enterprises over the years and established 37 industrial estates across the country. Constraints faced by KIE include lack

³⁸ <https://nifc.ke/pressrelease/kenya-announces-the-official-launch-of-the-nairobi-international-financial-centre-nifc/#:~:text=The%20NIFC%20general%20regulations%20have,first%2010%20years%20of%20operation.>

of land for expansion of industrial sheds. insufficient core funds for on-lending to enterprises and lack of funds to build new sheds.

3.4.1.4 Export Processing Zones in Kenya

Kenya established export processing zones (EPZs) in 1990 when the Export Processing Zones Act was enacted. The EPZs were intended to enhance Kenya's exports through attraction of export-oriented investment within designated areas. The EPZ Act established the Export Processing Zone Authority (EPZA). The Authority grants 2 main licences to investors – an enterprise licence in 3 categories – manufacturing, export services and commercial (or trading); and a developer/operator licence for establishment of infrastructure and amenities that can facilitate the enterprise's economic activities. EPZs are customs-controlled areas and thus import and export activities are regulated under the East African Customs Management Act (ECMA) which implements the EPZ-related provisions of EAC Customs Union Protocol. These laws limit domestic sales by EPZs companies to 20% of annual production and have progressively made access to the regional market by EPZ enterprises difficult.

The EPZs offer 3 types of incentives: a) fiscal incentives comprising tax exemptions and tax remissions, reduced levies and fees, designed to reduce operating costs and increase competitiveness; b) procedural incentives granting exemptions from compliance with certain non-essential regulations and providing proactive support to enterprises through the One-Stop-Shop, and finally c) provision of serviced land for long-term lease at below-market rates and ready-built factory buildings for shorter-term lease at affordable rents.

The fiscal incentives EPZs offer in Kenya include: 10-year corporate tax holiday with tax at 25% for a further decade; 10 year withholding tax holiday, exemption from stamp duty on legal instruments of an EPZ enterprise; perpetual exemption from import duty, excise duty, import duty and VAT on inputs utilised by EPZ firms; 100% investment deduction allowance on expenditure on buildings and equipment; and; EPZ firms are exempted from the cost of a 2.5% import declaration fee (IDF) levied on imports. The procedural incentives are meant to reduce the bureaucratic burden, with operation under essentially one licence, issued by the Authority. Access to ready industrial buildings and serviced land leases start-up for investors

This package of incentives is fairly standard in comparative EPZ schemes around the world. The incentives are therefore a necessary part of, but not the sum of investor considerations as they reduce the upfront costs and speed up the establishment of EPZ enterprises thus expediting investment. Table 5 below, shows the performance of the EPZ programme, demonstrating a steady increase in exports, jobs, and local purchases between 2019 and 2022 before a drop in 2023.

Table 4: Selected Performance Indicators of the Export Processing Zone Programme (2019-2023)

Selected Performance indicators of Export Processing Zones Programme (2019 -2023)					
Indicator	2019	2020	2021	2022	2023
No. of gazetted zones	74	76	82	89	101
No. of Enterprises	137	137	145	157	170
Direct Employment	61,056	56,940	66,854	83,752	76,838
Total Sales (Ksh mill.)	77,189	81,207	98,867	116,340	111,396
Domestic Sales (Ksh mill.)	8,617	6,817	8,618	9,706	6,397
Exports (Ksh mill.)	68,572	74,360	90,249	106,637	104,999
Imports (Ksh mill.)	39,840	37,504	48,317	63,663	54,698
Local Purchases. (Ksh mill.)	9,761	12,346	14,678	14,982	15,976
Cum. Investment (Ksh mill.)	107,877	116,974	124,490	134,704	146,416
Source: KNBS, Economic Survey, 2024, Table 10.11					

3.4.1.5 Special Economic Zones in Kenya

Kenya established special economic zones in 2015 through the SEZ Act No. 16 of 2015 which introduced the SEZ programme and also created the Special Economic Zone Authority (SEZA), a state corporation mandated to steward the programme. SEZ regulations followed in 2016 to operationalize the programme. SEZ programme objectives include: the promotion of FDI, job creation and skills development, technology transfer and innovation, and economic diversification.

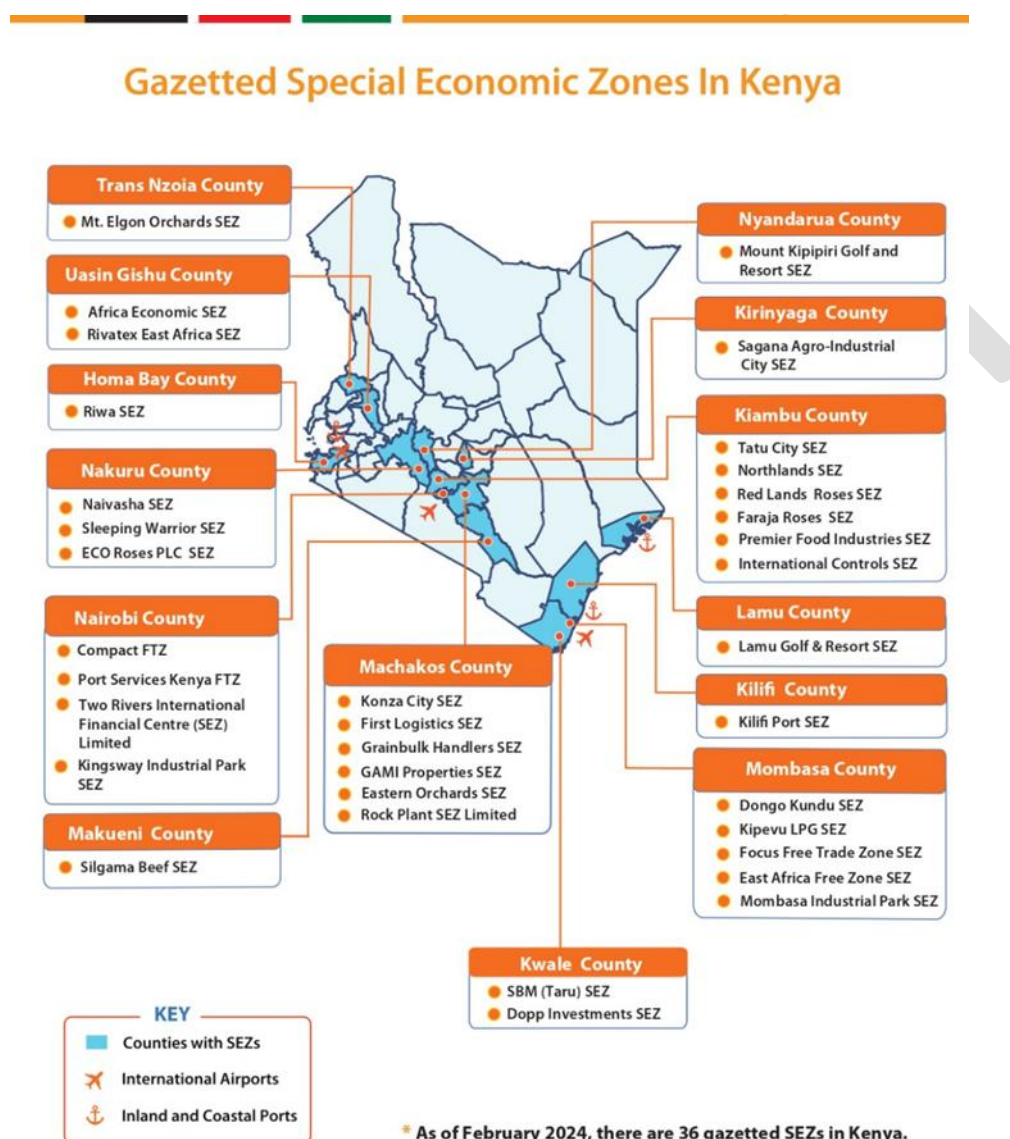
The ten Kenya SEZ schemes (nine for zones and one for enterprises) provided by the SEZ Act include: agricultural zones, business service parks, freeport zones, free trade zones, industrial parks, information and communication technology (ICT) parks, livestock zones, science and technology parks and tourist and recreational parks. The regional headquarter scheme applies to the nature of the enterprise's activity rather than to a zone area. While this list excludes the EPZ programme the Kenyan government has notified its intention to incorporate EPZs as a scheme under the SEZ programme. The necessary legislative changes to merge the two programmes will include legal and regulatory changes and rationalisation of the two institutional mandates and capacities.

Incentives for Special Economic Zones includes procedural/administrative incentives such as exemptions from compliance with certain regulations and support to investors through the One-Stop-Shop and fiscal incentives including reduced corporation tax of 10% for ten years and reduced utility costs including power at KES10/kWh for all SEZs and KES 5/kWh for Naivasha SEZ. Other incentives include access to serviced land at reasonable rates, preferential market access for originating goods.

As of early 2024, there were 36 gazetted SEZs in Kenya, located in 14 counties. The SEZs have realised USD 960.7 million in cumulative investment in infrastructure, buildings and enterprise capital, with

cumulative 4,392 jobs realised, out of the projected 26,000 jobs in approved projects. SEZA has been working to increase the number of zones around the country through acquisition of land, designation of parcels as SEZ areas and engaging with government and investors to plan for the development of the parks. Key public zones include the 3,000-acre Dongo Kundu SEZ in Mombasa County, the 1,000-acre Naivasha SEZ in Nakuru county and the 5,000-acre Konza Technopolis in Makueni county. There are several operational private SEZs such as the 5,000-acre Tatu City. There are over 80 investors established at Tatu City although not all operate as privileged SEZ enterprises.

Figure 20: Location of Gazetted SEZs in Kenya (February 2024)



In conclusion, industrial park and economic zones schemes have been in Kenya for some decades and have contributed to job creation, attraction of investment, export growth, enhancement of foreign exchange earnings and backward linkages with the EPZ sector while the KIE has been instrumental in development of locally owned enterprises and supporting successful expansion of indigenous industrial MSMEs. Both CAIPS and SEZs are more recent incentives programmes but if well linked to the industrial, agricultural and commercial sector of the economy have potential to expand economic

benefits in terms of value addition, technology adoption, employment creation and the inception of new industries.

3.4.2 Strategic Issues on Incentivising Investment

(i) Limited Range of Targeted Incentives

Kenya's current incentive schemes comprise three major types of incentive programmes as described above. In order to achieve greater rates of industrial expansion and to enhance socio-economic benefits of investment in the diverse sectors and value chains described in the strategy, there is need for reflection on the existing incentive schemes and for development of a comprehensive incentive framework. It may include additional incentives for labour intensive sectors like agriculture and livestock development, MICE tourism, BPO/ITES; pharmaceutical, hospital equipment and medical devices and medical consumables; footwear and leather goods manufacturing. It can also include better power tariffs for energy intensive industries like cement, building steel, ceramics and other building materials industries, whilst also providing incentives for research and development activities towards developing new ventures and for training and skills development in the targeted industries. The incentive framework also needs to provide for periodic review of the effectiveness of the incentives in terms of desired socio-economic outcomes resulting from the investments which are incentivised.

(ii) Inadequate Infrastructure in incentivised zones schemes and industrial parks

Infrastructural barriers have proven a real challenge to utilising economic zones schemes (EPZ and SEZ) as an avenue for increasing DI and FDI. Industrial processes require adequate supply of clean, treated water, which may not be substituted by untreated borehole water. Many zones experience a chronic shortage of potable water. Another important infrastructural requirement is energy. Whilst the cost of energy has been addressed in Pillar 1, the quality of electric power distribution is also important particularly in the context of EPZs. System losses, due to grid instability have been estimated at 23.2%, or 1,578.9 Gigawatt Hours (GWh). This challenge is significant for big power consumers that would most likely consider EPZs. A survey of KAM members with production cost of over KES 3 billion, found that 1% unit increase in fluctuation resulted in 1.684% increase in overall production cost.³⁹ This has led many manufacturers to look for alternatives to the national grid to alleviate the risk of grid instability. (A third barrier to investment is the lack of suitable land for development of SEZs and EPZs due to high cost, occupation of targeted land by project affected persons and scarcity of large parcels and this is addressed under the fourth KRA of the strategy under the National Investment Land Trust)

(ii) Unharmonised and costly utilities and services for incentivised zone investment

Kenya's incentivized zones comprising EPZs and SEZs generally have an enabling legal and regulatory environment to promote investment. The schemes provided in the legislation are sufficiently wide to offer an attractive menu for investors in the manufacturing and processing, agriculture, livestock products processing sectors; for those in commercial activities such as storage, warehousing, distribution and trading, and those in services such as tourism and recreation services, meetings incentives conventions and exhibitions (MICE), business process outsourcing (call centres and shared service centres) and IT enabled services (ITES). Incentives are codified in law and are largely in line with global best practices in terms of fiscal, procedural and infrastructure benefits for SEZ and EPZ investment. Some land has been acquired and designated for zone development and in the case of EPZs, vertical infrastructure is built by both public and private sectors, currently with 100% occupancy.

³⁹ <https://su-plus.strathmore.edu/items/79726376-dfe5-41c1-9587-e4880ca57f16>

The SEZ legislative framework is also compliant with WTO agreements such as the Agreement on Subsidies and Countervailing Measures (ASCM) and the Agreement on Trade Related Investment Measures (TRIMS). The EPZ Act, particularly the tax incentives granted within this framework, would be at risk of violating Article 3.1 (a) of ASCM when Kenya's GNP per capita exceeds \$1,000. According to Article 27.2 (a) read with Annex VII (a) of ASCM, certain countries, including Kenya, are permitted to maintain these subsidies provided their GNP per capita is below the threshold. According to ASCM, Kenya's GNP as of 2021 was USD 509 allowing continued exemption under Annex VIII(b). When Kenya's per capita GNP exceeds USD 1,000 for three consecutive years, any illegal subsidies will have to be phased out within 8 years. The tax incentives granted within the Kenya tax frameworks are subsidies within the meaning of Article 1.1 (a) (1) (ii) of the SCM Agreement. This is because these tax incentives amount to 'government revenue otherwise foregone'. Further, they confer a 'benefit' in accordance with Article 1.1 (b) of the SCM Agreement. A 'benefit' or 'an advantage' is considered to exist where because of the law in question, the recipient is placed in an advantageous position in the relevant marketplace. For example, the panel in *India-Export related measures* noted that a financial contribution in the form of 'government revenue due which is otherwise foregone' confers a benefit upon the recipient because in general practice, the market does not grant such waivers to the producers. Finally, the EPZ tax incentives are considered 'prohibited subsidies' in accordance with Article 3.1 (a) of the SCM Agreement because they are 'contingent upon' export performance since the preamble of the EPZ Act provides the objective of the Act as to provide for the promotion and facilitation of 'export-oriented' investments and the development of an enabling environment for such investments.

With respect to specific regulatory challenges for incentivized zones, there are disparities in power tariffs for similar activities depending on whether licensed under an EPZ or under an SEZ scheme. This includes high power tariffs for export oriented EPZ apparel and textile value chains which leads to lack of competitiveness in the global marketplace; requiring alignment of tariffs with those in SEZ schemes. The second regulatory challenge is the cost of work permits in Kenya which are uncompetitive with investment destinations in the region, with an application fee being KES 50,000 and annual permit running as high as KES 500,000 per year. Investors, of necessity, require some expatriate staff to oversee key functions in the enterprise and high cost and difficulty in obtaining these permits are a disincentive to attracting investment, and can be a deciding factor in driving investment to neighbouring countries.

(iii) Value Chain Structural Constraints

Value chain optimization is very important for proper establishment of competitive industries in the country incorporating businesses operating in incentivized zones, in other industrial parks and in the general economy. MTP-IV has targeted agricultural, fisheries and livestock value chains within agro processing as priorities to rapidly expand local primary production and value addition for domestic and export markets. Agro-processing has been a target sector in Kenya for decades and has attracted enterprises exporting high value essential oils and natural extracts, fresh produce, canned goods, value added teas, processed foods including macadamia amongst others. In many of these industries, the local supply chain for raw materials for processing is insufficiently developed nor fully linked to processing units, leading to shortage of raw material to utilise factory capacity. Thus, lack of optimization and low competitiveness of the targeted value chains may be a disincentive to investments which seek local, regional or global markets. For example, the World Bank observes that, although Kenya has only 15 operational textile mills, they operate at less than 45 percent of total capacity. Most of the existing mills operate using outdated technology and hence low productivity. This is due to the high cost of modern machinery and inadequate access to affordable long-term capital to finance technology upgrades. In addition, due to the uncompetitive power costs the textile mills face price competition from imports and consequently low-capacity utilisation, unless they invest heavily in generating their own off-grid power.

The majority of Kenya's textile-apparel value chain, is thus disjointed and this has forced export-oriented apparel manufacturers to import fabric due to lack of competitively priced, export-quality fabric from local producers, increasing the lead time on export orders and making it difficult to develop a resilient, globally competitive apparel sector. This lack of competitive utilities and high cost of capital hampers vertical linkages with the primary cotton sector and the development of textile input clusters to support the value chain. Bangladesh was in a similar situation twenty years ago but steadily built local textile mill industries to support and secure the labour-intensive apparel export sector. Kenya's textile exports were only 0.7% to 1.4% of Bangladesh's exports.⁴⁰

3.5 Pillar 4: De-risking FDI, DDI and DI in Kenya

A stable political environment that is also a business-friendly ecosystem with strong macroeconomic metrics, a fair and transparent legal and administrative regime and strong proactive pro-market institutional frameworks for minimising even market-related risks are key factors in the decision matrix of any potential foreign investor including the Kenyan Diaspora. For an emerging market nation like Kenya, the extent to which these conditions are lacking or weak, represents risk to investors to be mitigated and addressed.

Among pro-market institutional frameworks, a well-structured de-risking framework can be an effective tool to secure strong FDI engagement by pre-empting risks and addressing investor concerns before they ever mobilise their capital. Such a de-risking framework would support investment attraction, promotion, retention and aftercare by giving early comfort to investors that their investment will be safe, returns predictable and operations unencumbered by contrived obstacles and with the option of sharing risk with local partners.

De-risking in Kenya is currently exclusively applied to domestic investments (DI) through two de-risking instruments. On the one hand financial De-risking instruments: such as such as political risk insurance by MIGA (World Bank), loan and credit guarantees, loss insurance, and import financing support for capital equipment. On the other hand, there are non-financial De-risking Instruments such as sector or project-specific skills and capacity enhancement programs, and specialised business advisory services, among others. These instruments are applied through market and non-market interventions that aim to manage context-specific market and non-market risks for those potential foreign investors interested in entering an emerging market like Kenya.

3.5.1 Situational Analysis

Over the years Kenya has developed a strong domestic de-risking capacity to strengthen the private sector as part of a broader economic diversification agenda, by strengthening targeted sectors and so achieve policy goals such as industrialization, national skills development and import substitution. These have continued to date with examples that include but are not limited to the following:

- *Credit Guarantee Scheme (CGS)*: managed by the National Treasury in collaboration with financial institutions, the CGS provides partial credit guarantees to SMEs and other businesses which covers up to a certain percentage of the loan amount.
- *Youth Enterprise Development Fund (YEDF) and Women Enterprise Fund (WEF)*: managed by the National Treasury and provide financing and capacity-building support to youth and women entrepreneurs, respectively by offering loans at subsidised interest rates, business training, and mentorship programs.
- *Kenya Climate Ventures (KCV)*: is a venture capital fund focused on investing in climate-smart businesses in Kenya. It supports innovative solutions that address climate change challenges

⁴⁰ <https://documents1.worldbank.org/curated/en/441761468000939834/pdf/99480-REVISED-Kenya-Apparel-and-Textile-Industry.pdf>

while providing financial returns to investors. KCV de-risks investments in green technologies and sustainable practices by providing early-stage financing, technical assistance, and market access support to climate-smart enterprises.

- *Kenya Industrial Estates (KIE) Financing Programs* provides affordable medium to long-term finance to SMEs for the purchase of machinery, equipment and working capital. They also offer business advisory services and incubation support. KIE's financing programs de-risk investments for SMEs by offering flexible repayment terms, lower interest rates compared to commercial banks, and specialised support to enhance business growth and sustainability. Progress made by KIE was described under Pillar 3: Incentivising Investments.
- *Agricultural Finance Corporation (AFC) Funding*: provides financial products and services tailored to support agricultural enterprises in Kenya. These include loans for agribusinesses, farmers, and cooperatives, as well as value chain financing and agricultural insurance. AFC's funding de-risks investments in agriculture by providing tailored financial solutions, promoting mechanisation and modern agricultural practices, and enhancing productivity and resilience in the agricultural sector.

3.5.1.1 Strategic Issues in De-risking

Kenya's derisking schemes and initiatives have not been extended to applying them to attract FDI or DDI. To do that, a number of risks of interest to foreign investors must be addressed through measures taken to make Kenya a more attractive investment destination. These risks are divided into: Country Risks, Industry Risk, and Project Risk and the key measures to address them speak to the strategic challenges to be overcome to unlock FDI. The four strategic issues are described hereafter.

3.5.1.1.1 Country Risk

This refers to the uncertainty associated with investing in a particular country and the degree to which that uncertainty could lead to losses for investors and can come from political stability, state of governance, legal & regulatory stability, financial structure and practice, exchange-rate and technological influences.

Country risk is a key consideration in international investment attraction and a number of international metrics are ordinarily applied to a country are used to rank countries, so as to enable investors to quantify a country's relative risk profile through performance metrics contained in Credit Rating Scores from Credit Rating Agencies such as Moodys, Standard & Poor and Hich; and by applying a Country Risk Premium i.e. an additional premium to compensate investors for the higher risk of investing in a foreign country. This premium generally tends to be higher for emerging markets than for developed ones. This latter point is a primary contention in the current debate by developing countries for a new international financial architecture.

Country Risk also covers other risks such as political and governance risk; macroeconomic risk, regulatory risk; climate and environmental risks to further compound the complexity of managing it. Kenya's has recently experienced economic, political and social challenges that also make for a robust democracy and which, together with various international shocks such as international supply chain-disrupting Covid19 pandemic alongside the geopolitical tensions of the Russia/Ukraine and the Israel/Palestine conflicts; the Sudan civil war alongside internal challenges, have resulted in adverse impacts on Kenya's Country Risk profile. This will no doubt influence and impede Kenya's ability to attract FDI inflows.

3.5.1.1.2 Industry Risk

This is a risk peculiar to a given industry or sector that adds uncertainty to investors and players alike and which are beyond the control or influence of any one investor or player. Industry risk is generally divided into systematic or market risk and unsystematic or specific risk. The former refers to risk that

affects the whole market and cannot be avoided such as exchange rates, interest rates and a specific regulatory change affecting that market such as changes to mining laws to a mining company. The latter refers to risk that can be tied to the specific project or is internal to the industry itself (rather than the market) and for which the investor has mitigating and pre-emptive options to lessen it such as diversifying into other similar but perhaps better run or located projects. The effect of both risks on investment attraction is the role they play in determining an investor's risk appetite, and expectation of an acceptable rate of return.

For example, the investing mining sector's decisions on extraction, treatment, value-addition or raw export, is influenced by monetization, collection and taxation processes alongside the peculiarities of supply chains, and availability of specialised skills. When persistent challenges are encountered by individual foreign and domestic investors touching on any or all of these, investors will tend to drive the government to address the challenges collectively financially and through regulation, legislation, administrative fiat. The ability of the government to fix and maintain excellence thereafter inevitably boosts international perceptions of the country, thus increasing international confidence and with that, lowering its Country Risk profile. This interconnectivity will be critical in driving solutions later.

3.5.1.1.3 Project Risk

This refers to risk(s) attached to a specific investment project under consideration by an investor and for which mitigation measures are to be applied specifically to the exclusion of others. These typically reveal themselves as unforeseen challenges in operations, technological issues, uncertainty in securing the right or specific staff skills, among other challenges like set up costs, project management, operations and supply-chain management etc. These normally form part of the investors' internal assessment as to whether they have sufficient grasp of local conditions and can readily pre-empt them to secure the investment return they seek. In these circumstances, having experienced local partners or trusted, highly competent advisers represents a strong non-financial de-risking instrument. It is also the reason why a foreign investor's first port of call in their investment journey is to local private sector players, a local contact or professional business advisory providers like lawyers, accountants or business analysts.

3.5.1.1.4 Lack of a National De-risking Framework (NDF)

De-risking speaks to addressing and lowering all three risks by providing financial and non-financial instruments and mechanisms to minimise, share or spread their adverse impacts for an FDI investor. Kenya's ability and capacity to address all three risks as a single 360° framework approach by each sector or value chain will be its most potent feature. For example, its mining sector investment de-risking approach can be designed to take on all three (Country, Industry and Project) risk levels and design relevant de-risking measures, instruments and interventions to support each stage of that full mining value-chain journey for a prospective investor in the sector. This is proposed to be the most effective means of enhancing Kenya's investment competitiveness.

Consequently, the lack of such a comprehensive National De-risking Framework (NDF) to moderate these three risks is therefore a key impediment to Kenya's Investment attractiveness for FDI. This is because an NDF presents guidelines and prescribes what tools, instruments, mechanisms, protocols and personnel can be deployed to apply de-risking protocols to support investment promotion. It would also incorporate comparative analysis of an Investment's Return-on-Investment (ROI) against a national Cost/Benefit Analysis (CBA) to determine whether the national net benefit is positive or negative and bridges the risk/return gap between domestic and foreign investors especially where the National Investment Strategy seeks to encourage strategic pairing of domestic and foreign investors. Consequently, given the NDF will need to have a whole-of-government reach, its operationalization may also need to be placed in a place of national coordination with sufficient authority to apply its

disciplines across all sectors - a task currently assigned to the Kenya Development Corporation under the State Department for Investment Promotion (SDIP).

3.5.1.2 Role of Kenya Development Corporation (KDC)

Lack of affordable long-term credit for enterprises is a significant challenge to investment in Kenya. Interest rates are high due to government debt crowding out lending to and equity stakes in productive activities by private enterprise. This kind of long term, lower interest debt and risk tolerant equity funds are offered not by commercial banks but by development finance institutions (DFIs) such as the Kenya Development Corporation.

KDC is a DFI established in 2020 by the merger of three institutions that were themselves previously established to catalyse the growth of indigenous-owned businesses in the early years of Kenya's independence namely: the Industrial and Commercial Development Corporation (ICDC), the Tourism Finance Corporation (TFC), and IDB Capital Limited. It now plays the pivotal role in de-risking domestic investments in Kenya by deploying a variety of financial and non-financial de-risking instruments aimed mainly at industry and project risks. KDC is also proposed under NISK, to be the owner and implementer of the National De-risking Framework (NDF) under the SDIP.

