BUSINESS SWEDEN STRENGTHENS SWEDEN’S TRADE AND INVESTMENT PROMOTION

- Business Sweden’s assignment is to facilitate for Swedish companies to grow internationally and for foreign investors to invest in Sweden
- We strengthen Sweden as an attractive, innovative and competitive business partner. An important part is to support Swedish companies in reaching export markets with their products and services
- We are jointly owned by the Swedish government and the private sector, represented by the Ministry for Foreign Affairs and the Swedish Foreign Trade Association respectively

**Vision**

- To make Sweden the most valued business partner

**Mission**

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

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

BUSINESS SWEDEN
THERE IS EXPECTED GROWTH IN INTERNET ACCESS, M-COMMERCE AND INFRASTRUCTURE DEVELOPMENT

SECTOR VALUE AND GROWTH

- The value of Kenya’s ICT sector is estimated at US$ 500 million and is expected to grow to US$ 1 billion by 2017.
- The sector contributed 2.9% to Kenya’s GDP in 2012. The government’s goal is to increase this to 10% by 2017.
- Growth in the sector has mainly been driven by the mobile segment. M-commerce is expected to grow as it matures from Person to Person (P2P) transactions, to more business transactions.

KEY ONGOING INFRASTRUCTURE DEVELOPMENTS

- The government launched a US$2.89 billion National Broadband Strategy in 2013 to extend internet access to all Kenyans by laying fibre-optic cable to reach ~80% of districts by 2017.
- A national 4G network is underway through a joint venture by the Kenyan government and telecom operators.
- Mobile operator Safaricom independently applied for a 4G license and is currently finalizing spectrum allocation negotiations with the regulator.
- A fifth submarine cable for Kenya is reportedly in the pipeline and is expected to double Kenya’s bandwidth capacity.

CURRENT ACCESSIBILITY

- Kenya’s mobile penetration as at 2013 stood at 70.6%.
- The internet penetration rate is 52.3% and is expected to grow at a CAGR of 48.3% to year 2018.
- The majority of internet access is via handsets.
- Fixed line penetration in Kenya is low, at ~0.5%.

SOURCES: MINISTRY OF INFORMATION COMMUNICATION AND TECHNOLOGY, PWC, BUSINESS DAILY AFRICA, BUSINESS MONITOR INTERNATIONAL, KENYA VISION 2030 STRATEGY
A NUMBER OF PROACTIVE INITIATIVES AND ACTORS HAVE HELPED DRIVE THE DEVELOPMENT OF KENYA'S ICT SECTOR

<table>
<thead>
<tr>
<th>Drivers of the ICT sector</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government initiatives</td>
<td>The government has enshrined development strategies of the ICT sector in the country’s Vision 2030 goals. Campaigns to promote more investments in this sector are underway led by the government and the ICT Board, such as the development of the US$ 14.5 billion Konza Technology City.</td>
</tr>
<tr>
<td>Local innovation</td>
<td>A number of ICT hubs in Kenya have been established to promote the development and use of ICT technologies through co-working, collaboration and incubation services. The iHub, one of the best known hubs brings together technologists, investors, tech companies and hackers in the area creating an ecosystem of creators and users of ICT and mobile technologies.</td>
</tr>
<tr>
<td>Local private companies</td>
<td>Mobile operator Safaricom’s M-pesa has revolutionised m-commerce in the country. The operator in collaboration with Microsoft has also made it possible for software developers on the Microsoft platform to sell their products via the Safaricom payment platform.</td>
</tr>
<tr>
<td>Foreign multi-nationals</td>
<td>Google, IBM, Nokia Siemens, Huawei, Samsung and many other multinational companies operational in Kenya have boosted development and confidence of the sector and doing business in Kenya.</td>
</tr>
</tbody>
</table>
KENYA LEADS IN MOBILE PENETRATION IN E.AFRICA, BUT IS BELOW LEVELS IN MORE DEVELOPED MARKETS

CHARACTERISTICS

- Kenya’s 70.6% penetration rate represents a total number of 31,308 million mobile subscribers in 2013
- While total subscribers from 2012 to 2013 grew, a small penetration rate drop occurred due to regulator-driven discounting of inactive SIMs in 2013
- The highest mobile penetration rate in Sub Saharan Africa is South Africa’s at 147%
- The regulator, Communication Authority of Kenya announced that its goal was for Kenya to achieve 90% penetration rate by 2018

MOBILE PENETRATION IN KENYA, 2009-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>48.6%</td>
<td>61.0%</td>
<td>66.8%</td>
<td>71.2%</td>
<td>70.6%</td>
</tr>
</tbody>
</table>

MOBILE PENETRATION IN SELECTED COUNTRIES, 2013

<table>
<thead>
<tr>
<th>Country</th>
<th>2013 Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uganda</td>
<td>44%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>56%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>57%</td>
</tr>
<tr>
<td>Kenya</td>
<td>71%</td>
</tr>
<tr>
<td>Sweden</td>
<td>124%</td>
</tr>
<tr>
<td>S.Africa</td>
<td>147%</td>
</tr>
</tbody>
</table>

WITH THE CURRENT MODERATE PENETRATION RATE, SLOW AND STEADY GROWTH IN THE SECTOR IS EXPECTED

SOURCES: INTERNATIONAL TELECOMMUNICATION UNION, EUROMONITOR INTERNATIONAL
**THE MOBILE TELECOM MARKET IS EXPECTED TO GROW AT 5% COMPOUND ANNUAL GROWTH RATE UNTIL 2018**

KENYA’S MOBILE TELECOM SECTOR 2009-2018 (NUMBER OF SUBSCRIBERS ‘000)

