

Kenya Diaspora Investment Forum Report

Kenyans4Kenya held on 9th December 2006
Congress Centre, London, United Kingdom



KENYA DIASPORA INVESTMENT FORUM



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FOREWORD



HE Joseph Muchemi - MBS
Kenya High Commissioner, UK

The Kenya Diaspora Investment Forum which was held in London on 8th and 9th December 2006, was a milestone in the wider Kenya's Government efforts to woo potential investors of Kenya origin and associates in the UK to invest in their own country. The Forum was held in recognition of the important role played by the diaspora community as a source of Foreign Direct Investment (FDI) to the Kenyan economy. The Forum was a culmination of efforts by the Kenya High Commission in the United Kingdom, the Commonwealth Secretariat, Africa Recruit and with support of Equity Bank.

The Forum was a showcase and a testimony of the available investment opportunities as was presented by high powered delegation from Kenya led by the Hon. Amos Kimunya, Minister for Finance who delivered a key note address. Accompanying the Minister from Kenya were senior government officials and Chief Executives of parastatals or their representatives and a wide cross section of Kenyan business community. In his key note address, the Minister informed the Forum that the government had put in place various investment incentives and enabling environment for the investors. These include macro-economic stability,

fiscal and governance reforms all of which impact on Kenya's prosperity. The Minister further pointed out that areas for investment with higher returns were in sectors such as Agriculture, tourism, manufacturing, telecommunications, infrastructure development, housing and real estate. He also noted that the private sector partnership with government was very strong and as a result, policies developed were conducive to business and investment.

We at the Mission have cherished the idea since my posting as High Commissioner for UK, Ambassador (Non-Resident) for Ireland and Switzerland to hold a diaspora investment conference due to the important role the diaspora community remittances play in the Kenya's economy. It is estimated that currently about US\$1 billion is remitted to Kenya annually from this source alone. This is a colossal amount of money for the size of our economy and must be acknowledged.

In tandem with government's policy, economic diplomacy forms a major part of the Mission's mandate and holding the Forum was one of the activities planned for implementation in that direction.

The significant role being played by the diaspora in financing development in Africa continues to grow globally and African governments now acknowledge this important fact. The need for global partnerships in developing friendly policies as well as the necessary infrastructure is vital in harnessing the informal adhoc Foreign Direct Investment by the diaspora.

The objective of this report is to give an overview account of the event as expressed by the speakers, delegates and participants in the Kenya Diaspora Investment Forum. Reports and discussions have been captured with little interpretation except quotes, views and analysis which may be attributed to Africa Recruit.

I am grateful to the teams and organisations which participated in the preparations for the conference. Special

thanks go to the Commonwealth Secretariat and Africa Recruit for the involvement in hosting the conference. The Equity Bank of Kenya was central in ensuring engagement with the Kenyan diaspora. I am also grateful to Hon. A. Kimunya the Kenya Minister for Finance for coming to open the conference and for his deep and inspiring speech which set the mood for the Conference. The presence and participation of Senior Officials of government and parastatals as well as the senior executives from the private sector is also highly appreciated. The Staff at the High Commission worked hard in coordinating the work at the conference. Last but by no means the least many thanks to the diaspora community who turned out in large numbers and fully actively participated and engaged in discussions which made the production of this report possible.

INTRODUCTION



Dr Titi Banjoko
Chair/Director AfricaRecruit

The Kenya Diaspora Investment Forum 2006 report recognises the essential role of the Diaspora in providing an alternative source of Foreign Direct Investment (FDI); building the brand "Kenya"; forging links to harness global partnerships and opportunities, and acting as a conduit of knowledge which can serve to disseminate and share best practices.

The Forum was well attended by over 1000 Kenyans in the Diaspora and addressed by key speakers from the public and private sectors from Kenya. The level of participation and interest shown by all delegates point to the fact the Diaspora are key stakeholders in Kenya's development.

The ongoing acknowledgement of the significant role of the Diaspora in financing Kenya's development and Africa wide continues to grow globally. The need for global partnerships; policies by both sending and host countries as well as the necessary infrastructure is vital in harnessing further the informal adhoc FDI by the Diaspora commonly known as remittances.

We are grateful to the Kenyan High Commission in the United Kingdom; The Commonwealth Secretariat's Governance & Institutional Development Division and AfricaRecruit for hosting the conference. We thank the Commonwealth

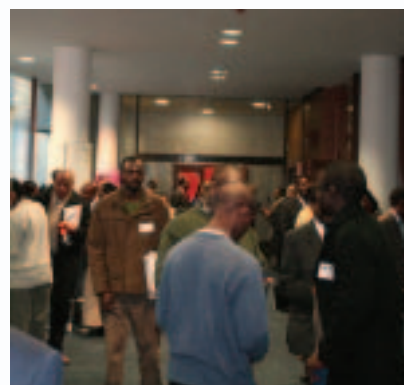
Secretariat for providing funding for the conference and Equity Bank Kenya Ltd for funding promotional activities for the conference. Other organisations that supported the Forum through taking space in the workshop programme include the KCB Group, Barclays Bank, HassConsult Real Estate Agents, Dyer and Blair Investment Bank, CFC Financial services, Equity Bank Ltd, Atul Shah Solicitors (London), Send Me Home money transfer services, Family Finance Building society and UAP Insurance Company Ltd.

We also thank the many speakers and facilitators that kept the participants engaged throughout. Speakers at the conference included Hon. Amos Kimunya, MP, EBS Minister of Finance in Kenya; Hon. Amos Wako, EBS, Attorney General, GOK; HE Joseph Muchemi, Kenya High Commissioner to the UK, Hon. Berrow Kellow, MP, Peter Kahara Munga, Chairman Equity Bank Kenya Ltd; Dick Gold, Director GIDD, Commonwealth Secretariat (Comsec), Mr. John Wilkins, Head of Special Section, GIDD/Comsec; Taboka Nkhwa, Head of Africa Section (Comsec); Dr. Titilola Banjoko, Chair/Director AfricaRecruit NEPAD/CBC Initiative; Esther Koimet, Investment Secretary, Ministry of Finance, GOK. Jimna Mbaru, Chairman Nairobi Stock Exchange; James Mwangi, Managing Director, Equity Bank (K) Ltd.; BA Wairegi, Managing Director, British American Insurance Co. and Dominic Kiarie, General Manager, British America Asset Managers Ltd; Eddy Njoroge, Managing Director, KENGEN.

Others were; Mr. Atul Shah, Atul Shah Solicitors, London; Gabriel Rwamba - MD EU Link, UK; Sam Ochieng - MD SACOMA, UK; Philip Ilako, Corporate Director, KCB Group, Frank Ireri - Managing Director, Housing Finance; Carol Musyoka, Corporate Director, Barclays Bank of Kenya; Lee Karuri, Chairman Kenya Private Sector Alliance;

Ms. Susan Kikwai - Managing Director, Kenya Investment Authority; Farhana Hassanali - New Projects Co-ordinator, HassConsult, Kenya; Dr. Ongong'a Ochieng, Managing Director, Kenya Tourism Board; Peter Gichuki Kingara, Managing Partner, Gichuki Kingara and Co. Advocates; Mr. James Wambugu, Risk and Compliance Manager, UAP Kenya.

The objective of this report is to give an overview account of the event that was expressed by the speakers and delegates, in addition to the key message of the workshop. We would like to emphasize that we have tried to report on the discussions with as little interpretation as possible. Except quotes, the views and analysis contained in this report do not reflect the views of AfricaRecruit, Commonwealth Secretariat and the Kenya High Commission.



OBJECTIVES OF THE FORUM

- Mobilising the Diaspora to invest in Kenya
- Providing a platform for stakeholders inside and outside Kenya to constructively engage in developing viable investment vehicles;
- Gaining an in-depth understanding of the ongoing investments, challenges, opportunities from the perspective of the Diaspora.
- Developing strategies that will increase the capacity of the Diaspora Investors.
- Enabling private sector to develop relevant packages and services to facilitate Diaspora investors as well as gain credible clients.
- Enabling government to develop policy incentives to harness Diaspora Investment.
- Providing a Forum to enable policy and operational recommendations.
- Providing a platform for networking.
- Creating informed Diaspora investors.

