The Bank estimates Kenya’s growth will hover around 5 percent this year, but the country’s greater political stability since the 2013 elections and the plans for massive infrastructure developments should see growth rates of closer to 10 percent in the next few years. Kenya is well-positioned strategically as the largest economy and ‘hub’ nation for transport, ICT, finance, and logistics in East Africa.

Henry K. Rotich, cabinet secretary for the National Treasury, said conditions for growth were optimal: “Interest rates have come down and exchange rates have stabilized. We have strengthened investor confidence after a successful election. The Kenyan economy is on a runway and wants to take off. There are huge opportunities in all areas.”

Last year’s elections transformed Kenya’s political landscape. The previous 2007 election had been marred by intertribal violence that claimed over eight hundred lives. But the 2013 election has ushered in stable democracy and sounder economic planning.

President Uhuru Kenyatta’s progressive government is slashing bureaucracy and has reduced the number of ministries from forty-four to eighteen. It has enacted the promise in the 2010 Constitution of Kenya to introduce ‘devolved’ government that grants greater autonomy to the forty-seven counties.

Building Spree

Infrastructure development is the most vital element in economic growth. Kenya is the gateway to East Africa, but has yet to match the infrastructure quality of Africa’s middle-income countries. The Kenyan government, however, is embarking on the kind of building spree that powered the Asian tiger economies in the 1970s and 1980s.

Railway development is at the heart of Vision 2030. A standard gauge railway is being built from Mombasa to Nairobi at a cost of $3.75 billion to ease congestion at the port and reduce road traffic. In addition, two major multimodal transport corridors will strengthen Kenya’s position as the entry point to East Africa. The Transit Transport Coordination Authority of the Northern Corridor encompasses road, rail, pipeline, and inland waterways, linking landlocked countries like Uganda, Rwanda, Burundi and South Sudan with Mombasa.

The Lamu Port and South Sudan Ethiopia Transport (LAPSSET) corridor—launched in March 2012—is a complementary project. Authorities plan a $25 billion link between the coast and South Sudan and Ethiopia. LAPSSET involves building thousands of miles of roads, railway, and oil pipeline through Kenya’s vast, neglected north.

Both projects will benefit the Kenya Pipeline Company by connecting the Kenyan ports to oil-producing regions in South Sudan and Uganda. Investments in storage facilities and more pipelines from Mombasa will further position the company as the leader in one of the world’s most exciting oil and gas regions.

“With the elections over, the Kenyan government has a window of opportunity to make a difference.”

Henry K. Rotich
Cabinet Secretary for the National Treasury
Another vital area of Kenya’s economic growth is the ICT sector, which has earned the title of “Silicon Savannah.” Dr. Enock Kinara, CEO of Postal Corporation of Kenya (Posta), said, “Since 2000, the economy has grown at an average of 3.7 percent. A World Bank study shows ICTs were responsible for a quarter of that GDP growth.”

THE KENYAN DIASPORA
The US can play a big role in investment, especially through its large Kenyan diaspora. They are likely to invest in large projects through infrastructure bonds and other financial products. County governors are taking steps to attract the Kenyan diaspora’s interest. Meanwhile, the U.S. government is refocusing on Africa’s potential. Phyllis Kandie, cabinet secretary for East African affairs, commerce and tourism, said: “The Trade Africa initiative is going to open up the U.S. as a trading partner. Kenya has to show U.S. investors what opportunities are available and that we are ready to work harder to develop better export strategies regarding the African Growth Opportunity Act.”

The biggest obstacle to Kenya’s economic growth is the cost of power, but the Government is addressing the issue. Davis Chirchir, cabinet secretary for energy and petroleum, said Kenya would develop 5,000 megawatts of power over the next forty months and energy costs would tumble. “It will soon cost nine U.S. cents to the industrial customer and ten cents to the domestic customer. That will make us very competitive. KenGen is the government-owned entity which generates 80 percent of Kenya’s power. But we want to give that responsibility to the private sector.”

James Mwangi, Equity Bank CEO, said the private sector would be the engine of Kenyan growth. “The Government is outsourcing railway projects to the private sector and the same goes for ports, airports, and energy generation. Kenya is migrating from a frontier market to an emerging market and the timing is right to pick up the opportunities.”

