



The textile and apparel opportunity in Kenya

July, 2015

Presentation given on behalf of the Cabinet Secretary for Industrialization and Enterprise Development Adan Mohammed by his advisor, Rajeev Arora

Why Africa?

“Africa is home to some of the world's **fastest-growing economies**”

“Africa is the **destination for the investors of tomorrow**”
— Ethiopian Prime Minister Hailemariam Desalegn

African government bonds **outperformed emerging market bonds globally** in 2014¹

“Foreign direct investment (FDI) into Africa **rose by 5% in 2012 and 10% in 2013**, despite global stagnation”

¹ According to the JP Morgan index

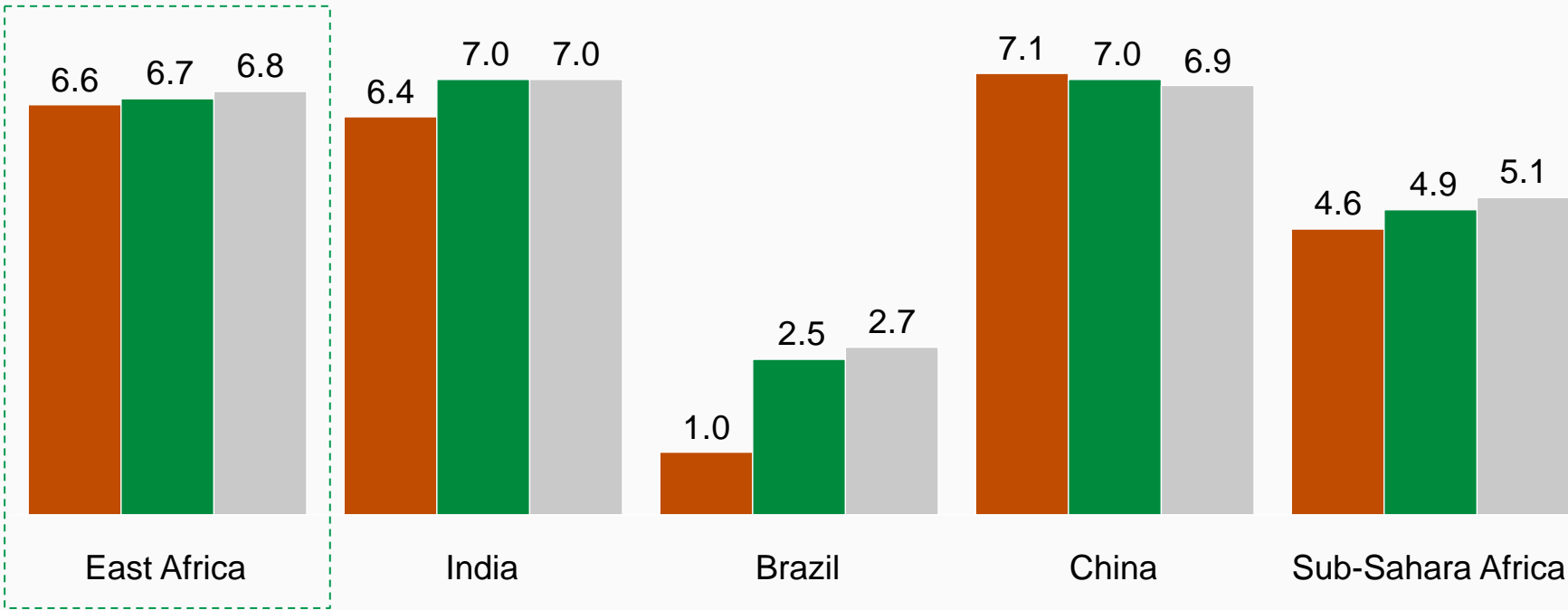


Welcome to one of the world's most dynamic regions in an exclusive group of high-growth geographies

