THE INFRASTRUCTURE SECTOR IN KENYA

FACT-PACK

2017
Business Sweden in Nairobi
KENYA IS EAST AFRICA’S LARGEST ECONOMY

BASIC FACTS

- Area: 582,645 sq. km (km²)
- GDP: USD 63,4 billion (2015)
- Inflation: 6,6% (2015)
- Currency: Kenya Shilling (KES)
- Languages: Swahili (official), English (official), numerous indigenous languages
- Exports: USD 5,90 billion (2015)
- Imports: USD 16,09 billion (2015)
- Swedish Export: USD 52 billion (2015)
- Swedish Import: USD 33 million (2015)
- Capital: Nairobi

MAP OF KENYA

SOURCES: EUROMONITOR INTERNATIONAL, WORLD BANK
KENYA AIMS TO BE A MIDDLE-INCOME ECONOMY BY 2030

- Kenya has a long-term development plan named Vision 2030, which aims to transform the country into a middle-income economy by year 2030
- The plan comprises of three key pillars: economic, social and political development

<table>
<thead>
<tr>
<th>Economic Pillar</th>
<th>Aims to achieve an average economic growth rate of 10% per annum until 2030</th>
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</thead>
<tbody>
<tr>
<td>Social Pillar</td>
<td>Seeks to create just, cohesive and equitable social development in a clean and secure environment</td>
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<tr>
<td>Political Pillar</td>
<td>Aims to realize an issue-based, people-centred, result-oriented and accountable democratic system</td>
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</tbody>
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Enablers and Macro-Foundations

- Macroeconomic stability, infrastructural development, science, technology and innovation, land reforms, human resources development, security and public sector reforms

KENYA’S KEY ONGOING PROJECTS ARE GUIDED BY VISION 2030, WHICH IS AIMED AT GENERATING ECONOMIC GROWTH

SOURCE: KENYA VISION 2030
RECENT TRENDS INDICATE GROWTH IN KENYA’S INFRASTRUCTURE SECTOR

<table>
<thead>
<tr>
<th>Contribution to economic growth</th>
<th>Ongoing developments</th>
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<tbody>
<tr>
<td>Kenya’s economy is expected to grow at a rate of 6% in 2017, investments in infrastructure are expected to drive this growth</td>
<td>Regional integration is a key driving force behind current projects as Kenya looks to consolidate its position as the regional trade hub</td>
</tr>
<tr>
<td>Infrastructure development is a key component of Kenya’s goal of becoming a middle income economy by 2030, which requires attaining an economic growth rate greater than 10%</td>
<td>Kenya is currently developing USD 24.5 Billion northern trade route, which shall ease connectivity with South Sudan and Ethiopia</td>
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<thead>
<tr>
<th>New financing</th>
<th>New legislation</th>
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<td>The government of Kenya issued a 15 year infrastructure bond of USD 300 Million to fund infrastructure projects</td>
<td>New legislation introduced in 2015 to regulate the construction industry will encourage competition and boost the capacity of local companies</td>
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<td>Kenya has also secured funding from the World Bank and the African Development Bank to finance various infrastructure projects in the country</td>
<td>Kenya has enacted a Public Private Partnerships law designed to safeguard private investors and encourage infrastructure development</td>
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KENYA’S CONSTRUCTION SECTOR IS EXPECTED TO GROW SIGNIFICANTLY IN THE NEXT FOUR YEARS

VALUE OF THE CONSTRUCTION INDUSTRY

Units: USD Billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (Billion)</th>
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<tbody>
<tr>
<td>2016e</td>
<td>3.53</td>
</tr>
<tr>
<td>2017f</td>
<td>4.07</td>
</tr>
<tr>
<td>2018f</td>
<td>4.75</td>
</tr>
<tr>
<td>2019f</td>
<td>5.51</td>
</tr>
<tr>
<td>2020f</td>
<td>6.21</td>
</tr>
</tbody>
</table>

CAGR (Compound Annual Growth Rate) 6.8%

CHARACTERISTICS

- The Kenyan construction sector was valued at USD 3.53 billion in 2015
- Port, rail and housing projects will drive the overall construction sector growth
- The sector is expected to grow at an average compound annual growth rate of 6.8% to 2020
  - Kenya has a deficit of 350,000 square metres commercial office space and the demand is expected to rise over the next 5 years
  - International brands such as Movenpick, Mantis and Marriot have plans to enter the market in the near future
- 30% of Kenya’s road network requires rehabilitation or reconstruction

REAL ESTATE, ROADS, AND PORT INFRASTRUCTURE WILL DOMINATE THE INVESTMENT FOCUS IN THE SECTOR

SOURCES: WORLD BANK, BMI KENYA INFRASTRUCTURE REPORT Q1 2017, CYTONN REPORT 2016
ROAD TRANSPORT IS THE MOST COMMON MEANS OF TRANSPORT, CONSTITUTING 80% OF ALL TRANSIT