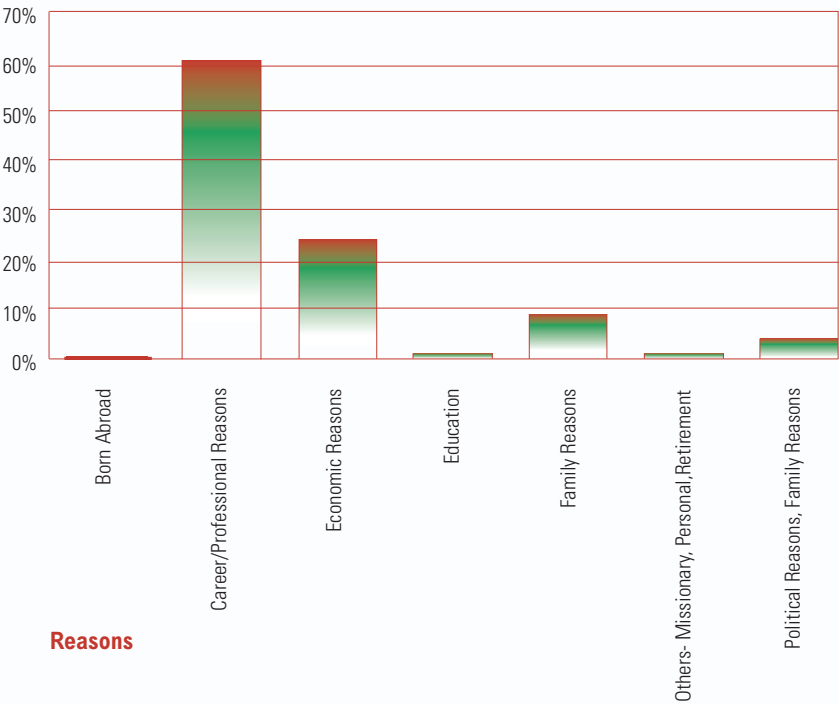
As part of a build up to the Forum, and the event AfricaRecruit conducted a survey of the Kenyan Diaspora to which 1327 Diaspora responded. The full questionnaire can be viewed with can be viewed at the event website .

Becoming a Diaspora

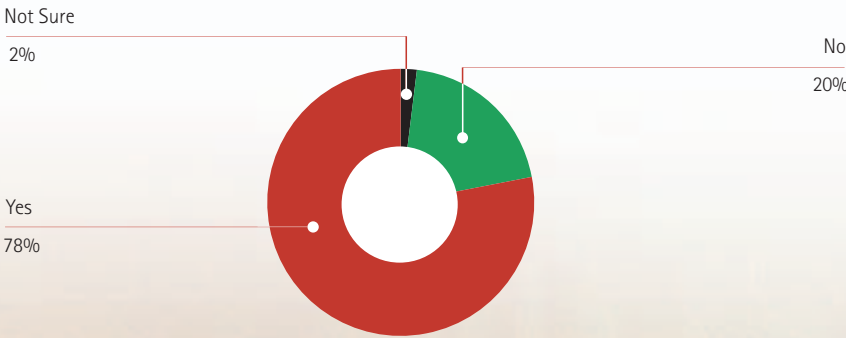
60% of the 1327 Kenyan Diaspora that responded to the survey left Kenya for Career Professional reasons. This included obtaining higher qualification degrees or professional qualifications as well as gaining international career exposure.

Approximately one third of the respondents left Kenya over 10years ago and 20% belong to a Diaspora organisation. 78% consider going back to Kenya now or at a later date. All professional categories were represented with a significant number in the field of accounting; information technology; banking; finance; education; health and law with representation from people in the business field among many others.

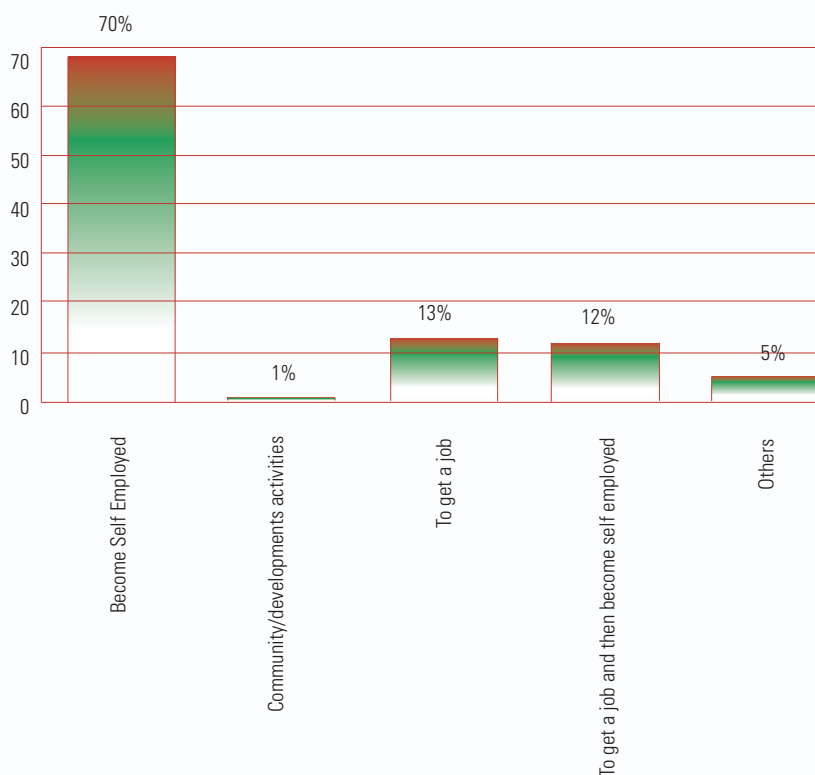
Why did you leave Kenya?



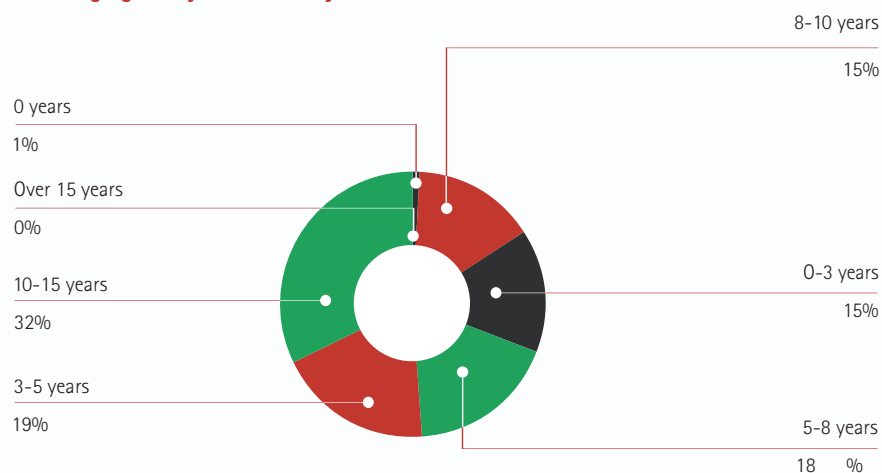
Are you considering going back to Kenya now or at a later date?



Options considering as plans if returning



How long ago did you leave Kenya



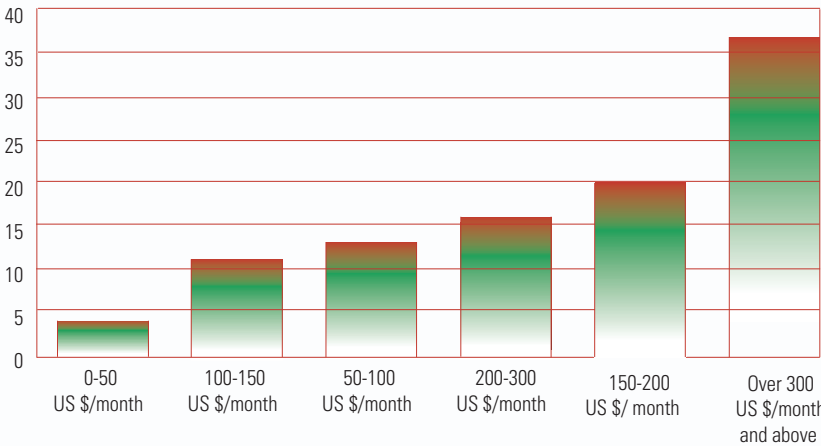
70% of the respondents consider becoming self-employed if they return home with a significant number initially getting a job when they return but with plans to become self-employed eventually. Other options being considered by Diaspora who wish to return include:

