

SNC-LAVALIN, the well-known engineering and construction giant based in Montreal, set up a regional business development office in Nairobi in 1997. This office covers East Africa from Eritrea to Tanzania, plus the Indian Ocean islands including Madagascar and Mauritius. Although the company has been active in Africa for years – involved in projects ranging from pipelines to airports and aluminum smelters – current trends of strong economic growth and stability displayed by many countries in the region required a more permanent presence.

Roland Arsenault, the new Vice-President for East Africa and new Nairobi resident, is quick to point out that setting up an office is just the first step in what is a long-term commitment.

"The ingredients for doing business in the region are present" he says, but the contracts SNC-Lavalin commonly undertake can have an extensive bidding process, complicated financing arrangements, and consequently a lead time of years, not weeks or months. In these circumstances, any company must be dedicated to a long-term strategy with sufficient resources to cover investments in overcoming initial administrative hurdles, marketing, research, travel, and networking that are necessary long before cash-flow turns positive.

Why Nairobi? Arsenault says it was not a difficult choice: "It is the centre of gravity of regional business and transportation." Telecommunications are mostly reliable and the business services sector is highly developed. Kenya's political stability and economic prospects also came into play, as SNC-Lavalin completed a number of important projects in Kenya over the last 15 years and sees further opportunity on the horizon.

The company's success completing megaprojects on time and on (or under) budget belies the traditional belief that this level of performance is just not possible in Africa, and increases its chances of winning further tenders. For example, in February 1997 SNC-Lavalin completed construction of a new international airport in Northwestern Kenya at Eldoret, only 24 months after winning the US\$50 million-plus contract to design and build it. During the construction phase, qualified Kenyan sub-contractors were employed with most of the raw material and heavy machinery sourced locally. Before the end of the year the Kenya Airports Authority will complete testing and officially open its newest airport.

And what about living in Nairobi? Arsenault has lived in Africa for most of the last 20 years and describes Nairobi as both attractive and challenging. While usual safety precautions are necessary, Nairobi's security situation is comparable to other cities in Africa, the United States, and Europe.

of these reforms. In addition, a Foreign Investment Protection Act is in place and Kenya is a signatory to the World Bank's International Centre for the Settlement of Investment Disputes. The Investment Promotion Centre in Nairobi – striving to be a "one-stop shop" for potential investors – is there to help both local and foreign businesses investigate opportunity, learn about and benefit from incentives, and facilitate project implementation. The Export Promotion Council also deals with international business inquiries related to import/export, incentives, and joint ventures.

Over the last few years the range of incentives Kenya can offer potential investors has increased dramatically. The end of import licensing and foreign exchange control were important, but now the Export Processing Zones Authority and Manufacturing Under Bond schemes can include exemptions from import duty on most machinery and raw materials, a VAT Remission Scheme, tax holidays, improved investment and capital allowances, exemption from withholding taxes, and no restrictions on management or technical arrangements. A number of international agreements ensure Kenyan exports preferential treatment and market access.

Privatization and the Nairobi Stock Exchange offer two further, related avenues of investing. The Parastatal Reform Committee continues its often difficult work planning the divestiture of state-owned enterprises, ranging from marketing boards to tourism, industry, and once troubled Kenya Airways (in which Dutch airline KLM took a stake in 1996). What can make the process easier in Kenya versus other countries in the region is the existence of a mature equity market, namely the Nairobi Stock Exchange.

The Nairobi Stock Exchange

The Nairobi Stock Exchange (NSE) dates back to 1954, and now has a market capitalization that ranks third in Sub-Saharan Africa at over \$2 billion (US).