Current status

- Road transport constitutes about 80% of the total internal freight and passenger traffic in Kenya
- Neighbouring landlocked countries utilise Kenya’s road network as it is the gateway through which goods are transported from the Mombasa port
- Kenya’s road network is about 160,886 km long, of which only 14,000 km is paved
- The country’s roads are severely overstretched and traffic jams are heavy especially in urban areas
  - It costs Nairobi county ~USD 580 000 daily in resultant inefficiency costs

Ongoing investments

- The Kenyan government is actively seeking bids to improve and expand road infrastructure networks, domestically and across East Africa to improve trade flows in the region
- The Kenyan government received a USD500 million credit line from the World Bank for the upgrade of Lesseru-Nadapal road
  - It is expected to open up significant trade opportunities with Ethiopia, and is part of the larger Lamu Port and South Sudan Ethiopia Transport (LAPSSET) project

SOURCE: KENYA ROADS BOARD
NEW TRADE ROUTE IS UNDER DEVELOPMENT TO INCREASE REGIONAL INTEGRATION AND TRADE

Kenya has one major trade route/corridor serving its main trade hub, the Port of Mombasa

The country is in the process of developing another trade corridor known as LAPSSET to increase links with neighbouring countries

The current infrastructure supporting the main means of transport in Kenya; port, railway, airports and roads are operating over capacity

Expenditure on transport in Kenya averages 45% of the total cost of goods making commodities produced in the region uncompetitive

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- The current infrastructure supporting the main means of transport in Kenya; port, railway, airports and roads are operating over capacity
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KENYA HAS FOUR INTERNATIONAL AIRPORTS, AND FOUR DOMESTIC AIRPORTS

CHARACTERISTICS

- Kenya has 8 commercial airports and several airstrips
- The main international airports are: Jomo Kenyatta International Airport (JKIA), Moi International Airport, Eldoret International Airport and Kisumu International Airport
- The main domestic airports are: Wilson Airport, Malindi Airport, Lokichoggio Airport and Wajir Airport
- JKIA is the biggest airport in Kenya as well as in East and Central Africa, while Mombasa Moi International Airport is the second biggest in the country
- Air transport in Kenya is managed by state run Kenya Airports Authority (KAA)
- The World Bank is funding the USD 285 Million aviation modernization project for the major airports in Kenya to improve the facility standards
MAJOR DEVELOPMENTS TO UPGRADE RAIL, AIR, WATER AND ROAD TRANSPORT INFRASTRUCTURE ARE UNDERWAY

Airports
- A USD 285 million aviation modernization project is expected to improve airport standards
- A USD 84.36 million upgrade at Moi International Airport is currently ongoing

Mombasa Port
- The port of Mombasa is Kenya’s only international sea port
- A new terminal to increase capacity by 50% is under construction and is due for completion in 2016

Lamu Port
- The Lamu port is currently under construction as part of the USD 23 billion LAPSSET corridor project, which shall include road construction
- Lamu Port is expected to increase regional trade in the Eastern African region upon completion in 2018

Kenya Railway Expansion project
- The project comprises the construction of the USD 200 million Nairobi Commuter Rail Network and the USD 3.2 billion Mombasa-Nairobi-Malaba Corridor
- The project is expected to reduce cost of doing business in the region as rail is ~40% cheaper than road transport

Sources: WORLD BANK, BUSINESS DAILY AFRICA, KENYA RAILWAYS CORPORATION, BUSINESS SWEDEN ANALYSIS
## ONGOING INFRASTRUCTURE DEVELOPMENT PROJECTS PROVIDE OPPORTUNITIES FOR SWEDISH COMPANIES

<table>
<thead>
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<th>Construction material and equipment</th>
<th>Residential Housing</th>
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<td>The ongoing development by Kenya Airports Authority to build a shopping mall, hotel, business zone as well as a commercial passenger terminal at JKIA creates an opportunity to provide equipment and materials to successful bidding companies.</td>
<td>The National Housing Corporation, as the principal implementing agency of the Government housing policy, has put in place a programme of facilitating interested investors to help realize the current objective of building 150,000 housing units per year.</td>
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<th>LAPSSET</th>
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<td>The Lamu and Isiolo airports are expected to be developed as part of the LAPSSET project and a call for bids is expected to be announced by the government at a future date.</td>
<td>The development of Lamu into a regional port is expected to result in a cross-sector abundance of opportunities for the construction of rail, roads, airport, housing and utilities infrastructure.</td>
</tr>
</tbody>
</table>

Sources: Business Daily, Kenya Property Development Association, LAPSSET Corridor Development Authority
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