DEVOLUTION POWERS THE WHOLE NATION’S ECONOMY
The Kenyan Constitution of 2010 makes political devolution an integral part of the country’s political structure. The government has argued that the best way for Kenya to achieve its Vision 2030 objectives is to grant more autonomy to the 47 counties. The reasoning behind the policy is that counties are best-placed to understand how to invest funds at a grassroots level.

Josphat Nanok, the governor of Turkana County, said, “What is happening with devolution is diversification away from a few growth centers, such as Mombasa, Nairobi, Nakuru, Kisumu—the cities along the old colonial railway line—to realizing the potential in other parts of the country.”

Anne Waiguru, cabinet secretary for devolution and planning, said the government’s commitment to devolution had impressed the Kenyan people. “We have set up institutions that focus on work, as opposed to just politics, and therefore we have managed to get Kenyans to understand we are committed to making sure devolution works,” she said.

Devolution promises a more equitable distribution of funds, but at the same time it encourages fierce competition between counties who need to promote their interests. The onus is on counties to attract foreign investors, including members of the diaspora who want to play an active role in Kenya’s future. Governor Nanok said, “Turkana has the biggest potential to be the fastest-growing economy among the forty-seven counties, with the greatest potential for growth, urbanization and investment in every sector.”

NATURAL ADVANTAGES
Nanok is fortunate to govern a county blessed with natural advantages. For a long time, Turkana was a
poor, traditional pastoral society in the northwest. Then, in May 2012, the UK-based energy company Tullow Oil discovered large oil and gas deposits. Overnight, this changed the prospects not only for Turkana but for the whole of Kenya, which has the opportunity to become an oil exporter.

Finding oil was only the beginning of Turkana’s good fortune in the miraculous year of 2013. Massive underground water deposits were also found in a county long plagued by droughts. Irrigation projects are now possible, and the hope is that Turkana could become a rich agricultural region.

Other counties promote different strengths. The County of Meru, for example, emphasizes its strategically advantageous position midway along the LAPSSET transport corridor that will connect Lamu port to South Sudan and Ethiopia. The town of Isiolo, which neighbors Meru, will be the major city in the project. As a result, Meru has the potential to become Kenya’s logistics and transport hub, with opportunities for investor industries, including agribusiness, logistics, real estate, manufacturing, petroleum, and tourism.

Isiolo International Airport will facilitate the transport of Meru’s goods.

Peter Munya, Governor of Meru County, said, “We’re developing an industrial park to take advantage of the LAPSSET corridor so agriprocessing products produced in Meru can be transported to target markets.”

The County of Kiambu has emerged as another top investment destination. The upgrade of the Thika highway and its proximity to Jomo Kenyatta International airport are infrastructure advantages that could help Kiambu to become a manufacturing hub. With a large extension of underused agricultural land, there is also potential for agribusiness investment in products such as tea, coffee, wheat, and macadamia nuts.

William Kabogo, governor of Kiambu County, said, “We seek partners to attain clean water for drinking and irrigation for farmers. By lowering the price of water, the cost of doing agribusiness will also be reduced.”

We invite you to discover the opportunities and adventures Meru County has to offer. As the home of Mount Kenya, Elsa the famous lion from Born Free, and one of the most beautiful national parks, eco tourism in Meru is a sight to behold. Often called “the last green frontier,” Meru County invites investors to not only take part in new agro processing activities, but also to enjoy the benefits of its central location, with access into Northern Kenya, and the larger surrounding markets of Ethiopia, South Sudan, and Somalia.

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Fifty years after your father, Mzee Jomo Kenyatta, the first president of Kenya, achieved independence, how would you characterize the recent elections that brought you into office? They were the most complex in the country’s history. Kenya’s new constitution provides for a devolved system of government and positions had to be filled for both the national and forty-seven county governments. Kenya conducted six elections simultaneously, which was no mean feat given the complexity of the exercise. There was a large voter turnout, particularly from the youth, signalling this bloc is keen to have its say. Most importantly, in the presidential election, the winning candidate was required to get more than 50 percent of all votes cast and go through a process of validation by the Supreme Court. All in all, the elections helped to strengthen our democracy.

Please broadly outline the primary policies that will enhance Kenya’s status as economic leader in East Africa.