East Africa

GDP growth forecast
% growth

2015 2016 2017

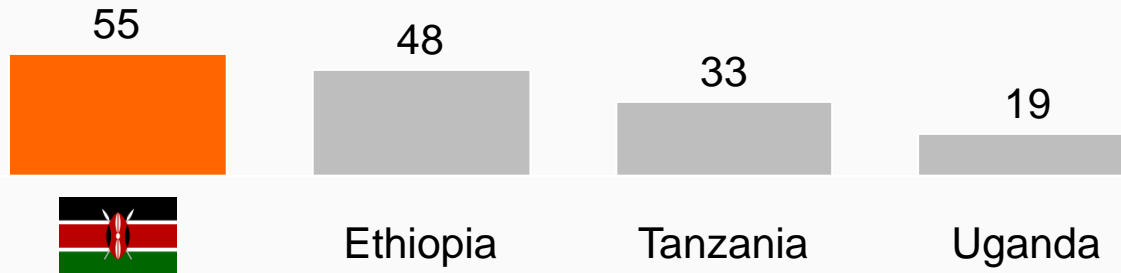


East Africa is one of the fastest growing regions, faster than other regions in Africa and at par with some of the largest economies globally

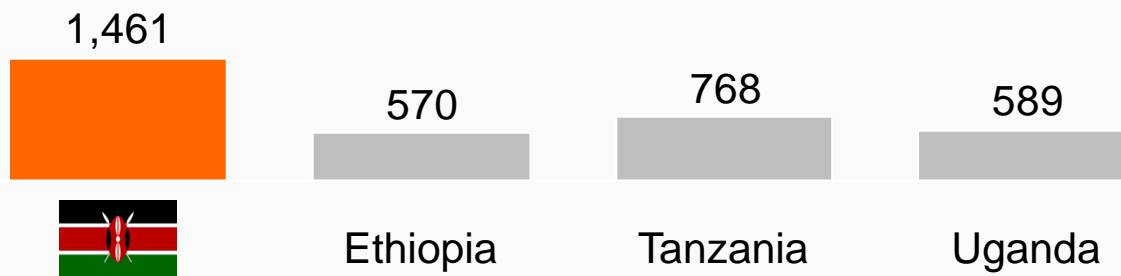


... and welcome to the region leader, Kenya

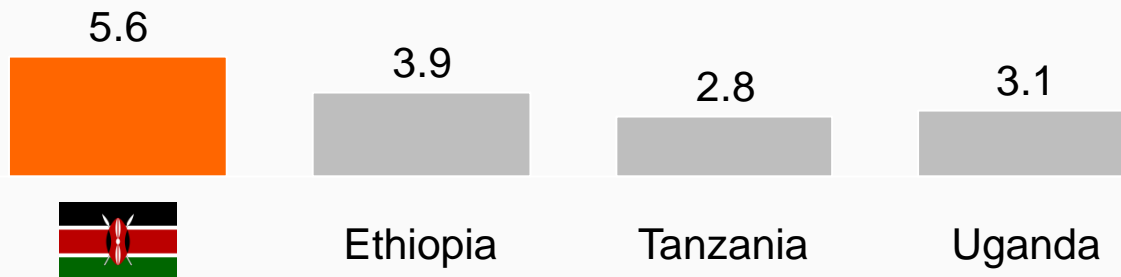
GDP 2014 (Nominal, USD billions)



GDP per capita 2014 (Nominal, USD)



Non-mineral exports 2014 (USD billions)



“If you’re going to do business in Africa, Kenya is almost a requirement”

Stephen Hayes, head of the US Corporate Council on Africa

“Investors...have chosen Kenya because the Government is ready to listen to ideas and help implement them”

Sir Richard Branson, CEO Virgin Group



Why invest in Kenya?