- ➡ Going into politics
- ➡ Retirement
- ➡ Marriage and family reasons

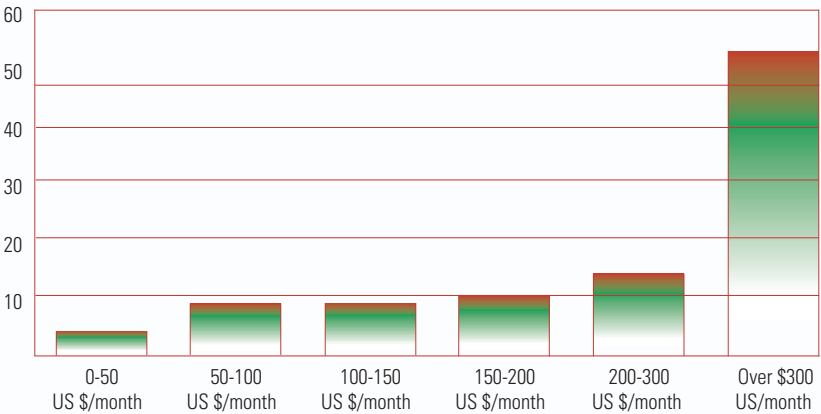
CURRENT ENGAGEMENT BY THE DIASPORA

82% of the 1327 Diaspora respondents remit to Kenya for sustenance purposes. Of those whom do half remit for business/investment purposes. 24% of those who do not remit for sustenance do send money home for business and investment reasons.

How much remitted in US dollars a month for sustenance purposes

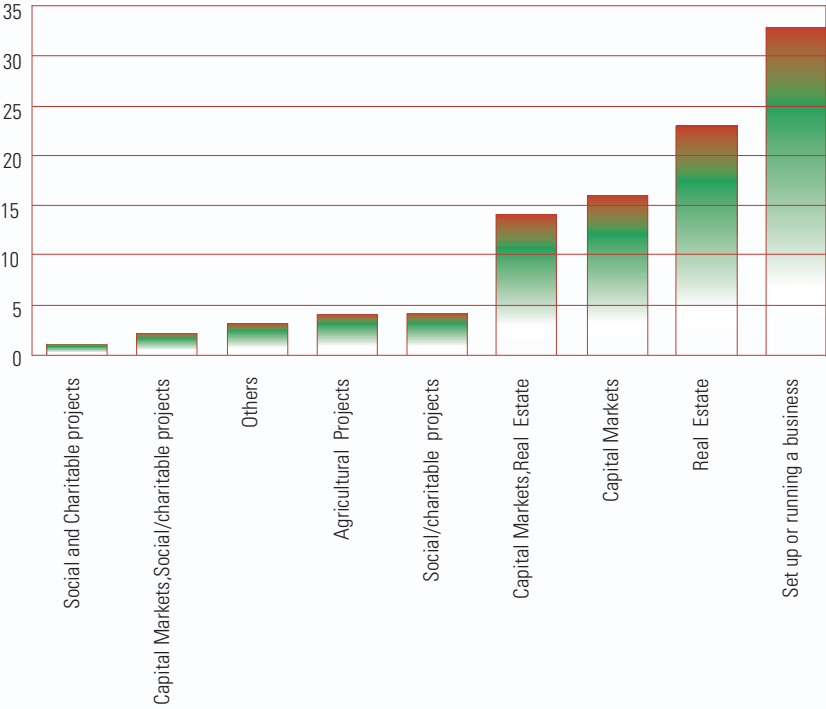


How much remitted in US dollars a month for investment purposes

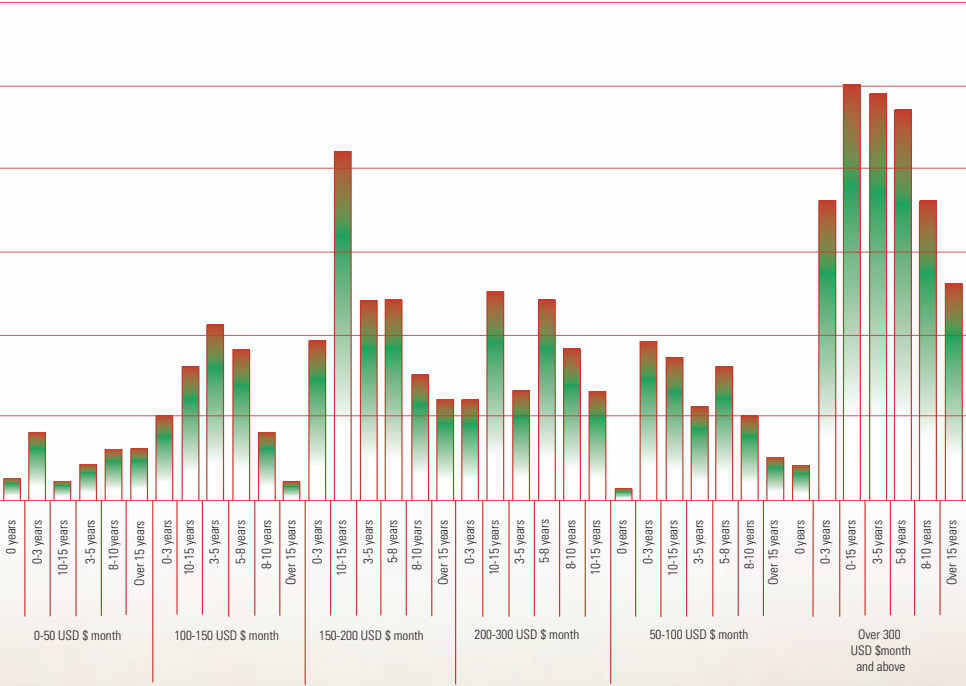


Number of respondents by Amount remitted against the number of years when the respondent had left Kenya

Areas of investment



Number of respondents by amount remitted against the number of years when the respondent had left Kenya



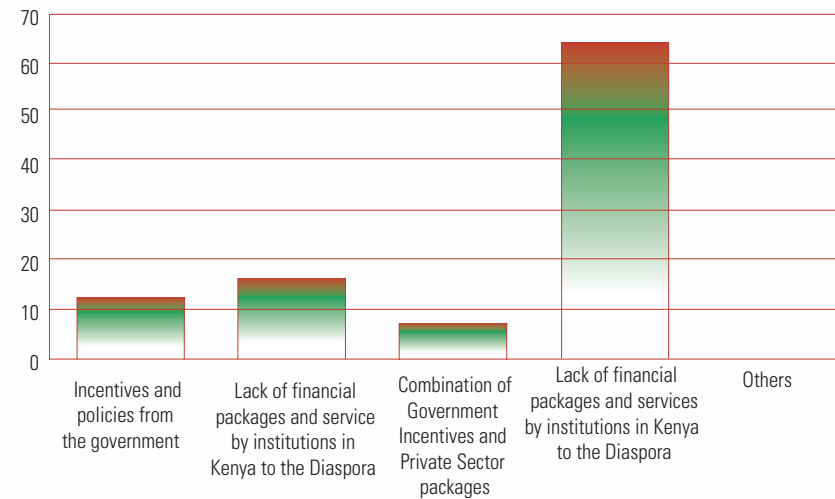
From the results of the survey, there is no direct correlation between time spent in the Diaspora and the amount of money being remitted.

Diaspora-Challenges

The Diaspora investing or seeking to invest in Kenya are faced with various challenges. This includes lack of timely information on the opportunities and a step-to-step guide on how to

invest with support provided by both public and private sector. The actual implementation on the ground of many initiatives put in place to address the challenges to investment in Kenya. One key factor is easily accessible updated information on the various opportunities in a formal and structured approach.

Greatest obstacles to investments



Factors

RECOMMENDATIONS FROM THE DIASPORA

- Special benefits/incentives specifically for Kenyans who would like to invest or buy property at home. For instance tax exemptions or special interest rates that would encourage Diaspora Kenyan small-scale investment at home
- Improve on the security concerns in Kenya.
- Consider Kenyans in the Diaspora for jobs in the public service by making the job vacancies readily accessible to the Diaspora.

- Clear and consistent updated and timely information flow on investment opportunities in the country.
- Transparent and good governance by the leadership and government in Kenya
- Improved process and shorter time for company registration in Kenya.
- Reduction in the number of licenses/permits required to start a business.

investment opportunities, legal requirements and relevant authorities where one can get advice relating to different areas of interest.