Guided by Vision 2030, we aim to build an all-around entrepreneurial culture and convert smallholder agriculture into commercial activity. We intend to ensure food security by reducing dependence on rainfed farming by scaling up irrigation. We are determined to fast-track sectors in which we have a competitive advantage, such as ICT, tourism, and finance. All this will be based on expanding and modernizing our infrastructure to twenty-first-century standards.

Kenya has become such a hotbed for young IT professionals and other inventors, so much so that it has been dubbed “Silicon Savannah.” How do you intend to capitalize on this? Kenya has made tremendous strides in ICT. We were the pioneer country for the revolutionary mobile money-transfer service in 2007. It has transformed the financial sector with innovative solutions such as M-banking, which provides financial inclusion to the unbanked population. The country has transitioned from 2G technology to 3G, and is finalizing the adoption of the long-term evolution (LTE) technology. Construction of the Konza Techno-City, our own “Silicon Savannah” infrastructure, has commenced. Kenya’s great forays into the ICT sector have attracted giants such as IBM, which has already launched its twelfth global lab—the only one in Africa—in Nairobi. Under the National ICT Master Plan of the Kenya Government, we intend to turn the country into the ICT hub of Africa.

Physical infrastructure tied with effective human capital development present the most daunting challenges to Kenya’s path to prosperity. How do you intend to overcome these hurdles? We have focused on top priorities. The first is the construction of a standard gauge railway from Mombasa to Nairobi, at a cost of $3.75 billion. This will ease congestion at the port and reduce traffic on the

Recognized as the heart of Kenya, due to its central location and connection to all major economic towns, Kiambu County truly is the ideal place to live, work, and grow. The abundance of skilled labor and high-ranking educational institutions, combined with an ample supply of natural resources, make Kiambu an ideal place for investment. Its arable lands have allowed for horticulture, dairy, and coffee farming to flourish while its vast forests and waterfalls provide opportunities for further development in eco-tourism. The potential of Kiambu County, is indeed limitless.
Mombasa-Nairobi road. We are also expanding and modernizing our airports, and plan to build and rehabilitate 5,500 kilometers of road and expand our power-generation capability with a bias toward green energy. As far as human capital is concerned, we intend to improve the quality of teaching in our primary schools, upgrade the transition rate to high schools and colleges, and raise enrollment in science and technology courses. To ensure a healthier nation, we have abolished maternity fees for expectant mothers. All Kényan citizens are also now able to access health centers and government dispensaries free of charge.

**Deepening bonds within the East African region of 120 million people is essential. What are your main policy objectives on this issue?**

Major strides have been made to foster closer integration amongst the various states in the East African region. The East African Community (EAC) has already launched and implemented the Customs Union and Common Market protocols. In October 2013, Rwanda, Kenya, South Sudan, and Uganda launched a Single Customs Territory in Kigali. Currently, the EAC is working towards the establishment of an East African Community Monetary Union, with the Democratic Republic of Congo (DRC) and South Sudan set to join the market.

**The United States—the world’s largest foreign investor, with $480 billion in foreign direct investment (FDI) last year—is refocusing on the African continent. What is your vision for the future of the U.S.-Kenya relationship?**

Kenya has enjoyed excellent diplomatic, economic, and trade relations with the U.S. since our independence in 1963. The two countries have closely collaborated in the fight against terrorism, HIV, and AIDS, and in promoting youth empowerment. The two nations have also created numerous trade partnerships under the African Growth and Opportunity Act (AGOA) initiative. Many Kényans have been trained in the U.S. Most recently, the number of American corporations investing in Kenya has continued to grow, especially in ICT, manufacturing, banking, and the hospitality industry. Undoubtedly, the U.S. remains a key economic partner of Kenya.

**What is your message to our readers and the participants of the World Economic Forum in Africa and World Economic Forum in East Asia?**

Kenya is open for business under the Jubilee Government I lead. The investment climate is now friendlier; we have put in place the necessary policy and regulatory framework aimed at attracting investors. As a result, in the past year, our World Economic Forum global competitiveness ranking has risen by ten positions. In innovation and technology, we now rank with the best in the world. We welcome you all to come and invest in Kenya.
KENYA IS A SHINING INVESTMENT OPPORTUNITY. TALK TO THE BANK THAT CAN MAKE IT SHINE THE BRIGHTEST.

No bank understands the developmental needs of this country as well as we do. Over the years, we have helped structure finance and support growth in infrastructure, agriculture, energy and power. If you are planning to invest in Kenya, contact the people that will help you realize your dreams of a better future for all. That’s what we do best.