Overview

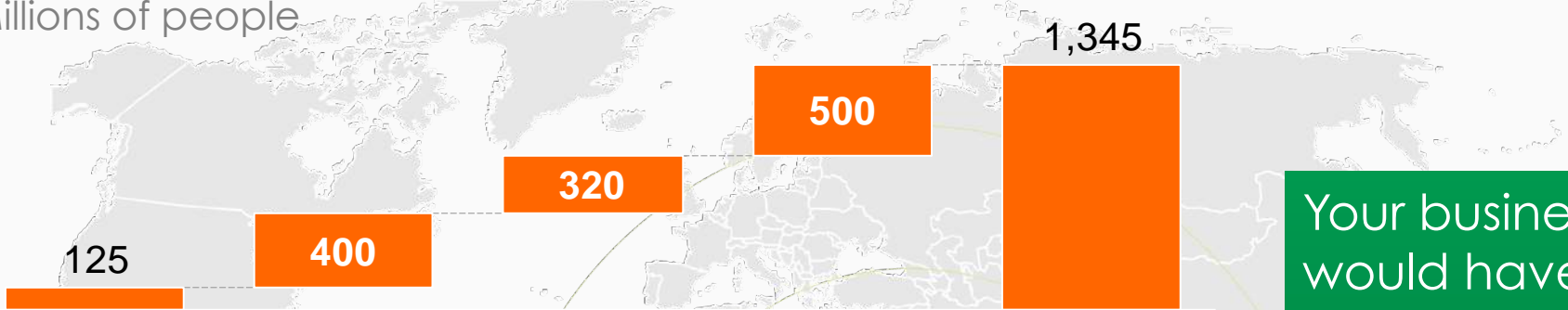
-  Preferential access to \$29 trillion in global market agreements
-  The region's most developed private sector and financial services
-  Strong growth potential in apparel and textile sector
-  Well-functioning democratic system
-  Regional logistics leader in port throughput
-  Productive talent pool with experience in textiles & apparel
-  Low-cost, clean energy



1 | Eastern Africa's main trading hub grants preferential access to a global market of over 1B consumers and nearly 30T USD

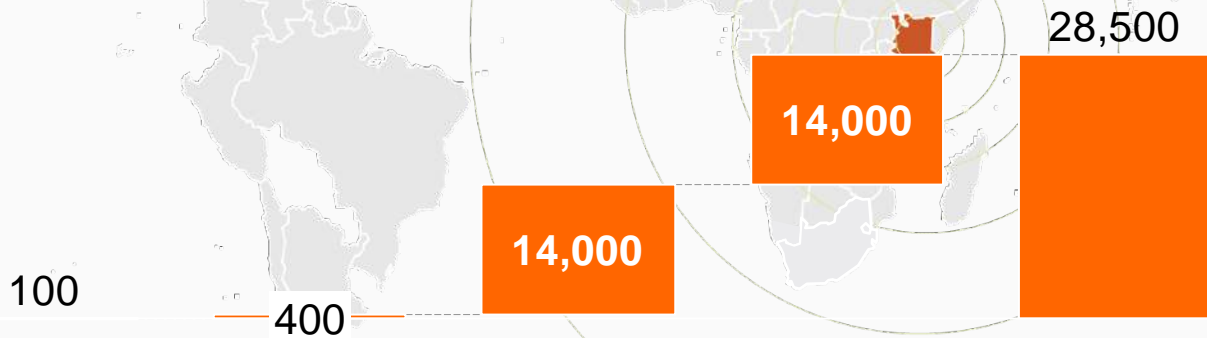
Population with preferential agreements with Kenya

Millions of people



Market size with preferential agreements with Kenya

Billions of USD



East African community

COMESA

US

EU

Total duty free market

Your business would have duty free or preferential access to 1.3 billion consumers and a USD 29 trillion global market



2 The region's most developed private sector also offers developed, secure financial systems

Investors are confident ...

- 4x oversubscription to Kenya Eurobond: USD 2 bn Eurobond had an order book of 8.8 bn
- 74 percent of PE funds preferred Nairobi for investment destination over other Sub-Saharan African locations²
- 25 bn USD stock exchange capitalization compared to USD 12 bn in Tanzania, USD 8 bn in Uganda and 0 in Ethiopia

...and YOU can be confident

- Free foreign exchange transfers
- Protection for international investment
- 43 commercial banks, the most in the region

Private companies are confident ...