- Dual citizenship made law and implemented.



- Financial Institutions in Kenya should encourage Kenyans to invest in Kenya by coming up with packages that suit the Kenyan Diaspora.
- Banks in Kenya to cooperate with banks in the Diaspora to facilitate real estate purchase by Non Resident Nationals and acceptance by the banks in the Diaspora host countries for credits spent in Kenya.

- Providing excellent e-banking and effective regulatory capital market services.
- Regular timely information on the Kenyan economy available to the Diaspora. through the missions abroad
- Detailed and regularly updated website on business in Kenya, including the necessary regulations.
- Holding more conferences abroad and making it easy for Kenyans abroad to invest.
- A one-stop website where Kenyans in Diaspora can have access to information on



- A list of credible organizations /companies with track record in various sectors made readily available on the internet and updated regularly.
- Kenyans in the Diaspora interested in investing should organize themselves into formal investment groups, which could be coordinated in each resident country for a greater impact.
- Tax holidays for Kenyans who start up businesses upon returning home. Import duty relaxation on machinery imported to start these businesses, this would be a one time waiver, only for start-up.



RESPONSES FROM KENYA

Acknowledgement of the Role of the Diaspora to Kenyan's Economy

Remittances:

The Kenyan Diaspora consists of one the country's most talented population group. The Diaspora contributes in a large manner to the country's development, especially in remittances. Likewise, Kenyans in the Diaspora contribution through information and knowledge exchange with Kenyans on the ground is immense. The relative gains of remittances are much higher in developing country households than in developed countries. This rivals the potential gains from global reform of merchandise trade (Kenyans abroad remit not less than \$1 billion annually). Non Resident Kenyans (NRK's) are largely indifferent to risk and have a long-term view of the Kenyan economy and are willing to ride out any storms that occur. With the advent of the Internet, information access is significantly increasing with many organisations now providing e-services that can be accessed by the Diaspora.

Skills and Knowledge:

Expatriate knowledge networks have been established around the world today. This points to a realisation by countries that highly skilled expatriates are valuable and useful resources to tap into. It also highlights the recognition that emigration does not mean that expatriate skills and expertise are lost to the country of origin. The Diaspora option allows for the transfer of information and technology from industrialized countries to countries-it allows for the brain drain to be turned into brain gain.

"Moving from spectacular exceptions to an institutionalised procedure of reaching to influential Kenyans abroad"

A small group of dedicated overachievers that act as champions and are springboards for tangible projects.

Calls for Institutionalising Diaspora networks

- Informal Diaspora networks already exist.
- Objective is the "critical mass"
 - moving from spectacular exceptions to an institutionalised procedure of reaching to influential Kenyans abroad and building such a mass means defining specific commitments from them.

- A small group of dedicated overachievers is the key. They champions act as springboards for tangible projects.

Why the need to target the Diaspora

- Patriotism.
- Remittances can be directly invested in projects.
- The Diaspora can be used to enhance flows of investment between Kenya and their host country.
- They can lobby for the adoption of policies that are favorable to the Kenyan situation.
- By creating a good image of Kenya in their host countries, they supplement investment promotion initiatives undertaken by various stakeholders.
- They have an advantage over other foreign investors as they possess wider knowledge of the economy and country.



GOVERNMENT INITIATIVES



The government has put in place various investment incentives to encourage investments such as:

- 🌱 Rapid economic growth. underpinned by macro-stability
- 🌱 Fiscal Reforms for Growth and poverty reduction.
- 🌱 Governance Reforms for Prosperity.

The country has diverse investment opportunities and is strategically placed in Africa in terms of market. It has trade agreements with various countries and has liberalised trade system and developed a robust stock market. In addition is the new vision “Vision 2030” and its implementation.



Areas of investment opportunities include:

- 🌱 **Agriculture:** production and export of flowers, fruits and vegetables.
- 🌱 Housing and real estate
- 🌱 Agro-processing of natural produce, for example, coffee, tea, sisal, pyrethrum.
- 🌱 **Tourism:** hotels and resorts, tourism information and business advisory services.
- 🌱 Manufacturing: manufacture of domestic and industrial products.
- 🌱 Information & telecommunications; data network operators, broadcasting sub-sector.



PRIVATE SECTOR INITIATIVES

Kenya Private Sector Alliance (KEPSA) is the umbrella body of the Private Sector in Kenya. Its membership consists of associations, and sector federations countrywide providing a unified single voice for the private sector in Kenya. Members represent business interest for small, medium and large enterprise.

KEPSA main agenda is to advocate for the optimum business environment in all sectors of the economy. It has adopted the model of public private partnership with the government of Kenya to advocate in a structured and sustainable manner, this enables KEPSA to engage and discuss policy and Laws with all the Ministries of the government of Kenya.

Statistics in KEPSA indicate that local investors have continued to prosper steadily with growth between 15% - 100% yearly of turnover depending on the sector. The average growth on profit has been 20 - 30% annually.

Capital Market

Equity Funds

- ☞ Fully invested in shares listed on NSE and selected shares in Uganda Stock Exchange.
- ☞ Diversified across all sectors of the equity market.
- ☞ Key investment objective is to maximise return in the long-term
- ☞ Suitable for investors with a long-term horizon (min. 3-5 years).

Money Market Funds

- ☞ Invests in treasury bills and short-term bonds.
- ☞ Diversified across securities
- ☞ Investment objective is stability of capital.
- ☞ Suitable for investors with a short-term horizon (6 mths-1 year).

Mixed Fund (Balanced Fund)

- ☞ Investment in a mixture of short term securities and shares.
- ☞ Investment objective is stability of capital and capital growth Suitable for investors with a medium term outlook (2-3 years).

Opportunities:

- ☞ Privatisation e.g. Mumias Sugar; Kenya Reinsurance Corporation; KenGen; Safaricom and Telkom.
- ☞ More Listing/IPOs e.g. ISP company and Stanbic Bank Uganda.
- ☞ Demutualisation of the NSE More foreign portfolio investors needed.
- ☞ Monetary and fiscal discipline
- ☞ Bond market.
- ☞ Setting up of New Capital market institutions.
- ☞ Regionalisation in East Africa.

Benefits:

- ☞ Facilitate the build-up of an investment fund in home country.
- ☞ Diversify investments in a highly liquid and safe investment fund.
- ☞ Earn superior returns and therefore build real wealth.
- ☞ Hedge (in the short term) weakness in US dollar.
- ☞ Participate in the economic development of our nation.

Insurance Products

Investments products

Money plus - unit linked investment; with appropriate life insurance protection
Personal pension plan; primarily for self employed or supplemental pension cover and now ideal for Diaspora - return home pension.

General insurance products:

The whole wide range at personal and corporate level.

Real Estate

Perceptions of the market

- ☞ There is hyper-activity in the industry.
- ☞ Prices are too high.
- ☞ The industry is unregulated; title deed fraud & illegal allocations of land!
- ☞ Political factors influencing the market.



- ☞ No one can be trusted.
- ☞ There is no transparency.

Facts:

Increased real estate activity since 2002 due to:

- ☞ Increased demand due to a resurgence of the mid-market as well as growth of Nairobi as regional base.
 - ☞ Availability of developer and end-user finance.
 - ☞ Healthy returns on investment and development.
- Much of this is attributed to the Diaspora!

Emergence of new trends in property development:

- ☞ Increased creativity in architectural styles.
- ☞ Move towards cluster home and lifestyle concepts.
- ☞ Improvement of standard of finishes.

Policies and regulation:

- ☞ Better land rights enforcement.
- ☞ Inclusion as a National development strategy.
- ☞ New sessional paper and Housing bill with better incentives envisaged.

Financial:

- ☞ Lower and stable interest rates.
- ☞ Many financial sector players now allocating credit to property development/purchase.

Other reasons for the growth:

- ☞ Decentralization of location preferences.
- ☞ Price increases related to cost escalations.
- ☞ Resilience between private sector activities and politics.
- ☞ Improved and steady real estate growth and returns.
- ☞ Improved transfer processing, enforcement of building standards, growing property development teams.
- ☞ Realisation of the supply and demand gap (profits!).
- ☞ Economic recovery and hence improved buyer income.
- ☞ New players and benefits of competition.