KDC's current role of de-risking domestic investment is focused exclusively on large domestic private sector players with a minimum investment ticket-size financing threshold of KES 20 million or more. This includes where necessary, participating in equity through co-investment arrangements with the caveat of exiting the investment in due course. KDC's catalytic role to stimulate domestic private sector growth is through facilitating investors with loan guarantees, better priced loans for project and asset finance, providing working capital, providing a line of credit support for the importation of plant, machinery and equipment under a partnership with India's Exim Bank among others. Also included are options such as: direct equity participation by KDC as a strategic co-investment partner, financial syndication and blended finance solutions.

Kenya's broad de-risking initiatives to date have largely been through non-financial de-risking mechanisms, largely centred around measures to improve the legal and regulatory context and to enhance ease of doing business through reforms such as the deployment of eCitizen - a whole-of-Government digital service platform which integrates service provision of all government departments thus eliminating administrative red tape and minimising graft and increasing service process transparency. Others include the creation of one-stop-shop service regimes for Investors, for example by KenInvest (although still under development). All these have increased and fortified business confidence, enhanced governance standards and smoothed out administrative processes that are essential pre-conditions to boosting investor confidence.

The KDC's mandate has now been expanded to apply de-risking instruments, measures and tools to boost FDI flows into Kenya. Given that the quantum of FDI flows tend to far exceed an emerging economy like Kenya's sovereign capacity to provide direct financial de-risking instruments, KDC's mandated with respect to derisking FDI should be to innovate and create an ecosystem that de-risks Kenya's domestic private sector players to enable their pairing with foreign investors on a shared-risk, shared-profit basis.

For domestic private sector, the KDC has also long observed that a majority of Kenya's large successful domestic businesses are family-owned and which present natural potential partners to foreign investors around whom can be built a de-risking model to support them to upskill and restructure and so able to form strong viable symbiotic business partnerships with those foreign investors as an attractive pathway for foreign investors to inject FDI inflows.

Consequently, under the National Investment Strategy, the deployment of de-risking instruments, tools and measures will be focused around building up Kenya's private sector as represented by but not limited to these large family-owned businesses for them to become the first port of call for foreign investors seeking to invest in Kenya with the option for strategic pairings including joint ventures. This approach will have such advantages for foreign investors as risk sharing, joint shareholding, easier market and operational adaptation to the Kenyan context and, to a lesser degree, direct GoK participation if necessary to further reassure foreign investors of the government's commitment through co-investment by the KDC in the venture.

3.5.2 Approaches to Addressing Strategic Issues in Derisking

3.5.2.1 A National De-Risking Framework (NDF) to address the three risks

To create and operationalise a suite of de-risking solutions to address the three broad risk categories of Country Risk, Industry Risk and Project risk, it is proposed that this National Investment Strategy also incorporates a **National De-risking Framework (NDF)** with the mandate and wherewithal to compile and prescribe de-risking measures, instruments and procedures to be followed to significantly improve Kenya's appeal as an attractive investment destination. The NDF will also present a single reference manual to train and inform all stakeholders across government and outside of government on the relatively novel concept of de-risking beyond KDC.

It is also proposed the NDF also includes a **De-risking Valuation Methodology (DVM)** section that details what quantitative analytical tools will be used - under a defined methodology - to identify, quantify and cost the risk and the appropriate de-risking intervention for any proposed FDI or DDI investment proposal for the purpose of testing its bankability and value-for-money in terms of **Net Economic Benefit (NEB)**, that is, the difference between Kenya's Cost Benefit Analysis from having the investment as compared to a standardised assessed lifecycle value as represented by the actual Return on Investment (ROI) for the investor where $CBA_{kenya} \geq ROI_{fdi}$ where NEB must be positive to be approved. This methodology shall preferably be informed by international benchmarks where possible.

A description of the essential elements of this approach follows.

3.5.2.1.1 A Dedicated Investment Database - Essential to De-risking:

To be effective and consistent, the **De-risking Valuation Methodology (DVM)** will be heavily data-driven, evidence-based and analytically rigorous to give it the ability to also de-risk Kenya against suboptimal investment outcomes and their adverse impacts. Consequently, the DVM shall need an exceptional, centralised and curated database for the collection; consolidation; storage; retrievable; and, management of foreign and domestically-sourced investment data; secure storage of the results of all analytics and its subsequent use to support decision-making through robust pre and post-investment analysis for all stakeholders. It will also grant a clear line-of-sight of the entire investment journey from inception to conclusion to closeout with access given to all decision makers and selected stakeholders. It will also act as the single source of empirical truth for all forms of de-risking instruments deployed over time.

The DVM can also be deployed to assess trade proposals from a NEB perspective to inform future decision making and aid Kenya's negotiation teams to secure strong positive negotiation outcomes for Kenya.

3.5.2.1.2 A National Investment Risk Register – Essential to ‘Track-n-Trace’ De-risking Interventions and More

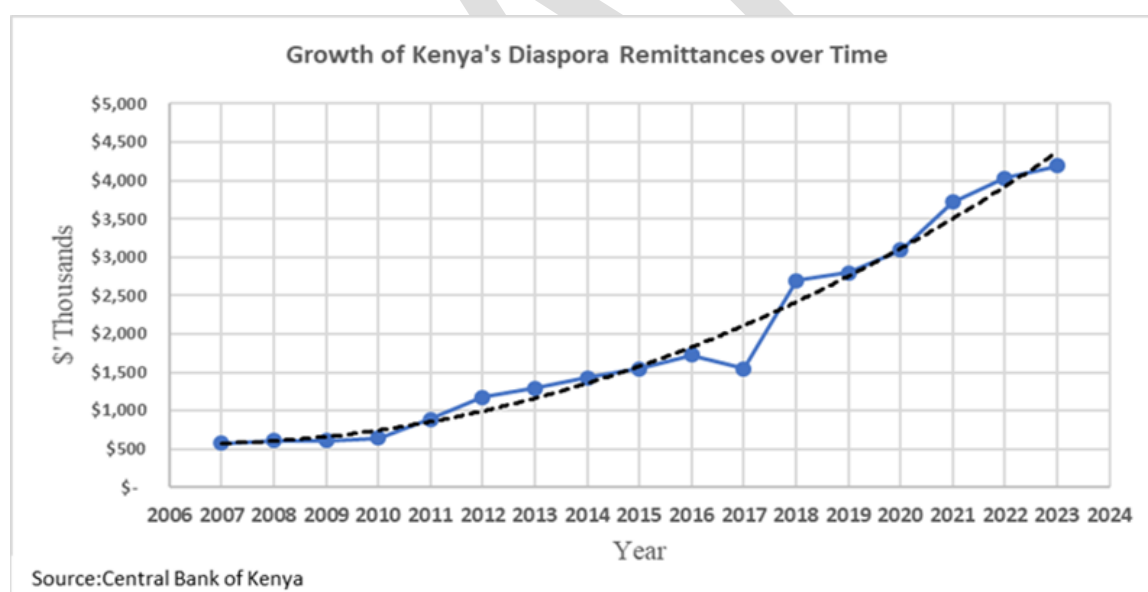
Within the context of the NDF, it is also proposed that a digital **National Investment Risk Register (NIRR)** be established to store and retrieve every investment project’s documentation whether or not it is finally approved - provided it has undergone all the prescribed NDF processes for the purposes of contract management, monitoring and evaluation. It should be designed to also inform future investment assessments and related decision making; and support project modelling, analytics and benchmarking. The NIRR should provide read only access to a limited number of authorised agencies and form a constituent if ring fenced part of a single NDF digital system or platform with prescribed special access rights given its national strategic value.

3.5.2.1.3 De-risking Diaspora Direct Investment (DDI) Beyond Remittances and into Investment

Diaspora Remittances are now the leading source of foreign currency to Kenya and have grown at an accelerating rate over the past seventeen years as illustrated by Graph 1 below. That said, diaspora remittances are largely used for consumption rather than production.

This National Investment Strategy aims to target these remittance sources to also drive diaspora direct investment as an foreign investors are also availed to diaspora investors with perhaps a separate more bespoke investment attraction and promotion sub-strategy and drive towards the diaspora as a low-hanging fruit with the predisposition to respond positively due to strong familial ties.

Figure 21: Growth of Kenya’s Diaspora Remittance Over Time

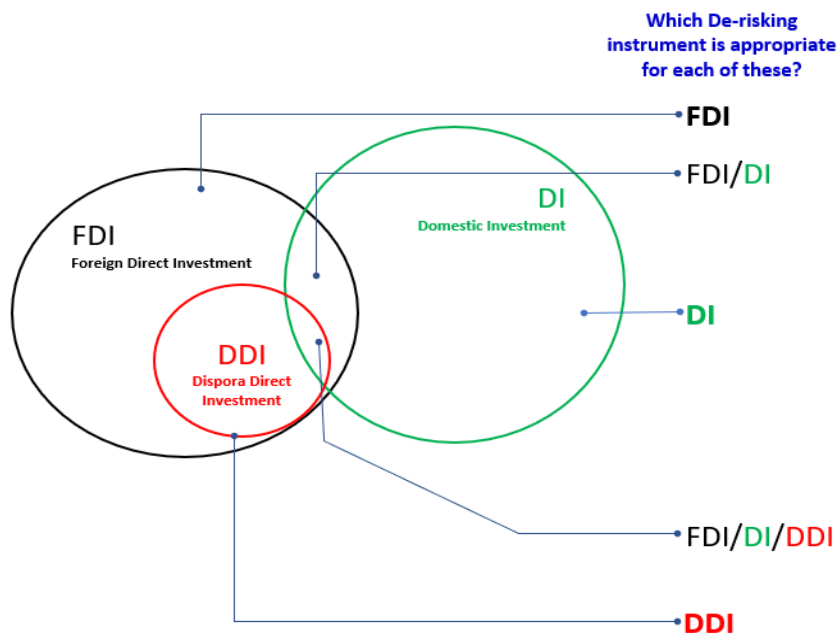


3.5.2.1.4 Selecting the Right De-Risking Tool for the Right De-risking Intervention

The task of driving and then managing the complexity of the interactions of FDI, DDI and DI to spur capital formation in the economy will necessitate the **National De-risking Framework** to define, design and deploy nuanced financial and non-financial de-risking instruments. The dynamic of these interactions and what appropriate de-risking tool(s) should be prescribed will also embed a **De-risking Valuation Methodology (DVM)** solution that is data-based, quantitative and analytically robust to appreciate, incorporate and address peculiar features of overlaps between the three as illustrated in

Figure 22 below. Defining these Venn interactions also anticipates the various likely combinations of investors Kenya can expect in future and triggers pre-emptive policy discussions and formulations to prepare for the same.

Figure 22: Venn Diagram on FDI/DDI/DI Interactions



3.5.2.1.5 De-risking Instruments Options Matrix

From analysing the permutations of FDI/DDI and DI interactions, the National De-risking Framework will afford this National Investment Strategy the means to tailor the best suited de-risking instruments to investment interaction mixes (such as FDI/DI) by compiling a De-risking Instruments Options Matrix that is proposed to be kept in the *NIRR* as illustrated below:

Table 5: De-risking instruments Options Matrix

De-risking Instruments Options Matrix		
<i>(Examples for illustration purposes only)</i>		
De-risking Instruments to Deploy		
Investment Mix	In-Country	External
FDI	Loan Scheme Guarantee (local partner only)	Political Risk Insurance (e.g. IDA/MIGA- WB)
	Equity co-investment (with FDI + Local)	Green Fund - Finance for Climate-smart instruments (sector specific)
	Blended Finance (with Local under KDC)	Africa Development Bank's Africa Guarantee Fund
	Land Grant (Long term lease grant to JV only)	Africa Trade Insurance (ATI) for regional FDI inflows
	Credit Guarantee / Support	
FDI/DI	Loan Scheme Guarantee	Political Risk Insurance (e.g. IDA/MIGA- WB)
	Equity co-investment	Blended Finance under IDA (World Bank)
	Blended Finance	Local-denominated IFC Bond (WB)
	Land Grant (Long term lease)	Local Market debt underwriting for Credit and
	Concessionary loan schemes	Green Fund Finance Climate-smart instruments (sector specific)
	Credit Guarantee / Support schemes	Africa Development Bank's Africa Guarantee Fund
		Africa Trade Insurance (ATI) for regional FDI inflows
DI	Current KDC offering with a fasttrack option to enter into FDI JVs subject to commercial thresholds	Africa Development Bank's Africa Guarantee Fund
	Credit Guarantee / Support	
DI/DDI	Current KDC offering with a fasttrack option to enter into FDI JVs subject to commercial thresholds	Africa Trade Insurance (ATI) for regional FDI inflows
	Credit Guarantee / Support	Africa Development Bank's Africa Guarantee Fund
FDI/DI/DDI	Current KDC offering with a fasttrack option to enter into FDI JVs subject to commercial thresholds	Political Risk Insurance (e.g. IDA/MIGA- WB)
	Credit Guarantee / Support	Blended Finance under IDA (World Bank)
FDI/DDI	Current KDC offering with a fasttrack option to enter into FDI JVs subject to commercial thresholds	Political Risk Insurance (e.g. IDA/MIGA- WB)
	All instruments applicable to FDI & DDI incl blends	Africa Development Bank's Africa Guarantee Fund
		Africa Trade Insurance (ATI) for regional FDI inflows

3.5.2.1.6 De-risking Country, Industry and Project Risks

The National De-risking Framework as described above, shall then compile and detail the various de-risking measures, instruments and interventions that will address each of the three identified risks and relevant initiatives and subsequent activities to be undertaken to mitigate each of them:

3.5.2.2 Solutions for Country Risk

3.5.2.2.1 Integrate international de-risking program offers (e.g. ODA/MIGA) into Kenya's de-risking framework

It is proposed that KDC and other agencies compile, access and integrate into the NDF's de-risking toolbox, *current internationally available de-risking programs and initiatives* as offered by international and bilateral partners that cover political and other types of Country Risk then link these to BETA value chains.

Examples include *Bilateral & Multilateral Overseas Development Assistance (ODA)* programs and initiatives of multilateral institutions such as the African Development Bank or the World Bank's Multilateral Investment Guarantee Agency (MIGA) partners.

MIGA offers *political risk insurance and credit enhancement guarantees* to help source-country investors (mainly from Europe and America) protect their foreign direct investments against political and non-commercial risks in emerging markets like Kenya.

MIGA also helps such investors secure funding sources with better financial terms to further lower their exposure. This aspect of securing funding is particularly pertinent to the mission of the National Investment Strategy so that a deep dive engagement with MIGA on finding ways to integrate this aspect of MIGA into country risk management under the National De-risking Framework would be strongly catalytic to FDI flows into Kenya.

It is also proposed under this measure that Kenya *proactively engages these agencies to co-create a bespoke suite of de-risking instruments to address Kenya's country risk*. For example, it can be used to *lower Kenya's Country Risk Premium* whose rise adversely increases the cost of Kenya's access to international capital.

It is proposed that in order to arrest the deterioration then improve Kenya's Country Risk, *proactive de-risking interventions and instruments be applied* that will result in *lowering Kenya's Country Risk Premium* and increase political risk coverage to enhance Kenya's investment attraction and promotion for FDI and DDI. Consequently, the National De-risking Framework (NDF) will include but not be limited to the following measures:

3.5.2.2.2 Master Credit Agencies Quantitative Evaluation Models to support Investment attraction through better Country Risk management

While strictly speaking, not a de-risking measure, *engaging and perfecting Kenya's understanding of the mechanics of the quantitative evaluation models and methodologies used by all three Credit Rating Agencies* i.e. Moody, S&P and Hich should greatly aid Kenya's responses to the same and perhaps identify gaps in analysis to aid tempering these agencies' haste to publish adverse assessments or alternatively, using that understanding of Agency methodologies to inform Kenya's policy responses and other interventions.

Creating and operating a parallel risk assessment of Kenya alongside those of the three agencies can also anticipate the day that Kenya and the region may opt to create a Credit Rating of its own.

3.5.2.2.3 Undertake aggressive institutional and policy measures boost international reputation for the supremacy of the rule of law to:

1. Improve fidelity to fiscal discipline and governance:
 - greater transparency between expenditure and tangible impacts “on the ground”
 - Aggressively prosecuting corruption cases by a dramatic increase of dedicated corruption courts at every sub-county level
 - Increasing the prosecutorial strike rate for corruption cases to at least 33% of all new cases per year over three years to achieve near 100% transition from accusation to court case and
 -
2. Pay down public debt by:
 - establishing a *Sovereign Wealth Fund* to supplement debt repayment and funded from retaining a set proportion of all windfalls from e.g. the extraction, local processing and value addition then and monetization of Kenya’s natural resources including rare-earth metals and among the other resources such as oil & gas.
 - *Converting the budget process into an accrual rather than current cash budget* system to eliminate end year expenditure rushes and unreported cash carryovers not returned to treasury thus greatly improving budget management.
3. Institute and Publish Kenya’s Treasury Bond Yield Curve
 - This will signal a strong and publicly verifiable commitment to fiscal and monetary rectitude to international financial markets and investors

3.5.2.2.4 Complete the negotiations to final conclusion of Kenya’s International Investment Agreements (IIAs)

This is as a potent means of attracting FDI inflows as they set common rules for FDI flows across jurisdictions thus enhancing stability and predictability further de-risking the country for FDI.

3.5.2.3 Solutions to Address Industry Risk

To lower Industry Risk at the sector and sub-sector levels, various de-risking interventions and instruments shall be deployed to support and enhance Kenya’s industry competitiveness in selected value chains. Some of the *proposed de-risking measures* contained in the *National De-risking Framework (NDF)* will include but not be limited to the following measures:

3.5.2.3.1 Addressing Macroeconomic Risk:

- Institute and *publish Kenya’s Treasury Bond Yield Curve* to signal fiscal and monetary discipline to domestic financial markets and investors.
- Compile and *publish a Kenya Industry Risk Probability Tables* and *other quantitative analysis* sourced or developed jointly with private sector actuarial firms and banks to support quantitative and qualitative reviews local/foreign partnerships for FDI by Industry for such purposes as granting loan guarantees, industry repayment historical league tables, concessional financing margin support across sectors or sub-sectors, foreign investor analysis of where to invest, actuarial league tables by sector.
- Devise *simplified means of accessing Lines of Credit for Plant and equipment by target sectors and value chains* that will primarily be prosecuted through repurposing KDC into a full Development Finance Bank

- *Remodel KDC's non-financial function into an in-house division designed after the American Small Business Administration Bureau for domestic businesses seeking foreign partnerships to handhold business through the SMEs locked into the lending process itself as a pre-qualification to accessing any business capital pool; create localised business de-risking fund pools as branches of a national de-risking pool such as the National Investment Guarantee Fund discussed below.*

3.5.2.3.2 Addressing Regulatory Risk

Enact *sector-driven pro-business regulatory innovations* such as red-tape elimination reforms and widely implement the mandatory regulation impact assessment (discussed under Pillar 1) prior to adoption of the same that much include and demonstrate rigorous public participation.

Insert *grandfather clauses to most revenue-raising and/or adverse-impact private sector policy reforms* to signal and reassure citizens and foreign investors of regulatory flexibility, scheduled periodic review; regulatory stability (including non-retrospective compliance and/or outright exemptions from any amendments made in the intervening period between reviews; paths to Tax & other amnesties beyond the current spontaneity.

As a more detailed treatment of regulatory risk is undertaken under the Legal and Regulatory Reforms section of Pillar 1.

3.5.2.3.3 Addressing Climate and Environmental Risk

Climate and environmental related risks have become an increasingly critical consideration in the international investments space. While it is impossible to forestall natural disasters, climate and environmental related risk, it is possible to put in place measures to reduce the inherent risk of loss or damage for investors foreign and domestic.

The National De-risking Framework would, through a whole-of-Government inter-ministerial collaboration spearheaded by SDIP and KDC: a) compile an *exhaustive list of the various Climate & Environmental Agencies and fund pools* to which Kenya is eligible to access and that their protocols for accessing such funding match or align with those of target Sector value-chains, b) *quantify the quantum of funding required* and then c) *calculate a cost/benefit thereof against set criteria of for calculating Kenya's net economic benefit* as discussed further below, and then d) provide a *guide for the relevant sector ministry/team on how to access the said funding* under the cover of the Government of Kenya. This would also entail assembling a specialist expert team to provide guidance and handholding to maximise likelihood of success in securing the funding and monitoring it thereafter.

Measures include but are not limited to:

- *Incorporating into the National De-risking Framework non-financial de-risking instruments* used by others such as the UN Office for Disaster Risk Reduction (UNDRR) disaster risk reduction and mitigation frameworks such as the *Sendai Framework "which aims at substantial, reduction of disaster risk and losses in lives, livelihoods and health and in the economic, physical, social, cultural and environmental assets of persons, businesses, communities and countries from disasters"*.⁴¹ For Kenya, de-risking would mean enacting national and county level action plans to reduce investor fears over natural, climate and environmental risk by leveraging such international instruments and support mechanisms, or;
- Incorporating the *UNHCR's Climate Resilience Fund* which aims to ensure that forcibly displaced people fleeing from or living in climate-vulnerable countries are protected from and are resilient to the impact of climate change'.⁴²

⁴¹ <https://www.undrr.org/implementing-sendai-framework/what-sendai-framework#:~:text=The%20Sendai%20Framework%20focuses%20on,existing%20risk%20and%20increase%20resilience>

⁴² <https://reporting.unhcr.org/spotlight/climate-action/unhcr-climate-resilience-fund>

- Aggressively pursuing support from *The Green Climate Fund* which already has 20 projects in Kenya and has set aside over \$325 million but only approved \$5.8 million for disbursement.⁴³

3.5.2.4 Solutions to Address Project Risk:

To mitigate Project Risk through *clear 'last-mile' investment support pathways in the FDI process flow* to the grassroots level of the individual project, prescribed *de-risking interventions and instruments* shall be contained in the National De-risking Framework (NDF) that include but are not be limited to the following measures:

3.5.2.4.1 Converting KDC into a full Development Finance Bank

It is proposed that the KDC be *converted into a full Development Finance Bank (DFI)* with a special mandate and various concessions given its expanded financial de-risking role under FDI and beyond, to effectively catalyse Kenya's private sector's own growth and its rightful role as the natural partner to foreign investors in driving FDI. This conversion will, among other effects, *enable it to strongly engage local and international financial and quasi-financial institutions from the stronger position of being a full DFI bank that can secure the level and quality of support and financial partnerships necessary* to strongly empower and enhance its capacity to drive domestic and foreign investments.

To stimulate and support investments beyond just FDI, it is proposed that the KDC be restructured under its broader mandate as Kenya's pre-eminent DFI be to *spearhead Increased access to and lower the cost of finance* for Kenya's beleaguered SMEs.

In its greater role as a *full DFI with a much larger capital* that could be *partly funded from equity participation of other DFI's* including the African Development Bank (AfDB) et al, and its special mandate and attendant concessions, it is also proposed that the KDC *take on the primary responsibility for addressing SME access to and cost of finance*. To the latter, its expanded capital base would give it the depth of capital necessary to finance a large number of businesses while its access to better priced capital would enable it to lower the cost of credit.

To address the high cost of credit, KDC – Kenya's DFI – can *ensure its loans are lower than market interest rates*, through taking advantage of sourcing *lower or no-cost from development partners, direct government grants*, through *issuance of its own lower-priced long-term KDC Corporate bonds* - an innovation that may itself be underwritten by, for example the AfDB through its subsidiary – Africa Guarantee Fund or more directly – provided of course exchange rate hedging could be secured at a low enough cost to still confer the benefit of low cost credit.

The success rate of this process will be greatly increased by the KDC *also having its non-financial de-risking functions consolidated* and massively enhanced into a full division, if not a separate entity, within the group that functioned closely like America's *Small Business Administration Agency* as noted above and elsewhere in this strategy. The government may also *consider amalgamating the Kenya Industrial Estates (KIE) with KDC* with this non-financial de-risking function mainly for SMEs being a primary mandate of the KIE division. Ultimately, increasing access and also lowering the cost of credit to Kenya's SMEs needs to eliminate replication of roles and functions and to consolidate current entities playing a variety of roles in the service of Kenya's SMEs into a single, well resourced, thoroughly professionalised entity having the wherewithal to engage with regional and international players with sufficient capital.

⁴³ <https://www.greenclimate.fund/countries/kenya>

3.5.2.4.2 Alternatively, Recapitalize other related SME-empowering institutions

In this context, it is alternatively proposed that all existing SME-enabling and de-risking entities such as the Kenya Industrial Estates also need to be recapitalised by an order of magnitude. For example, KIE is currently limited to a capital base of KES 1 Billion, when it should be at the same level as a third-tier bank of between KES 5-10 billion.

Such recapitalization will have the added advantages of driving best practice, giving access to larger international fund pools and so significantly expand and deepen their mission reach.

Here below is a listing of both financial and non-financial de-risking instruments that could be used by KDC and KIE, and their applications:

- **Financial De-risking Instruments and their application such as**
 - Loan guarantees (*a facility is to enable eligible KDC borrowers to obtain financing from third party lenders or access goods and services on credit.*)
 - Lines of Credit for importation of Plant, Machinery and equipment
 - Concessional Financing to build capacity, enter partnerships etc...
 - Project Finance,
 - Asset Finance,
 - Working Capital
 - Blended Finance solutions
 - Equity Participation as strategic co-investment partners
- **Non-financial De-risking Instruments and their application such as**
 - Advisory Services (enterprise support)
 - Investor Relations Management
 - Govt Service Liaison Services
 - *Service Support Offerings:*
 - Business Plans
 - Feasibility Studies
 - Public private Partnership Advisory
 - Financial Syndication
 - Balance Sheet Restructuring
 - Business Valuations
 - Company Secretarial Services
 - Internal Audit Services
 - ICT Services

3.5.2.5 Other broad de-risking measures to support Project Risk mitigation

- i. Establish a **Sovereign Wealth Fund** or a **National Investment Guarantee Fund** to mobilise de-risking finance. The way of sourcing funding to support investment inflows would be to create and leverage a special ring-fenced fund pool that can be used to boost Kenya's financial heft and capacity to undertake direct financial de-risking of FDI that tend to be larger ticket size projects than local ones. This pool can be either a **Sovereign Wealth Fund** or a more bespoke tailored one proposed to be called the **National Investment Guarantee Fund**. Funding of such a pool would be secured through setting aside a **fixed percentage of all revenues drawn from the extraction and monetization of ALL of Kenya's natural resources such as Oil & Gas extraction, mining and blue economy** among others. Such a Fund that would act as a 'local-risk shock absorber' for foreign investors and their local partners in addition to other roles. For example, it can:
- ii. Offer forms of **Investor Insurance cover** to catalyse speedy project set up and start up to cover initial establishment and set up costs for example:

- set-up related costs of adverse red tape processes and delays.
 - joint venture process delays completion.
 - first year legal set-up and technical transition costs.
 - other insurance covers e.g. plant and equipment import delays as an alternative to other incentives such as tax waivers and subsidies. - it can in either case still be covered under such an Investment Guarantee Fund. One such example although restricted to infrastructure FDI is Malaysia's.
- iii. **Underwrite Financial De-risking Instruments** or finance them directly as the KDC;
- iv. **Underwrite Equity participation or fund directly** by taking up equity in FDI projects as *the first* domestic equity partner or more preferably as the co-investment partner to the domestic investor partner to the FDI investor under the registered strategic partnership.