- 2nd in Africa for supplier quality and 47th in the world¹

Sample private sector companies in Kenya:



- Strong judiciary without political influence
- Socially and environmentally compliant laws for international access to markets

1 WEF Ranking: World Economic Forum is an international NGO publishing Global Competitiveness Reports every year

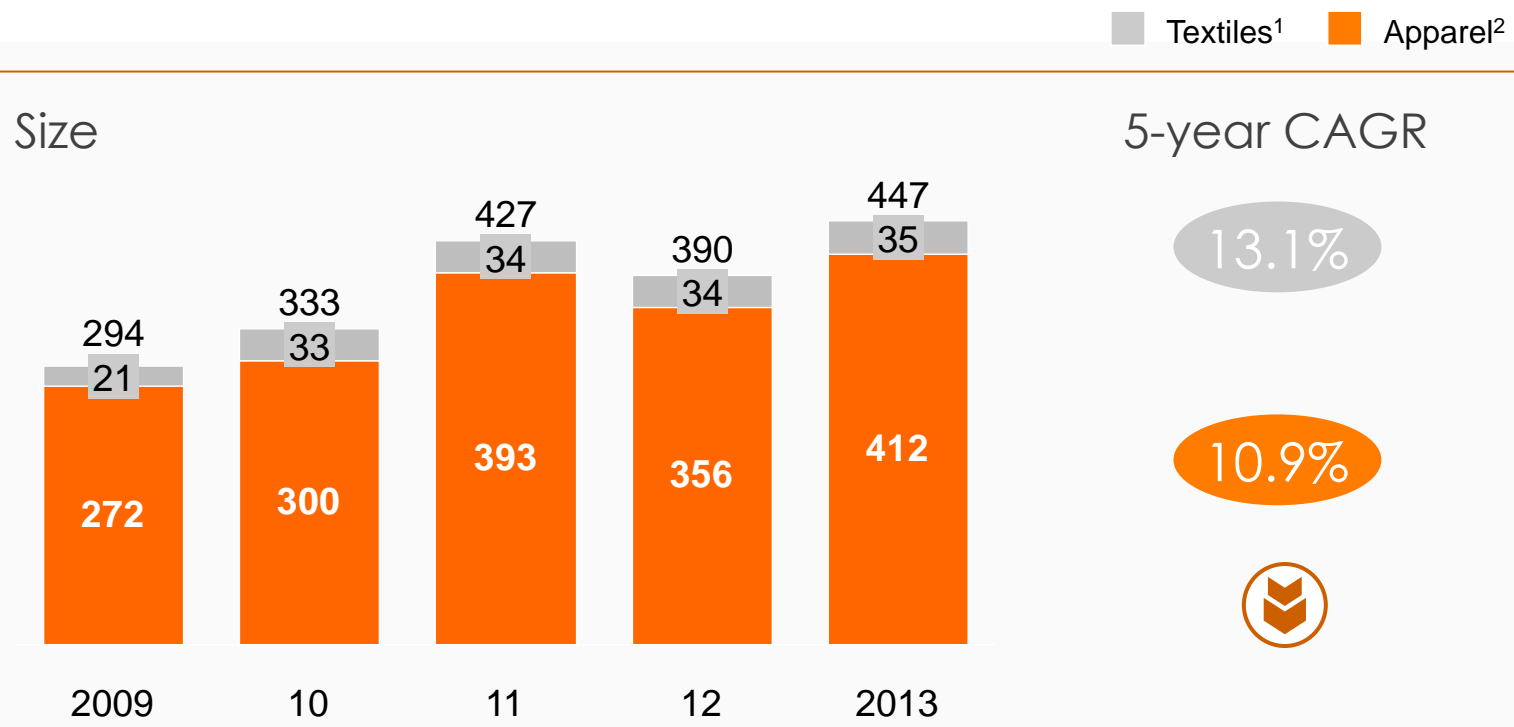
2 Of those reviewed by Deloitte & Touche



3 Apparel and textiles exports in Kenya have been rising at rates of >10% over the last 5 years

Real exports

Millions, USD
2014



- GDP and exports have been growing rapidly, far above the economy average of 4.2%
- Jobs have increased more slowly at ~3%, indicating **increasing labor productivity**

