

# THE INFRASTRUCTURE SECTOR IN KENYA

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FACT-PACK

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2017

Business Sweden in Nairobi



# KENYA IS EAST AFRICA'S LARGEST ECONOMY

## BASIC FACTS

- ▶ Population: 44,8 million (2015)
- ▶ Area: 582,645 sq. km (km<sup>2</sup>)
- ▶ 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

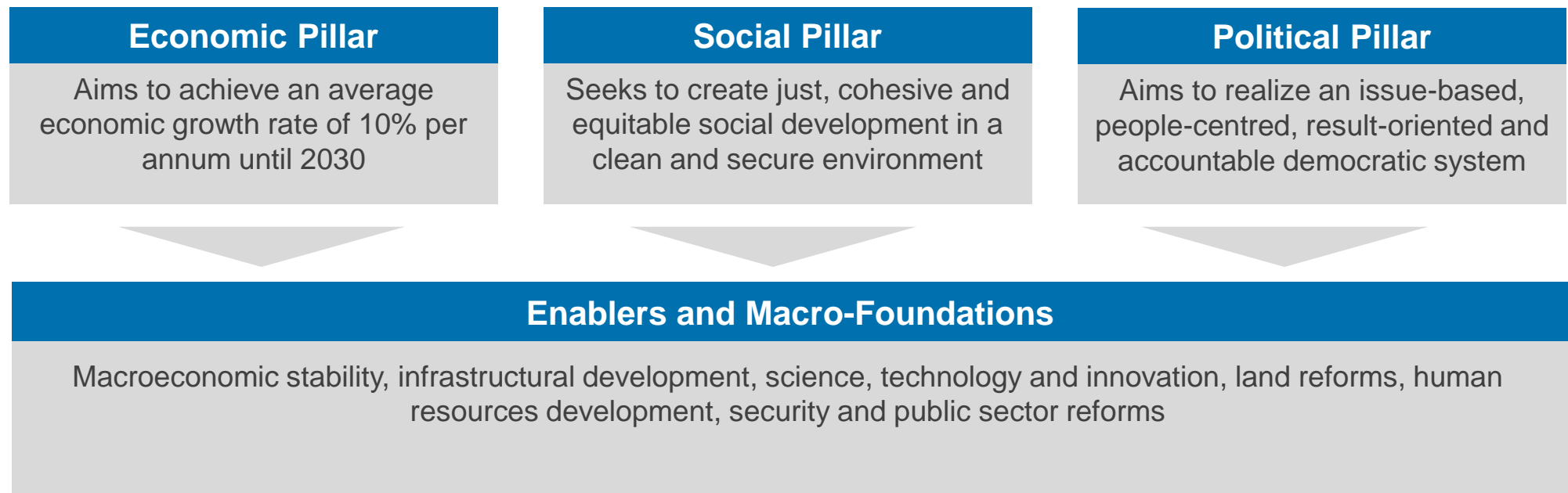
## MAP OF KENYA





# 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



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



# RECENT TRENDS INDICATE GROWTH IN KENYA'S INFRASTRUCTURE SECTOR

## Contribution to economic growth

- ▶ Kenya's economy is expected to grow at a rate of 6% in 2017, investments in infrastructure are expected to drive this growth
- ▶ 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%

## New financing

- ▶ The government of Kenya issued a 15 year infrastructure bond of USD 300 Million to fund infrastructure projects
- ▶ Kenya has also secured funding from the World Bank and the African Development Bank to finance various infrastructure projects in the country

## Ongoing developments

- ▶ Regional integration is a key driving force behind current projects as Kenya looks to consolidate its position as the regional trade hub
- ▶ Kenya is currently developing USD 24.5 Billion northern trade route, which shall ease connectivity with South Sudan and Ethiopia
- ▶ Construction of USD 3,2 billion Standard Gauge Railway is currently underway