3.5.2.5.1 Establish a National Investment Land Trust (NILT) to de-risk long term Land access for Investment

Fragmentation of land ownership in Kenya has resulted in few counties being unable to provide sizable industrial development land for DI/FDI/DDI investors. Jurisdictional conflicts between National and County Governments have resulted in policy and administrative stalemates that have further dampened investment flows. The need for some form of land banking for investment was identified by the Kenya Investment Policy (

It is proposed that this land scarcity challenge is addressed through the issuance of a special infrastructure bond – the **National Investment Land Trust Bond** to solely raise funds to purchase between 100,000 - 500,000 acres in all 47 counties under a **National Investment Land Trust** that will be solely dedicated to supporting this National Investment Strategy's quest to available sufficient land at scale to drive FDI attraction, promotion and retention for Industrial, Trade and Business development. It is further proposed that this investment-dedicated land should:

- be accessible to all counties and ministries.
- be partly funded from County budget allocations to address jurisdictional challenges.
- operate under NILT legislation to prescribe its functions, reach and modus operandi for all stakeholders.
- also be funded by a NILT Bond issued as a citizens' treasury bond like M-Akiba for financial inclusion purposes to allow the benefit of financing it accrue to the largest number of citizens possible where ring-fenced income and other revenue streams from interest, operational fees and charges from the land accrue to largest possible number of citizens.

By securing sufficient land throughout Kenya for establishing SEZs, EPZs and County Aggregation and Industrial Parks (CAIPS) among others, NILT will have effectively de-risked FDI by dint of removing land scarcity or size insufficiency as an impediment to attracting large scale investments into the future.

4 Strategic Direction: Strategic Issues, Objectives, and Key Result Areas

This chapter outlines the high-level strategy elements which give strategic direction, strategic issues, strategic objectives, key result areas (KRAs) and strategic initiatives for the NISK. The section spells out the strategic priorities for the period of the NISK (2024/25 -2028/29), allocates strategic activities to responsible Ministries, Departments and Agencies, highlights other institutions who may be involved and provides timelines.

4.1 Vision Statement

The Vision of the National Investment Strategy is: ***Kenya - a dynamic, competitive and sustainable global investment hub of choice.***

4.2 Mission Statement

The Mission of the National Investment Strategy is: ***To guide the creation of a competitive and enabling environment for attraction, retention and expansion of domestic, foreign and diaspora private direct investment.***

4.3 Strategy Goal

The Goal of the National Investment Strategy is: ***To achieve rapid economic transformation through increased, beneficial private direct investment.***

4.4 Strategy Values and Principles

- **Transformative:** Driving positive change through investment outcomes
- **Inclusive:** Touching all major economic sectors, diverse regions, size of enterprise
- **Responsive:** Incorporating truths from diverse stakeholders
- **Evidence based:** Informed by research data
- **Dynamic:** Able to adapt to changing circumstances
- **Sustainable:** Espousing sustainable ESG practices as a basis for competitiveness

4.5 Key Result Areas

There are four Key Result Areas (KRAs) for the Strategy:

1. KRA 1. Creation of an enabling, facilitative and competitive investment climate and business environment
2. KRA 2: Attraction, Facilitation and Retention of Direct Investment
3. KRA 3: Incentivising Investments
4. KRA 4: De-risking FDI, DDI and DI in Kenya

4.6 KRAs, Strategic Issues and Strategic Objectives

Table 6: Summary of Key Result Areas, Strategic Issues and Strategic Objectives

No	Strategic Issue	Strategic Objective
	KRA 1. Creation of an enabling, facilitative and competitive investment climate and business environment	
1	High Cost and Low reliability of Energy. The high cost and low reliability of electricity, along with volatile fuel prices, are increasing operational costs and decreasing competitiveness.	SO 1.1 To increase access to quality, affordable and reliable clean energy.
2	Burden of regulatory compliance including unpredictable taxation: The proliferation and overlaps in regulations by different bodies, unpredictable taxes, fees, cess, levies, the bureaucracy and red tape; are cumbersome and create uncertainty for businesses.	SO 1.2 To reduce regulatory compliance burden.
3	Corruption: Weaknesses in the implementation of anti-corruption enforcement mechanisms and the persistence of corruption are eroding investor confidence.	SO 1.3 To curb corruption and enhance investor confidence
4.	Illicit Trade and Counterfeiting: The prevalence of illicit trade, particularly counterfeiting, undermines innovation and brand image.	SO 1.4 To eliminate illicit trade and counterfeiting and enhance IPR protection.
5	Inconsistencies between Kenya's EPAs with EU and UK and her commitments under EAC CET: Economic Partnership Agreements with Europe and UK have conditions not aligned with pre-existing commitments under EAC Common External Tariff, risking trade disruptions and disputes with Partner States.	SO 1.5 To centre Kenya's trade agenda on her commitments under EAC CET and AfCFTA.

6	Inefficiencies in utilisation of infrastructure services and trade facilitation: Despite some progress, inefficiencies in trade facilitation measures persist, including within the Standard Gauge Railway and accreditation processes.	SO 1.6 To fully implement WTO TFA to address gaps in key infrastructure areas of transport and ICT.
7	Inadequate mainstreaming of global climate change mitigation and adaptation agenda in investment matters: Environmental, social and governance (ESG) are increasingly important requirements for investors.	SO 1.7 To build an investment attraction ecosystem anchored on the global climate mitigation and adaptation agenda.
8	Coordination of legal reforms to foster investor confidence to retain and expand investment: the legal framework governing the investment climate and business environment has been undergoing periodic reform requiring a legal reform impact analysis to guide upgrade of laws.	SO 1.8 To strengthen investor confidence in legal/regulatory environment in order to retain and expand FDI, DI and DDI.
KRA 2: Attraction, Facilitation and Retention of Direct Investment		
1	National and sub-national IPAs investment attraction strategy and sector prioritization: A national medium-term investment attraction plan which emphasises priority sectors and targets, monitors progress and updates tactics for attraction, facilitation and retention of investment is required to achieve results.	SO 2.1 To integrate strategic planning into investment attraction at the National and County Level, through resource-based sector prioritisation
2	Ineffectual institutional framework: KenInvest as the key investment agency in the country is responsible for coordinating investment activities nationwide. Each county is expected to have a county Investment Unit. Several other agencies also have an investment promotion function. All are hampered by limited resources and capacity to effectively discharge this mandate.	SO 2.2 To strengthen the institutional capacity and coordination of national and sub-national Investment Promotion Agencies
3	Ineffective attraction of domestic, diaspora and foreign direct investment in target sectors: Kenya's investment promotion efforts have not yielded sufficient FDI and DI over the past decade.	SO 2.3 To attract domestic diaspora and foreign direct investment in target sectors.

4	Complex investment approval processes and inadequate collection of investment data: Investors undergo lengthy, multiple processes to obtain investment approvals while IPAs lack tools and systems to collect and manage investment data.	SO 2.4 To leverage technology to foster inclusive and data driven investor services
5	Investor Dissatisfaction: Various government policy actions, legal/regulatory and administrative measures that may lead to investor dissatisfaction, divestment and potential legal disputes.	SO 2.5 To enhance customer service, advocacy and aftercare as a means to attract, retain and expand investment.
KRA 3: Incentivising Investment		
1	Limited range of incentives: There are 3 sets of investment incentives - general incentives, specific incentives and the special operating framework agreement (SOFA) with the government but a wider incentive framework is needed to support delivery of economic benefits.	SO 3.1 To promote beneficial investment through performance related incentives.
2	Inadequate Infrastructure in incentivised zone schemes and in industrial parks: Special economic zones, export processing zones and industrial parks lack adequate infrastructure, utilities (water, sanitation, reliable power) and land to facilitate investment.	SO 3.2 To enhance availability of infrastructure and utilities in economic zones and similar facilities.
3	Unharmonized and costly utilities and services for incentivised zone investment: Disparate utility charges for similar activity across incentivised zone schemes and costly work permits discourage investment.	SO 3.3 To harmonise regulatory requirements, services and charges for similar licenses incentivised zones.
4	Value Chain Structural Constraints: Inefficiencies and lack of competitiveness due to high factor costs in targeted value chains, such as textiles, which discourage investment.	SO 3.4 To increase vertical linkages within value chains for competitive production.
KRA 4: De-risking FDI, DDI and DI in Kenya		
1	The absence of a comprehensive National De-risking Framework (NDF) to de-risk FDI, DI and DDI to mitigate the effect and impact of Country Risk, Industry	SO 4.1 To create and operationalise a National De-risking Framework (NDF) to de-risk FDI, DI and DDI to mitigate the effect and impacts of Country Risk, Industry Risk and Project Risk on investment attraction

	Risk and Project Risk on investment attraction and retention and so enhance Kenya's Competitiveness as an Investment destination.	and retention and so enhance Kenya's Competitiveness as an Investment destination
2	Country Risk: Kenya lacks a Country Risk management protocol to mitigate it and so increase Kenya's FDI inflows;	SO 4.2 To improve Kenya's Country Risk through proactive de-risking interventions and instruments that lower its Country Risk Premium
3	Industry Risk: Lack of an Industry Risk management protocol to mitigate its impact at the sector and to enhance Kenya's sector-level competitiveness to attract FDI	SO 4.3: To lower Industry Risk at the sector and sub-sector level through de-risking interventions and instruments that support and enhance Kenya's sector and subsector competitiveness to attract FDI into selected value chains.
4	Project Risk: Both domestic and foreign investors frequently face challenges handling uncertainties related specifically to their particular investment project, and tools to mitigate the risks are required.	SO 4.4: To mitigate Project Risk through clear 'last-mile' support pathways via prescribed de-risking interventions/instruments to support Kenya's FDI investment attraction.

The national investment strategy has 21 strategic objectives within the four KRAs, as listed below.

1.KRA 1. Creation of an enabling, facilitative and competitive investment climate and business environment

- a) SO 1.1 To increase access to quality, affordable and reliable clean energy.
- b) SO 1.2 To reduce regulatory compliance burden
- c) SO 1.3 To curb corruption and restore investor confidence
- d) SO 1.4 To eliminate illicit trade and counterfeiting and enhance IPR protection.
- e) SO 1.5 To centre Kenya's trade agenda on her commitments under EAC CET and AfCFTA
- f) SO 1.6 To fully implement WTO TFA to address gaps in key infrastructure areas of transport and ICT.
- g) SO 1.7 To build an investment attraction ecosystem anchored on the global climate mitigation and adaptation agenda.
- h) SO 1.8 To strengthen investor confidence in legal/regulatory environment in order to retain and expand FDI, DI and DDI.

2.KRA 2: Attraction, Facilitation and Retention of Direct Investment

- a) SO 2.1 To integrate Strategic Planning into Investment Attraction at the National and County Level, through resource-based sector prioritisation
- b) SO 2.2 To strengthen the institutional capacity and coordination of national and sub-national Investment Promotion Agencies
- c) SO 2.3 To attract domestic, diaspora and foreign direct investment in target sectors
- d) SO 2.4 To leverage technology to foster inclusive and data driven investor services
- e) SO 2.5 To enhance customer service, advocacy and aftercare as a means of attraction, retention and expansion of investment.

3. KRA 3: Incentivising Investment

- a) SO 3.1 To enhance economic benefits of investment through performance related incentives.
- b) SO 3.2 To enhance availability of infrastructure and utilities in economic zones and similar facilities
- c) SO 3.3 To harmonise charges and regulatory requirements as incentives for similar activities in various zone scheme
- d) SO 3.4 To increase vertical linkages within value chains for competitive production

4.KRA 4: De-risking FDI, DDI and DI in Kenya

- a) SO 4.1 To create and operationalise a *National De-risking Framework* (NDF) to de-risk FDI, DI and DDI to mitigate the effect and impacts of Country Risk, Industry Risk and Project Risk on investment attraction and retention and so enhance Kenya's Competitiveness as an Investment destination
- b) SO 4.2 To mitigate Kenya's *Country Risk* so as to attract more investment
- c) SO 4.3: To lower Industry Risk at the sector and sub-sector level through de-risking interventions and instruments that support and enhance Kenya's sector and subsector competitiveness to attract FDI into selected value chains.
- d) SO 4.4: To mitigate Project Risk through clear 'last-mile' support pathways via prescribed de-risking interventions/instruments to support Kenya's FDI investment attraction.

Table 7: KRAs, Strategic Objectives and Strategic Initiatives

Key Result Area (KRA)	Strategic Objective	Strategic Initiatives
KRA 1. Creation of an enabling, facilitative and competitive investment climate and business environment	SO 1.1: To increase access to quality, affordable and reliable clean energy	- Remove taxes and levies on the electricity tariffs cost build up and on the fuel for electricity generation to reduce the cost of electricity tariff. - Expand Generation of private off-grid and on-grid sustainable electricity - Implement the auction-based power procurement system and foster development of battery storage technologies to reduce reliance on thermal power and increase use of renewable energy. - Have a single competitive procurement process (periodic common tendering for similar equipment, components and consumables in public energy sector) for all energy projects being procured to increase transparency, competition, and lower prices. - Review Time of Use (TOU) policy (for cheaper off-peak power tariff) for large commercial and industrial consumers - Implement Regional Power pools in KPLC with independent but interconnected generation and distribution systems to minimise commercial losses and improve profitability. EPRA to licence regional companies of power distribution to reduce losses and enhance viability, to reduces losses & enhancing the corporation's viability.
	SO 1.2 To reduce regulatory compliance burden	- Harmonization of regulations between counties and national government and amongst national government bodies, to reduce overlaps and duplication of mandates - Review tariffs, charges, cess and fees at national and county level for affordability by investors. - Implement a more enabling tax policy environment and reduce tax levels - Support stakeholder awareness and participation in mandatory regulatory impact assessments (RIA) for all proposed regulations
	SO 1.3 To curb corruption and restore investor confidence	- Automation of business processes & reduce human discretion in administrative processes. - Adoption of 'publish what you buy policy' policy in Government (national & County) procurement to enhance transparency and openness in government procurement - Integrated use of technology such as digitising the investigation and prosecution of corruption cases to enhance efficiency, independence and timely determination.

	SO 1.4: To eliminate illicit trade and counterfeiting and enhance IPR protection	- Enhance the multi-agency approach and foster coordination of enforcement agencies to increase compliance and implementation. - Leverage on technology to implement the single product unique identifier for compliance and authentication - As part of the multi-agency team KPIs, conduct periodic impact analysis on the extent of illicit and counterfeit trade in Kenya to ascertain trends and assess resulting
	SO 1.5 To centre Kenya's trade agenda on her commitments under EAC CET and AfCFTA	- To solidify Kenya's place as an anchor state in the deepening regional and continental economic integration - Spearhead the review and possible ratification of the Protocol on Investment of the AfCFTA through inter alia engaging other relevant State Departments - Undertake review of the state of play in the WTO discussions on Investment Facilitation for Development (IFD) with a view to providing guidance on Kenya's membership of the related Joint Initiative Statement - Advocate for the full implementation of the WTO Trade Facilitation Agreement (as the TFA's objectives of expediting the movement, release and clearance of goods across borders is integral to an enabling business environment)
	SO 1.6: To fully implement the WTO TFA to address gaps in the key infrastructure areas of transport and ICT	- Expedite utilisation of private and public investments in cellular mobile and broadband network infrastructure and services, linking underserved regions which have potential for digital service businesses - Develop measures to enhance efficient and cost-effective inland transport from the ports.
	SO 1.7 To build an investment ecosystem anchored on the global climate mitigation and adaptation agenda	- Based on the Kenya Nationally Determined Contributions (NDCs) to climate mitigation and adaptation, frame appropriate investments promotion measures to avail Kenya of the SDG-gap financing investments - Contribute to the design of NDC bankable projects and channelling of investments into the renewable energy, blue economy and other SDG-related sectors
	SO 1.8 To strengthen investor confidence in legal/regulatory environment in order to retain and expand FDI, DI and DDI	- Undertake an impact assessment of previous business legal/regulatory reforms - Undertake evidence-based upgrade of laws and regulations as guided by the legal reform impact assessment.
KRA 2: Attraction, Facilitation and Retention of Direct Investments	SO 2.1: To integrate Strategic Planning into Investment Attraction at the National and County Level, through resource-based sector prioritisation	- Resource mapping in counties (to inform long-term strategic planning and sector prioritisation) - Development and implementation of a rolling 3- year National Investment Promotion Plan to coordinate execution of investment promotion goals, pinpoint specific

		investment opportunities, profile target investors, marketing tactics and detailing marketing budget Facilitation of county preparation of County Investment Profiles and investment regulatory frameworks
	SO 2.2 To strengthen the institutional capacity and coordination of national and sub-national Investment Promotion Agencies	- Coordination of investment promotion and facilitation functions of national investment-related agencies and County Investment Units (CIUs), for synergy and effective implementation of the national investment strategy for Kenya - Capacity building and coordination of investment promotion activities in core national promotion agencies - Provision of targeted capacity development support to County Investment units
	SO 2.3 To attract domestic, diaspora and foreign direct investment in target sectors	- Implement the rolling 3-year Medium Term Investment Attraction Program - Develop and implement targeted investment attraction strategies
	SO 2.4 To leverage technology to foster inclusive and data driven investor services	- Establishment of upgraded, centralised Investment Promotion Information Dissemination Portal to support investor decision making at pre-investment, establishment and aftercare stages - Implementation of a National Investment Customer Relationship Management (CRM) system at national, cross-agency level, to support investor relations, streamline investment processes and automate updating of customer records - Establish a centralized, secure data collection system for investment outcome-related data and information, including the creation of a standardised mechanism for tracking investments at the County and National level - Streamline investment project evaluation systems facilitation
	SO 2.5 To enhance customer service, advocacy, and aftercare to attract, retain, and expand investment	- Development of investment aftercare in all investment agencies including CIUs. - Establish an Investment Grievance Mechanism - Harmonise and strengthen One Stop Shop/ One Stop -One Go Services (One Stop Shop) to facilitate investors at all stages in investment life cycle
KRA 3: Incentivising Investment	SO.3.1 To promote beneficial investment through performance related incentives	- Establish a new national incentive framework to deliver higher investment impact - Conduct periodic assessment of Economic Benefits of incentivised investment
	SO 3.2 To enhance availability of infrastructure and utilities in economic zones and similar facilities	- Implement prioritised zone development programme - Supply enhancement initiatives for water-stressed zones - Undertake a Green energy initiative- promoting affordable, renewable power.

	SO 3.3 To harmonise regulatory requirements, services and charges for similar licenses incentivised zones	• Harmonized utility charges for EPZs and SEZs. • Improved Immigration facilitation package for EPZs and SEZs
	SO 3.4 To increase vertical linkages within value chains for competitive production	• Expansion of local production and supply of raw materials and intermediate goods to industrial parks, SEZs and EPZs • Investment in new ventures which use local inputs
KRA 4: De-risking FDI, DDI and DI in Kenya	SO 4.1 To create and operationalise a National De-risking Framework (NDF) to de-risk FDI, DI and DDI to mitigate the effect and impacts of Country Risk, Industry Risk and Project Risk on investment attraction and retention and so enhance Kenya's Competitiveness as an Investment destination.	• Draft and operationalise the National De-risking Framework (NDF)
	SO 4.2, To improve Kenya's Country Risk through proactive de-risking interventions and instruments that lower its Country Risk Premium	• Integrate international agency country de-risking program offers (e.g. ODA/MIGA) into the NDF - Kenya's de-risking framework • Master Credit Agencies Quantitative Evaluation Models to support Investment attraction through better Country Risk management • Apply policy and institutional measures to enhance Kenya's international reputation as upholding of the rule of law and governance, and so improve Kenya's Country Risk profile
	SO 4.3: To lower Industry Risk at the sector and sub-sector level through de-risking interventions and instruments that support and enhance Kenya's sector and subsector competitiveness to attract FDI into selected value chains.	• Address macroeconomic risk • Address regulatory risk • Address Climate and Environmental risk
	SO 4.4 To mitigate Project Risk through clear 'last-mile' support pathways via prescribed de-risking interventions/instruments to support Kenya's FDI investment attraction.	• Enhance Kenya Development Corporation (KDC's) Catalytic Role to help Private Sector Players Partner with Foreign Investor • Establish a Sovereign Wealth Fund or a National Investment Guarantee Fund to mobilise de-risking finance

		• Establish a National Investment Land Trust (NILT) to de-risk long term Land access for Investment



5 Implementation and Coordination Framework

5.1 Overview

This implementation plan for the National Investment Strategy, breaks down the Strategic elements under each of the four KRAs into Strategic Objectives, then Strategic Initiatives and the Key Activities. Each activity is assigned to a responsible Ministry, Departments or Agencies (MDA) who will lead implementation of the activity, being the first institution listed. Other relevant agencies who will be involved in the activity are also listed. SDIP will be responsible for coordinating and championing these activities within the 5-year time frame. The expected timelines for each activity are also listed by quarters within the five years of strategy implementation.

The Matrix will enable specific activities to be planned within a particular timeframe and cascaded down to annual performance contracts of institutions involved. Generally, all strategic initiatives commence within the first year and while some are short projects, others have key activities which are spread throughout most of the five-year period.

The acronym for the key MDA responsible for implementing the key activity in this matrix is underlined and in bold font, while supporting, collaborating institutions are also listed. The key owner of the activity within SDIP being either a department or a state corporation under SDIP is also indicated. The full version of any abbreviated names of institutions are given in the list of abbreviations and acronyms at the beginning of this report.

5.2 Implementation Plan

5.2.1 KRA 1: Creation of an Enabling, Facilitative and Competitive Investment Climate and Business Environment

Outcome indicator: Improvement in Global Sustainability Competitiveness Index (GSCI-Solability)

Target: Improve ranking from 97th globally (2023) to 70th in 2028.

Table 8: KRA 1 - Implementation plan

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
SO 1.1: To increase access to quality, affordable and reliable clean energy							
Outcome Indicator: Reduction in the cost of electricity for businesses.							
Target: Reduce power tariff for large commercial/industrial consumers to less than 15.5 KES per kWh within 5 years.							
1.1.1 Remove taxes and levies on the electricity tariffs cost build up and on the fuel for electricity generation to reduce the cost of electricity tariff.	1.1.1.1 Review tax structure to eliminate 16% VAT embedded tax on demand charges, fuel energy in the power tariff and make proposals for Finance Bill 2025.	Taxation policy proposals adopted and implemented through Finance Act 2025 or relevant Bill	Policy proposals reflected in enacted legislation.	Nil VAT on demand charges, fuel energy in power tariff proposals in Finance Bill 2026 and subsequent Acts within 18 months.	0.5	SD Energy/The National Treasury (TNT)/EPRA/SDIP	Y1Q2-Y2Q2
	1.1.1.2 Advocate for adoption of tax reduction proposals	Taxation Policy proposals adopted and implemented through Finance Act 2025 or relevant Bill	Policy proposals reflected in enacted legislation	100% Policy adoption through legislation within 24 months	2	National Treasury / SDIP/SD Energy	Y1Q4-Y2Q4
1.1.2 Expand Generation of private off-grid and	1.1.2.1 Open Captive power market by lifting the 1 MW cap on sales of own-generated power.	Policy changes which are enacted in revision of Energy Act 2019.	Change in Least cost power development plan provision	Revision of Energy Act (2019) to remove 1 MW cap within 9 months	5	SD Energy/EPRA/SDIP	Y1Q2-Y1Q3

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
on-grid sustainable electricity	1.1.2.2. Promote establishment of Captive Power Units which use renewable energy, in the productive sector	Increased adoption of renewable energy in the productive sector	Number of new captive power units using renewable energy established	Establish 7 new units within 5 years	10	KenInvest/E PRA/SDIP	Y1Q4-Y5Q4
	1.1.2.3 Expedite operationalization of net metering regulations and wheeling tariff framework for small power generators to transmit power via grid.	Streamlined processes for connecting small power generators to the grid	Net metering regulations and wheeling tariff framework operating regulations gazetted and in operation.	Net metering and wheeling tariffs in operation in 12 months	5	EPRA/SLO/SDIP	Y1Q3-Q4
	1.1.2.4 Establish Policy and regulatory Framework to Retool/relocate thermal Independent Power Producers (IPPs) to utilize renewable energy (geothermal, wind, biomass, LNG, biogas) and retire thermal power plants upon expiry of under renegotiated terms for remainder of PPA term.	Regulatory framework for transitioning existing thermal IPPs to renewable energy	Percentage completion of Policy framework established with clear guidelines for IPP transition	100% completion within 18 months	15	SD Energy/EPR A/SDIP	Y1Q2-Y2Q2