1 Includes textile inputs (e.g., yarn, spun cotton). 2 Includes finished non-apparel household goods (e.g., sheets)

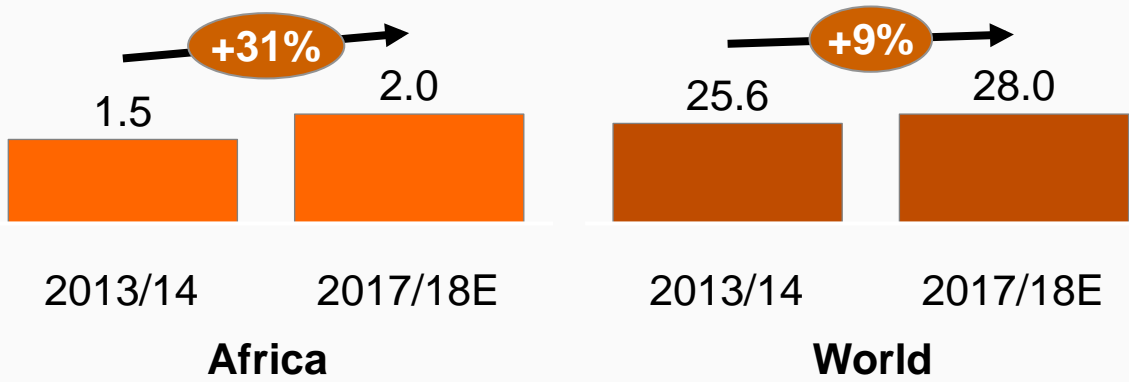


3 Significant opportunity for cotton production also exists in the favorable environment

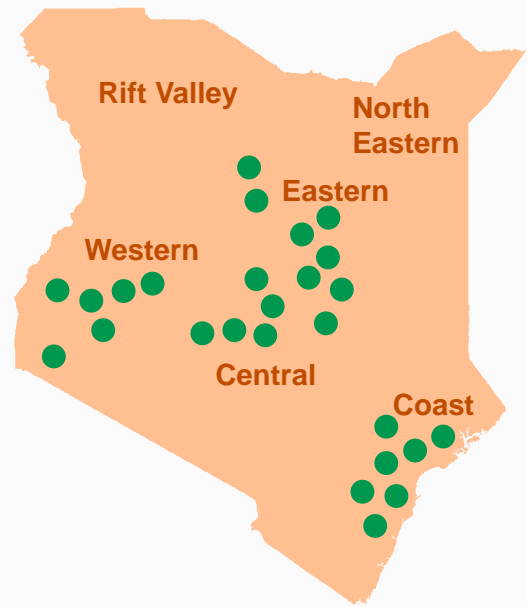
African production is substantial and growing

Global cotton production growth

Millions of metric tons

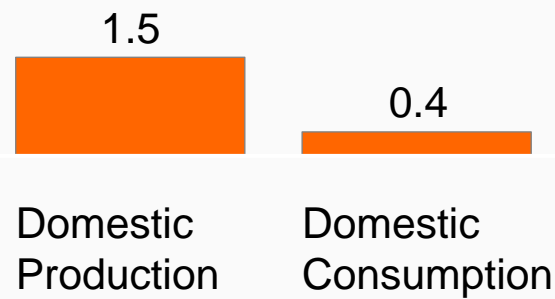


Cotton production areas in Kenya



Africa cotton industry 2013/14

Millions of metric tons



- ~350,000 h.a. in Kenya are suitable for cotton production
- Potential yield of est. 260,000 bales of lint per year

1 Includes textile inputs (e.g., yarn, spun cotton). 2 Includes finished non-apparel household goods (e.g., sheets)



4 Well-functioning democratic system

The governance systems of Kenya (legal and administrative) are already the most stable and business friendly in East Africa