<table>
<thead>
<tr>
<th>Year</th>
<th>Subscribers (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>19,364</td>
</tr>
<tr>
<td>2010</td>
<td>24,968</td>
</tr>
<tr>
<td>2011</td>
<td>28,080</td>
</tr>
<tr>
<td>2012</td>
<td>30,731</td>
</tr>
<tr>
<td>2013</td>
<td>31,308</td>
</tr>
<tr>
<td>2014e</td>
<td>33,056</td>
</tr>
<tr>
<td>2015e</td>
<td>34,841</td>
</tr>
<tr>
<td>2016e</td>
<td>36,705</td>
</tr>
<tr>
<td>2017e</td>
<td>38,440</td>
</tr>
<tr>
<td>2018e</td>
<td>40,017</td>
</tr>
</tbody>
</table>

MARKET GROWTH IS EXPECTED TO SLOW DOWN WITH INCREASED PENETRATION RATES

SOURCE: BUSINESS MONITOR INTERNATIONAL
MARKET LEADER SAFARICOM IS EXPECTED TO CONTINUE TO DOMINATE THE MOBILE MARKET

MOBILE OPERATORS AND MARKET SHARES, 2013

- **Safaricom** 68%
- **Airtel** 17%
- **Orange** 7%
- **Yu** 9%

CHARACTERISTICS

- Safaricom’s strong lead at ~68% is mainly attributed to its M-pesa m-commerce service which gives it a significant competitive advantage.
- In an ongoing deal previously expected to conclude in June 2014, Safaricom and Airtel will split up Yu's business for its infrastructure and subscribers respectively.
  - Consequently, the new Airtel-Yu entity will have a market share of ~26%
- In a move likely to further impact market shares in the future, media reports indicate that Orange Kenya’s majority owner Orange Group has formally informed the government of plans to exit the market and sell its controlling stake to another investor.

THE EXIT OF YU AND POSSIBLE WITHDRAWAL OF ORANGE POINTS TO THE STIFF COMPETITION IN THE MARKET

SOURCES: BUSINESS MONITOR INTERNATIONAL, BUSINESS DAILY, SAFARICOM
KENYA IS THE WORLD LEADER IN MOBILE MONEY AND ACCOUNTS FOR 30% OF ALL ACTIVE GLOBAL USERS

ADULTS USING MOBILE MONEY IN SELECT COUNTRIES, 2012

- **Kenya**: 68%
- **Sudan**: 52%
- **Tanzania**: 23%
- **Philippines**: 15%
- **Afghanistan**: 9%
- **India**: 6%
- **China**: 3%

CHARACTERISTICS

- Kenya has the world’s highest percentage of its adult population using mobile money at 68%
- Kenya also accounts for ~30% of the world’s 61 million active mobile money users
- Over 90% of mobile money transactions in both volume and value are controlled by Safaricom’s M-pesa
- The average value of daily M-pesa transactions is estimated at US$23 million
- M-pesa has 18.2 million users
- The other players are: Airtel’s Zap, Yu’s YUCash and Orange’s Orange money
INTERNET PENETRATION IS AT ~52% AND ACCESS IS MAINLY VIA MOBILE

SERVICE PROVIDERS MARKET SHARE, 2013

- **Safaricom**: 8%
- **Telkom**: 12%
- **Wananchi Telecom (Zuku)**: 43%
- **AccessKenya**: 13%
- **Liquid Telecom**: 17%
- **Others**: 8%

INTERNET PENETRATION IN KENYA, 2009-2013

- **2009**: 10.2%
- **2010**: 14%
- **2011**: 22.7%
- **2012**: 41.1%
- **2013**: 52.3%

CHARACTERISTICS

- There is high growth potential owing to the relatively low penetration rate of 52.3% which constituted 21.274 million internet users in 2013
- Internet access in the country is estimated to grow at a compound annual growth rate of 48.3% until year 2018
  - Over 99% of internet users accessed the internet via smartphones and other handheld devices
  - The government has a National Broadband Strategy (NBS) to lay down fibre-optic cable around the country and to have 80% of all districts covered by 2017

*OTHERS: IWAY AFRICA 3%, JAMII TELECOM (FAIBA) 2%, MOBILE TELEPHONY NETWORKS 1%, CALL KEY NETWORKS 1%, TANGERINE LTD 0.3%, OTHERS 1%

SOURCES: BUSINESS SWEDEN ANALYSIS, COMMUNICATIONS AUTHORITY OF KENYA, BUSINESS MONITOR INTERNATIONAL
GROWTH IN INTERNET PENETRATION AND MOBILE DATA IS EXPECTED TO CREATE VARIOUS OPPORTUNITIES

MOBILE & M-COMMERCE
- There is demand for cheaper 3G enabled handsets to tap into currently underutilized 3G network
- Growth in M-commerce is expected to increase demand for solutions such as cloud computing
- Financial services, retail, and aviation sectors are expected to ramp up their IT investments to remain competitive
- There’s growing demand for mobile enabled high-definition video, gaming services and internet based television in the upper middle-class market segment

INFRASTRUCTURE & OTHER INVESTMENTS
- Telecom infrastructure development in some parts of the country remains inadequate. As growth in urban areas falls, the rural markets is expected to be the next frontier
- With the rapid expansion of the IT sector, internet security is even more important particularly targeting larger business clusters
- There is high demand for inexpensive personal computers and hardware
- The growth of industries such as oil and gas and financial services is expected to drive demand for advanced corporate IT solutions

INCREASED CONNECTIVITY IS EXPECTED TO DRIVE GROWTH OF BUSINESS OPPORTUNITIES

SOURCES: IHUB, KENYA INVESTMENT AUTHORITY, BUSINESS SWEDEN ANALYSIS
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