



DOING BUSINESS IN KENYA

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Market profile

Kenya is the trade hub of East Africa and the most advanced economy in the region with robust economic growth. Kenya is praised for its dynamic business environment, high diversity of trade, and for its developed infrastructure. The annual economic growth rate is projected to be close to 6% with strong growth prospects supported by an emerging urban middle class and an increasing appetite for high-value goods and services.

FACTS

- Merchandise exports: 71 mEUR
- Capital: Nairobi
- Official language: English
- Area: 580 367 sq km
- Population: 54.03 million

Economy and business structure

Key sectors of the economy include agriculture, horticulture, manufacturing, health, real estate, and services. Although agriculture remains the mainstay of the economy at 30 per cent of GDP, manufacturing's share of GDP has been rising significantly over the years. At 10 per cent, manufacturing is the second-largest contributor to GDP, with the processing of agricultural products a key factor in growth.

Kenya operates a liberal economy which promotes trade and investment. The Government has also instituted measures to sustain macro-economic stability such as prudent fiscal and monetary policies, improvements in economic governance and privatization of some public enterprises. The policies continue to promote growth by providing a more secure environment for private sector investment decisions.

Kenya guarantees capital repatriation and remittances of dividends and interest to foreign investors, who are free to convert and repatriate profits. Private enterprises, both foreign and domestic, can freely establish, acquire, and dispose off business enterprises according to the Companies Act. The constitution of Kenya provides protection against the expropriation of private property, this is only permitted subject to the payment of prompt and fair compensation.

Kenya enjoys a long-established liberal democratic political system with a stable Government and has developed and put in place a sophisticated legal framework incorporating best international standards and practices relating to a wide spectrum of economic activity. This includes modern legislation relating to companies, banking, intellectual property, capital markets, data protection, telecommunications, aviation, mining, and competition and consumer protection, amongst others. This serves to inspire confidence in Kenya as the prime investment and trade destination in East and Central Africa.

Kenya has a well-developed financial sector and is a regional headquarter for a number of banks

Key industries and their trends

In Kenya, Team Finland promotes the growth of Finnish businesses especially in the areas of infrastructure, construction, agroindustry, energy, forestry, pharmaceuticals, education, and ICT. Finland's long-term development cooperation with Kenya has partly focused on the same sectors, and thus Team Finland enhances the collaboration of a variety of Finnish actors.

The Kenyan Government is focusing their efforts on the big four agenda: food security, affordable housing, affordable health care and manufacturing. Corruption is still the biggest threat for sustainable business in Kenya, however, the Government has initiated several anti-corruption actions especially in the public sector.

Kenya has one of the most advanced telecommunication/ICT sectors in Africa. The mobile phone penetration is now over 90% of the adult population and smartphones account 97% of all sold phones. Mobile applications are widely used in the country, the Apps cut across both private and public sectors.

Electricity access rate is 76.49% in 2022 and is expected to grow. Kenyan government has systematically promoted and invested in renewable energy sources (Hydro, Geothermal, Wind & Solar). In rural areas, there's a demand for off-grid solutions. Industrial companies are looking for solutions to ensure their continuous power supply.

Nairobi is the preferred regional hub for multinational companies such as Google, Oracle, KONE, General Electric, Visa, Samsung amongst many others. Microsoft has established a tech hub in Kenya that serves as a premier hub for engineering and innovation. It is a central location for many organizations running activities in the Eastern Africa region as well as hosting one of the four main United Nations Offices globally, which includes United Nations Environment and UN Habitat Headquarters, amongst others.

The Key drivers for growth are Urbanization, a growing middle class and young tech savvy consumers.

Important things to consider when doing business in Kenya

- Business hours are Monday to Friday from 08h30 to 17h00
- English is the spoken language of business
- Business dress etiquette is formal and conservative in some industries such as ICT
- Kenyans tend to prefer to do business with people they have met before. They are known for being warm and inviting and a bit of relationship building will go a long way to cementing business arrangements.
- Some of the biggest businesses in Kenya in the Industrial and manufacturing sector are owned by Indians. Indians in Kenya are citizens and residents of Kenya with ancestral roots in the Indian subcontinent.
- Kenyan's value hard work and applaud those who have succeeded – but they tend to prioritize other aspects of life such as family, good living, and friendships.
- Punctuality is important; however, depending on the client's culture, it may be necessary to wait patiently. Government officials are often late.
- Schedule appointments a fair amount of time in advance and confirm the day before the meeting

Market data sources and other useful links

- <https://data.worldbank.org/country/KE>
- <https://www.trade.gov/knowledge-product/kenya-market-overview>
- <http://www.invest.go.ke/>