Transparency of government policy making

- 58th in the world¹ and number 9 in Africa vs. a regional average of 91



Judicial independence

- 52nd in the world¹ and number 8 in Africa vs. a regional average of 98



Burden of regulation

- 48th in the world¹ and number 11 in Africa vs. a regional average of 60



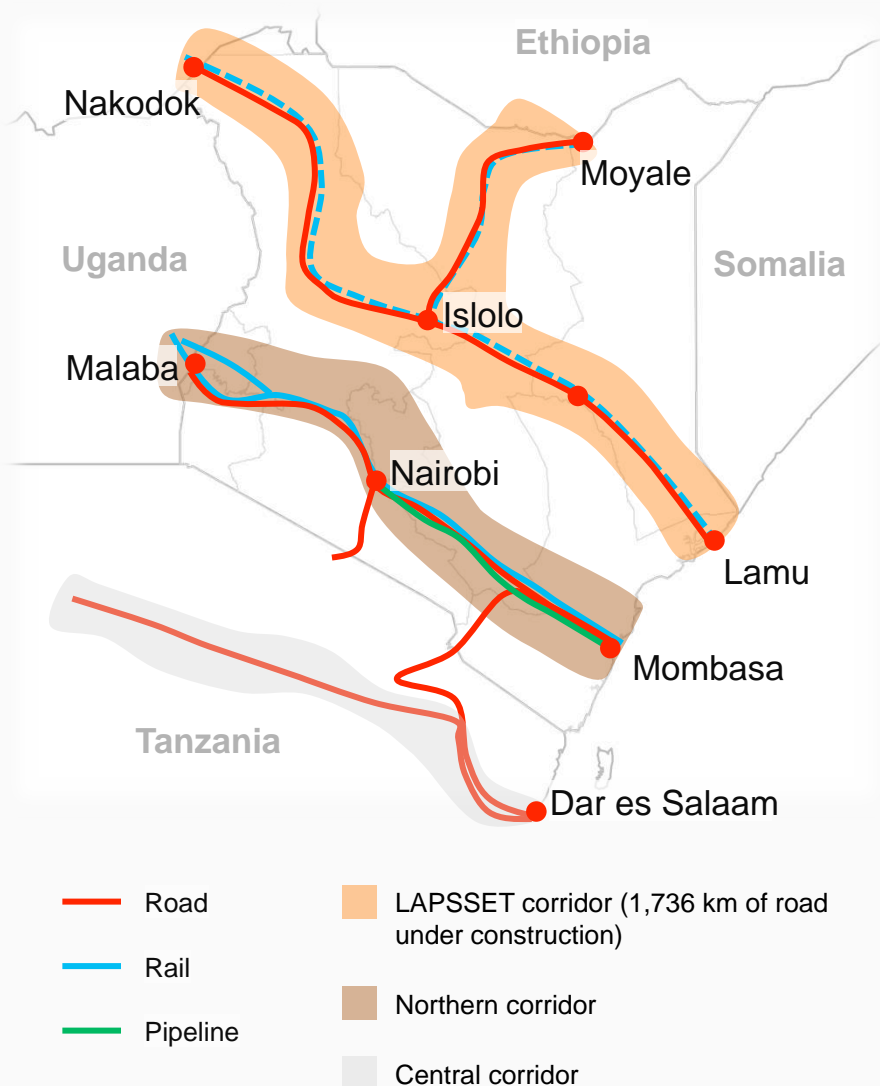
Efficiency of legal framework in challenging regulation

- 42nd in the world¹ and number 5 in Africa vs. a regional average of 82



5 Regional logistics hub

Kenya's transport infrastructure



Sea

- **Port of Mombasa**
 - 18 MPH gross berth productivity (30% improved over Dar Es Salaam)
 - 4 days wait time at anchorage (20% improved)
 - Over 1M containers per year (XX% improved)
- **Port of Lamu:** building up to 3x Mombasa capacity