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
	1.1.2.5 Identify viable IPP relocation/retooling projects & possible sources of finance to defray relocation/retooling costs. Renegotiate PPAs with relevant Independent Power Producers (IPPS) to retool and/or relocate plants in order to generate affordable, sustainable power using renewable energy sources.	Renegotiated Power Purchase Agreements (PPAs) with IPPs (being retooled and in some cases relocated) for renewable energy generation	Number of IPP PPAs amended for renewable energy use	4 IPP Projects with amended PPAs withing 36 months	15	SD Energy	Y1Q2-Y3Q4
	1.1.2.6. Promote financing of power distribution and transmission sector to create the transmission networks required to offtake geothermal power and surplus night power.	Adequacy of funding of grid infrastructure for evacuation of generated power to consumers	new grid infrastructure required which are funded.	95% of required funding committed within 5 years	50	SD Energy/EPR A/SDIP/National Treasury	Y2Q1-Y5Q4
1.1.3 Implement the auction-based power procurement system and foster development of battery storage technologies to reduce reliance on thermal power and increase use of renewable energy.	1.1.3.1. Implement Renewable Energy Auction Policy, 2021 for auction-based power purchase to ensure lowest power tariff.	Renewable Energy Auction Policy (2021) effected	% Amendment of relevant laws and regulations	100% of relevant laws and regulation amended within 2years	15	SD Energy/	Y1Q3-Y2Q4
	1.1.3.2 Promote adoption of Battery Energy Storage Systems for power generators through exemption of import duty on all equipment and materials for battery storage.	Import duty exemption on all equipment and materials for battery storage I	Percentage reduction in import duty on items	100% import duty exemption effected within 2 years	5	SD Energy/EPR A/ National Treasury/SDIP	Y1Q3-Y2Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
1.1.4 Have a single competitive procurement process (periodic common tendering for similar equipment, components and consumables in public energy sector) for all energy projects being procured to increase transparency, competition, and lower prices.	1.1.4.1. Review and revise public procurement policy and regulations for energy sector to align procurement specifications for similar purchases, in order to enhance competitiveness, economies of scale and efficiency of procurement for energy sources.	Revised Energy Policy 2018 and revised of Public Procurement and Disposal Act Regulations	Policy proposals embodied in laws and regulations.	Relevant Energy regulation(s) amended within 2 years	7	SD Energy/National Treasury/SDIP	Y2Q1-Y2Q4
	1.1.4.2 Establish and operationalize an Energy Project Procurement Information Window at the EPRA, mirrored by and in collaboration with the Public Procurement Information Portal, to provide information on tender bids and resulting contracts with further analysis of costs.	Functional online platform for energy project procurement information.	Website with details power tender details, awarded contracts and cost analysis	Operational procurement platform within 2 years	15	SD Energy/National Treasury/EPRA/KenInvest/SDIP/KPLC	Y1Q4-Y2Q4
	1.1.4.3. Identify energy procurement stakeholders and promote use of the Energy Project Procurement Information Window amongst them.	Increased stakeholder awareness and utilization of the platform	Percentage of identified energy procurement stakeholders using the platform	70% by end of year 4	20	EPRA/KenInvest/SDIP/KPLC	Y3Q1-Y5Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
1.1.5 Review Time of Use (TOU) policy (for cheaper off-peak power tariff) for large commercial and industrial consumers	1.1.5.1 Engage Regulators and Industry to propose and approve an enabling preferential TOU tariff for large consumers.	Stakeholder consensus on measures to reduce commercial losses	Publishing of revised TOU tariff.	New tariff guide within 15 months	15	SD Energy/EPR A/SDIP/KPLC	Y1Q2-Q4
	1.1.5.2 Promote use of new Time of Use (TOU) tariff.	Increased adoption of TOU tariffs by large consumers	Percentage of large industrial/commercial power adopting TOU tariff	70% large consumers utilizing the TOU within 5 years	15	EPRA/ SDIP	Y2Q2-Y5Q4
1.1.6 Implement Regional Power pools in KPLC with independent by interconnected generation and distribution systems to minimize commercial losses and improve profitability. EPRA to license regional companies of power distribution to	1.1.6.1 Engage with stakeholders (regulator, consumers, distributors, generators) to review this and other proposals for optimizing efficiency of distribution networks, reduce commercial losses.	Consensus on reduced commercial losses in power distribution	National Power distribution strategy and implementation plan	100% implementation of strategy and implementation plan in 2 years	15	SD Energy/EPR A /SDIP/KPLC	Y1Q2-Y2Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
reduce losses and enhance viability, to reduces losses & enhancing the corporation's viability	1.1.6.2. Approve the power distribution licensees/distribution operators or other policy choice to affect the reduction of current high level of commercial losses (due to illegal connections, non-collection/billing), implemented through regulatory measures.	Restructured power distribution system	No. of licenses issued, and Number of regional power pools established	3 KPLC power pools established and at least 1 distributor licensed within 30 months	10	EPRA/SD Energy /SDIP/KPLC/ KETRACO	Y1Q2-Y3Q2
	1.1.6.3 Engagement of the Distribution Supply Operators and monitoring of both system reliability and commercial losses.	Increased system reliability (minimize outages, interruption, and commercial losses)	Power interruptions and commercial losses	Commercial losses and Power interruptions falling within industry standards, within 30 months.	150.0	EPRA/SDIP/SD Energy	Y1Q3-Y3Q2
SO 1.2 To reduce regulatory compliance burden							
Outcome Indicator: Number of regulations streamlined or eliminated							
Target: Streamline or eliminate Y number of regulations within Y years							
1.2.1: Harmonization of regulations between counties and national government and amongst national government bodies, to reduce overlaps	1.1.2.1 Advance the harmonization of county licensing and revenue collection mechanisms through enactment of the County Government (Revenue Raising Process) Bill and the County Licensing (Uniform Procedures) Bill.	Streamlined county revenue collection mechanisms and harmonized county licensing procedures	Number of counties implementing standardized revenue collection processes - Number of counties implementing standardized licensing procedure	40 Counties implementing measures within 24 months	10	SDIP/CoG/Ci Us	Y1Q3-Y2Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
and duplication of mandates	1.1.2.2. Review overlapping regulatory mandates amongst national institutions and between national institutions and the county governments.	Areas of regulatory overlap between national and county governments as well as between national MDAs identified. (May Include: business registration and licensing, labelling and inspection, safety of premises, cess requirements, occupational safety and health. environmental standards, food and beverage processing, waste disposal, licenses to transport waste, noise and vibration, construction and health regulations).	Report outlining areas for rationalization, and with recommendations	Report finalized within 2 Years and recommendations implemented within 4years	15	SDIP/Office of the President/ CoG/CIUs	Y1Q3-Y4Q4
1.2.2: Review tariffs, charges, cess and fees at national and county level for affordability by investors.	1.2.2.1 Benchmark competitiveness of licence fees charged by regulatory agencies for licenses, develop rationalized competitive tariffs for county and national bodies and engage with regulatory bodies and county governments and obtain approval for phased reduction of some county level charges, as other avenues for	Competitive, predictable and business-friendly licensing and regulatory fees	Tariff Structure Rationalisation Reports	90% harmonised license tariff structure achieved within 30 months	5	SDIP/Office of the President/ CoG/CIUs	Y1Q4-Y3Q2

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
	Own Source Revenue (OSR) are being developed.						
	1.2.2.2. Monitor the implementation of the revised charges, levies and fees.	Effective enforcement of rationalized fee structure	Percentage Compliance with new fee structure by regulatory bodies and counties	100% compliance rate attained within 5 years	20	SDIP/CoG/Ci Us	Y3Q3-Y5Q4
1.2.3: Implement a more enabling tax policy environment	1.2.3.1 Advocate for policy to enable KRA offset overpaid taxes against an enterprise's tax liabilities.	Policy proposals to allow offsetting of overpaid taxes against tax liabilities	Policy approval and amendment of tax regulations.	Regulations effecting policy, enacted within 18 months	2	SDIP/ National Treasury/ KRA/	Y1Q2-Y2Q2
	1.2.3.2 Advocate for increased allocation to KRA, adequate to cover tax refunds.	KRA increased flexibility to handle tax refunds	Refund allocation increased	Refund Allocation effected within 15 months	5	SDIP/ National Treasury/KR A	Y1Q2-Y2Q1
	1.2.3.3 Engage with national government so as to effect enactment and implementation of National Tax Policy, and provide regulatory measures to effect the policy.	Effective implementation of National Tax Policy	Percentage implementation of Policy's tax measures	National Tax policy 100% effected within 2 years.	10	KRA/National Treasury/SDIP	Y1Q2-Y2Q4
1.2.4: Support stakeholder awareness and participation in mandatory regulatory impact assessments (RIA)	1.2.4.1 Promote awareness amongst stakeholders and general public of the RIA process and need to engage during development and validation of proposed regulations.	Enhanced outreach to publics and stakeholder on engagement in RIA process	Stakeholder Awareness of RIA Processes and the need for their participation.	60% increase in stakeholders' awareness within 54 months	30	SDIP/State Law Office (SLO)	Y1Q3-Y5Q2

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
for all proposed regulations.	1.4.2.2 Establish mechanism for monitoring and public reporting of inclusion of Stakeholders and Public in Regulatory Impact Assessment process	Stakeholders adequately included in RIA Processes	RIA Stakeholder inclusion Reports	30% increase in stakeholders and public inclusion in RIA within 54 months	4	State Law Office/SDIP/KNBS /National Treasury	Y1Q3-Y5Q2
SO 1.3: To curb runaway corruption							
Outcome Indicator: Transparency International Corruption Perception Index ranking for Kenya.							
Target: Improve Kenya's ranking on the Transparency International Corruption Perception Index to below position 75 within 5 years.							
1.3.1: Automation of business processes & reduction of human discretion in administrative processes.	1.3.1.1 Support reinvigoration of public service delivery and customer care culture in public MDA offices (updating service charters, re-training staff in customer care, implementing rewards and recognition for quality-of-service delivery and elevating performance management excellence as key deliverable for Kenya's public sector).	Improved customer care culture and service delivery efficiency	Mean public sector MDA customer satisfaction ratings for public service delivery	Mean rating 65% on customer satisfaction with MDAs, within 3 years	150	SD Performance and Delivery Management/Office of Prime Cabinet Secretary (Coordination Unit)/ SDIP	Y1Q3 - Y3Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
	1.3.1.2 Design and Implement accelerated and expanded automation of delivery to business of administrative services across government, using only non-cash payment system incorporating records of services delivered/decisions rendered, accessible through a revamped E-Citizen, E-Business, Huduma Service or other portal	Expanded use of e-Citizen, E-Business, BRS, Huduma or other portals for government regulatory services for business	Increased number of services available online	97% of regulatory services for business offered online within 4years	250	SD Performance and Delivery Management (SDPRM)/SDIP/ICT Authority (ICTA)/Office of the President	Y1Q3-Y4Q4
	1.3.1.3. Collect data and publish annual reports of each agency's performance on service delivery.	Increased transparency and accountability for service delivery	Availability of annual reports on agency performance	Annual Reports in Q4 of the fiscal year	6	SD PDM/ICTA/SDIP/Office of the President	Y1 Q4, Y2 Q4, Y4Q4, Y5Q4
1.3.2: Adopt a 'publish what you buy policy' policy in Government (national & County) procurement to enhance transparency and	1.3.2.1. Assess data captured on Public Procurement Information Portal and how effective it is in enhancing transparency and openness in government procurement and if further transparency is required.	Increased understanding on the levels of transparency and openness	Availability of assessment reports	Report completed within 18 months and annually thereafter	25	National Treasury/ICTA/SDIP	Y2Q1-Q2, Y3Q1-Q2, Y4Q1-Q2, Y3Q1-Q2

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
openness in government procurement.	1.3.2.2. Propose & have approved the “Publish What you Buy” policy which obliges public bodies to share information on what has been procured, with information on terms of the purchases made. Amend the presentation of information on the portal to provide adequate information for increased transparency and analysis of procurement. and train public procurement units on its use.	Enhanced transparency in government procurement	Public availability of detailed procurement information	Policy enacted through regulations within 18 months	20	National Treasury/ICT A /SDIP	Y1Q3-Y2Q2
	1.3.2.3 Promote use of the portal by public procurement departments and by professionals and BMOs while amending the presentation of information on the portal to provide adequate information for increased transparency and analysis of procurement. and train public procurement units on its use.	Increased awareness and utilization of the procurement portal	Percentage of transactions shared through the portal	100% within 5 years	20	National Treasury/ICT A /SDIP	Y2Q3-Y5Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
1.3.3: Integrate use of technology such as digitizing the investigation and prosecution records of corruption cases to enhance efficiency, independence and timely determination.	1.3.3.1 Evaluate current system for handling data on corruption cases and tracking their progress to identify sources of delay, loss of information and evidence, insufficient data security and other impediments to successful investigation and prosecution of cases.	Information system audit. Digitize all investigation and prosecution records	Internal Audit report (public version leaves out case details)	Audit reports published within 24 months and annually thereafter.	10	EACC/ ICTA/ Director of Public Prosecution (DPP)/Judiciary/SDIP	Y2 Q1-Q2, Y3Q1-Q2, Y4 Q1-Q2, Y5Q1-Q2
	1.3.3.2 Propose, develop and adopt improvements in the current system through secured access, modern information technology system to record and digitize investigation and prosecution information (e.g. investigation report, evidence from recorded statements, scene of crime pictures, documentary records etc) as well as prosecution pleadings and case notes.	Weaknesses in data management and case progress tracking addressed	Internal Report on implementation of Improvement in case data handling for EACC prosecutions.	Report completed within 18 months and annually thereafter	10	EACC/DPP/ ICTA /SDIP/ Judiciary	Y2Q2, Y3Q2, Y4Q2, Y5Q2
	1.3.3.3. Implement and monitor the secured-access, modern information technology system to record and digitize investigation and prosecution case records, for corruption cases.	Modern system for recording, storing, and managing case information	Functional and secure IT system for case management	System operational within 24 months	200	EACC/ DPP//ICT Authority /SDIP	Y1Q3-Y2Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
	1.3.3.4: Prioritise prosecution of corruption cases through an enhanced digital linkage to enable other more courts to deal with corruption cases at the sub-regional level.	Increased number of corruption cases well investigated and well prosecuted in diverse court locations.	Percentage of corruption cases investigated effectively and prosecuted in sub-regional courts.	30% of cases effectively investigated and prosecuted in subregional corruption courts within 4 years	150.0	EACC/ SDIP/OP/Treasury/DCI	Y2Q1-Y4Q4
SO 1.4: To eliminate illicit trade and counterfeiting and enhance IPR protection							
Outcome Indicator: Value of seized counterfeit goods as a percentage of total imports.							
Target: Reduce the value of seized counterfeit goods as a percentage of total imports by 50% within 5 years.							
1.4.1: Enhance the multi-agency approach and foster coordination of enforcement agencies to increase compliance and implementation.	1.4.1.1 Update stakeholders on state of play of multi-agency task force and on illicit trade and counterfeiting.	Informed stakeholders on progress and illicit trade trends-	Regularly published reports on inter-agency anti-counterfeiting actions	Update published within 9 months and quarterly thereafter	10	Anti-Counterfeit Authority (ACA)/ SD Industry/SD Trade/KRA/SDIP	Y1Q3-Y5Q4
	1.4.1.2 Propose and obtain Cabinet approval of high-level reporting on inter-agency anti-counterfeiting actions	Cabinet-level oversight of anti-counterfeiting efforts	Approval of high-level reporting mechanism	Policy approved within 21 months	2	SD Industry/ACA/MITI/State Law Office	Y1Q3-Y2Q3
	1.4.1.3 Undertake baseline evaluation of public awareness and undertake promotion enhance understanding amongst stakeholders and public of forms of IPR violations, harm to Kenyan economy, mechanisms to reduce	Improved awareness of IPR Issues by publics.	Increase in understanding of IPR issues amongst stakeholders and general public	Increase of 45% (over baseline) public awareness within 5 years.	50	SD Industry / KIPi	Y1Q4-Y5Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
	incidence, & penalties for infringement.						
1.4.2: Leverage on technology to implement the single product unique identifier for compliance and authentication	1.4.2.1 Support ACA and relevant agencies to share learning from previous single products unique identifier (SPUI) projects e.g. for seeds, to identify policy lessons and best practice.	Learning on past lessons and best practice	Report on Learning and Best Practice in Utilization of SPIUs.	Report completed in 18 months	10	ACA/SD Industry / SDTrade/ KIPI/SDIP	Y1Q4-Y2Q2
	1.4.2.2 Engage with stakeholders to assess baseline awareness and run campaigns to create public awareness of SPUI technology as a means to identify genuine goods.	- Increased public awareness of SPUI and its benefits	- Public awareness on SPUI technology	30% increase in awareness (over baseline) within 4 years	5	ACA/SD Industry / SDTrade/ KIPI/SDIP/KRA	Y21Q4-Y4Q4
	1.4.2.3 Support phased roll out of SPUI technology in prioritised sectors and product markets.	Increased adoption of SPUI technology in market	Report on SPUI technology adoption	20% increase in SPUI technology amongst products sold in product markets by year 5	15	ACA/SD Industry / SDTrade/ KIPI/SDIP/KRA	Y2Q3-Y5Q4
1.4.3: As part of the multi-agency team KPIs, conduct periodic impact analysis on the extent of illicit and counterfeit trade in Kenya to ascertain	1.4.3.1 Support ACA and multi-agency taskforce to develop framework for assessing impact of illicit and counterfeit trade which will include impact on manufacturing sector, and on investment.,	Comprehensive framework for measuring trade impact of counterfeit and illicit goods in Kenya.	Established framework for assessing illicit trade impact	Framework developed and adopted within 15 months	5	ACA/SD Industry / SDTrade/ KIPI/SDIP/KeBS	Y1Q2-Y2Q1

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
trends and assess resulting	1.4.3.2. Promote periodic (annual) impact assessment of effect of illicit goods on consumers, manufacturers, brand holders, regulators, revenue agencies, traders and others.	Regular evaluation of illicit trade effects	Annual report on impact of illicit goods	Report published in 18 months and annually thereafter	10	ACA/SD Industry / SDTrade/ KIPI/SDIP/K NBS	Y2Q2, Y2Q2, Y4Q2, Y5Q2
SO 1.5: To centre Kenya's trade agenda on her commitments under EAC CET and AfCFTA							
Outcome Indicator: Outcome Indicator: Increased intra-EAC and intra-Africa trade							
Target: Achieve 25% increase in intra-EAC and intra-Africa trade within 5 years							
1.5.1: To solidify Kenya's place as an anchor state in the deepening regional and continental economic integration	1.5.1.1 Harmonise import tariffs under the UK-Kenya and the EU-Kenya Economic Partnership Agreements (EPAs) with EAC CET, to prevent distortion of intra-region tariff framework in EAC.	Alignment of UK-Kenya EPA and EU-Kenya EPA tariff structures with EAC CET	- Harmonized tariffs under EAC CET, UK-Kenya, and EU-Kenya agreements	Achieve tariff harmonization within 24 months	10	SD for Trade/ SD East Africa Community/ SDIP/ National Treasury	Y1Q3-Y2Q4
	1.5.1.2 Support Renewal and Utilisation of the Africa Growth and Opportunity Act (AGOA) by US Congress and its utilisation (engaging Kenya's private sector BMOs, U.S. buyer associations, individual U.S. Corporations with interest in Africa, Pro-African Caucuses in the U.S., and Kenya's Mission in Washington DC.)	Continued duty-free access to US market	AGOA Extension Act Enactment, Reports on Kenya's exports to U.S under AGOA.	AGOA Extension enacted in Law within 12 months.	10	SD for Trade/ SDIP/SDI/ SDFA	Y1Q2-Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
1.5.2: Spearhead the review and possible ratification of the Protocol on Investment of the AfCFTA through inter alia engaging other relevant State Departments	1.5.2.1 Engage with other state departments to sensitize stakeholders on the AfCFTA Protocol on Investment and to hear views on benefits and drawbacks of ratifications.	Stakeholders adequately informed on merits of AfCFTA Investment Protocol	Reports on Stakeholder participation in AfCFTA Investment Protocol sensitisation.	2 Stakeholder sensitisation and engagement events within 18 months	15	SDIP/ SD Foreign Affairs/ SD Trade/SD Trade/SD Industry	Y1Q3-Y2Q2
	1.5.2.2 Propose Ratification of AfCFTA (with modifications as necessary)	Ratified AfCFTA Investment Protocol	Ratification of AfCFTA Investment Protocol	Decision made on ratification of AfCFTA investment Protocol within 24 months	2	SDIP/ SD Foreign Affairs/ SD Trade/SD Industry	Y1Q3-Y2Q4
	1.5.2.3: Establish AFCFTA Focal Point Structure	Established AFCFTA Focal Point Structure	Operational AFCFTA Focal Point Structure	Establish a functional AFCFTA Focal Point Structure within 12 months.	5	DBRT/KenInvest/ SEZA/EPZA, NIFCA/Konza TDA/CIUs/CoG	Y1Q3-Q4
1.5.3: Undertake review of the state of play in the WTO discussions on Investment Facilitation for Development (IFD) with a view to providing guidance on Kenya's	1.5.3.1 Form an inter-ministerial IFD working Group	Established IFD Working Group	Functional inter-ministerial IFD working Group	Working group formed within 9 months	1	SDIP/ SD Foreign Affairs/ SD Trade/National Treasury.	Y1Q3-A4
	1.5.3.2 Review the outcome of the February 2024 WTO Ministerial Conference on the subject of IFD.	Informed position on Kenya's participation in IFD	Report on IFD implications for Kenya	Report completed in within 15 months	2	SDIP/ SD Foreign Affairs/ SD Trade/National Treasury.	Y1Q4-Y2Q1

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
membership of the related Joint Initiative Statement Group	1.5.3.3. Provide guidance on Kenya's position on IFD agreement and on if and when Kenya should join the IFD's Joint Statement Initiative and adopt the IFD Agreement.	Clear understanding of IFD benefits and costs for Kenya	Report on IFD progress and recommendations for Kenya	Report completed within 24 months	5	SDIP/ SD Foreign Affairs/ SD Trade/National Treasury.	Y2Q2-Y2Q4
1.5.4: Advocate for the full implementation of the WTO Trade Facilitation Agreement as the TFA's objectives of expediting the movement, release and clearance of goods across borders is integral to an enabling business environment	1.5.4.1 Engage stakeholders on current state of play, current challenges in international trade facilitation, requiring assistance from the TFA support mechanism for developing countries (with classification of ability of effect required measures as category A, B or C).	Establish state of play in Trade across borders.	Progress reports on matters requiring assistance under TFA	Reports completed in 18 months and annually thereafter	5	SD Trade/ SD Foreign Affairs/ SDIP/ SD Industry/SD Foreign Affairs/National Treasury/ SD Transport	Y2Q1-Q2, Y3Q2, Y4Q2, Y5Q2
	1.5.4.2. Work to resolve challenges in enhance efficiency of movement across borders under TFA	Full implementation of WTO TFA mechanism by Kenya	Progress reports on measures taken to resolve cross border trade challenges using TFA mechanism	Progress reports within 24 months and annually thereafter	5	SDTransport /SDIP/KRA/KR/KPA/SD Roads/SDTrade	Y2Q3-Q4, Y3Q4, Y4Q4, Y5Q4
SO 1.6: To address gaps in the key infrastructure areas of transport and ICT							

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
Outcome Indicator: Percentage of the population with access to broadband internet.							
Target: Increase the percentage of the population with access to broadband internet by 50% within 5 years.							
1.6.1: Expedite utilization of private and public investments in cellular mobile and broadband network infrastructure and services, linking underserved regions which have potential for digital service businesses	1.6.1.1. Support policy makers to streamline regulations and enhance incentives for investors who establish digital infrastructure and networks providing affordable and reliable Internet access to communities.	Improved Policy Framework for Digital Broadband technology investors	% Development and Adoption of Policy Proposals	85% enactment of policy proposals within 18 months	40	SD ICT & Digital Economy/ National Treasury /ICTA/SDIP/ KenInvest	Y1Q3-Y2Q2
	1.6.1.2 Support Promotion of investment in digital connectivity infrastructure and services in and around digital working spaces.	- Improved digital skills and entrepreneurship among youth	Youth employed in or working from digital workspaces where investment in digital connectivity infrastructure has been made	100,000 youth working in digital workspaces within 5years.	30	KenInvest/IC TA/ SD ICT & Digital Economy/SD IP	Y2Q2-Y5Q4
	1.6.1.3 Support private investment in ICT training with updated curricula at all levels of education to ensure building requisite digital skills in Kenyan youth to enable them utilize opportunities in the digital economy in line with Kenya's E-Commerce Strategy.	ICT skilled workforce	Number of Skilled ICT Trainees graduating from facilities where investments made.	2,500 graduates from new training facilities within 5 years	30	KenInvest/IC TA/ SD ICT & Digital Economy/SD IP	Y2Q3-Y5Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
	1.6.1.4 To promote linkages between skilled ICT workers/entrepreneurs and economic opportunities in the sector.	Increased participation of skilled ICT workers in the digital economy	Number of ICT jobs created or filled by skilled youth	Facilitate creation of 10,000 ICT enabled jobs within 5 years	100	SD Labour & Skills Development /ICTA/SDI	Y2Q3-Y5Q4
1.6.2: Develop measures to enhance efficient and cost-effective inland transport from the ports.	1.6.2.1 Engage with Transport Policy sector and stakeholders for reduction of cargo handling fees at airports and sea ports (Kenya Airports Authority-KAA and Kenya Ports Authority - KPA).	Improvement in Transportation costs	Percentage of Kenya business citing Transport station as severe constraints (B-Ready)	Achieve reduction in percentage businesses citing transportation as a severe challenge, to half of baseline level, within 4 years.	4	SD Transport/SDIP/KAA/KPA	Y2Q3-Y5Q4
	1.6.2.2 Engage with Transport policy sector and KR to review tariff for Standard Gauge Railway (SGR) and Medium Gauge Railway (MGR) to make them competitive with road transport and to sustain usage of railways. haulage capacity	Competitive rail tariffs	Revised rail tariffs aligned with road transport costs	Implement revised tariffs within 18 months	5	SD Transport/SDIP/KR	Y1Q3-Y2Q2
	1.6.2.3 Prioritize funding of construction and repair of MGR and SGR sidings to reduce cost of inland transport and to enhance last mile connectivity.	Improved rail connectivity and reduced transport costs	Number of new or repaired sidings	Construct/repair damaged sidings within 2 years	200	KR/ SD Transport/SDIP	Y1Q4-Y2Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
	1.6.2.4 Undertake comprehensive systems audit of agencies that support verification and clearance of cargoes, including Single Clearance Window (KENTRADE), product standards quality verification system (KEBS) and Integrated Customs Management System- ICMS (KRA) to establish source of systems downtime and delays on verification and release of cargo from either ports or ICD. Recommend measures to reduce delays and downtimes in the cargo clearance system.	Identified bottlenecks in cargo clearance process	Report on system inefficiencies and recommendations	Report completed within 18 months	10	ICTA/SD of Transport/D BRT/SDIP	Y1Q4-Y2Q2
	1.6.2.5 Promote adoption and implementation of policy that all merchant's cargo going through KPA to be Non-Through Bill of Lading (NTBL) for clearance at Mombasa Port, while Through Bill of Lading (TBL) is railed and cleared at ICD Nairobi or Naivasha.	Improved Choice by Importer on where cargo is most conveniently cleared.	Customer Satisfaction use of Freight logistics services	Achievement of over 85% customer satisfaction options for where cargoes are cleared, within 4 years.	10	SD of Transport/	Y1Q4-Y2Q2, Y2Q4-Y5Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
	1.6.2.6 Develop concept for, recommend and get approval for the establishment of a Cargo Clearing Performance Monitor to show in real-time, the speed of clearance and verification of cargo and adherence by clearing and verification bodies (KRA, KeBS, KenTrade, KPA, KAA, KEPHIS, KR) to set performance standards for import cargo. The report will be used by importers, logistics service providers and regulators to identify bottlenecks for resolution	Real-time data on cargo clearance speed and adherence to standards	Functional cargo clearance performance monitor	Monitor operational within 18 months	50	SD Transport/K PA/KR/ SDIP	Y1Q2-Q4, Y2Q2-Y5Q4
	1.6.2.7. Develop, test and pilot the use of an automated container wagon demand scheduling system to ensure KR provides the right number of wagons at port, to expeditiously off-take the projected inbound container cargoes.	Operational automated container wagon scheduling system	Successful completion of test runs and operationalization	System operational within 24 months	100	SD Transport/K R/ICTA /KPA/EAFFA	Y2Q1-Q3, Y3Q1=Y5Q4
SO 1.7: To build an investment ecosystem anchored on the global climate mitigation and adaptation agenda							

