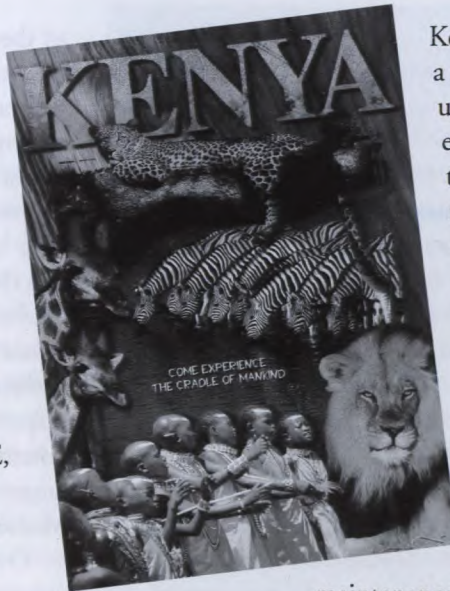


Sixty-plus listings, 20 member brokerage firms, and looser regulations on foreign participation since 1995 ensure an active exchange, though high domestic interest rates divert some monies away from equities. Ongoing privatization of parastatals adds new listings on a regular basis.

There are still limits on the total percentage foreigners can own of Kenyan companies listed on the NSE, but there are no restrictions on repatriation of capital and profits, no capital gains tax, and a low dividend withholding tax of 10%.



### Challenges & Opportunity

Compared to most of Sub-Saharan Africa, Kenya is in an enviable position. Compared to the Asian "Tigers" and some other emerging economies in Latin America and Eastern Europe, Kenya lags in terms of global competitiveness. The reforms discussed above are working through the system and creating an environment for a major economic breakthrough, but immediate challenges lie ahead.

Some basic infrastructure, like roads, rail, telecom, and electricity production, are in need of revitalization. Parts of the rail network in East Africa, for instance, date back 100 years, while increasing urbanization and hence demand is straining Nairobi's electricity supply and municipal services. Cheap, unskilled labour, plentiful throughout Africa, is not nearly as attractive as a reasonably priced, educated and skilled workforce. Kenya does have both, but needs to emphasize education and skills training to a greater degree. These challenges are currently being addressed with help from IFIs and international donors, and also through the creative application of private sector solutions like BOOT. Unique opportunities are opening up for investors to tackle these challenges and make a profit.

The energy sector, for one, is now open to private investors. Independent power producers can now generate power and sell it to the national grid. Direct foreign investment is also being sought to augment the water supply in urban areas on a commercial basis. Oil pipelines are in need of rehabilitation and extension, and the oil refinery at Mombasa needs upgrading.

The breakup and partial divestiture of the Kenya Posts and Telecommunications Corporation into Telkom

Kenya, Postal Corporation of Kenya, and a regulatory authority promises to open up opportunities in the crucial telecom equipment and services sector. This, in turn, will impact on the growing and related voice/data communications and computer sectors, the infrastructure of the 21st century.

Beyond infrastructure, opportunities abound for the investor or joint-venture seeker as well as importers, exporters, prospectors, service providers, and consultants. In the transportation sector, there is a market for aircraft and parts, aviation facilities upgrading, and maintenance; railroad and rolling stock upgrading; integrated container transport systems; and road transport equipment. The annual pharmaceutical and medical equipment market is over \$150 million (US) per year, most of which is imported. Exploration by a Canadian company, Tiomin Resources, has resulted in a major discovery of titanium and zircon bearing sands along the coast, perhaps marking the beginning of a minerals exploration boom in Kenya.

The agricultural sector – including horticulture, ranching, and fishing – remains the backbone of the economy. Areas of investment exist in the diversification and expansion of the agricultural sector through accelerated food and industrial crops production, growth in non-traditional exports, and agro-processing. Kenya also has excess milling capacity which could be utilized for the regional market. In industry the shift is towards export-oriented manufacturing with priorities in electronics, chemicals, and fertilizers, though many components and raw materials for these products are still imported. Overall, there is great potential in value-added processing and manufacturing via EPZ incentives, for both the regional market and overseas.

Lastly, one cannot overlook the vastness of Kenya's tourism industry, still the largest foreign exchange earner with over 800,000 visitors per year. Privatization, a renewed emphasis on international marketing, and increasing coordination with its EAC partners Tanzania and Uganda are all part of the competitive struggle to keep visitors from going elsewhere.

Canadian businesses have the skills, expertise, products, services, capital, and international orientation to appreciate the potential Kenya has to offer. As an export market, import source, joint-venture partner, or as a gateway to the region, Kenya may surprise you.