Land

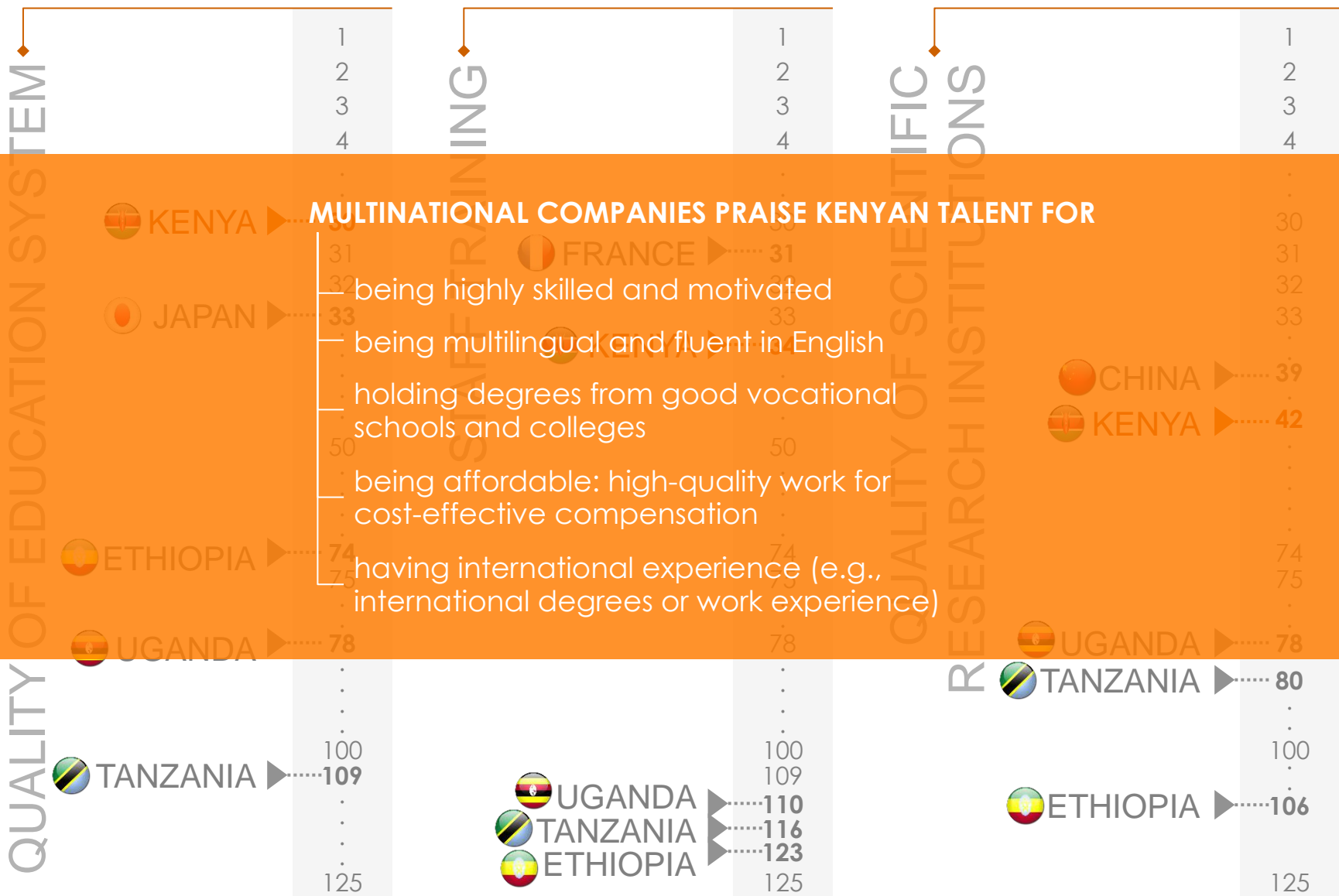
- **27.7 km/km² road density** in Kenya vs. 9.1 in Tanzania, 4.0 in Ethiopia, 29.3 in Uganda
- **10,000+ km** of total new road construction, including LAPSSET corridor

Air

- **50+** countries with direct flights from Nairobi
- **400,000 tons** of air cargo volume handled annually by JKIA
- **STAT Trade Times International Award for Excellence in Air Cargo** runner-up to JKIA