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
Outcome Indicator: Total value of new investment projects focused on renewable energy and climate adaptation.							
Target: Increase the value of new investments focused on renewable energy and climate adaptation by 50% within 5 years.							
1.7.1: Based on the Kenya Nationally Determined Contributions (NDCs) to climate mitigation and adaptation, frame appropriate investments promotion measures to avail Kenya of the SDG-gap financing investments	1.7.1.1 Identify and utilize financing mechanisms for sustainable investments and their requirements and conditions and establish agency for such funds, to enable Kenyan enterprise to access them.	Increased access to financing for sustainable projects	Value of secured SDG-gap financing for climate projects	Secure minimum of USD 970 million financing within 4 years	10	KDC/SDIP/KenInvest/NEMA/National Treasury/KenInvest/CoG/SD Environment & Climate Change	Y1Q3-Y4Q4
	1.7.1.2 Promote awareness and use of available sustainable financing facilities, amongst interested investors, through product development and through targeted communication	Accessible information on sustainable financing options	Developed database of financing mechanisms and their requirements	Database available and in use within 15 months	10	KDC/Keninvest/NEMA/CoG/SDIP	Y1Q4-Y2Q1, Y2Q3-Y5Q4
1.7.2: Contribute to the design of NDC bankable projects and channeling of investments into the renewable energy, blue economy and other SDG-related sectors	1.7.2.1: Engage stakeholder to reach investors in the target sectors and assist them to develop bankable project proposals, for sustainable financing.	Potential sustainable investment project identified	Value of Investment projects identified in target sectors	Investment worth USD 970 million of investment within 5 years	10	KDC/SDIP/KenInvest/KEPSA/KAM/National Treasury	
	Identify technical support for the preparation of documents to access sustainable funding and link this support with the investors in renewable energy, blue economy, food	Improved capacity of investors to develop sustainable project proposals	Number of investments projects receiving technical support for project proposals	Provide support to 25 projects within 4 years	20	KDC/SDIP/KenInvest/KIE	Y2Q1-Y4Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
	security, health and other SDG sectors.						
	1.7.2.2: Promote investments in the projects by various SDG compatible Funding agencies, sovereign wealth funds, venture capital funds, angel investors and private equity funds and other investors	Capital raised and committed to the target projects with implementation underway	Number of investment projects which have obtained capital funding commitments and are ready for implementation	20 SDG compatible projects funded within 5 years	20	KDC/SDIP/KenInvest/KIE	Y2Q1-Y4Q5
1.8 To Strengthen investor confidence in legal/regulatory environment in order to retain and expand FDI, DI and DDI.							
Outcome Indicator: Investor satisfaction with legal/regulatory environment in Kenya							
Target: Increase in investor satisfaction with legal, regulatory environment to over 85% in 5 years							
1.8.1..Undertake an impact assessment of previous business legal/regulatory reforms	1.8.1.1. Map MDAs to identify members of a technical working group (TWG) to undertake the legal reform impact assessment and establish a multisectoral technical working group to undertake the assessment and update of the laws.	Member MDAs identified, nominate and inducted into TWG	Establishment and Operationalization of TWG	TWG established within 9 months	0.5	SDIP/SLO/National Treasury/KenInvest/SDIP/SD Trade/SD Econ Planning/SD Agriculture/SD Livestock Development/SD Transport/S	Y1Q3-Q4, Y2Q1-Y5Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
						D Water and Sanitation/SD Energy/SD Mining	
	1.8.1.2 Review reforms to laws and regulations undertaken, undertake assessment of the impact of those reforms on the investment climate and business environment and identify gap	Understanding within MDAs of effectiveness of different reform measures and any gaps in reforms	% completion of report on Legal /Regulatory Reform Impact Assessment	100% completion of report within 9 months	4.5	SDIP/SLO/National Treasury/KenInvest/SDI/SDTrade/SD Econ Planning/SD Agriculture/SD Livestock Development/SD Transport/SD Water and Sanitation/SD Energy/SD Mining	Y1Q3-Q4,
	1.8.1.3 Undertake evidence-based upgrade of laws and regulations as guided by the legal reform impact assessment.	Improved Legal Environment for Investment	% of Legal gaps identified which have been addressed through legal reforms	100% within 2 years	5	SDIP/SLO/National Treasury/KenInvest/SDI/SDTrade/SD Econ Planning/SD Agriculture/SD Livestock Development/SD	Y1Q4-Y2Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
						Transport/SD Water and Sanitation/SD Energy/SD Mining	
			TOTAL BUDGET		2,137.50		

5.2.2 KRA 2: Attraction, Facilitation and Retention of Direct Investment

Outcome indicator: Increase FDI & DI inflows.

Target: Increase from USD Million 23,780 (2023/24) to USD Million 49,948 (2028/29)

Table 9: KRA 2 - Implementation plan

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
Strategic Objective 2.1: To integrate Strategic Planning into Investment Attraction at the National and County Level , through resource-based sector prioritisation							
Outcome Indicator: Alignment of Investment promotion activities with national development plans							
Target: 100% alignment of investment promotion activities with national development plans within 3 years							
2.1.1: Resource mapping in counties (to inform long-term strategic planning and sector prioritisation)	2.1.1.1: Working with the intergovernmental working Group on investment (IGWGI), develop a framework for resource mapping in the counties to help identify various endowments and capacities present in the counties, which can be exploited through investment.	Standardized framework for resource mapping	Approved resource mapping framework	Develop and implement a standardized resource mapping framework for all counties within 12 months.	15.0	CoG, Office of President/IGWG I/CiUs/	Y1Q2- Y1Q4
	2.1.1.2: Seek out, obtain and provide where necessary, technical assistance to help counties conduct resource mapping.	Enhanced county capacity in resource mapping	Number of counties receiving technical assistance	Provide technical assistance to all counties in conducting resource mapping exercises within 27 months.	100.0	CoG /SDIP/ National Treasury/Office of President/ CIUs	Y1Q2- Y3Q1
	2.1.1.3: Undertake and complete the Resource Mapping Process to enable inclusion of findings in other county investment documents.	Completed county resource maps	Number of counties with completed maps	Complete resource mapping for all counties within 30 months.	150.0	CoG /SDIP/ National Treasury/Office of President/CIUs	Y1Q3- Y3Q2
	2.1.1.4: Develop investment Opportunities and profiles	Developed investment opportunities and profiles	Number of investment opportunities and profiles developed	Develop comprehensive investment profiles for all priority sectors in each county within 30 months.	200.0	CoG/ IGWGI/CiUs/Ke nInvest/NIC/SDI P	Y1Q4- Y4Q3

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
	2.1.1.5: Develop an Investment Opportunity Map and Investment Guide	Developed Investment Opportunity Map and Investment Guide	Published Investment Opportunity Map and Investment Guide	Investment Opportunity Map and Investment Guide published within 48months.	23.5	IGWGI/CiUs/KenInvest/NIC/SDIP	Y3Q3- Y5Q2
2.1.2: Development and implementation of a rolling 3- year National Investment Promotion Plan to coordinate execution of investment promotion goals, pinpoint specific investment opportunities, profile target investors, marketing tactics and detailing marketing budget	2.1.2.1: Convene a National Investment Promotion Planning Process, through the intergovernmental Working Group on Investment with key institutions involved including SDIP, NIC and KenInvest as well as sectoral investment agencies and the CIUs. The rolling 3-year National Medium term Investment attraction program will cascade targets set in the National Investment Strategy and MTP-IV into year by year activities and activities by investment related agencies and CIUs	3 year Medium Term Investment Attraction Program (MTIAP)	Approved Medium term Investment attraction program (MTIAP)	MTIAP's 3 year plan completed within 18 months.	10.0	NIC/SDIP / IGWGI/ CiUs/KenInvest /Stakeholders	Y2Q1- Y2Q2
	2.1.2.2: CIUs and individual investment promotion agencies produce their aligned rolling MTIAP for priority sectors, with investment goals, profiles of target investors, promotion tactics and budgets.	Developed county-level investment attraction programs	Number of counties with approved investment attraction programs	All counties and investment promotion agencies develop aligned MTIAPs within 12 months.	20.0	CoG/ SDIP/CiUs/KenInvest/ SEZA/EPZA/NIFCA/Konza TDA	Y2Q3-Y3Q2
	2.1.3: Facilitation of county preparation of County Investment Profiles and	Assessment of county investment profile preparation status	Number of counties with initiated investment profile development	Assess the preparation status of county investment profiles within 6 months	5.0	CoG/ IGWGI/NIC/KenInvest/CIUs/	Y1Q3 - Y2Q2

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
investment regulatory frameworks.	2.1.3.2: Assist the Working Group to identify & on-board available funding and technical support for preparation and dissemination of County Investment Profiles including investment opportunities and Investment Regulatory Frameworks	Secured funding and technical support for county investment profile development	Amount of funding secured and number of technical support providers onboarded	Secure funding and technical support for county investment profile development within 12 months	10.0	<u>IGWGI</u> /CoG/KenInvest/CiUs/National Treasury	Y1Q2 - Y2Q1
	2.1.3.3: Support Counties to build capacity in undertaking research, design of regulatory measures, benchmarking and communication design for the county investment profiles and investment regulatory frameworks using best practices.	Enhanced capacity of county staff in investment profile and regulatory framework development	Number of county staff trained in investment profile and regulatory framework development	Train 40% of CiU staff on research, regulatory design, communication, and best practices for investment profiles within 18 months.	30.0	CoG/SDIP/KenInvest/CiUs	Y1Q4- Y2Q2
	2.1.3.3: Support dissemination of the county investment profiles and engagement of stakeholders to build understanding of proposed regulatory frameworks and their impact	Disseminated county investment profiles and engaged stakeholders	Number of stakeholders engaged in county investment profile dissemination activities	Disseminate 35 county investment profiles to stakeholders within 42 months.	20.0	<u>COG/ CiUs/ SDIP/KenInvest/</u>	Y2Q4- Y3Q2
Strategic Objective 2.2: To strengthen the institutional capacity and coordination of national and sub-national Investment Promotion Agencies							
Outcome Indicator: Improved efficiency and effectiveness of investment promotion agencies							
Target: Reduce average processing time for investment permits and licenses by 50% in five years							
2.2.1.: Coordination of investment promotion and facilitation functions at national level with the core agencies County	2.2.1.1: Establishment and operationalisation of the Intergovernmental Investment Working Group for Investment (IGWGI).	Operational Intergovernmental Investment Working Group (IGWGI)	Formation and operationalization of IGWGI	Establish and operationalize the IGWGI within 6 months.	10.0	<u>SDIP / KenInvest/CoG/ CiUs/IGWGI</u>	Y1Q2 - Y1Q2
	2.2.1.2: Support establishment of CIUs, in the counties which do not have them	Established County Investment Units (CIUs)	Number of CIUs established	Establish CIUs in all counties without existing ones within 24 months.	50.0	<u>SDIP/CoG/KenInvest</u>	Y1Q2 - Y2Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
Investment Units, for synergy and effective implementation of national investment strategy for Kenya	2.2.1.3: Provide targeted development support to County Investment Units	Enhanced capacity of CIUs	Number of CIUs receiving support	Provide targeted support to all CIUs within 36 months	90.0	CoG / KenInvest/SDIP/ CIUs/IGWGI	Y2Q1 - Y5Q4
2.2.2: Capacity building and coordination of investment promotion activities in core national promotion agencies	2.2.2.1: Assess institutional capacity of national agencies involved in investment promotion to deliver on mandates. Identify resource and capacity gaps.	Capacity assessment report for national investment promotion agencies	Completed capacity assessment reports	Conduct a comprehensive assessment of the institutional capacity of all relevant national agencies within 6 months.	15.0	SDIP/KenInvest/ SEZA, EPZA, NIFCA, Konza TDA/	Y1Q3 - Y1Q3
	2.2.2.2: Propose alignment of any overlapping, unclear mandates.	Report with proposed alignment of mandates	Number of recommendations for mandate alignment	Develop and propose recommendations for aligning overlapping or unclear mandates within 12 months	10.0	SDIP/KenInvest/ SEZA, EPZA, NIFCA, Konza TDA	Y1Q3 - Y1Q4
2.2.3: Provision of targeted capacity development support to County Investment units	2.2.3.1: Identify capacity building needs and develop capacity building programs for staff of relevant investment agencies	Developed capacity building programs	Number of capacity building programs developed	Develop and implement capacity building programs for staff of relevant investment agencies within 18 months	30.0	SDIP/KenInvest/ SEZA, EPZA, NIFCA, Konza TDA	Y1Q4 - Y1Q4
	2.2.3.2: Assess financial needs against budget allocation and seek alignment of resourcing to needs.	Aligned budget allocations with agency needs	Percentage of budget aligned with agency needs	Conduct a comprehensive review of financial needs for investment promotion agencies and align resource allocation within 12 month	10.0	SDIP/National Treasury/ KenInvest/SEZA, EPZA, NIFCA, Konza TDA	Y1Q4 - Y1Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
Strategic Objective 2.3: To attract domestic, diaspora, and foreign direct investment in target sectors							
Outcome Indicator: Increased investment in target sectors							
Target: Increase investment inflows to target sectors by at least 50% in five years							
2.3.1: Implement the rolling 3-year Medium Term Investment Attraction Program (MTIAP)	2.3.1.1: Support the development of coordinated annual attraction plans, for all investment promotion bodies, with budget, to implement the current portion of the rolling 3-year medium term Investment attraction program (MTIAP). The annual plans will seek to synergise, align and support the activities of agencies for optimal use of resources and effectiveness	Developed and implemented coordinated annual attraction plans	Number of agencies with aligned annual attraction plans	Develop and approve annual investment attraction plans for all investment promotion bodies within 3 months of the rolling 3-year program update within 12 months and in every year thereafter	20.0	<u>SDIP/NIC/ KenInvest /CIUs/CoG/EPZ A/NIFCA, SEZA, Konza TDA/</u>	Y1Q4 -Y5Q4
	2.3.1.2: Establish a Joint Investment Promotion Platform for information sharing and collaboration among government agencies, CIUs, and trade offices.	A centralized platform Standardized procedures and guidelines for investment promotion activities. Improved coordination and efficiency in investment attraction efforts.	Number of agencies participating in the platform. Increase in joint marketing campaigns and promotional activities.	Develop and implement at least two targeted online investment promotion campaigns per year, focusing on high-potential sectors and regions (e.g., digital economy, renewable energy, specific counties) within 24 months	30.0	KenInvest/ SDIP/NIC/ CIUs/CoG/EPZA, NIFCA, SEZA, Konza TDA/KenInvest / SD foreign Affairs/ SD External Trade	Y1Q3 - Y2Q2
2.3.2: Develop and Implement targeted investment attraction strategies	2.3.2.1: Support CIUs and National Investment Promotional Agencies Develop and Implement Targeted Investment Promotion Campaigns	Number of marketing campaigns launched. Reach of marketing campaigns (e.g.,	Number of tailored investment promotion campaigns developed	Develop and implement at least two targeted investment promotion campaigns per year, focusing on high-potential sectors	750.0	<u>SDIP/ KenInvest /CIUs/CoG/NIC/ EPZA/ NIFCA, SEZA, Konza TDA/</u>	Y2Q3 - Y5Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
		website visitors, social media followers).		and regions (e.g., digital economy, renewable energy, specific counties) within 48 months			
	2.3.2.2: SDIP to support monitoring and evaluation (M&E) of national investment activities to achieve effective coordination, measurement and reporting of results	Established M&E framework for national investment activities	Implemented M&E system for national investment activities	Develop and implement a robust M&E framework for national investment activities every 9 months.	10.0	<u>NIC/SDIP</u> /KNBS/ KenInvest	Y1Q4,Y2Q3, Y3Q3, Y4Q4, Y5Q3
Strategic Objective 2.4: To leverage technology to Foster inclusive and data-driven investor services							
Outcome Indicator: Increased use of technology in investment promotion and facilitation							
Target: Achieve 20% increase in the use of technology-enabled services							
2.4.1: Establish Upgraded Centralized Investment Promotion Information Dissemination Portal to support investor decision making at pre-investment, establishment and aftercare stages	2.4.1.1: KenInvest to review and upgrade its “Single Investment Window” Portal containing relevant investment related information for pre-investment, establishment and after care stages. Information from all key agencies and CIUs to be included in the Portal	Upgraded Single Investment Window Portal	Number of features and services offered on the portal	Upgrade the Single Investment Window Portal with at least 10 new features within 12 months	5.0	<u>ICTA/KenInvest/</u> SD Information Communication and Digital Economy/SDIP/SEZA, EPZA/ NIFCA,KTDA.	Y2Q2 - Y2Q2
	2.4.1.2: Monitor use of the Portal and streamline collection and presentation of information on the Portal.	Improved portal usability and information accessibility	Increased user satisfaction with portal	Conduct a user satisfaction survey and implement at least 5 improvements based on feedback within 6 months.	10.0	<u>KenInvest/ICTA/</u> SD Information Communication and Digital Economy/SDIP/ KenInvest /SEZA, EPZA, NIFCA,KTDA.	Y2Q3-Y4Q3
2.4.2: Implement National Investment	2.4.2.1: Engage with development partners including those who funded the KenInvest CRM to seek support for	Secured support for national investment CRM	Partnerships established with	Potential funding partners will be identified. A strong	20.0	<u>SDIP</u> KenInvest/ICTA/ SEZA, EPZA,	Y1Q3 - Y2Q2

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
Customer Relationship Management (CRM) system at national agency and CIU level, to support investor relations, streamline investment processes and automate updating of customer records	expansion and re-tooling of that CRM into a national investment CRM to manage all investor relations for all investment agencies and CIUs		development partners	case will be made for the CRM's benefits.		NIFCA, Konza TDA/SDIP	
	2.4.2.2: With available technical support, undertake re-tooling of CRM tool to manage investor relations, including provision of information, receipt of enquiries, review of applications for general authority to invest—with project data, approvals, aftercare support and annual performance statistics for reporting.	Re-tooled CRM system with enhanced functionalities	Number of CRM functionalities implemented	Implement at least 5 core functionalities in the CRM system within 18 months	10.0	KenInvest /ICTA/ SEZA, EPZA, NIFCA, Konza TDA/SDIP	Y1Q3 - Y2Q2
	2.4.2.3: Pilot the CRM in several agencies (It should hold information on entire investment process from application to establishment including all key decision points and information shared with or collected from investors).	Successful CRM pilot implementation	Number of agencies participating in the pilot	Pilot the CRM in at least 3 agencies within 6 months	10.0	KenInvest/ ICTA/ SEZA, EPZA, NIFCA, Konza TDA	Y2Q4 - Y3Q2
	2.4.2.4: Once perfected, roll out secure CRM system in all CIUs and in National investment promotion institutions like SEZA, EPZA, NIFCA and Konza Technopolis	Implemented CRM system in all target institutions	Number of institutions with implemented CRM system	Roll out the CRM system to all CIUs and national investment promotion institutions within 12 months.	50.0	KenInvest /ICTA/SEZA/EPZA, NIFCA/ Konza TDA/CIUs	Y3Q3 - Y5Q4
2.4.3: Establish a centralized, secure data collection system for investment outcome-related data and	2.4.3.1: Develop and promote a standardized mechanism for tracking investments at the County level - KNBS, KenInvest, County Investment Units (CIUs)/ Investment information to include gender-disaggregated information of jobs created.	Developed standardized investment tracking mechanism	Implemented investment tracking mechanism in 47 counties	Develop and implement a standardized investment tracking mechanism at the county level within 12 months.	20.0	KenInvest /KNBS/SDIP/SEZA/EPZA/ Konza TDA/NIFCA NIFCA/CIUs	Y1Q2 - Y2Q1

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
information, including the creation of a standardised mechanism for tracking investments at the County and National level	2.4.3.2: KNBS earmarked in line with its mandate, as the fulcrum for collection, collating and tracking investment data to address data paucity. Strengthen KNBS Data Collection Capabilities	Enhanced data collection and analysis capabilities of KNBS	Increased volume of investment data collected and analyzed	Increase the volume of investment data collected and analyzed by KNBS by 20% within 24 months	30.0	<u>KenInvest/KNBS</u> / SDIP/EPZA/SEZA /NIFCA/CBK	Y2Q4 - Y2Q4
	2.4.3.3: Implement the Investment Promotion and Facilitation Bill, once enacted; draft and after regulatory impact assessment, have enacted regulations to require investors both local and foreign to provide data and information on new investment projects at the time of applying for authority. (Data to include projections of key outcome from the project; with obligation to provide annual status updates on actual position of the parameters)	Enacted Investment Promotion and Facilitation Bill with regulations	Bill and regulations enacted and in force	Enact the Investment Promotion and Facilitation Bill and its accompanying regulations within 12 months.	5.0	<u>SDIP//SLO/KenInvest/KNBS/DBRT/ DBRT/SEZA/EPZA/Konza TDA/NIFCA/CIUs</u>	Y1Q2 - Y1Q4
	2.4.3.4: Use this and other investment data to generate information for national and institutional performance statistics reports. This will provide reliable, accurate investment data on DI, FDI and Diaspora DI, which can be used by KNBS, Central Bank and other interested stakeholders	Improved data collection and reporting on investments	Increased availability of investment data	Develop and publish regular investment performance statistics reports using collected data within 12 months.	10.0	<u>KNBS/KenInvest/SDIP/ /SEZA/EPZA/Konza TDA/NIFCA/CIUs</u>	Y2Q4 - Y2Q4
2.4.4: Streamline investment project evaluation systems facilitation	2.4.4.1: SDIP to support Investment Agencies develop and update investment project evaluation criteria and timelines, including minimum requirements, information to be submitted, and any restrictions	Documented investment project evaluation criteria and timelines	Number of investment agencies with updated evaluation criteria	Investment project evaluation criteria for all investment agencies updated in 12 months	10.0	<u>KenInvest/SDIP/SEZA/NIFCA/Konza TDA/ EPZA/CIUs/DBRT/SDIP</u>	Y1Q2 - Y1Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
	described in laws and regulations, as well as administrative guidelines to ease evaluation. Include a clause where automatic approval is given when an investment regulatory agency fails to provide a written decision on approval or rejection of any investment application within the required time.						
	2.4.4.2: Publish on each institution's Website the minimum criteria, restricted activities and any policy limitations provided in law and regulations; as well as supporting documents required for the application, fees, and timelines for making decisions on any application for investment approval. Update when changes are made.	Published investment application information on agency websites	Number of agencies with updated information on websites	Investment agencies publish minimum criteria, restricted activities, and supporting documents on their websites within 30 months	5.0	KenInvest/SDIP/ SEZA/ NIFCA/ Konza TDA/ EPZA/ CIUs	Y2Q1 - Y2Q2
	2.4.4.3: Revise service charters and internal working processes to comply with the criteria and timelines for review of investment projects. Implement the new benchmarks for review and approval of projects while monitoring performance of the application review system.	Revised service charters and internal processes	Number of agencies with revised service charters and processes	Revise service charters and internal processes for all investment agencies within 5 years.	2.0	SDPDM/SDIP/Ke nInvest/ SEZA/ NIFCA/ Konza TDA/ EPZA/ CIUs/	Y2Q3 - Y5Q4
Strategic Objective 2.5: To enhance customer service, advocacy, and aftercare to attract, retain, and expand investment							
Outcome Indicator: Improved investor satisfaction							
Target: Achieve investor satisfaction ratings above 85% in 5 years							
2.5.1: Development of investment	2.5.1.1: Engage with CIUs and National Investment Agencies to assess technical capacity to provide best	Assessment of technical capacity for investor	Number of agencies assessed	Conduct capacity assessments for all CIUs and national	10.0	KenInvest/ SEZA/EPZA,	Y1Q4 - Y2Q2

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
aftercare in all investment agencies including CIUs.	practice investor customer service and aftercare support.	customer service and aftercare		investment agencies within 12 months.		NIFCA/Konza TDA/CIUs/CoG	
	2.5.1.2: Identify and Commit source of Technical Assistance for Investment Customer Care and Investor Aftercare Service delivery by national and county investment bodies in Kenya	Secured technical assistance for investor customer care and aftercare	Number of technical assistance partners identified	Identify 5 technical assistance partners within 24 months	10.0	KenInvest/SDIP/CoG	Y1Q4 - Y2Q2
	2.5.1.3: Provide technical assistance to establish and staff the customer care and investor after care services in the CIUs and investment agencies	Customer care programmes delivered to CIUs and investment agencies with technical assistance. investor customer care and aftercare	Percentage of CIUs and IPAs benefitting from technical assistance on customer care/investor aftercare	75 % of CIUs and IPAs participating in technical assistance programmes within 30 months	20.0	KenInvest/SEZA/EPZA, NIFCA/Konza TDA/CIUs/CoG	Y2Q2 - Y3Q3
	2.5.1.4: Provide training for customer care staff of CIUs and national investment agencies.	Trained customer care staff	Percent of CIU and IPA customer care of staff trained	Train 60 % of staff within 36 months	15.0	KenInvest/SEZA/EPZA, NIFCA/Konza TDA/CIUs/CoG	Y2Q3 - Y3Q3
2.5.2: Establish Investment Grievance Mechanism				.		SDIP/KenInvest/SEZA/EPZA, NIFCA/Konza TDA/CIUs/CoG	
	2.5.2.1: Coordinate establishment of an investment complaints mechanism for all investment related agencies that is in line with each institution's service charter	Established investment complaints mechanism	Operational investment complaints mechanism across agencies	Establish a standardized investment complaints mechanism for all IPAs and 30 of 47 counties within 36 months	10.0	SDIP/CoG/KenInvest/SEZA/NIFCA/EPZA/Konza TDA/CIUs	Y1Q3 - Y2Q3