Options for investments

Buy and Build:

- ☞ Can be difficult coordinating remotely.
- ☞ Dependent on judgment of the team involved.
- ☞ May be difficult appointing consultants due to the small scale nature of the project.
- ☞ Potential for a great investment does exist.
- ☞ Land to hold can be a good investment but not advisable due to management constraints.

Ready property:

- ☞ Ready Property has the advantage of immediate occupation and rental income.
- ☞ Off-plan property has a time lag but has a lot of potential:
 - Buyer flexibility in finishes
 - Lower capital cost
 - More potential for capital growth

Off-plan property

Property development

Property Development and Joint Ventures

- ☞ A sector least exploited by the Diaspora.
- ☞ Given the volume of funds in the Diaspora, potential is immense!
- ☞ Can be done by Diaspora groups through a local consultant or through joint ventures.
- ☞ In either case, a reputable advisor/real estate consultant is paramount.

Banking Sector

Challenges to enable /harness engagement:

- ☞ No tax incentives exist.
- ☞ No foreign currency mortgages available.
- ☞ Limited banking services available to cater to the NRK e.g. online banking.
- ☞ Limited statistical information on NRK demographics that will enable banks to create well targeted and tailor made products.

Role of Financial Institutions (FI's)

- ☞ FI's provide the vehicles within which Kenyans can put their hard earned excess cash and earn not only a decent return but assuage our charitable and nationalistic conscience!
- ☞ Such vehicles would be in the form of Infrastructure Bonds for Central and/or Local governments; Mutual Funds or Unit Trusts that invest in Government Securities whose proceeds are used primarily for infrastructure development; securitise middle and low class mortgage proceeds and create bonds which are used to put up even more low cost housing.

Challenges to the Private Sector:

In all developing countries challenges are expected and include:

- 🌱 Security.
- 🌱 Infrastructure including road network, energy etc.
- 🌱 Public service reform
- 🌱 Governance.
- 🌱 Mainstreaming the micro and small enterprise into the economy.

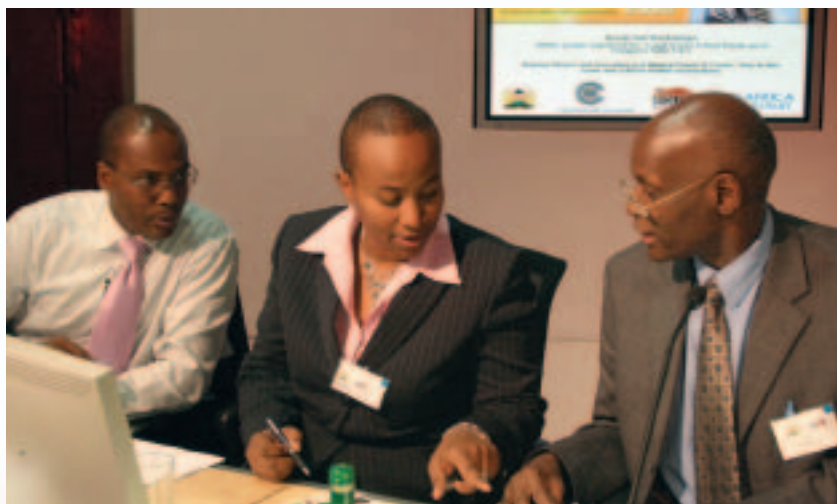
Mainstreaming the contributions from Kenya's in the Diaspora for Trade and Investment:

The Government of Kenya and KEPSA in conjunction with representatives of Kenyans abroad have proposed and prepared a draft bill for our parliament which addresses the following issues amongst others:

- 🌱 Dual citizenship, right to vote and right to representation.
- 🌱 Enhanced and effective consular affairs and improvement of public service to Kenyans abroad.
- 🌱 Remittances; A comprehensive, affordable and secure remittance programme for

economic and socio investment funds.

- 🌱 Enhance Trade and investment to be coordinated by a proposed Institution called the Diaspora Council, KEPSA is studying models by India, Israel and China.
- 🌱 Changing the concept of Brain drain to brain gain by tapping into the experience, skills and expertise from Kenyans abroad.
- 🌱 Tourism, Culture and Philanthropy; Facilitate the Kenyans abroad to visit and engage in the social fabric of our beautiful country and also support our national needy causes through philanthropy.



RECOMMENDATIONS

Governments:

- 📍 Creating a desk for the Diaspora (to supplement activities of the Kenya Diaspora. Remittance. Facilitation Committee).
- 📍 Sensitisation of public and private sector stakeholders on Diaspora issues.
- 📍 Maintaining accurate and timely data and information for the Diaspora.
- 📍 Development of Provincial /District investment profiles to target members of the Diaspora.

Areas for Policy considerations:

- 📍 Measures to make the transfer of remittances more cost-effective.
- 📍 Special treatment as regards visa requirements (meet and greet at the airport)
- 📍 Specific schemes targeting portfolio investors.
- 📍 Kenya Diaspora Policy/East Africa Diaspora Policy
- 📍 Abolish withholding tax for interest earned on instruments purchased by “**Non Resident Kenyan’s**”
- 📍 Provide enabling income

tax benefits for Kenyans who work in countries that do not have double taxation treaties with Kenya.

- 📍 Incorporate tax incentives that will encourage NRK to bring money home.
- 📍 Collect statistical data on **Non Resident Kenyan’s** for Financial Institutions and other stakeholders to the private sector to develop **Non Resident Kenyan** products and services

Private Sector:

- 📍 Investment consortiums by the Diaspora that can access large-scale projects and specialist property developments.
- 📍 Platform for communication between Kenyan-based companies and the Diaspora.
- 📍 Diaspora using the right channels in investments.
- 📍 Financial institutions provide Foreign Currency mortgages to match the currency in which salary for “**Non Resident Kenyan’s**” is earned, thereby eliminating exchange risk. Financial institutions provide

a safe, reliable and corporate “guardian” to look after all these assets.

- 📍 Financial institutions mobilise foreign currency deposits through provision of attractive instruments with high yield and tax incentive features.
- 📍 Financial institutions provide local currency and foreign currency mortgages.
- 📍 Financial institutions provide recognised and solid custodial services to enable NRK’s to maintain their assets safely while monitoring them on a real time basis.

APPENDIX

Agenda

8.30 - 9.30 am	Registration
Registration	<p>Welcome & introduction Julius Kaberere, CSAP/GIDD/ Commonwealth Secretariat (Comsec) and Mr Funto Akinkugbe Africa Recruit</p> <ul style="list-style-type: none"> ■ HE Joseph Muchemi - Kenya High Commissioner to the UK ■ John Wilkins - Head of Special Programmes Section, GIDD/Comsec ■ Dr. T. Banjoko - Director, AfricaRecruit
10.15 - 11.00 am	<p>Keynote address - Hon. Amos Kimunya, MP. Minister of Finance GOK</p> <ul style="list-style-type: none"> ■ Mr. Richard Gold - Director, Commonwealth Secretariat, GIDD ■ Mr. Peter K. Munga - Founder Chairman Equity Bank ■ Mr. John Michael Murimi - Music from Kenya <p>Chair - Mr J. Kaberere, GIDD/CSAP Comsec</p>
11.00 - 11.30	<ul style="list-style-type: none"> ■ Mr Eddy Njoroge - Permanent Secretary, Ministry of Finance, GOK: - Kenya investment climate - Opportunities for Kenyans living abroad ■ Mr. Lee Karuri - Chairman Kenya Private Sector Alliance, Role of the private sector in Harnessing Diaspora Investments ■ Ms. Susan Kikwai - Managing Director, Kenya Investment Authority ■ Dr. Ongon'ga Achieng - Investing in the Tourism Sector, KTB ■ G. Rwamba - MD EU Link, Investing in UK and Europe - Issues and Challenges. <p>Chair - Ms. Wanjiru Kinuthia Commercial Attaché - KHC London and Mr. Isaac Njoroge, Trade Advisor, SASD Comsec</p>
12.30 - 1.30 pm	<ul style="list-style-type: none"> ■ KHC and Dustan Maina - Regional Advisor East Africa, GIDD Comsec and David Otieno - Country Representative Africa Now. ■ Mr. Jimna Mbaru - Chairman, Nairobi Stock Exchange' - Role of the Nairobi Stock exchange and opportunities for Kenya Diaspora Investors ■ Cllr Marianne - Alapini, Trade Missions between UK and Kenya ■ Mr. Sam Ochieng - MD SACOMA UK ■ Mr. Dominic Kiarie, General Manager, British American Asset Managers, Kenya (BAAM) Ltd. ■ Mr. Atul Shah - Atul Shah Solicitors, London ■ Mr. Peter Kingara - Principal Partner, Gichuki Kingara & Co Advocates, Kenya
1.30 - 2.30 pm	Lunch Break
11.30 - 12.30	<p>The Role of the financial Sector in mobilising greater investment for Kenyans in the Diaspora</p> <ul style="list-style-type: none"> ■ Mr. James Mwangi - Managing Director - Equity Bank ■ Mr. Adan Mohamed - Managing Director, Barclays of Kenya ■ Mr. Frank Ireri - MD Housing Finance ■ Mr. Philip Ilako - Divisional Director, Corporate, Kenya Commercial Bank Ltd. <p>Chair - A. Ngigi, MD Integral Advisory (Kenya) and Mr. Kenyuru Counselor KHC</p>