## New legislation

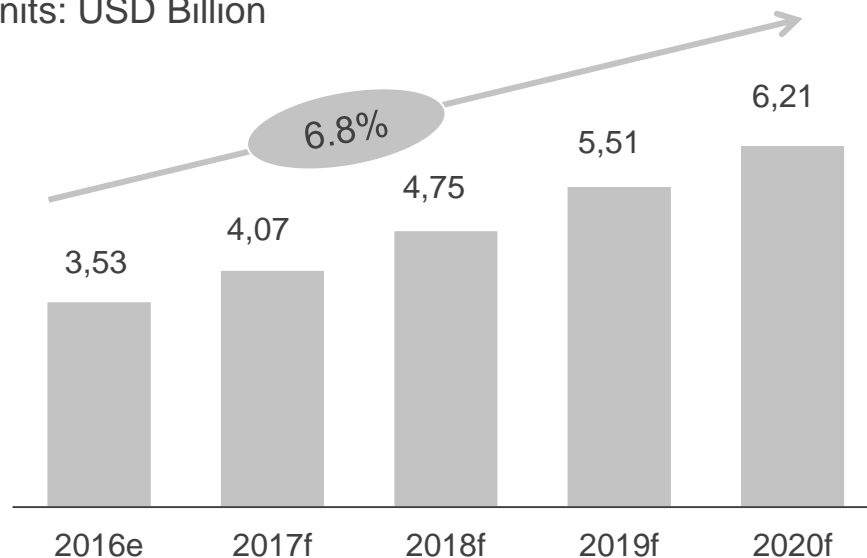
- ▶ New legislation introduced in 2015 to regulate the construction industry will encourage competition and boost the capacity of local companies
- ▶ Kenya has enacted a Public Private Partnerships law designed to safeguard private investors and encourage infrastructure development



# KENYA'S CONSTRUCTION SECTOR IS EXPECTED TO GROW SIGNIFICANTLY IN THE NEXT FOUR YEARS

## VALUE OF THE CONSTRUCTION INDUSTRY

Units: USD Billion



 CAGR (Compound Annual Growth Rate)