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
	2.5.2.2: Implement an investment grievance management mechanism.	Operational investment grievance management mechanism	Percentage of grievances resolved	65% investment grievances reported within 4 years resolved	5.0	SDIP/KenInvest/ SEZA/NIFCA/EPZ A/Konza TDA/CIUs	Y2Q4 - Y5Q4
	2.5.2.3: Undertake reporting, monitoring and evaluation of the investment grievance resolution system.	Regular reports on investment grievance resolution	Number of reports generated	An annual grievance resolution report prepared within 4 months of end of each fiscal year.	5.0	SDIP/KenInvest/ SEZA/NIFCA/EPZ A/Konza TDA/CIUs	Y3Q1 - Y5Q4
2.5.3: Harmonise and strengthen One Stop Shop/ One Stop -One Go Services) to facilitate investors at all stages in investment life cycle	2.5.3.1: Survey investors on their needs for investment related support including obtaining business permits, licences, accessing property, paying taxes immigration work permits and passes, connection to utilities, hiring staff, commencing import and export operations etc. and whether they are getting the necessary support at national or county level.	Investor needs assessment report	Number of investors surveyed	At least 400 businesses surveyed within 12 months and again in the fourth year of strategic plan.	12.0	KNBS/ KenInvest / CIU/SDIP	Y1Q2 – Y4Q4
	2.5.3.2: Assess implementation and results of the previous and current business regulatory reforms to find gaps in implementation and augment successes. These include the Business regulatory reform report and bill among others	Assessment report on business regulatory reforms	Completed assessment report with recommendations	A comprehensive assessment of the implementation and results of business regulatory reforms, completed in 18 months	15.0	SDIP/ KNBS/ SLO / KNBS/CIU/	Y1Q4 - Y2Q2
	2.5.3.3: Review operation of One Stop Shop serving KenInvest et al & the One Stop - One Go Centre est. by SDIP, Evaluate & recommend how harmonised to provide the support identified in the investor survey and to	Findings and Recommendations on how to improve on One Stop Shop and One Stop - One Go Centre	% Completion of Comprehensive review for improving One Stop Shop operations	Comprehensive evaluation review report on the One-Stop Shop and One-Stop-One Go Centre operations 100%	15.0	KenInvest/ SDIP/ CIU	Y2Q1 - Y2Q3

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
	provide services in line with best practices Include review of regulatory bodies incorporated in the centre, reporting relationships, delivery mechanisms and recommend changes to technology, to extend the reach of the Centre's service to diverse sectors and locations, including the counties.	operations, in place.		completed within 30 months.			
	2.5.3.4: Adopt the recommendations and establish and effective, harmonised One Stop Shop/One Stop-One Go Centres	Established harmonized One Stop Shop/One Stop-One Go Centres	Number of operational harmonized One Stop Shops/Centres	Implement recommendations from the One-Stop Shop review within 48 months	15.0	SDIP/SDI/SD Trade/KenInvest/KRA/Immigration Department/BRS/KPA/KeBS/CoG/ CIUs	Y3Q3 - Y2Q4
	2.5.3.5: Build Capacity for Staff from different agencies supporting the Centres.	Enhanced capacity of One Stop Shop staff	Percentage of of OSS staff trained	Train at least 80% of staff supporting the One-Stop Shops and Centres	15.0	DBRT/ MITI/ KenInvest/ CIU	Y2Q1 - Y5Q4
				TOTAL BUDGET	1,942.5		

5.2.3 KRA 3 Incentivising Investment

Outcome indicator: Contribution of incentivised programmes to economic output (GDP)

Target: Increase from 1.2% to 5.0% by 2028

Table 10: KRA 3 - Implementation plan

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
Strategic Objective 3.1: To promote beneficial investments through performance-related incentives							
Outcome Indicator: Increased employment in firms targeted by incentives							
Target: Achieve 35% increase in total employment of firms operating with incentives within 5 years.							
3.1 .1 Establish a new national incentive framework to deliver higher investment impact	3.1.1.1 Benchmark incentives in competing nations for effectiveness, cost and ease of administration. Conduct baseline study of economic performance of incentive schemes in operation in Kenya to establish enterprises involved, investment attracted and outcome benefits accruing from the incentive schemes.	Benchmarking report on incentives in competing nations completed	Number of countries benchmarked and compared	Benchmark 10 countries within 9 months	6.5	KenInvest/SDIP/National Treasury/KNBS	Y1Q2-Q3
	3.1.1.2 Conduct baseline study of economic performance of incentive schemes in operation in Kenya to establish enterprises involved, investment attracted and outcome benefits accruing from the incentive schemes.	Baseline Study on Economic Benefits of Incentives Schemes in Kenya	% completion of Study	100% complete in 9 months	3.5	KenInvest/SDIP/ National Treasury/KNBS/NIFCA/ EPZA/SEZA/KRA	Y1Q2-Q3
	3.1.1.3 Develop and have approved a comprehensive policy on incentives to target specific activities and sectors in order to yield economic benefits (e.g. jobs, skills transfer, technology adoption, value chain integration, trade development, regional development, sector development) and have regulations enacted to implement the policy.	National Incentive Policy framework approved and regulations enacted.	Approved National Incentive Policy and Enacted regulations.	Incentive policy approved and relevant regulations enacted within 18 months	6.0	KenInvest/SDIP/National Treasury/SD Labour and Skills Development/ SD Economic Planning/ SD Industry/ SDTrade/ SD MSME/ SD ICT and Digital Economy/ SD Agriculture/SD Livestock Development/ SD Blue Economy and Fisheries	Y1Q4-Y2 Q2

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
	3.1.1.4 Promote investment in target sectors and industries including using targeted investment incentive.	New investments in sectors and industries with additional incentives approved to operate.	Number of Investment projects given authority/licensed in eligible incentivised sectors and industries	220 new investment projects approved in incentivized sectors and industries in 5 years.	16.4	KenInvest/SDIP/Konza TDA/ SDIP/ SDI/CIUs/KIE	Y2Q3-Y5Q4
3.1.2 Conduct Periodic Assessment of Economic Benefits of incentivised investment	3.1.2.1 Create, pilot and adopt a data collection and analytical framework to estimate socio-economic associated with activities undertaken by enterprises operating with incentives.	Robust analytical framework to assess benefits derived from incentivised investment, developed.	Completed Analytical Framework in place	Analytical Framework develop and approved within 21 Months	3.5	KenInvest/SDIP/ National Treasury/ Economic Planning/KNBS	Y2Q1-Y2Q3
	3.1.2.2. Undertake periodic surveys to assess socio- economic benefits associated with incentives for enterprises.	Periodic Survey Report(s) on socio-economic benefits associated with investment incentives undertaken.	Number of Survey Report Completed and discussed with key policy makers.	2 survey reports completed and discussed with key policy makers within 5 years	6.0	KenInvest/SDIP/ National Treasury/ Economic Planning/KNBS/ SD Industry/ SD MSME/SD Energy/ SD Labour and Skills Development/SD Trade	Y3 Q2, Y5Q3
Strategic Objective 3.2 To enhance availability of infrastructure and utilities in incentivized zones							
Outcome Indicator: Increased access to infrastructure and utilities in incentivized zones and industrial parks.							
Target: To increase area of fully serviced land in zones and industrial parks by 150% in 5 years.							

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
3.2.1 Implement Prioritised Zone Development Programme	3.2.1.1 Develop a 5-year zone/industrial infrastructure investment plan to prioritise and sequence public zone and industrial parks (SEZ, EPZ, CAIPs, KIE) development including establishing baseline serviced land area.	5-year zone/industrial park infrastructure investment plan developed	Completion of the 5-year infrastructure investment plan	Infrastructure investment plan completed within 12 months.	2.3	DBRT(SDIP)/SEZA/EPZA /CoG/CIUs/SD Water and Sanitation/SD Energy/Konza TDA/ KPA/SD Roads/SD Econ Planning/National Treasury	Y1Q2-Q4
	3.2.1. 2 Undertake feasibility studies for prioritised public zones/Industrial parks including identifying sources of funding	Feasibility studies for prioritised public zones/industrial parks with identified funding sources completed.	Number of feasibility studies completed	Feasibility studies for 6 national public zones & 10 Industrial parks completed within 30 months	71.8	DBRT (SDIP) /SEZA/EPZA/Konza TDA/CoG/CIUs	Y2Q1-Y3Q2
	3.2.1.3 Identify and promote investment in zone /industrial park utilities and infrastructure development best undertaken by private investors.	Investment opportunities in zone/industrial park infrastructure identified.	Number of zone/industrial park development investment opportunities identified and promoted	20 infrastructure and utilities investment opportunities Identified and promoted to the private sector, within 5 years.	22.1	DBRT(SDIP)/SEZA/EPZA /Konza TDA	Y2Q3-Y5Q4
	3.2.1.4 Budget for and source funding for land acquisition and phased zone/industrial park development (Separate from NILT mechanism)	Funding for land acquisition and zone /industrial park development secured.	Amount of funding raised for land acquisition for zone development.	KES 1.0 billion secured as funding within 5 years for 5,000 acres	1000	DBRT(SDIP)/SEZA/EPZA /Konza TDA/National Treasury/Development partners	Y3Q1-Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
	3.2.1.5 Execute Phased Development of each Priority industrial park/ zone with other zone/industrial park lands assigned to land banks/national investment land trust (NILT) as funds are awaited for development	Phased development of priority industrial parks/zones	Number of industrial parks/ zones with initiated development phases	Funds committed and phased Development commenced for 13 industrial parks/zones (3 zones & 10 industrial parks of approx. total area 3,000 acres), within 5 years.	21600	DBRT(SDIP)/SEZA/EPZA /Konza TDA	Y3Q1-YQ4
3.2.2. Supply Enhancement Initiatives for Water-Stressed Zones	3.2.2.1 Prioritisation of Athi River Zone water supply needs by water regulatory sector	Water supply needs for Athi River Zone prioritized	Completed water supply needs assessment report for Athi River zone and environs.	Water supply needs assessment for Athi River completed within 12 months	5.5	EPZA/SDIP/SD Water and Sanitation/Athi Water Works Development Agency/	Y1Q2-Q4
	3.2.2.2 Implement measures to Increase water supply in Athi River Zone.	Water supply to Athi River Zone increased.	Available water supply at Athi River zone	Water supply increased by 200 % within 42 months	400	EPZA/SDIP/SD Water and Sanitation/Athi Water Works Development Agency/	Y2Q1-Y23Q2
	3.2.2.3 Review water supply and sanitation network in Kilifi and Mombasa Mainland to identify unmet demand from SEZ and EPZs.	Water supply and sanitation supply situation clarified.	Water and sanitation network demand assessment report, identifying unmet water	Assessment of 5 areas completed within 12 months	7.2	EPZA /SEZA/SDIP/SD Water and Sanitation/ National Treasury/The Coast Water Works Development Agency (CWWDA) /	Y1Q2-Y1Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
			supply needs in EPZ and SEZ sector.				
	3.2.2.4 Expand water supply and sewerage network and services to service industrial clusters in Kilifi and Mombasa Mainland.	Water supply and sewerage network expanded	Number of additional industrial clusters connected to adequate water and sewerage services	10 industrial clusters to connected within 54 months	539	CWWDA/SDIP/SD Water and Sanitation/ EPZA	Y2Q1- Y4Q2
3.2.3 Green energy initiative- promoting affordable, renewable, power.	3.2.3.1 Educate enterprises and promote the use of renewable energies (including solar energy, wind, biomass fuel and biogas generated from industry, zone or municipal wastes) in incentivized zones and industrial parks	Production and use of solar energy, wind, biomass and biogas and other renewable energies within incentivized zones and industrial parks, increased.	Number of additional installations of renewable energy operating in SEZs, EPZs, and industrial parks including those under CAIPs and KIE.	40 additional operational renewable energy installations attracted and operating within 5 years	15.0	EPZA/SEZA/SDIP/SD Energy/EPRA/National Treasury/KIE/SD Industry/Council of Governors	Y1Q3-Y5Q4
	3.2.3.2 Promote investment in production of renewable energy capital goods, inputs and components (wind turbines, solar panels, storage batteries, electric vehicles etc).	Increased investment in renewable energy sector.	Value of new investments given general authority/licensed to produce renewable energy capital goods and components.	USD 15 million new investment attracted within 5 years	20.0	EPZA/EPZA/SDIP/ SD Energy/EPZA/SEZA /KenInvest/EPRA	Y1Q3-Y5Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
Strategic Objective 3.3: To harmonize regulatory requirements, services, and charges for similar licenses in incentivized zones							
Outcome Indicator: Harmonised and competitive tariff and regulatory requirements for electricity and immigration services between SEZ and EPZ schemes.							
Target: To achieve 100 % harmonization of tariffs and regulatory requirements for power supply and immigration services between SEZ and EPZ.							
3.3.1 Harmonized utility charges for EPZs and SEZs.	3.3.1.1 Review pricing model for harmonisation of power supply tariffs within incentivized zones	Internationally competitive and harmonized power pricing model for incentivized zones	New power pricing model.	Review completed within 15 months	1.6	SDIP/SD Energy/SDIP/SD Energy/EPRA/National Treasury/ EPZA/SEZA	Y1Q3-Y2Q1
	3.3.1.2 Harmonize EPZ and SEZ power tariff to lower tariff for both normal and off-peak rates.	Consistency in power costs within EPZs and SEZs	Harmonized power tariffs reflected in energy regulations.	Harmonized tariffs implemented within 24 months	2.0	SD Energy/EPRA/SDIP/SD Energy/EPRA/National Treasury/EPZA/SEZA	Y2Q2-Q4
3.3.2 Improved Immigration facilitation package for EPZs and SEZs	3.3.2.1 Benchmark Kenyan Immigration processes and costs for work permit and special passes, with global competitors.	Understanding of immigration processes and costs in competing countries improved.	Immigration benchmarking report	Benchmarking completed within 12 months	2.8	EPZA/SEZA/SDIP/ Directorate of Immigration	Y1Q3-Q4
	3.3.2.2 Develop and implement new work permit fees and timelines for SEZ and EPZ sector.	Competitive immigration work permit processes and costs.	Immigration work permit regulations with reduced fees and shorter, predictable processing times.	New work permit timelines and fees established within 24 months	0.6	EPZA/SEZA/SDIP/ Directorate of Immigration	Y2Q1-Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
Strategic Objective 3.4: To enhance vertical linkages within value chains through industrial parks and incentivized zones.							
Outcome Indicator: Increase share of local content of finished products from industrial parks & incentivized zones							
Target: Achieve a increase of 15 percentage points in average local sourced content of goods produced in industrial parks and incentivized zones, within 5 years.							
3.4.1 Expansion of local production and supply of raw materials and intermediate goods to industrial parks, SEZs and EPZs	3.4.1.1 Conduct assessment of sourcing supply gaps and local supply opportunities in incentivised zone and industrial parks value chains	Opportunities to supply inputs in industrial park and zone value chains enhanced.	Completed value chain supply gap and supply opportunity assessment report	Supply gap and opportunity assessment for 5 value chains completed within 12 months	4.5	EPZA/SEZA/SDIP/MSME Authority/ SD Agriculture/SD Industry/KAM/CoG/CIU	Y1Q3-Q4
	3.4.1.2 Identify potential suppliers and assess supply capabilities of local suppliers including by MSMEs and by enterprises in KiE and CAIPs.	Potential for new supply relationships assessed	Number of potential suppliers identified and assessed	100 potential suppliers identified and assessed within 21 months	5.0	EPZA/SEZA/SDIP/EPZA/ SEZA/SD MSME/SD Industry/ SD Agriculture/KAM/CoG/ CIUs/KIE	Y2Q1-Q3
	3.4.1.3 Link suppliers to SEZ/EPZ and industrial park buyers.	New value chain linkages within SEZ/EPZ and industrial park sector value chains established	Number of successful supplier-buyer linkages established.	50 supplier-buyer linkages in SEZ/EPZ and industrial park value chains facilitated within 5 years	3.3	EPZA/SEZA//KAM/MSME Authority	Y2Q4-Y5Q4
3.4.2 Investment in new ventures which use local inputs	3.4.2.1 Identify available sources of local raw materials and intermediate inputs/goods which can be processed in industrial parks and zones, emphasizing MTP-IV Value chains and Sector opportunities	Identification of available local raw materials and intermediate goods for processing	Number of MTP-IV value chains and sectors wherein raw materials and intermediate goods have	Raw materials and intermediate goods in 6 MTP-IV value chains and sector opportunities	8.8	EPZA/SEZA/SDIP/SD Agriculture/SD Livestock Development/ SD Industry/SD Blue Economy/SD Mining/CoG/CIUs/Konza TDA/KenInvest	Y2Q3-Q2Q1

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Institutions Involved	Timelines
			been identified for processing.	identified within 15 months			
	3.4.2.2 Develop investment opportunity profiles and bankable project proposals to establish industries in value chains where these available materials/inputs can be used.	Investment Opportunity Profiles and bankable project proposals developed	Number value chain investment opportunities profiled	15 value chain investment project opportunities profiled in 8 value chains and MPT-IV target sectors within 24 months	3.2	EPZA/SEZA/SDIP/SD Agriculture/SD Livestock Development/ SD Industry/SD Blue Economy/SD Mining/CoG/CIUs/ Konza TDA / KenInvest	Y2Q2-Q4
	3.4.2.3 Promote investment in these value chains.	Increased investment in identified value chains	Value of investments in targeted value chains	USD 100 million in investment attracted and authorized/licenced within 5 years	20.0	EPZA/SEZA/SDIP/ Konza TDA/CIUs/KenInvest/KI E/SD Industry	Y2Q2-Y5Q4
				TOTAL BUDGET (KES Million)	23,776.6		

5.2.4 KRA 4: De-risking FDI and DI in Kenya

Outcome indicator: Improved international investment/credit risk rating for Kenya

Target: Improve Kenya's Standard and Poor's credit rating from B- in 2024 to B+ in 2029

Table 11: KRA 4 - Implementation plan

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
Strategic Objective 4.1: To create and operationalise a National De-risking Framework (NDF) that prescribes de-risking solutions to address Country, Industry and Project Risk and so enhance Kenya's competitiveness as an investment destination.							
Outcome Indicator: Increased conversion of prospective FDI & DDI Investment proposals into project startups due to improved Investment risk mitigation and elimination							
Target: Achieve a cumulative average conversion rate of 35% of prospective FDI/DDI investment proposals received into project starts.							
4.1.1: Draft and operationalise the National De-risking Framework (NDF)	4.1.1.1: Establish and Commission a National De-Risking Framework Development Technical Working Group (NDFDTWG) with (high level) membership of technical officers drawn from relevant MDAs.	A National De-Risking Framework Development Technical Working Group (NDFDTWG) in place to give guidance on de-risking matters in Kenya.	Formation of NDFDTWG with approved terms of reference	NDFDTWG formed to steward development of NDF and is operations within 6 months beginning of strategy period.	20.00	KDC/ SDIP	Y1Q2-Y1Q4
	4.1.1.2 Create a Compendium matrix of all Financial & Non-Financial De-Risking Instruments deployed locally and other jurisdictions to attract FDI, DDI & DI.	A comprehensive list of all de-risking instruments available and deployed	Completed compendium matrix with detailed information on de-risking instruments	Compendium matrix developed and completed within 12 months	2.00	KDC/ SDIP/KenInvest	Y1Q4-Y2Q3
	4.1.1.3. Commission a team of technical specialists to create, embed and operationalise a De-risking Valuation Methodology to be incorporated into the NDF	A developed and operational De-risking Valuation Methodology (DVM)	Functional DVM with core functionalities	DVM developed and operational within 12 months	15.00	KDC/ SDIP/KenInvest	Y1Q4-Y2Q3

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
	4.1.1.4: Create and operationalise a dedicated National Investment Database developed by a team of ICT; statistical & financial modelling technical specialists team under the National De-Risking Framework Development Technical Working Group (NDFDTWG).	A developed and operational National Investment Database	Functional National Investment Database with key data points	National Investment Database developed and operational within 12 months	15.00	KDC/SDIP/KDC/MITI/Treasury/KNBS/K{PPRA/KenInvest	Y2Q1-Y2Q5
	4.1.1.5: Create and operationalise a National Investment Risk Register to 'Track-n-Trace' all investment projects' de-risking Interventions and related instruments deployed	A developed and operationalized National Investment Risk Register	Functional National Investment Risk Register with tracked investment projects and de-risking interventions	National Investment Risk Register developed and operational within 12 months	15.00	KDC /SDIP/KenInvest	Y2Q2-Y3Q1
	4.1.1.6: Create and operationalise a separate Diaspora Direct Investment (DDI) set of de-risking solutions to help expand current remittances into investment flows under DDI	A developed and operationalized list of DDI-specific de-risking solutions	Number of DDI de-risking solutions implemented	20 DDI de-risking solutions implemented within first 12 months	3.00	KDC /SDIP/KenInvest	Y2Q2-Y3Q1

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
	4.1.1.7: Create and populate a De-risking Instruments Option Matrix that identifies, lists and links overlaps between FDI, DDI and DI (Venn diagram) to aid effective and efficient responses.	A standing Option Matrix of overlaps for all developed and deployed De-risking Instruments	Completed De-risking Instruments Option Matrix	Matrix developed and populated within 24 months	1.50	KDC /SDIP/KenInvest	Y3Q1-Y4Q4
Strategic Objective 4.2: To improve Kenya's Country Risk through proactive de-risking interventions and instruments that lower its Country Risk Premium							
Outcome Indicator: Reduced Country Risk Premium and increased political risk coverage from leveraging international instruments to support Kenya							
Target: Decrease Country Risk Premium by 60% within 5 years							
4.2.1: Integrate international agency country de-risking program offers (e.g. ODA/MIGA) into the NDF - Kenya's de-risking framework	4.2.1.1: Compile and integrate into the NDF's de-risking toolbox, current international de-risking programs and initiatives as offered by international and bilateral partners that cover political and other types of Country Risk.	Comprehensive database of international de-risking programs and initiatives	Number of de-risking programs and initiatives identified and assessed	Identify and assess over 100 de-risking programs within 36 months	8.0	KDC/SDIP/OP/Treasury	Y1Q2-Y4Q1
	4.2.1.2: Compile and detail opportunities to attract the target foreign investors that these bilateral and multilateral programs are designed to assist.	Detailed analysis of target foreign investors and investment opportunities	Number of target foreign investor profiles developed	Develop profiles for 300 target foreign investors within 18 months	15.0	KDC /SDIP/OP/MITI/Treasury/CIUs/CoG	Y1Q4-Y3Q1

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
	4.2.1.3: Engage international partners running country risk mitigation programs on how they can be integrated into the NDF to create a bespoke suite of integrated de-risking instruments and measures that can be deployed to improve Kenya's Country Risk to lower its Country Risk Premium	Partnerships established with international partners	Number of partnerships established with international partners	15 partnerships with international partners established within 36 months	8.0	KDC /SDIP/OP/MITI/Treasury/CIUs/CoG	Y3Q1-Y5Q4
4.2.2: Master the Credit Agencies Quantitative Evaluation Models to support Investment attraction through better Country Risk management	4.2.2.1: Compile, thoroughly review and itemize the mechanics, criteria, metrics and methodologies of the quantitative and qualitative credit evaluation models used by all three Credit Rating Agencies i.e. Moody, S&P and Hitch.	Detailed analysis and itemisation of each of S&P, Moody's and Hitch's Credit Rating evaluation models	Working Credit Rating evaluation models for each of three CR Agencies (Moody's, S&P and Hitch)	3 Credit Rating Evaluation Models (one from each agency) completed in 12 months	10.0	KDC/SDIP/OP/MITI /KIPPRA/Treasury	Y1Q2-Y2Q1
	4.2.2.2: Use such itemised review findings use a specialist team to recreate via reverse engineering a Kenya Credit Rating Predictive model.	The creation of a working reverse engineered Credit Rating predictive Model for Kenya based on analysis of Ratings of the Three Credit agencies	Percentage accuracy of predictive model.	A Kenya Credit Rating Predictive model with 85% accuracy launched and operationalized within 15 months.	10.0	KDC/SDIP/OP/MITI /Treasury	Y2Q1-Y3Q1

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
	4.2.2.3: Establish and publish internally a monthly tracking index from the Kenya Credit Rating predictive model (to model the likely impacts of changes for various parameters and criteria for pre-emptive risk management.)	A quarterly Kenya Credit Rating Index based on predictive CR model	Accurate Kenya Credit Rating Index published quarterly	Kenya Credit Rating Index published every quarter from Year 2 onward.	5.0	KDC/SDIP/OP/MITI /Treasury	Y2Q4-Y5Q4
4.2.3: Apply policy and institutional measures to enhance Kenya's international reputation as upholding of the rule of law and governance, and so improve Kenya's Country Risk profile	4.2.3.1: Improve fiscal discipline and governance through greater transparency	Enhanced transparency and accountability in public expenditure	Increased access by the public including investors, to expenditure data and performance metrics	Achieve 100% increase in public access to budget data using simplified format that highlights revenue and expenditure data, within 18 months	10.0	SDIP/OP/Treasury	Y1Q2-Y2Q3
	4.2.3.2: Propose, have approved and implement establishment of a Sovereign Wealth Fund to supplement debt repayment (a ringfenced quantum or percentage of yield used to pay down public debt, but no less than 10% of the Wealth Fund's Investment income, never its principal).	Sovereign Wealth Fund established with a minimum capital base of KES 500 billion within 3 years (This amount not included in NISK budget).	A ring-fenced quantum or percentage of fund used to pay down public debt.	At least 10% of fund investment income used to pay down debt	40	Treasury/ SDIP/OP/SD Econ Planning/CBK/KDC	Y2Q3-Y5Q2

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
	4.2.3.3 Propose and have approved a mechanism by which set percentage of all revenues sourced from extraction & monetization of Kenya's natural resources including minerals, oil & gas to help pay off national debt	Natural resources utilized to reduce public debt with natural resource mapping with valuation estimates to predict likely debt payoff.	Debt repayment from sale of natural resources	10% of current debt portfolio paid off within 5 years	10	Treasury /Econ Planning/CBK/SDIP	Y2Q1-Y5Q4
	4.2.3.4 Propose policy and have it enacted in law (including PFM Act) for budget process to convert from cash to accrual accounting to eliminate end year expenditure rushes and unreported cash carryovers not returned to treasury, so as to vastly improve budget accountability and management.	Improved management of public expenditure and reduction in public debt	% completion of Reforms to Public budget management	Legislative amendments and new budget cycle system reforms complete within 36 months	30.0	Treasury/ SD Econ Planning/ Office of President/Parliament	Y1Q2-Y4Q1
	4.2.3.5 Institute and publish Kenya's Treasury Bond Yield Curve to signal a strong and publicly verifiable commitment to fiscal and monetary discipline to international financial markets and Investors.	Published Treasury Bond Yield Curve	Regular publication of Treasury Bond Yield Curve	Treasury Bond Yield Curve computed and published within 12 months and quarterly thereafter.	0.3	Treasury/ MITI/Econ Planning/CBK	Y1Q2-Y2Q1