3.30 - 4.30 pm	Break out Roundtable Workshops <ol style="list-style-type: none"> 1. Buying and trading of shares - J. Mbaru, Chairman NSE 2. Investing in Kenya Real Estate - Hassconsult/KCB Group/Housing Finance 3. Legal issues in Diaspora Investments- Peter Kingara and Atul Shah 4. Investing in mutual funds, trusts and Government securities - Dominic Kiaria - General Manager, British America Asset Managers, James N. Wambugu, Risk Manager, UAP Provincial Insurance Co. Ltd
4.30 - 5.00 pm	Coffee/Tea Break
4.30 - 5.00 pm	Feedback from the break out groups
6.00 - 6.30 pm	<ul style="list-style-type: none"> ■ Closing Remarks by Hon Amos Wako, Attorney General of Kenya Vote of thanks by Mr. Jimna Mbaru, Chairman NSE
7.00 - 0.00	<ul style="list-style-type: none"> ■ Dinner kindly sponsored by Equity Bank Kenya Ltd



KEY PRESENTATIONS



Hon. Amos Kimunya - MP
Minister for Finance of the Republic of Kenya

Opening Statement by the Minister for Finance of the Republic of Kenya, HON. Amos Kimunya MP

Introduction

- 1 I am indeed very pleased and feel honoured to have been invited to give a keynote address during this important workshop---“Kenyans for Kenya - Kenya Diaspora Investment Forum 2006”. It is also gratifying for me, first as a Kenyan and second as the Minister for Finance, to be with you today in this most opportune and appropriate investment meeting. This gathering, I am informed, brings together Kenyans living in the United Kingdom and Europe for greater investment in their home country.
- 2 Before proceeding further with my remarks, allow me first to convey to you very warm Jamhuri Day and Christmas Greetings from

your brothers and sisters back at home. I wish also to encourage all of you living here in UK and other parts of Europe to deepen your business ties with your motherland. indeed, nobody else will build Kenya except you Kenyans --- but we can only build it through pulling together, hard work and patriotism.

- 3 I would also like to take this opportunity to thank the Commonwealth Secretariat, Governance and Institutional Development Division (GIDD), the Kenya High Commission in the UK and AfricaRecruit-an initiative of the Commonwealth Business Council (CBC) and The New Partnership for Africa's Development (NEPAD) for convening this important interactive Forum. Indeed, this Forum provides the perfect platform for Kenyan business community in diaspora to discuss opportunities for business and investment in Kenya.
- 4 As you will notice in the various presentations lined up for the day, the implementation of various economic and structural reforms over the last four years has created tremendous investment and business opportunities across all sectors. These emerging investment and business opportunities are waiting to be exploited by investors, including Kenyans in diaspora.

Setting the stage: Constraints to Private investment in Kenya Prior to 2003

5. After a remarkably good growth record between 1964 and 1983, Kenya's economic performance steadily deteriorated, leading to a 30 percent reduction in GDP per capita in 2002 as compared to the year after independence-1964. The poor economic performance was the result principally of weak governance record, and poor macroeconomic management. Under the National Alliance Rainbow Coalition, a new government was elected in 2002 on the platform of major economic and governance reforms.

6 Allow me to use this important occasion to present to you some of the recent experiences in our efforts to attract private investment for economic recovery programme. In doing that, I wish first to highlight the factors that influenced the formulation of our private sector led development strategy. In this regard, it is best to begin with the opinions of CEOs and other top private sector decision makers, on what it will take for them to commit new investment to our economy. I am basing this discussion on the finding derived from the following sources:

- 📍 A Kenya domestic investors conference held in Nairobi last November 2004.
- 📍 An international investors conference held in March 2004 also in Nairobi.
- 📍 The opinions of business executives contained in Africa Competitiveness Report of 2004, (published by the World Economic Forum), with specific reference to what the surveyed CEOs say about Kenya.
- 📍 A UNIDO survey of investors with interest in Africa.

7 Asked what they consider to be the most significant considerations that influence decisions on whether to commit increased private investment, and the choice of location with specific reference to Kenya, the CEO cited the following factors in order of importance.

- 📍 Corruption and erratic public policy.
- 📍 Access to local financing.
- 📍 Macro-economic stability and the predictability of economic policy.
- 📍 Inadequate supply of infrastructure
- 📍 Business costs of crime, theft and personal security.
- 📍 Inefficient and unpredictable government bureaucracy.
- 📍 Tax regulations, fiscal incentives, diversion of public funds.

8 Other factors; lower down the rank that were cited included political instability, inflation, industrial relations, and real exchange rates.

9 In the earlier days, we used to think that economic factors alone -like macro-economic stability, a market-determined exchange rate,

and elimination of price controls - were what mattered most. And they still do. But we now know that the principal constraints lie in what might be roughly called governance and political issues.

Responding to Challenges Facing Investments in Kenya

10. As you would expect I am now coming to what Kenya has done in partnership with the business community over the last four years to mitigate the bundle of challenges facing investments, build a robust economy and expand opportunities for investments. I am sure, the respective agencies and business entities programmed to speak to you today will be able to give a more comprehensive picture of the specific progress registered.

11 Overall, we have since the beginning of 2003 given fast track priority to reforms in the following policy areas:

- 📍 Improving Governance and Rule of law through fighting corruption and judicial reforms.
- 📍 Investing in physical infrastructure including rehabilitation and maintenance.
- 📍 Rehabilitation of the productive sectors, including agriculture that targets the poor
- 📍 Enforcement of law and order, and implementation of reform and retraining of the police force
- 📍 Implementation of reforms in the financial sector leading to more institutional diversity, competition and a deepening of the sector
- 📍 Privatisation of a number of state-owned enterprises.
- 📍 Greater investment in the human resource sector, especially in primary education and healthcare.
- 📍 Tax and Customs reforms to facilitate trade and business expansion.

12 In undertaking these reforms, we in Kenya have paid special attention to the our commitment towards achieving the Millennium Development goals (MDGs), and coordination of our public investment and trade policies with those of our neighbours, Uganda and

Tanzania, as outlined in New Partnership for African Development (NEPAD).

- 13** On the Recent Developments -- Creating Opportunities for Investments, allow me now to present by way of slides, what we have achieved in Kenya over the last four years and what these achievements portend for the medium term investment opportunities in Kenya. Mr. Chairman, with your permission, I would, therefore, like to present the "Recent Economic Developments and opportunities for Investments in Kenya".

Here is the abridged version of the Ministers presentation on "Recent Economic Developments and Opportunities for Investment in Kenya" the full version is available on the Kenya High Commission website (www.kenyahighcommission.net).

