

# KENYA

Kenya boasts one of the most sophisticated economies in Africa, with comparatively well-developed industrial, petrochemical, financial services, and agri-business sectors. The port of Mombasa is one of the most active in Africa – supporting both container traffic as well as imports of crude petroleum – and the magnitude of Kenya's tourist trade is well known. Impressively, this level of economic development has been accomplished without the benefit of either oil or significant mineral resources.

Since independence the economy has been based on three fundamental sectors: agriculture, tourism, and an industrial sector centred around import substitution. Gradually, the state, though always a proponent of private enterprise, took on a major role in the economy, building up an extensive array of parastatals and controlling essential food and cash crop marketing operations. While economic growth has generally been positive since independence, there have been periods of stagnation and decline due to factors like crop failures, low commodity prices, and bureaucratic inertia. Government policy in the 1990s is aimed at reducing boom and bust cycles, broadening the economic base, freeing up the private sector, and attracting significant foreign investment.

Although the overall level of Canadian trade with and investment in Kenya remains modest, there are several significant Canadian companies operating there. Among

them is the Bata Shoe Company in Limuru which is a member of the Bata Shoe Organization with headquarters in Toronto. Diversey Wyandotte (Eastern and Central Africa), a subsidiary of chemical and cleaning products giant Diversey Corporation, is located in Nairobi. SNC-Lavalin, one of Canada's best known engineering firms, has a regional office in Nairobi, as does Air Canada.

In addition, many Canadian firms which are not resident in Kenya have appointed local representatives to promote and look after their interests. Bombardier, SR Telecom, Newbridge Networks, Mitel, NorTel, Bell Helicopters Canada, Pratt and Whitney, N. D. Lea International, Wardrop, and others fall into this category.

This diverse mix of Canadian businesses either investing in Kenya or developing export markets there highlights both the relative sophistication of the economy and its significant potential.

## Investment Promotion, Privatization, & Incentives

"Since 1992 Kenya has been implementing a comprehensive and bold macroeconomic reform program, whose implementation I had been substantially involved with prior to my present appointment," explains Kenya's High Commissioner to Canada, Hassan Bagha, former Director of Fiscal and Monetary Policy in the Ministry of Finance. He is keenly aware of the tough choices and positive changes Kenya has made to unlock the full potential of its economy.

The pragmatic approach adopted by the government to liberalize and deregulate the economy, often under the auspices of WB/IMF Structural Adjustment Programmes, has included the devaluation of the Kenyan shilling and the ending of foreign exchange controls; removal of import and price controls; increasing fiscal discipline; liberalizing the marketing of food and cash crops; privatizing parastatals; implementing attractive duty and tax-related incentives for investment; and prudent monetary policy. Indications are that the country is on the right track: inflation, running at 100% in 1993, is now down around (and often below) 10%, while growth has surged from 0.1% in 1993 to 4.6% in 1996.

Attracting foreign investment is a major focus



*Then Secretary of State (Latin America and Africa) Christine Stewart calls home from an SR Telecom installation in rural Kenya. In March 1997 she led a Canadian telecom trade mission to Kenya and South Africa. (photo courtesy of SR Telecom)*