

### **KENYA'S INVESTMENT POTENTIAL UNDER RUTO'S PRESIDENCY**

Kenya is the biggest economy in East Africa and the government has implemented several initiatives to improve the ease of doing business. The general election in August 2022 turned out peaceful compared to the previous elections held. The new government, under the presidency of Hon. William Ruto, has promised to operate macroeconomics to enhance growth by offering a safer environment for private sector investment decisions. The Kenyan Vision 2030 in partnership with the corporate sector, civil society, development sectors and other stakeholders aspire to make Kenya an industrial country by 2030 with a thriving middle class and a good quality life for the people.

The Kenyan economy grew by 6.7% in 2021, and by 3.8% in 2020. Growth was driven by the services on the supply side and by private consumption on the demand side, both benefiting. Growth is projected to decelerate to 5.9% in 2022 and 5.7% in 2023, driven on the demand side by a decline in domestic and external demand caused by lower income and by an increase in food and fuel import costs and on the supply side by tepid economic activity across sectors due to cost-push factors.

The fiscal deficit nudged down to 7.9% of GDP in 2021 from 8% in 2020 due to improved revenue, reversed tax cuts as the economy recovered, and rationalized spending. Inflation climbed to 6.1 % in 2021 from 5.3% in 2020 reflecting increased input cost. Corona pandemic has led to the high cost of living and high debt-to-GDP ratio. The government plans to address these issues through careful planning and execution of programs that promote trade, job creation, the ease of doing business and investment.

For German companies, Kenya remains an important export market in regional comparison. According to figures from the Federal Statistical Office, Kenya ranked 5th in sub-Saharan Africa in 2021 with an export value of 250.9 million euros. In recent years, this figure has increased due to the difficult global economic situation. However, between January and June 2022, the export value reached around 138.3 million euros.

The most outstanding economy in East Africa has a rapidly expanding consumer market with exceptional market access. In addition, its strategic geographic position facilitates connection with the rest of the world, therefore attracting investment. Furthermore, Kenya has robust capital markets and a thriving private sector.

## HOT TOPICS

- **KENYA'S FOREIGN POLICY - CONDUCTIVE FOR INVESTMENT**
- **EAST AFRICAN COMMUNITY (EAC) - MARKET EXPANSION THROUGH REGIONAL INTEGRATION**
- **INFRASTRUCTURE PROJECTS: ENERGY, WATER, ICT, TRANSPORT AND LOGISTICS**

### **KENYA'S FOREIGN POLICY - CONDUCTIVE FOR INVESTMENT**

The prospective stability and economic recovery expected under the new administration will no doubt make way for the realization of huge money investments in the countries. No restrictions exist on residents and non-residents borrowing domestically or internationally. Investors get a complete investment package. Critical areas of the Kenyan economy need investment to transition from agrarian to industrial.

The foreign policy under president William Ruto is anchored on five interlinked pillars that characterize the bilateral and multilateral engagement: Peace, Economic, Diaspora, Environmental and Cultural.

Political stability will certainly continue, and World Governance Indicators (WGI) ranking will probably improve in the coming months placing Kenya on the verge of economic transformation. The Investment climate will grow with FDI flowing in from merging and developed market. Regarding security, the peace diplomacy pillar of Kenya's foreign policy will continue to play a crucial role. A new minister for investment and diaspora has the task to tap resources abroad and to strengthen development at home.

### **EAST AFRICAN COMMUNITY (EAC) - MARKET EXPANSION THROUGH REGIONAL INTEGRATION**

Even as he pursues leadership in East African Community activities, Ruto's government will likely prioritize the development of economic interests. He promised to work together in the East African region to transform the borders which today stand out as barriers and convert them to bridges so that goods, services, and people can move across the region without any impediment. Limited domestic market in Kenya has the country constructing large infrastructure projects to connect itself to its neighbouring nations. This has expanded the domestic market for Kenyan businesses to as many as 400 million people.

## **INFRASTRUCTURE PROJECTS: ENERGY, WATER, ICT, TRANSPORT AND LOGISTICS**

Kenya has developed national energy policies and plans to meet the ambitious vision of satisfying its national energy demands almost entirely from renewable energy sources and is making headway in delivering the vision of electrifying the nation. Kenya is also among the six countries that signed the African Green Hydrogen Alliance together with Egypt, Mauritania, Morocco, Namibia and South Africa this year. During the COP27 it signed agreements to establish green hydrogen and ammonia plants, kickstarting the country's plan to utilise green energy across the continent.

The industrial-scale production of green hydrogen and ammonia will be vital in making clean, affordable fuel and fertiliser for Africa. Currently, electricity generation sources in Kenya are mainly renewable (70%). However, the production of green hydrogen does not solely rely on the availability of renewable sources of energy, it also requires a dedicated transport infrastructure, capital to manage the high production costs, and a reliable market, among other factors.

Several transport projects have been initiated on Kenya's path toward infrastructure improvement to accomplish the Vision 2030. The build-operate-transfer investment model applies to projects in the transportation industry. Kenya Railways Corporation is promoting the Nairobi Commuter Rail as a potential investment opportunity. The project seeks partners to operate the rail commuter service and will include the supply of rolling equipment.

The government also plans to implement the open skies policy to ensure the hubs attract more international airlines. Further, there is a push for the tourism industry to enforce investor protection policies. This represents a liberation push implemented by immigration and transport ministries to place the tourism sector to 2019-levels.

The openness of public authorities to partnerships with the private sector has increased, for example in the construction of power plants, roads and the water sector: Through public-private partnerships, the Mwache Multipurpose Dam Development projects in Mombasa require an estimated investment of \$285.04 million. It will include building an 83.7-meter-tall dam with the potential to generate 47.45 million cubic meters of household water annually. Malindi's Sabaki River Basin Integrated is likewise looking for public-private collaboration to generate \$100 million. The Coast Development Authority is promoting a 10,000-hectare project. Among other things, the project will include grain cultivation, animal rearing, and aquaculture.

Kenya's new president William Ruto has made clear his ambition to make the country a global technology powerhouse. The Ruto-led administration intends to establish an African regional hub and promote software development for export. His government plans to spend \$400 million on the entire tech strategy. The ICT sector thus presents a promising investment venture in the next five years.



# and Kenya

## Cooperation partners

- AHK Eastern Africa
- Germany Trade & Invest
- German Embassy to Kenya
- Kenya Association of Manufacturers (KAM)
- Kenyan Embassy to Germany
- Kenya Private Sector Alliance (KEPSA)
- Kenya National Chamber of Commerce and Industry (KNCCI)
- Kenya Investment Authority (KenInvest)

## Afrika-Verein events on Kenya and EAC

- Mission to Kenya for companies in the automotive sector (6th – 10th March 2023)
- Webinar “Post-election special Kenya” (November 2022)
- Roundtable with H.E. Sebastian Groth, German Ambassador to Kenya (October 2022)
- Expert Circle EAC (September 2022)
- Expert Circle EAC (April 2022)
- Side Event Berlin Energy Transition Dialogue (BETD) with Amb. (R.) Monica Juma, Kenyan Energy Minister (March 2022)
- Expert Advisory Board Meeting on Applied Sciences in East Africa, Nairobi, Kenya (November 2021)
- Steering Committee Meeting East African Business Council (EABC) & Afrika-Verein in Nairobi (November 2021)
- Side Event with Hon. Dr. Rashid Aman, Deputy Minister, Ministry of Health, Kenya (October 2021)