They call it Africa. We call it home.

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Kenya is the banking and financial hub of East Africa, with over 100 financial organizations, including banks, foreign exchange bureaus and micro-finance institutions. The country’s capital markets are the best-regulated in the region and will play a critical role in financing the major projects required to meet Vision 2030 targets.

James Mwangi, group CEO of Kenya’s Equity Bank, said, “The economy has reached a level where it needs a sizable banking industry to finance major projects. The focus has shifted from commercial banking to the deepening of capital markets. The sector has benefited from reforms that are close to Basel II strengthening supervision.”

The Central Bank of Kenya has been prepared to back innovative products. The most striking example was its willingness to provide regulatory approval for Safaricom’s M-Pesa system, which allows users with a national ID card or passport to transfer money with a mobile device. Kenya now leads the world in mobile money platforms.

**COMPLIMENTARY SYSTEMS**

The M-Pesa system has also focused the minds of major banks on what they do best. Greg Breckenridge, the chief executive of CIC Stanbic Bank, said, “M-Pesa provides a valuable service in niche payments, but no one is going to pay for an airplane, a car, or a house using M-Pesa. So we see it as complementary to what we do. It forces us to focus on the higher-value payments and complex transactions, which is a good thing.”

CIC Stanbic Bank, a subsidiary of South Africa’s Standard Bank, recently announced a 57-percent rise in pretax profits for 2013. It is a major player in financing big infrastructure projects, especially involving power generation. For example, it is helping to finance a $108 million, 83 megawatt thermal power plant, to be built by private power company Triumph Kenya, and is providing $90 million in debt for a $150 wind power generation project.

CIC Stanbic Bank has twenty-two branches in major Kenyan towns, but plans to expand into more remote areas.

Providing banking coverage across Kenya has become increasingly important since devolution of power. The Cooperative Bank of Kenya was one of the first banks to see the potential of the rural areas and accounts for 31 percent of gross national savings. Dr. Gideon Muriuki, the CEO and group managing director of Coop Bank, said: “We have crafted a county banking strategy that entails the establishment of branches in all counties in areas previously considered commercially marginal. This expansion saw the bank increase account-holders from 125,000 in 2001 to over 4 million by the close of 2013.”

All banks will benefit from economic growth which is projected [to be] between 6 percent and 10 percent in the next five years.”

Munir Sheikh Ahmed
Managing Director of National Bank of Kenya

When investing in Kenya it pays to follow your instincts

We know the elephant for its strength and its ability to survive in the harshest of conditions. During droughts, elephants are known to lead other animals to water. The elephant symbolizes the Co-operative Bank. Its strength, ability to prosper in a tough and unpredictable terrain and its wisdom are the qualities that have made us one of the largest and most profitable banks in East Africa. As we look beyond Kenya to the rest of Africa, we remain faithful to the values that have brought us this far. Follow your instincts. Invest in the Co-operative Bank.
**Expansion Plans**

The co-operative movement has a solid footprint in agriculture, which is the bedrock of Kenya’s economy. “There are about 4,414 registered cooperatives in agriculture, with a membership of over 1.8 million accounting for over 90 percent of production in coffee, cotton, pyrethrum, sugarcane, tea, dairy, fisheries, and farm purchase,” said Muriuki.

The National Bank also has major expansion plans. Currently the twelfth-largest bank in Kenya, it aims to be in the top five by 2017 and plans to open another thirty branches. The strategy takes advantage of the anticipated influx of foreign investment into rural areas as the counties develop their economies. Munir Sheikh Ahmed, the managing director of National Bank of Kenya, said, “All banks will benefit from economic growth, which is projected [to be] between 6 percent and 10 percent in the next five years. Our expansion will cover all the counties where we are not present.”

The Postal Corporation of Kenya (Posta), a progressive commercial state enterprise, recently launched Posta Pesa, an e-payment gateway that could become the primary payment system for all government transactions. Enock Kinara, the CEO of Posta said: “Posta Pesa service provides solutions to financial institutions including banks and mobile money transfer operations.” Posta Pesa supports agency banking, mobile money transfer, card-based transactions, e-commerce, online disbursements, e-payment of utility and e-ticketing and will make Posta a national payment gateway. The company plans to grow at 39 percent over the next three years.

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