## 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

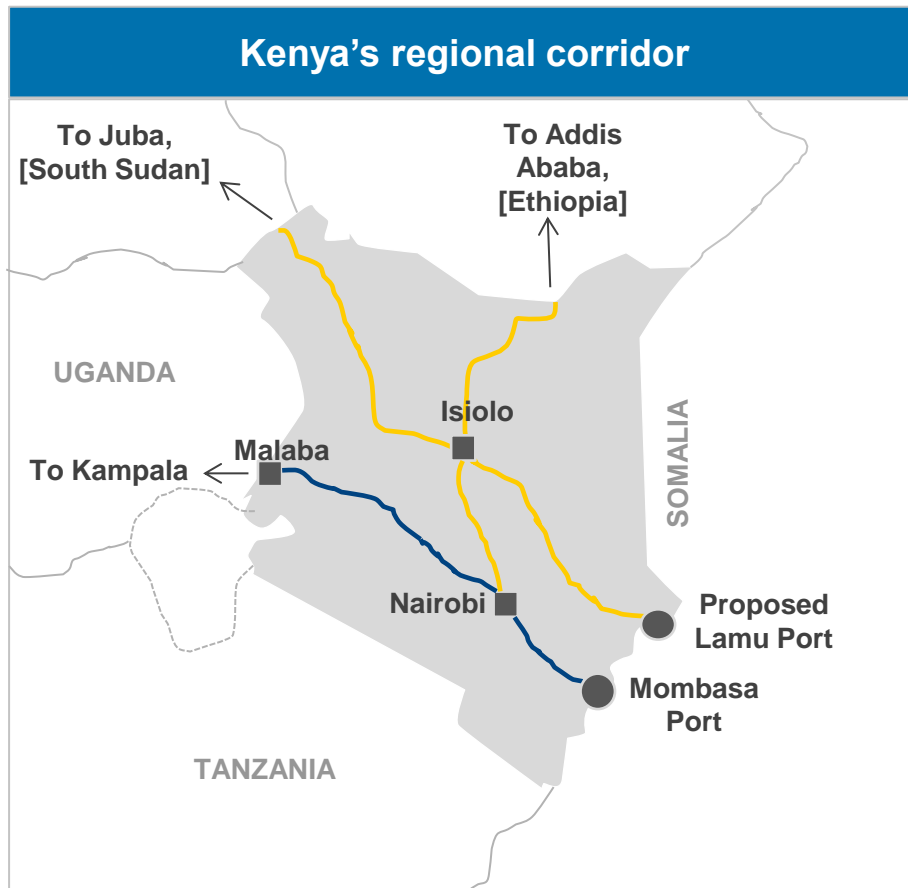
## Current status

- ▶ 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

# NEW TRADE ROUTE IS UNDER DEVELOPMENT TO INCREASE REGIONAL INTEGRATION AND TRADE



Existing Northern corridor:



Proposed LAPSSET corridor:

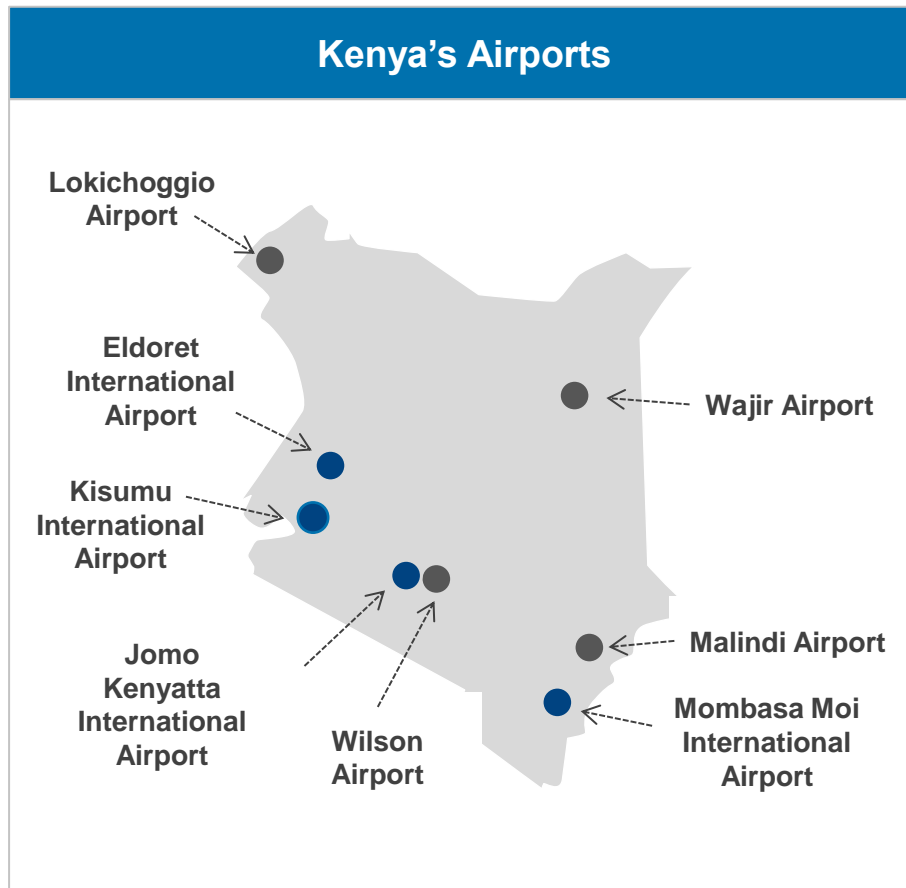
## CHARACTERISTICS

- ▶ 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

SOURCES: BUSINESS SWEDEN ANALYSIS, OFFICE OF THE DEPUTY PRESIDENT OF KENYA



# 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

# ONGOING INFRASTRUCTURE DEVELOPMENT PROJECTS PROVIDE OPPORTUNITIES FOR SWEDISH COMPANIES

## Construction material and equipment

- ▶ 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

## Residential Housing

- ▶ 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

## Airports

- ▶ 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

## LAPSSET

- ▶ 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



# CONTACT US

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