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
Strategic Objective 4.3: To lower Industry Risk at the sector and sub-sector level through de-risking interventions and instruments that support and enhance Kenya's sector and subsector competitiveness to attract FDI into selected value chains.							
Outcome Indicator: Increased FDI inflows into targeted sectors and value chains							
Target: Increase FDI inflows into targeted sectors by 15% per year within 5 years							
4.3.1 Address Macroeconomic Risk	4.3.1.1: Compile and publish a Kenya Industry Risk Probability Tables and other quantitative analysis sourced or developed jointly with private sector actuarial firms and banks to support quantitative and qualitative reviews local/foreign partnerships for FDI by Industry	Published Kenya Industry Risk Probability Tables and quantitative analysis	Number of industries covered by risk probability tables and analysis	10 industries with published risk probability tables and within 36 months	5.0	KDC/SDIP/ KenInvest/SDInd	Y1Q3-Y4Q2

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
	4.3.1.2: Recapitalise KDC and KIE to offer affordable credit to business Sector	KIE and KDC able to offer local industrial and commercial enterprises low-cost capital to support expansion and strengthen capacity to engage with FDI partners.	Re-Capitalisation levels	Raise KES 2,000 million for KIE and 15,000 for KDC within 24 months	17,000.0	KDC/KIE /National Treasury/Development partners/ International DFIs/CBK	Y2Q2-Y4Q2
	4.3.1.3: Remodel KDC's non-financial function into an in-house division designed after the American Small Business Administration Bureau for domestic businesses seeking foreign partnerships	Restructured KDC with in-house division for business support	Number of businesses supported through the new division	Support 700 businesses per annum by end of year 4	36.0	KDC/SDIP/MITI	Y2Q1-Y5Q4
	4.3.1.4. Provide simplified means of accessing Lines of Credit for plant and equipment by target sectors and value chains that will primarily be lent through a repurposed KDC (as a full Development Finance Bank)	Simplified access to lines of credit accessible to target sectors and value chains by KDC	Number of businesses accessing lines of credit	400 businesses per annum accessing lines of credit by year 3	15.0	KDC/SDIP/MITI	Y2Q1-Y5Q5

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
4.3.2 Address Regulatory Risk	4.3.2.1 Insert grandfather clauses to revenue-raising and adverse-impact private sector policy reforms, to signal and reassure citizens and foreign investors of regulatory flexibility, scheduled periodic reviews; & regulatory stability	Policy reforms processes with provisions for review and with in-built regulatory flexibility and stability.	Share of policy reforms with grandfather clauses	Grandfather clauses in 100% of business-impacting policies and legislation over 4 years	1.5	KDC/SDIP/MITI/ Attorney General	Y1Q3-Y5Q4
	4.3.2.2. Incorporate appropriate and relevant climate and environment de-risk mitigation measures of various bilateral and Multilateral agencies into the into National De-risking Framework (NDF).e.g.UNDRR; disaster risk reduction and mitigation frameworks like the Green Climate Fund & UNHCR's Climate Resilience Fund;	Updated National De-risking Framework (NDF) with international climate and environment risk mitigation measures incorporated therein	Number of international climate and environment de-risk mitigation measures incorporated into NDF	10 international climate and environment de-risking mitigation measures incorporated into NDF within 36 months	13.0	KDC/SDIP/MITI/M ECC&F (Ministry of Environment, Climate Change and Forestry)	Y2Q2-Y5Q2
Strategic Objective 4.4: To mitigate Project Risk through clear 'last-mile' support pathways via prescribed de-risking interventions/instruments to support Kenya's FDI investment attraction.							
Outcome Indicator: Increased number of successful FDI investment projects outside cities and large towns (urban areas with population of over 1 million).							
Target: Increase the number of successful investment projects at the grassroots level by 20% per annum over 3 years							

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
4.4.1 Enhance Kenya Development Corporation (KDC's) Catalytic Role to help Private Sector Players Partner with Foreign Investors	4.4.1.1: Assign primary responsibility to KDC for developing and operationalizing the National De-risking Framework, its content and attendant mechanisms.	National De-risking Framework developed and operationalised including comprehensive list of financial and non-financial de-risking instruments under its NDF purview.	National De-risking Framework with implementation plan and list of de-risking instruments with application guidelines within NDF completed.	Development and operationalisation of NDF and publishing of compendium of derisking instruments within NDF, completed within 18 months	15	KDC / SDIP/SDI/SDTrade	Y1Q2-Y2Q3
	4.4.1.2: Convert the KDC into a full Development Finance Bank	KDC Restructured as a full Development Finance Bank	KDC's license as a full Development Finance Bank with catalytic role for private sector support in Kenya secured	KDC launched as a full Development Bank within 24 months	4.0	KDC/SDI/OP/CBK/Treasury	Y2Q1-Y3Q4
4.4.2 Establish a Sovereign Wealth Fund or a National Investment Guarantee Fund to mobilise de-risking finance	4.4.2.1: Offer forms of Investor Insurance cover to catalyse speedy project set up and start up to cover initial investment establishment and set up costs	Investor insurance products developed	Investors with insurance policy offers	100% of new FDI/DDI applications for first 6 months offered insurance coverage to encourage first set up	20.0	KDC/SDIP/MITI/OP/Treasury/Insurance Reg. Auth.	Y3Q1 - Y5Q4

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
	4.4.2.2: Underwrite Financial De-risking Instruments or finance them directly as the KDC through joint equity participation with domestic partner.	Financial de-risking instruments underwritten	Value of underwritten financial de-risking instruments	7 Co-insurance partnerships operationalised with private sector re-insurance providers in 30 months of strategy period.	20.0	KDC/SDIP/MITI/Insurance Reg. Auth.	Y1Q2-Y3Q2
4.4.3. Establish a National Investment Land Trust (NILT) to de-risk long term Land access for Investment	4.4.3.1 Establish the NILT under legislation.	NILT established	Appointment and Gazettement of NILT Board	NILT Board gazetted and launched within 12 months	2,000.0	NLC/ KDC /SDIP/Treasury/OP / State Dept of Lands and Physical Planning/CoG/CiUs	Y1Q2-Y2Q1
	4.4.3.2 Issue a special infrastructure bond – the National Investment Land Trust Bond to solely raise funds under an M-Akiba type citizens' Bond arrangement:	Fund quantum raised from bond issuance	Publication of quantum of funds raised through the release of a mandatory NILT report to be updated and released monthly,	KES 1,200 billion raised over 5 years from all sources for use in acquisition of investment planned.	20.0	KDC/NILT / Treasury/CBK/CMA	Y2Q3-Y5Q3

Strategic initiative	Key Activities	Expected Output	Output Indicators	Target	Budget (KES MN)	Responsible	Timelines
	4.4.3.3 NILT's purchase of between 50,000 -& 100,000 acres in all 47 counties, with land then gazetted for long-term lease to beneficial investments projects, Land administered under the National Investment Strategy's de-risking function	Acreage acquired commercially (willing buyer-willing seller basis) for investment gazetted and vested in NILT	Total acreage acquired by NILT and gazetted	4,700,000 acres acquired withing 5 years	250.0	KDC/NILT / KDC/ NLC/SD Land and Phys Planning/National Treasury	Y3Q1-Y5Q4
	4.4.3.4 Avail land at scale to drive FDI attraction, promotion and retention for Industrial, Trade and Business development.	Publication and gazettment of access rules and regulations for NILT land and rapid lease & effective utilization of land for investment including by FDI and DDI.	Ratio of land leased to investors who have commenced operations to area of land for which investors' applications for allocation have been received.	65% of area of land applied for is under operational investor's use within 5 years	50.0	KDC/NILT /KenInvest/ CiUs/	Y3Q3-Y5Q5
				TOTAL Budget	19,667.3		

5.3 Risk Mitigation Framework and Contingency Planning

This section provides an assessment of various risks which could negatively impact on successful implementation of the five-year National Investment Strategy for Kenya (2024/5 to 2028/9). The four major perceived risks are: significant reversal of Investment-enabling policies, lack of institutional capacity to undertake assigned roles and responsibilities assigned to them in the strategy; insufficiency of budgetary allocation for key projects and severe socio-economic shocks which impact capacity to implement elements of the strategy. The probability and severity of negative events and this the level of risk, plus the mitigation measures are described in the table below.

Table 12: Risk management Framework				
Risk	Likelihood of risk (L/M/H)	Severity of Impact of risk (L/M/H)(L/M/H)	Overall Risk Level (L/M/H)	Mitigation measures
Significant Reversal of Investment-	L	H	M	- Engage with key policy makers during strategy development and implementation stages, to gain their understanding, input and buy-in for NISK. - Involve key MDAs in implementation working groups and steering committee for the relevant aspects of NISK

Enabling Policies				• Provide key policy makers regular feedback and progress reports on strategy implementation, results and challenges which may need their intervention • Constantly scan the environment for indications of policy shifts which may negatively impact an enabling investment climate, promotion and facilitation of investment, utilisation of incentivized zones and de-risking FDI and DDI. • Engage with key stakeholders and policy makers to understand their thinking and then prepare well researched positions that will seek to mitigate negative policy shifts
Lack of Institutional Capacity to Undertake assigned roles and responsibilities in the strategy.	M	M	M	• Involve the relevant institutions at the NISK Validation stage, to verify that their mandate and capacity will allow them to undertake the roles assigned • Engage with individual institutions to assess present capacity both financial and technical, and where bridging support is needed. • Through GOK and development partner programmes, seek technical assistance to bridge technical capacity gaps • Estimate budgetary support for implementation and include in NISK resource budget
Insufficiency of Budgetary Allocation for key projects	M	H	H	• Engage with National Treasury during development of NISK 5-year budget framework on likely funding levels • Estimate and plan for budgetary requirements well in advance so as to attain strategy milestones • Conduct phased implementation of initiatives to spread some high capital cost items over several budget cycles. • Avoid duplication of existing initiatives and collaborate where possible • Seek development partner support or PPP support for expensive components including infrastructure development.
Severe socio-economic Shocks which impact capacity to implement elements of the strategy	L	H	H	• Periodically reassess which elements are critical to overall success of the strategy and prioritise these • Engage and collaborate at national and county levels with similar initiatives which can assist attainment of NISK strategic objectives. • If shocks are too severe, suspend/postpone implementation for a time until the shock subsides.

5.4 Institution and coordination framework

Implementation of the National Investment Strategy for Kenya requires leadership and participation from diverse institutions mainly in public and private sector. This needs a well -structured institutional coordination framework, laying out roles, relationships and the coordination mechanisms required for effective implementation. This is described below:

Table 13: Institutional Coordination Framework

Type Institution	Key Institutional Functions and Coordination Roles	MDAs and other Institutions involved
Committees and Working Groups	National Investment Council (NIC) Overall Direction and Leadership for NISK High Level Support to SDIP, MITI and Cabinet on matters relating to NISK. Coordination of Institutions involved in implementation. Support to Budgeting and Resource Allocation for NISK related activities. Oversight of Annual NISK Workplans Oversight of M&E and Reporting. National Investment Strategy - Technical Committee Follow up on actions directed by NIC Coordination of implementation by Institutions under the State Department's docket	NIC membership already gazetted, with H.E. President as Chair. Members: Principal Secretaries for Key Departments: Office of the President (Chair) Investment Promotion, National Treasury, Economic Planning, Industry, Trade, MSME, Foreign Affairs, Diaspora Affairs, Lands and Physical Planning, Housing and Urban Development, State Law Office, Energy, Water and Sanitation, Agriculture, Livestock Development, ICT &

	Coordination of budgets and requests for resources needed to implement NISK-related activities, by Institutions under the State Department's docket. Preparation of Annual NISK Workplan Coordination of Reporting and M&E for NISK Intergovernmental Working Group on Investment (IGWGI) Role is to coordinate collaboration on investment initiatives between County Governments and National Government, including: Resource mapping in the counties to inform long-term strategic planning and sector prioritization including develop an Investment Opportunity Map and Investment Guide Development and implementation of a rolling 3-year National Investment Promotion Plan to coordinate investment promotion goals, pinpoint specific investment opportunities, profile target investors, marketing tactics and detailed marketing budget. Facilitation of counties in the preparation of County Investment Profiles and investment regulatory frameworks Capacity building of CIUS and coordination of investment activities between the national and county levels National De-Risking Framework Development Technical Working Group (NDFDTWG) Its roles include: To give guidance on de-risking matters in Kenya. To oversee creation of a Compendium matrix of all Financial & Non-Financial De-Risking Instruments deployed locally and other jurisdictions to attract FDI, DDI & DI. To guide the creation and operationalization of a dedicated National Investment Database (developed by a team of ICT, statistical & financial modelling technical specialists)	Digital Economy, Fisheries and Blue Economy, Mining. Others as may be co-opted. Secretariat: State Department for Investment Promotion with assistance of Kenya Investment Authority Membership Representatives of: State Departments of Investment Promotion, Industry, Trade, Economic Planning, National Treasury, SD Agriculture, SD Livestock Development; Council of Governors, A representative group of members of County Governments, SEZA, EPZA, NIFCA, KenInvest, KDC, Joint Secretariat: CoG, KenInvest Membership High level membership of technical officers drawn from relevant MDAs.
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	To steward the establishment of a National Investment Risk Register to 'Track-n-Trace' all investment projects' de-risking Interventions and related instruments deployed To create a separate Diaspora Direct Investment (DDI) set of de-risking solutions to help expand current remittances into investment flows under DDI To oversee the creation of a Kenya Credit Rating Predictive model.	
Ministries, Departments and Agencies, Constitutional Commissions	Implementation of National Investment Strategy in line with roles assigned in the NISK Activity implementation plan and Gantt Chart Inclusion of NISK as a priority work area in annual workplans, budgets, procurement plans and human resource plans. Participation in NISK committees and technical working groups (TWGs) as requested by NIC and National Investment Strategy Technical Committee.	Office of the President Office Of Prime Cabinet Secretary (Coordination Unit) State Departments of: - Investment Promotion - National Treasury - Economic Planning - State Law Office - Trade - Industry - EAC Affairs - Foreign Affairs - Diaspora Affairs - Transport - Roads - Water and Sanitation - Energy - Environment and Climate Change - ICT and Digital Economy - Mining - Blue Economy and Fisheries - Agriculture - Livestock Development

		Agencies EPRA, KPLC, KETRACO, KenInvest, KRA, CITA, DPP, DCI, EACC, ACA, KIPi, ACA, KeBS, EPZA, SEZA, NIFCA, Konza TDA. NIFCA, KR, KPA, KAA, NEMA, KIE, KNBS Others Judiciary, EACC, National Land Commission
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5.5 Financial Requirements for National Investment Strategy

Table 14: Financial Requirements

	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL (KES Million)
KRA 1	320.63	534.38	534.38	427.50	320.63	2,137.50
KRA 2	291.38	485.63	485.63	388.50	291.38	1,942.50
KRA3	3,566.49	5,944.14	5,944.14	4,755.31	3,566.49	23,776.57
KRA 4	2,950.10	4,916.83	4,916.83	3,933.46	2,950.10	19,667.30
TOTAL	7,128.58	11,880.97	11,880.97	9,504.77	7,128.58	47,523.87

5.6 Sources of Technical Assistance, Financial and Human Resources Required in the Strategy

The National Investment Strategy requires funding of KES 47,523.87 as well as significant human resources to implement the strategy over five years. The possible sources of financial, human and technical assistance resources for execution of the Strategy are described below following:

Table 15: Sources of Technical Assistance, Financial and Human Resources Required in the Strategy

Source of Support	Type of Resource and its Purpose	Strategy To Secure Resources
Exchequer Funding*	Development Budget Support for Land acquisition, design and development of infrastructure, acquisition of technology, plant and equipment, development of institutional capacity; feasibility and research studies, marketing and promotion of new initiatives etc. Recurrent Budget Support for Staff Remuneration, subsidies and grants to business, data collection and analysis, public outreach and stakeholder engagement, institutional operation and maintenance etc. *(Includes Appropriation in Aid)	Cabinet support for NISK as a national priority. MDAs & County governments to review activities assigned to them in NISK in line with their mandates, embed and prioritise them within institutional strategy and planning processes including annual budget and performance contracts, estimate budget required for each of the 5 years and secure funding for Exchequer funding in public sector budgeting cycle
MDAs and County Governments	Human Resources – for leadership, management and execution of strategic initiatives including planning, promotion, stakeholder engagement, implementation, assessment, M&E review, and reporting.	MDAs & County governments to review activities assigned to them in NISK in line with their mandates, embed and prioritise them within institutional strategy and planning processes including annual budget and performance contracts; assign and steward the required human resources.
International Development Finance Institutions (IDFIs)	Grants and soft loans to National Governments- for financing development activities under NISK including for development of infrastructure to support investment in targeted sectors including for green projects. Technical Assistance – programme assistance and technical experts for feasibility and research studies, promotion and establishment of new initiatives, development of implementation plans, and for programme reviews.	MDAs and County Governments to work with National Treasury to identify their funding and technical assistance gaps. The National Treasury to engage with International IDFI to share needs and identify programmes that can support NISK including by new IDFI need-based initiatives. Treasury to work with MDAs, SAGAs and Counties to develop proposals and plans for this support, secure assistance and support implementation.

International Development Partners and Foreign Government	Development Budget Support Recurrent Budget Support Grants and soft loans to National Governments- for financing development activities under NISK including for development of infrastructure to support investment in targeted sectors including for green projects Technical Assistance – programme assistance and technical experts for feasibility and research studies, promotion and establishment of new initiatives, development of implementation plans and for programme reviews.	MDAs and County Governments to work with National Treasury to identify their funding and technical assistance gaps. The National Treasury to engage with international development partner and foreign governments to share needs and identify programmes that can support NISK including by new international development partner/foreign government need-based initiatives. Treasury to work with MDAs and Counties to develop proposals and plans for this support, secure assistance and support implementation.
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6 Monitoring and Evaluation

By implementing this monitoring and evaluation framework, the National Investment Strategy for Kenya (NISK) can ensure that its objectives are being met, identify areas for improvement, and make data-driven decisions to enhance investment promotion efforts.

Activity	Target	Timeframe	Responsible Entity
Quarterly or half-year progress reports	Submit timely progress reports on all activities and budget execution	Quarterly or half-yearly	SDIP, relevant government agencies
Annual updates of the action plan and budget	Update the action plan and budget annually to reflect changes and progress	Annually	SDIP, relevant government agencies
Disseminate lessons learned	Share lessons learned with the investment community and stakeholders	Regularly throughout implementation	SDIP, KenInvest, CIUs
Bi-annual evaluation of action plan	Conduct independent bi-annual evaluations to assess implementation effectiveness	Every 2 years	Independent evaluator

Although many performance indicators at the output level are already mentioned in the action plan activities and will be directly collected by the Ministry of Investment, Trade and Industry, additional monitoring indicators to be measured should include:

1. **Investment inflows** (FDI, DDI, domestic investment)- disaggregated by and incentive scheme sector where possible
2. **Job creation** (direct and indirect) by sector and incentive scheme where applicable
3. **Technology transfer**
4. **Value chain linkage development** (by sector, value chain and incentive scheme where applicable)
5. **Export growth** (Value, and volume by sector, and export destinations where applicable)
6. **Investment climate indicators** (e.g., ease of doing business, corruption perception index)
7. **Regional integration** (e.g., participation in regional value chains and intra-regional trade)
8. **Institutional capacity:** Capacity of investment promotion agencies and CIUs
9. **Investor satisfaction:** Investor satisfaction ratings
10. **Regulatory environment:** Ease of doing business (e.g B-Ready) indicators

In terms of monitoring and evaluation outputs, the following are suggested:

- **Six-month reports** to the National Investment Council (NIC)
- **Annual updates** of the action plan and budget
- **Independent assessment** of action plan implementation at the halfway point (30th month)
- **Dissemination of lessons learned** to stakeholders
- **Final evaluation report** at the end of the five-year implementation period

Assumptions

- a) Adequate resources will be allocated for monitoring and evaluation activities.
- b) Collaboration among stakeholders will be strong.
- c) Data collection and analysis will be conducted efficiently.
- d) Lessons learned will be effectively disseminated and incorporated into future planning.

7 Appendices

7.1 Appendix 1. Model to Estimate DI, FDI and DDI in Strategy Period

Fiscal Year		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
1.	Calendar Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2.	GDP Constant Prices (calendar year) KES Million (1)	8,330,891	8,756,946	8,733,060	9,395,942	9,852,583	9,858,100	10,400,296	11,055,515	11,785,179	12,610,141	13,518,071
3.	Estimated GDP at Constant prices (FY) KES Million (2)	8,543,919	8,764,864	9,001,562	9,645,284	10,122,709	10,627,751	10,727,905	11,420,347	12,197,660	13,064,106	14,011,481
4.	GDP Growth Rate (FY) % (3)	5.3%	2.6%	2.7%	7.2%	4.9%	5.0%	5.5%	6.3%	6.6%	7.0%	7.2%
5.	GDP current prices (FY) KES Mill. (4)	9,752,619	10,524,356	11,244,426	12,798,407	14,381,646	15,680,839	16,438,376	18,173,532	20,158,242	22,421,874	24,974,242
6.	Ratio GDP at Current prices: GDP at Constant prices (FY) (5a)	1.14	1.20	1.25	1.33	1.42	1.48	1.53	1.59	1.65	1.72	1.78
7.	Investment to GDP Ratio (FY)% (5b)	19	19	20	19	19	21	23	24	26	27	27
8.	Gross Private Direct Investment	1,882,255	2,041,725	2,260,130	2,406,101	2,775,658	3,245,934	3,731,511	4,379,821	5,180,668	5,986,640	6,743,045

Fiscal Year		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	(FY) KES Million (6)											
9.	Gross Private Direct Investment (FY) USD Million (6)	18,606.7	19,711.6	20,788.5	21,330.7	21,992.4	23,779.7	27,640.8	32,443.1	38,375.3	44,345.5	49,948.5
10.	Foreign Direct Investment (FDI) Inflows - FIS (CY) KES Million (7)	115,414.3	112,024.9	160,658.6	154,284.5	188,190.1						
11.	FDI Inflows Estimate (FY) - KES Million (8)	115,414.3	112,024.9	160,658.6	154,284.5	188,190.1						
12.	Mean Exchange Rate--(FY) KES/USD (9)	101.16	103.58	108.72	112.80	126.21	136.5	135.0	135.0	135.0	135.0	135.0
13.	FDI Inflows from FIS (CY) - USD Million (10)	1,140.9	1,081.5	1,477.7	1,367.8	1,491.1						
14.	FDI Inflows - WIR 2024 (CY) USD Million (11)	1,139.0	1,098.0	1,510.0	1,406.0	1,597.0	1,504.0					
15.	FDI inflows: Actual (WIR) & Projected (FY)- USD Mill (12)	1,139.0	1,098.0	1,510.0	1,406.0	1,597.0	1,504.0	1,729.6	2,075.5	2,594.4	3,502.4	5,078.5

Fiscal Year		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
16.	FDI as % of GPDI	6.1%	5.6%	7.3%	6.6%	7.3%	6.3%	6.3%	6.4%	6.8%	7.9%	10.2%
17.	Annual Increase in FDI(FY) % (13)	-	-3.6%	37.5%	-6.9%	13.6%	-5.8%	15.0%	20.0%	25.0%	35.0%	45.0%
18.	Gross Private Direct Investment (FY), USD Million (14)	18,606.7	19,711.6	20,788.5	21,330.7	21,992.4	23,779.7	27,640.8	32,443.1	38,375.3	44,345.5	49,948.5
19.	Domestic Investment (Gross Private Direct Investment less FDI) USD Million	17,467.7	18,613.6	19,278.5	19,924.7	20,395.4	22,275.7	25,911.2	30,367.6	35,780.9	40,843.0	44,869.9
20.	Annual Growth of Domestic Investment (%)		6.6%	3.6%	3.4%	2.4%	9.2%	16.3%	17.2%	17.8%	14.1%	9.9%
21.	Diaspora Cash Remittance (FY) USD' 000 (16)	2,473,320	2,520,468	3,076,660	3,686,049	3,671,236	4,163,950	4,580,345	5,038,379	5,542,217	6,096,439	6,706,083
22.	Diaspora Cash Remittance (FY) USD Mill (16)	2,473.3	2,520.5	3,076.7	3,686.0	3,671.2	4,163.9	4,580.3	5,038.4	5,542.2	6,096.4	6,706.1

Fiscal Year		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
23.	Projected % Diaspora Remittance as DDI - % (17)	0%	0%	0%	0%	0%	0%	5.0%	10.0%	15.0%	20.0%	25.0%
24.	Estimated Diaspora Direct Investment - USD Mill	N/A	N/A	N/A	N/A	N/A	N/A	229.0	503.8	831.3	1,219.3	1,676.5
25.							Baseline					

7.2 Appendix 2: Institutional Membership of Technical Working Group for National Investment Strategy

NO.	NAME OF INSTITUTION
1	State Department for Investment Promotion
2	State Department for Trade
3	State Department for Industry
4	State Department for East Africa Community Affairs
5	The National Treasury
6	State Department for Blue Economy and Fisheries
7	State Department for Diaspora Affairs
8	State Department for Agriculture
9	State Department for Lands and Physical Planning
10	State Department for ICT and Digital Economy
11	State Department for Economic Planning
12	State Department for Micro, Small and Medium Enterprises
13	Kenya Investment Authority
14	Kenya Development Corporation
15	Export Processing Zones Authority
16	Special Economic Zones Authority
17	Capital Markets Authority
18	Konza Technopolis Development Authority
19	Nairobi International Financial Service Authority
20	Kenya Institute of Public Policy Research and Analysis
21	Kenya Bureau of Standards
22	Council of Governors
23	Strathmore Research and Consultancy Centre Ltd/ Lotus Consulting Ltd

7.3 Appendix 3: Stakeholder Analysis

	Stakeholder	Role	Stakeholder Expectations of National Investment Strategy	Expectations of National Investment Strategy of Stakeholder
1.	State Department for Investment Promotion	- Investment Policy and strategy; - Promotion of opportunities for investment in Kenya; both locally and internationally - Promotion and oversight of development of EPZs; - Coordination of transformation of the Eco-system supporting private sector - Development of business reform agenda across the entirety of government - Championing Automation and Re-engineering of government business and service processes. - Oversight of development and implementation of National Investment Strategy - Coordination of Investment matters with public sector including county governments and with private sector - Oversight of Investment Related State Agencies including DBRT, SEZA, EPZA, KDC	- Provide a road map for expanded investment - Cascade the Kenya Investment Policy (2019) - Create an enabling climate and business environment for investment - Enhance the competitiveness of the national investment climate - Expand private direct investment in Kenya - Provide a coordination framework for national and county Investment functions - Optimal balance between FDI and domestic investments - Address issue of land banking - Improve Investment Marketing - Improve the investment incentive framework - Assess the impact of investment with respect to indicators like employment,	- Champion Implementation of the Completed Strategy - Promote public awareness of the strategy and its objectives and achievements - Coordinate public and private bodies in implementation of interventions listed in the strategy - Engage with development partners and the National Treasury and development partners to obtain financial resources to implement the strategy - Seek technical assistance to support strategy implementation - Avail technical officers and other staff to support investment related functions. - Lead monitoring and evaluation of strategy implementation

Stakeholder		Role	Stakeholder Expectations of National Investment Strategy	Expectations of National Investment Strategy of Stakeholder
			- technology transfer and exports. - Expanding attraction and establishment of investment - Enhancing investor retention and aftercare - Providing mechanism for collection and analysis of investment data	
2.	National Government Departments including State Departments e.g. National Treasury, Economic Planning, Agriculture, Livestock Development, EAC Affairs, ICT and Digital Economy, Foreign Affairs, Diaspora Affairs, MSME, Industry, Trade, Energy, Transport.	- Formulation of relevant economic and sector policies - Drafting of laws and regulations to implement public policy for discussion by Parliament - Oversight of implementation of relevant economic and sector policies - Development and implementation of complementary strategies for economic growth - Provision of financial resources (from exchequer) - Oversight of state agencies in their dockets - Monitoring of investment-related activities in their respective sectors - Assessing impact of investment in their respective sectors.	- Providing a coordination framework of investment activities among the various government departments. - Identification of key barriers to investment in the government departments and proposed interventions. - Defining areas of action by relevant state departments and agencies in implementation	- Allocation of personnel/focal desk to act as a point person for investment-related queries and coordinate activities that involve the state departments. - Undertake necessary reforms proposed in strategy to improve business environment and investment climate - Incentivize investments through tariff reductions, tax incentives, in-kind support, technical assistance, adequate infrastructure, industrial parks, SEZs/EPZs, CAIPs and investment promotion activities – both domestically and internationally. - Collaborating with SDIP all other relevant departments, state agencies, county governments and private sector bodies to support implementation of strategy - Taking up assigned roles in the strategy implementation action plan and providing periodic reports to monitor progress - Sharing of relevant investment-related information so support evidence-based decision-making.