- Recalling the ERS Pillars
- Progress under Pillar I: Rapid economic growth
- Progress under Pillar II: Fiscal Reforms for
- Growth and poverty reduction
- Progress under Pillar III: Governance
- Reforms for Prosperity
- Improved Governance for Prosperity:
- Way forward
- Conclusion

Recalling ERS Objectives

- ☞ Under the ERS, the Government Development Strategy is based on three pillars:
 - Rapid Economic growth underpinned by macro-stability
 - Enhancing equity and poverty reduction
 - Improving governance
- ☞ Reforms implemented in the last 4-years therefore elaborates strategies to realize measurable gains towards these goals

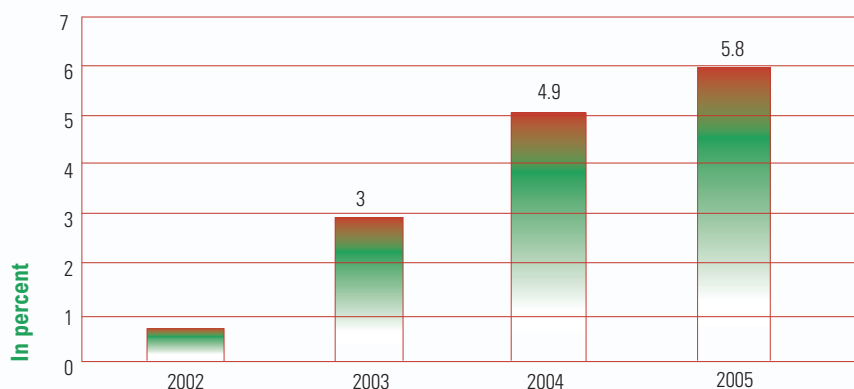
1 Progress under Pillar I: Rapid Economic growth

- ☞ On the restoration of rapid economic growth objective, significant progress have been recorded over the last 4-years covering:
 - Real GDP
 - Sectoral performance
 - Macro-economic stability
 - Balance of Payment

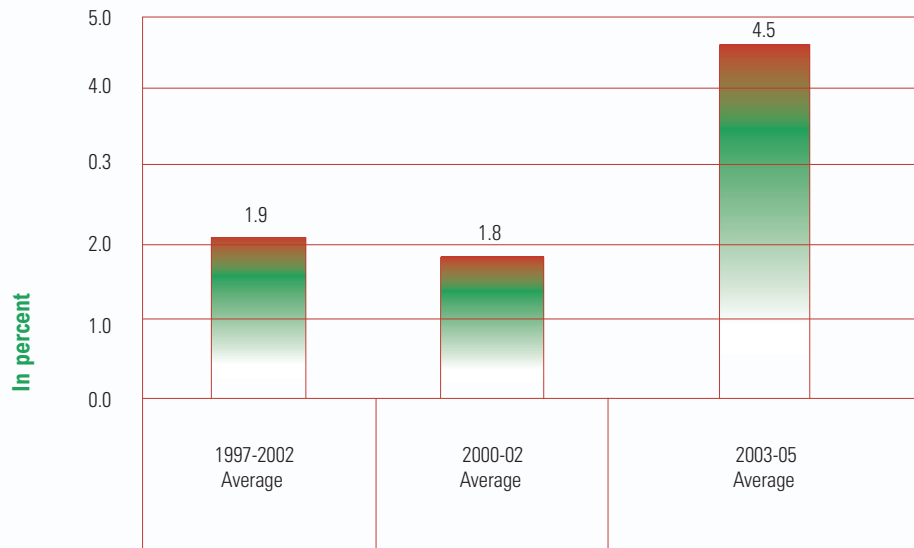
As follows:

Progress Under Pillar I: Rapid Economic Growth Cont..

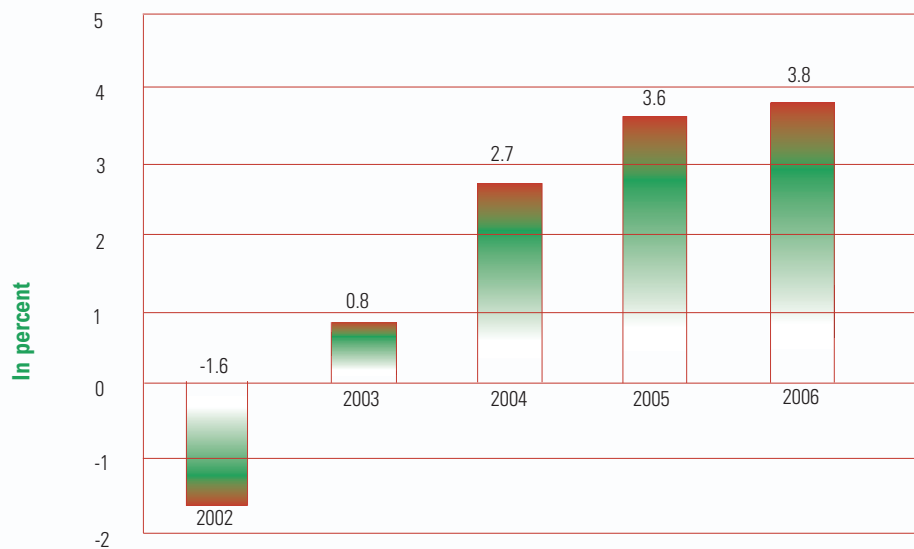
Real GDP has accelerated sharply and growth momentum is expected to continue



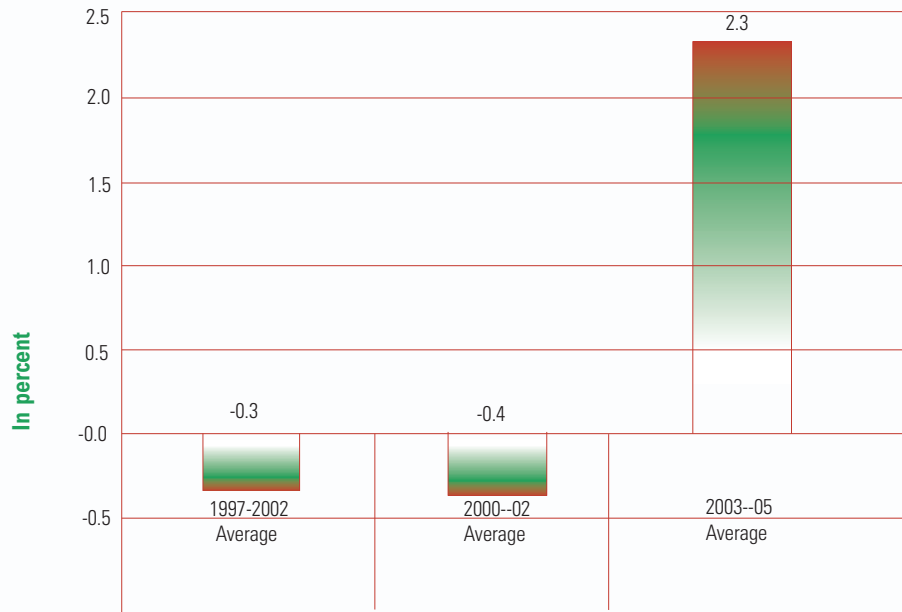
Average growth of GDP over the 3 year period to end 2005 has more than doubled compared with the earlier periods



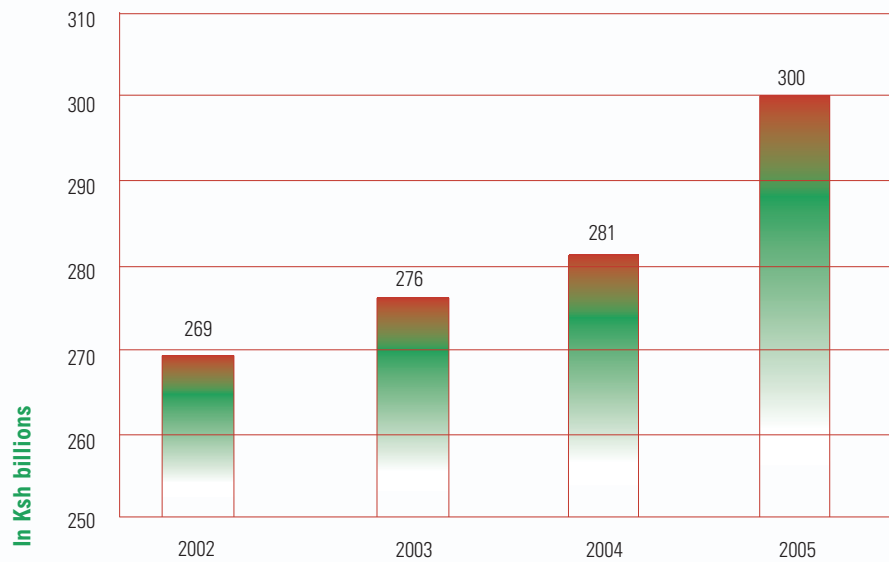
This has resulted in a marked increase in growth of per capita income from minus 24% to plus 3%