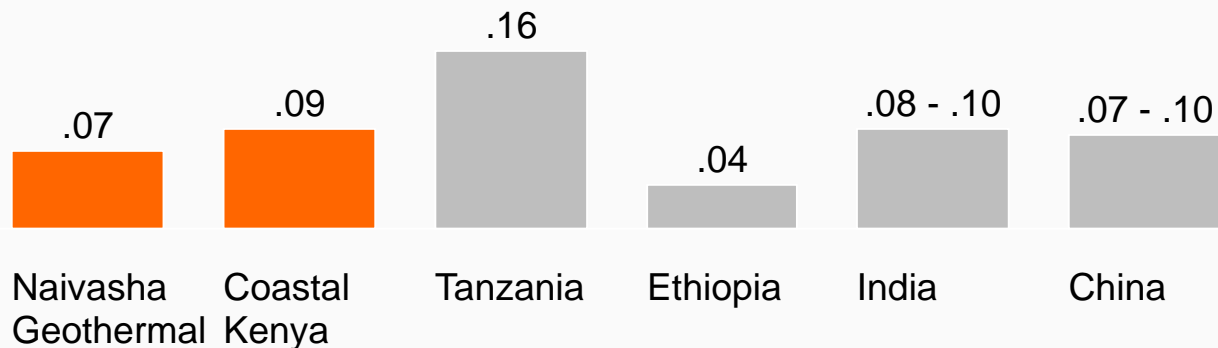
6 Renowned talent pool



7 Kenya can offer unparalleled access to clean, cheap energy

Electricity costs

USD / KWh



Three geothermal plants generate a combined 400MW of power near Lake Naivasha. Over half of Kenya's total power comes from hydroelectric plants.

— Road
— Rail




Geothermal energy in Naivasha

a video presentation of 1min on Geo Thermal value and technology



Kenya is ready to provide additional opportunities to facilitate the setup and success of your business

Investment opportunities

	Industry	Opportunities	Value Proposition
1	 Apparel and Accessories	<ul style="list-style-type: none">▪ Athi River EPZ▪ Mombasa / Voi EPZ▪ Country-wide investment facilitation	<ul style="list-style-type: none">▪ Plug & play setup near Nairobi▪ Plug & play setup near the port▪ Land identification support, setup facilitation & location flexibility
2	 Textiles	<ul style="list-style-type: none">▪ Naivasha textiles park▪ Country-wide investment facilitation	<ul style="list-style-type: none">▪ Setup facilitation, low cost steam & power▪ Setup facilitation & location flexibility
3	 Cotton	<ul style="list-style-type: none">▪ Facilitation of farm creation	<ul style="list-style-type: none">▪ Operations in the temperate Kenyan climate▪ Land identification support
4	 Buying Houses	<ul style="list-style-type: none">▪ Sourcing offices	<ul style="list-style-type: none">▪ Real estate in proximity to apparel production▪ Plug & play office setup
5	 Logistics and other supporting industries	<ul style="list-style-type: none">▪ Athi River EPZ▪ Mombasa / Voi EPZ▪ Country-wide investment facilitation	<ul style="list-style-type: none">▪ Plug & play setup near Nairobi▪ Plug & play setup near the port▪ Land identification support, setup facilitation & location flexibility



EPZ: Substantial tax benefits and wide range of park services allow quick ramp up and international competitiveness

Financial benefits

- 10-year corporate tax holiday (25% tax rate after 10 years)
- 10 years withholding tax holiday on remittances to non-residents
- Stamp duty exemption
- Import duty and VAT exemption on raw materials, machinery, and other business inputs
- 100% investment deduction over 20 years for building and machinery

Business services

- Full operation under one single license, issued by EPZA
- Project approval and licensing within 30 days
- Foreign currency accounts and offshore borrowing allowed – no exchange controls
- Unrestricted investment by foreigners
- One-stop shop service for facilitation and after-care
- On-site customs documentation

Basic infrastructure services

- Ready-made building
 - Factory buildings
 - Office premises
- Readily available services
 - Water, sewage, and electricity supply
 - Landscaping, garbage disposal, street cleaning
- High security standards
 - Illuminated perimeter fence
 - 24 hours security





Welcome(Karibu) to KENYA

Thank-You