	Stakeholder	Role	Stakeholder Expectations of National Investment Strategy	Expectations of National Investment Strategy of Stakeholder
3.	State Agencies including State Corporations	• Implementation of policies, laws and regulation of National Government • Execution of assigned mandates including those which support private direct investment • Supporting investors and other enterprises in the economy in diverse ways including through service delivery in economic sectors. • Collecting statistics on outputs and outcomes of activities undertaken by the agencies and periodically preparing reports on performance for transmission to relevant bodies including parent ministries and KNBS	• Identification of overlapping mandates and roles in investment-related activities to ensure effective and efficient facilitation of direct investments.	• Adherence to service charters in regard to facilitating investments. • Allocation of adequate financial and human resources to enable effective and efficient service delivery • Incentivize investments through tariff reductions, tax incentives, in-kind support, streamlined investment procedures, technical assistance, adequate infrastructure, industrial parks, SEZs/EPZs, CAIPs and investment promotion activities – both domestically and internationally • Undertake necessary reforms proposed in strategy to improve business environment and investment climate • Collaborating with SDIP all other relevant state departments, state agencies, county governments and private sector bodies to support implementation of strategy • Taking up assigned roles in the strategy implementation action plan and providing periodic reports to monitor progress including collecting and sharing data on investments. • Sharing of relevant investment-related information so support evidence-based decision-making
4.	County Governments	Facilitate investments at the county level through the creation of County Investment Units (CIU).	• Identification of barriers to investment at the county level. • Actionable proposed interventions.	• Creation of of County Investment Units (CIUs) by County government sand allocation of adequate financial and human resources for their effective operation.

Stakeholder		Role	Stakeholder Expectations of National Investment Strategy		Expectations of National Investment Strategy of Stakeholder	
		Creation of a policy and regulatory framework that supports the promotion of foreign and domestic investments. Offer incentives for investments, including infrastructure, County Aggregated Industrial Parks (CAIPs) and favourable taxes.	Proposals for effective mechanisms for coordination between national and county governments, on investment matters		- Prioritization of creation and implementation of policy and regulatory frameworks by County government in order to incentivise direct investments. - Undertake necessary reforms proposed in strategy to improve business environment and investment climate in counties. - Incentivize investments through tariff reductions, in-kind support technical assistance, adequate infrastructure, CAIPs and investment promotion activities – both domestically and internationally. - County governments will collaborate with Investment Promotion Agencies in their investment-related activities and facilitate coordination of investment functions amongst counties . - County governments will coordinate and collaborate with each other to enhance private investments.	
5.	Private Sector Enterprises and Business Membership Organisations (BMOs)	- Providing domestic and foreign direct investment capital - Advocacy and representation of members through advocating for favourable policies and regulations. - Networking and collaboration among members to increase investment and enable the effective management of common challenges to direct investments.	- Identification of the direct investment-related barriers faced by the private sector - Take on board private sector concerns and inclusion of some of their policy proposals - Propose practical, actionable proposed solutions to these barriers, including regulatory reforms.		- Sharing by private sector of relevant investment-related information that will foster an improved business environment and investment climate. - Identification of potential investment opportunities and collaboration with state agencies in promoting investment - Effective representation of members by the Business Membership Organizations (BMOs).	

	Stakeholder	Role	Stakeholder Expectations of National Investment Strategy	Expectations of National Investment Strategy of Stakeholder
6.	Financial Institutions including Development Finance Institutions	- Providing start-up and operational capital for investments. - Catalysing private investments through co-financing, access to long-term financing and risk mitigation in high-risk environments or delayed-return projects. - Providing technical assistance and business advisory support to investors to enhance effective implementation of their investment projects.	- Identification and recommendation of actionable interventions to enable the de-risking of investments. - Proposed interventions towards increasing capacity of development finance institutions to support investment.	- Collaboration and coordination between financial institutions to facilitate affordable financing of direct investments. - Supporting investments in prioritized sectors in collaboration with the national government and development partners.
7.	Development Partners and International Organizations	- Provide resources, expertise and coordination to support investment-related activities. - Technical assistance and capacity building through facilitating innovation and knowledge transfer. - Mobilizing capital for development.	- Clear identification of the role and mandate of the relevant actors and institutions in the direct investment ecosystem. - Recognition of and inclusion within strategy of the role played by development partners and international organizations in enabling increased attraction and retention of domestic, foreign and diaspora direct investments.	- Coordination and collaboration of investment-related activities between development partners and international organizations and the national government. - Provision of financial and technical assistance to government, private sector and other stakeholders in the investment eco-system to support implementation of the strategy.
8.	Kenyan Missions and Embassies	- Promote bilateral investment - Facilitate business connections between Kenya and other countries	Recognition of diaspora investments as a contributor of private investments, and the role of Kenyan missions and embassies in the	Coordination of investment activities between KenInvest and other Investment Promotion Agencies, and the Kenyan Missions and Embassies.

Stakeholder	Role	Stakeholder Expectations of National Investment Strategy	Expectations of National Investment Strategy of Stakeholder
	Enhance economic diplomacy thereby reducing barriers to investments.	facilitation of both diaspora and foreign direct investments.	- Prioritizing of investment promotion activities by Kenyan Missions and Embassies. - Allocation of adequate human and financial resources to investment promotion

7.4 Appendix 4: Participants at the TWG Workshop, May 7-10, 2024

No.	NAME	TITLE	INSTITUTION
1.	Matthew Maiyo	Senior Program Manager	Trademark Africa
2.	Agatha Nderitu	Project Coordinator	BEEEP
3.	Reuben Ng'eno	Deputy Director, DBRT	SDIP
4.	Bernard Amimo	Assistant Director, DBRT	SDIP
5.	Joseph Maina	Assistant Director	SDIP
6.	Winnie Nyambok	Assistant Director	SDIP
7.	Fidelis Mwika	Officer	SDIP
8.	Larry Nyanja	PRCFSO	SDIP
9.	Esther Karuri	BRO 1	SDIP
10.	Rukiya Dahir	PRCFSO	SDIP
11.	Edwin Kiplimo	BRO 1	SDIP
12.	Leonard Mambo	RCFSO	SDIP
13.	Esther Kathambi	Document Support	SDIP
14.	Ruth Cynthia M	Economist	SDIP
15.	Daniel Wachira	Assistant Director	SD for Trade
16.	Margaret Waithaka	Team Leader	SRCC-Lotus
17.	Alice Karuri	Stakeholder Engagement Expert	SRCC-Lotus
18.	Abdirizak Musa	International Trade Expert,	SRCC-Lotus
19.	Caroline Saroni	Legal Expert	SRCC-Lotus
20.	Wohoro Ndoho	Financial Services Expert	SRCC-Lotus
21.	Martin Mumo	Business Analyst	SRCC-Lotus
22.	James Kariuki	Researcher	SRCC-Lotus
23.	George Mutugu	Resource & Supply Chain Lead	SRCC-Lotus
24.	Pheonah Ndolo	Researcher	SRCC-Lotus
25.	Dr. Hesbon Otinga	Director Planning	SD for Agriculture
26.	Dennis Olila	Senior Economist,	National Treasury
27.	Muigai Wainaina	Director, Planning	SD for Economic Planning
28.	Emmanuel Komora,	Deputy Director, Directorate of Enterprise Development, SDI	SD for Industry
29.	Bosco Oleng'iyaa	Principal Economist	SD for Labour and Skills Development
30.	Peter Chabari	Principal Economist	SD for Blue Economy and Fisheries
31.	Jarso Boru	Assistant Director	SD of Diaspora Affairs
32.	Cynthia Amaase	Senior Regional Economic Integration Officer	SD for East African Community
33.	Naomi Shalli	Program officer	Council of Governors
34.	Haron Ng'eno	Technical Lead, Trade and Investment	Council of Governors
35.	Adan Shibia	Senior Policy Analyst, Private Sector Development	KIPPRA
36.	Robert Bwire	General Manager, Research, Policy Advocacy & Planning	KenInvest
37.	Jedidah Ndung'u	Ag. Director, Financial Sector	KIFCA

No.	NAME	TITLE	INSTITUTION
38.	Moses Kipkebut	Manager Investment Promotion	EPZA
39.	Victor Mageto	Deputy Director	SEZA
40.	Sarah Njoroge	Manager, Portfolio Management	KDC
41.	Luke Ombara	Director, Policy and Market Development	CMA
42.	Wambui Murimi	BEEEP Communications	Trademark Africa

7.5 Appendix 5: Counties Participating in Baseline Strategy Framing Workshop for County Governments, May 11-17, 2024

Counties represented physically in the workshop

No.	Name of county	No.	Name of county
1.	Mombasa County	2.	Trans Nzoia County
3.	Kwale County	4.	Uasin Gishu County
5.	Kilifi County	6.	Elgeyo Marakwet County
7.	Tana River County	8.	Nandi County
9.	Taita Taveta County	10.	Narok County
11.	Garissa County	12.	Kajiado County
13.	Wajir County	14.	Kericho County
15.	Isiolo County	16.	Bomet County
17.	Tharaka Nithi County	18.	Kakamega County
19.	Embu County	20.	Vihiga County
21.	Kitui County	22.	Bungoma County
23.	Machakos County	24.	Busia County
25.	Nyandarua County	26.	Migori County
27.	Nyeri County	28.	Nyamira County
29.	Muranga County	30.	Kisii County
31.	Kiambu County		

Counties that participated through online survey

No	Name of County	No	Name of County
1.	Mandera County	2.	Samburu County
3.	Marsabit County	4.	Baringo County
5.	Meru County	6.	Laikipia County
7.	Makueni County	8.	Kisumu County
9.	Kirinyaga County	10.	Homa Bay County
11.	Turkana County	12.	Nyamira County
13.	West Pokot County	14.	Nairobi County

7.6 Appendix 6: MTP-IV Sector and Value Chain Investment Opportunities

	Sector and Value Chain	Product Groups	Opportunity
1	Finance & Production Sector		
1.1	Leather and Leather good	• Finished leather, • leather shoes, • belts • bags, pouches, wallets • work gloves, • fashion accessories, • leather upholstery.	• Kinanie Leather Industrial Park • Leather clusters in Kisumu, Naivasha, Lamu and Dongo Kundu • Hides and Skins collection centres • Tanneries • Design and Training • Manufacturing • Exporting
1.2	Textile and Apparel	• Cotton yarn, • Knit Cotton fabric, • Woven Cotton fabric, • Woven and knit fabric. • Assorted apparel • Apparel trims, accessories	• Promoting investment through bankable project documents for following opportunities: - • Supply of 70 MT Bt and hybrid certified cotton seed in 24 target counties • Supply of compost and fertilisers • Expansion of planted acreage of cotton from 26,000 to 200,000 acres • new modern ginneries (Homa Bay, Siaya, Meru, Lamu, Kwale, Kirinyaga, Bungoma) • New modern textile mills should be considered to absorb some of the new cotton and to provide both knit and woven fabrics (within an SEZ with low power tariff to ensure competitive mill operation) • Additional industrial buildings at Athi River • Apparel factories • Skills upgrading services • Export agents
1.3	Dairy	• Breeding • Feeding • Milk production • Value addition – • pasteurisation, creameries, -yoghurt, fermented milk, and cheese.	• Promoting investment through bankable project documents for following opportunities • Production and supply of high-quality bull sire genetics for local and regional markets • Dairy cold chain equipment supplies • Fabrication of dairy products machinery and equipment • Production of animal feeds • Dairy milk value addition factories
1.4	Edible oils: Palm oil	• Farming of edible oil seeds on small and large scale • Oil extraction and refining	• Promoting investment through bankable project documents for following opportunities: • Engaging 20,000 farmers

Sector and Value Chain		Product Groups	Opportunity
	canola (rape seed), coconut oil, sunflower, soya bean	• Packaging oil, • Distribution and Sales	• Large scale farming of oil seeds • Small scale farming of oil seeds • Supply of fertilisers – (possibly a fertiliser plant, municipal composting) • Supply of seeds (300 MT) • Production of 2.5 million oil palm seeds • Supply of 4,904 MT sunflower seeds • Agricultural extension and training • Production of Hand-tools, semi mechanised farm implements, large scale mechanisation • Irrigation technology • Organic and integrated pest management • Packaging materials • Value addition (agro processing) • - Production of animal feeds from waste materials (soya bean meal, copra, coconut waste, canola meal, sunflower seed cake)
1.5	Tea	• Value added tea and packaged products (promoted through bankable projects) • Infusions, • Flavoured and spiced tea, • Hand-rolled Orthodox teas, • Tea bags and small packs, • Purple tea, • Green tea, • Tea extracts. • Instant tea.	• Promoting investment through bankable project documents for following opportunities: • Tea estates • Tea processing • Tea packaging • Tea merchandising and sales, exports. • -
1.6	Rice	• Brown rice • Polished Rice (“White” Rice) • Bye-products • Rice Polish, • Rice Bran, • Rice Straw,	• Promoting investment through bankable project documents for following opportunities • Rice farming to cover 100,000 acres, under irrigation and 75,000 acres rain-fed, • 32,800 kg of rice seeds supply to farmers, • Rice Farm mechanisation and production of hand tools and semi-mechanized implements, • Common user facility for milling, cleaning, grading and packaging the rice

Sector and Value Chain	Product Groups	Opportunity
		- Rice husks, - Supply of pest control products, including to deter quails , - Supply of over 10,000 MT of subsidised fertiliser.
1.7	Blue Economy	- Marine and Freshwater fish - Crustaceans (prawns, crayfish, lobster) - Pond/aquaculture fish - Promoting investment through bankable project documents for following opportunities: - Fishing and trawling, - Fish farming (aquaculture), - Fish processing – filleting, freezing, chilling, canning, - Supply of fish nets and tackle - Fish feeds for aquaculture,
1.8	Construction Materials	- Metal grilles for doors/windows, - Door handles, locks, - Nails, binding wire, - Roofing tiles, - Roofing sheets - Cement - Ceramic floor tiles - Ceramic/clay tiles, - PVC floor tiles - Ceiling boards, - Light fixtures - Electric Switches and sockets, - Paints and varnishes, - Promoting investment through bankable project documents for following opportunities: - Design and Development, - Production, - Housing construction to stimulate demand, - Retail Sales
1.9	Minerals including forestry	- Industrial Minerals - Coltan - Pozzolana - Iron Ore - Coal - Soda Ash - Salt - Promoting investment through bankable project documents for following opportunities: - Mining - Beneficiation - Refining - Export

Sector and Value Chain		Product Groups	Opportunity
		• Titanium Dioxide • Diatomite • Niobium • Gemstones and Base metals • Copper (rubies, garnets, Tsavorite) • Gold • Gemstones • Forestry products • Indigenous forest- Meru Oak, Elgon Teak, Pod, Prunus Africana, Mvule, Cypress. • Exotic forest plantation -cypress, pine, cedar, grevillea, eucalyptus, cypress.	
2	Infrastructure Sector	• Green Energy Industrial Park at OlKaria Industrial Hub in Naivasha for industrial and commercial use. Its specific value proposition is clean energy from geothermal wells at the site.	• Promoting investment through bankable project documents for following opportunities: • Manufacturing of products requiring steady supply affordable power and steam
3	Social Sector		
	Health Products and Technologies	• Health Products and Technologies – seeking to avail affordable and quality HTPs in medical services. MOH will identify them, provide incentives for production and seek investors.	• Promoting investment through bankable project documents for following opportunities: • Manufacturing of products required under HPT programme for KEMSA.
4	Other Opportunities	• Kenya as an ideal MICE destination in the tourism sector. • Through private sector investment in integrated convention,	• Promoting investment through bankable project documents for opportunities

Sector and Value Chain	Product Groups	Opportunity
		entertainment and exhibition centres, Kenya can attract a significant number of business and convention visitors, to utilise excess bed capacity and revive the hospitality sector. • Manufacture and assembly of Computers, mobile phones, IT equipment, other consumer electronics, household appliances and “white goods.” • BPO and ITES investment • In 2024, Kenya was identified by Buck International Consultants as a high potential, emerging location for global business services. Shared services centres (SSC) have a global demand for 75,000 units with projected growth of 19.8% CAGR between 2023 and 2030. (Grand View Research, 2024) • Integrated convention, exhibition and entertainment centres in locations with good hotel bed capacity and good logistic connections (air, train, road) e.g. Diani in Kwale, Mombasa North Coast/Kilifi/Vipingo circuit and Naivasha. • Rising demand in Kenya and region, for electronics arising from growing population, available electricity supply and increased use of electronic and electrical goods. • Major SSC countries include Lithuania, India, China and the Philippines. Client sectors include pharmaceuticals, manufacturing, legal and banking, financial services and insurance. • There are already several local call centres and shared service centres operating in Kenya. • Kenya’s young, well educated, English speaking labour force is well suited to careers in business process outsourcing and IT enabled services, including shared service centres. CC1 Global established a 5,000-seat call centre at Tatu City in 2022, with plans to grow it to 10,000. • Many local enterprises have customer service call centres.

7.7 Appendix 7: Thematic SCOT Summary Pillars 1-4

	SUPPORTIVE FACTORS	DETRACTING FACTORS – BARRIERS
	A. STRENGTHS	B. CHALLENGES
I N T E R N A L	Supportive Policy, Legal and Regulatory Framework for Investment - Nationally aligned 5-year economic plan (MTP-IV) which includes investment - Existing laws and regulations for investment - High-level political support and goodwill for investment attraction - Established incentive schemes – SOFA, Financial Service Centre, Economic Zone and Industrial Park incentive schemes Established Institutional Framework for Investment - Established Investment Promotion Institutions at National level - State Department with mandated responsibility for investment matters - Devolved county governments with local investment reach - One-Stop-Shops established at KenInvest and SDIP. - Small Claims Courts able to award smaller business claims in 60 days - Experienced tax administration National Assets and Factor Endowments available to Support Investment - Young, educated, trainable workforce - Developed energy sector relying over 90% on available renewable energy sources - Unexploited mineral, marine and other natural resources - Large tracts of land for agricultural, industrial, recreational and commercial development - Pleasant climate in most parts of the country	Structural Imbalances in Kenyan Economy - High level of public debt with rising interest rates - Inflation & exchange rate volatility - Low national savings rate - Decline in consumer disposable income - Importing foods that can be locally produced Political Uncertainty and Security Issues - Periodic political uncertainty, affecting investor confidence - Insecurity in some potential investment locations - Porous borders some locations Unconducive aspects of Kenyan business environment and Investment Climate - Limited incentive framework to attract certain beneficial economic activities - Unpredictable tax regime, rising tax rates - Multiple licensing regimes – some conflicts and overlaps - Multiple charges, fees, levies for business - High cost of energy (power and fuel) - Instability of industrial power supply - Limited availability of affordable land for investors in large-scale agriculture and in industrial sector - High cost of capital and stringent collateral requirements - Limited agricultural and industrial extension services - Costly work permits - Rising labour costs

4. Well-developed Industrial, Agricultural Exports and Services Sector • World leading exporter of agricultural commodities (tea) and horticulture • Relatively sophisticated financial sector with reasonable access to financial services for residents • Regional Transport and Logistical Hub with well-developed transport infrastructure (air, road, sea, rail, storage) • Established travel, accommodation and hospitality sector with rising bed occupancy • Diverse Manufacturing and Processing sector with strength in production for regional markets • Nairobi – Hub for regional MNCs, Financial Services and International Organization Headquarters including U.N. • Widespread broadband internet connectivity with access by business and consumer segments • Some De-risking tools available through local and global institutions – MIGA 5. Capacities in Applied Science and Technology Innovation • Internationally recognized research institutions located in Kenya (KEMRI, ILRI, ICIPE, Tea Research Institute, Coffee Research Institute) • Kenya - regional leader in FinTech and ICT innovation • Local innovations developed in fields of mechanical engineering, agriculture and biotechnology.	• Widespread sale of counterfeits and illicit goods • Insufficient double taxation agreements esp. African countries 4. Weakened Public Governance & Administration of Law • Grey Listing by Financial Action Task Force (FATF) • Corruption in some key public institutions (high CPI ratings) • Non-adherence to service standards in service charters by some public bodies • Red tape and bureaucracy in some public institutions • Some “siloed” legal frameworks for investment • Expensive, lengthy court processes to resolve disputes • Weak enforcement of laws and regulations • Kenya’s • Inadequate enforcement against illicit trade, counterfeit products and infringement of intellectual property rights • Uncertainty over validity of title deeds as proof of land ownership 5. Inadequate Institutional Capacity for Investment Attraction and Retention • Insufficient mechanisms for coordination amongst investment related public institutions • Inadequate funding and technical assistance for IPAs and county investment units • Insufficient focus on investment promotion strategy and priority sectors • Inadequate country branding, image building and investment marketing activities • Gap in production of investment opportunity profiles & bankable investment projects • Incomplete mapping of natural resource • Lack of timely and accurate investment data • Insufficient focus on investor aftercare as retention and expansion strategy • Under-resourced development finance institutions 6. Limitations in Infrastructure to support investment
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		• Water stress in industrial development with insufficient clean water and sanitation services • Poorly maintained access roads in some areas, including for CAIPs • Insufficient public funding for infrastructure development in industrial and commercial areas 7. Insufficient linkage of productive sectors • Costly imported agricultural inputs (fertilisers) while can be locally produced • Cheap food imports - rice, sugar, edible oils, milk - displacing local products • Inadequate value addition to some key export commodities - tea, hides and skins, macadamia, coffee, essential oils, ○ Weak connections between potential producers of agricultural raw materials, and processors ○ Insufficient knowledge exchange between industry, research bodies and academia 8. Limited preparedness for calamities and climate change • Inadequate climate change mitigation strategies • Low preparedness for disasters and natural calamities • Inadequate investment risk mitigation framework and tools
	C. OPPORTUNITIES	D. THREATS
	1. Emergent MTP-IV driven investment priorities • Import substitution projects for production of essential drugs, medical devices and medical consumables, building materials, edible oils, animal feed ingredients, rice, textile and apparel, cereals and legumes • Expanded export production opportunities in apparel, leather goods, value added tea. • Value addition in Dairy, Meat, Cereal, Legumes 2. Expanded Global Financial Reserves for Investment • Large Diaspora with increasing cash remittances to Kenya	5. Unfavourable geopolitical and global FDI trends • Volatile geopolitical conflicts in Eastern Europe and Middle East which: ▪ impact global supply chains, ▪ cause inflation in imported commodity prices (grain, petroleum), freight and ▪ reduce security of import and export shipping routes. • Decade long decline in global FDI flows • Increasing preference in North America for near-shoring rather than complex global value chains 6. Investor Perceptions of Investment Risk

E X T E R N A L	• Expanding Global Pension Fund Deposits • Increase in Local SACCOs, Investment Groups and Private Equity Funds with long term deposits • Expansion of International Sovereign Wealth Funds 3. Favourable consumer preferences, regulatory and technology changes driving new investment • Consumer requirements for ESG compliance – in socially responsible, well governed environmentally responsible processes. • Expanding use of non-polluting technologies, renewable energies and electrically powered transport • Rising global demand for minerals used in renewable energy, medical devices, aeronautics and ICT devices • AfCFTA Trade Protocol with access to Africa-wide market • Growing global market for natural health and nutrition, and for organic products • Expanding interest in Kenya as BPO and ITES location • Resurgence of post-COVID global tourism and MICE related travel • Inward travel by visitors particularly African Americans looking for short to long-term residence in East Africa • Continued international preferential export market access for Kenyan made goods in U.S. through proposed 16-year extension of AGOA 4. Shifts in global production away from traditional suppliers • Measures restricting imports of Chinese products into U.S. imports • Rising costs of production in China leading to outward investment. • Diversification of sourcing by U.S. importers	• Foreigners perceiving increased in risk in Kenya, requiring higher returns on equity investment in Kenya and raising cost of international credit • Downgrading of Kenya's international credit rating • Foreign government travel advisory restricting local travel by foreigners. 7. Competition for Investment • Competing investment locations with cheaper utilities, labour and cost of capital • Flexibility of competing regimes to grant tailored investment incentives
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Submitted by

Strathmore Research and Consultancy Centre and Lotus Consulting Limited



Strathmore University
Research and Consultancy Centre



To, TradeMark Africa and
State Department for Investment Promotion
(Ministry of Investment, Trade and Industry, Government of Kenya).