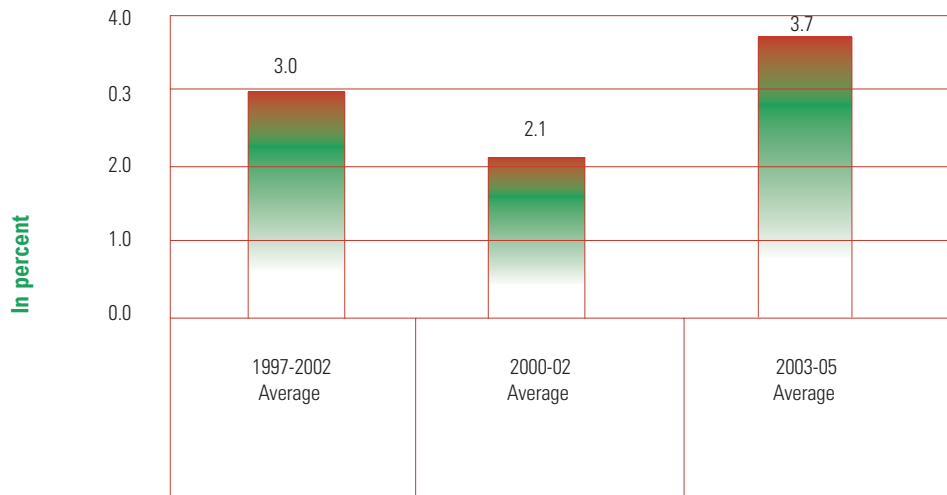
This has simplified that growth real GDP per capita, assuming a population of 2.2% has turned from negative to positive.



Agriculture has shown steady growth



Average growth agriculture production in 2003-2005 has accelerated compared with the immediate previous 3 years



- 🔄 In sum all the economic indicators discussed above:
 - Real GDP
 - Income per capita
 - Sectoral growth
 - BOP position
 - Capital market developments
 - Macro-economic variables - interest rates, exchange rates and inflation rates
- 🔄 Have recorded significant progress over the last four years.

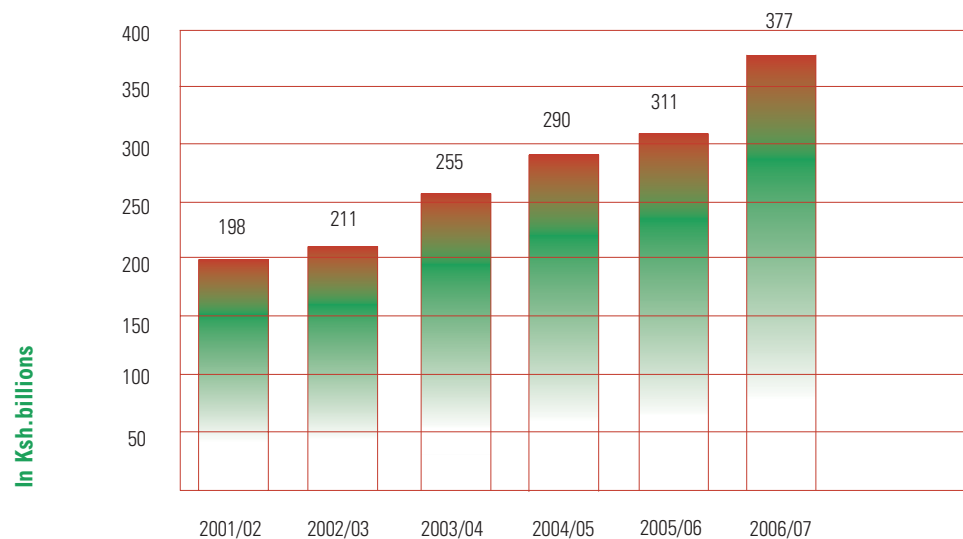
11 Progress Under Pillar II: Fiscal Reforms for Equity

- 🔄 The fiscal reforms implemented over the last four aimed at ensuring:
 - Increased growth and macro-economic stability underpinned by
 - Low and stable interest, inflation and exchange rates
 - Sustained high growth through increased public investments
 - Reducing poverty and enhancing equity through shifting resources to key social sector and devolving funds to constituency level

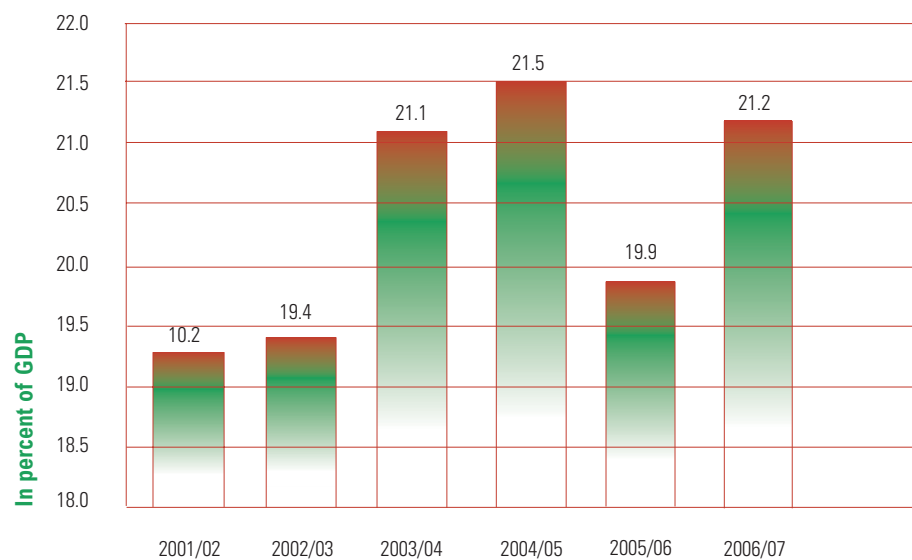
- Efficiency in tax administration to facilitate trades and business expansion
 - Efficiency and effectiveness in public service delivery
 - The main focus has been the creation of fiscal space through tax and expenditure efficiency aimed at raising additional resources to finance priority developments
 - Due to resource scarcity, we have prioritized expenditure to ensure that the budget:
 - is pro-poor in that it provides for increased spending on core-poverty programs, including increased funding under education, health and water provision
 - is pro-growth by ensuring ample resources are directed toward key priority sectors such as agriculture and infrastructure; and
 - is consistent with a sustainable increase in domestic debt and that government does not crowd-out the private sector by driving up interest rates

Progress Under Pillar II: Fiscal Reforms for Equity Cont..

Revenue collection has almost doubled despite a reduction in VAT from 18% to 16% and lower EAC customers duties

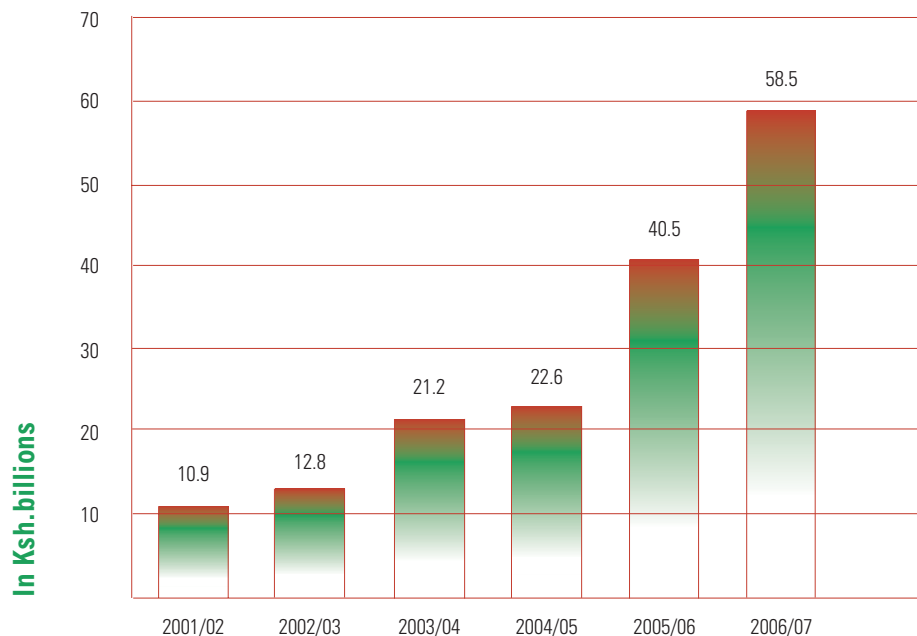


Despite the lower custom duties under the CET, the revenue to GDP ratio has remained above 21% except in 05/06 following intro. Simba2005

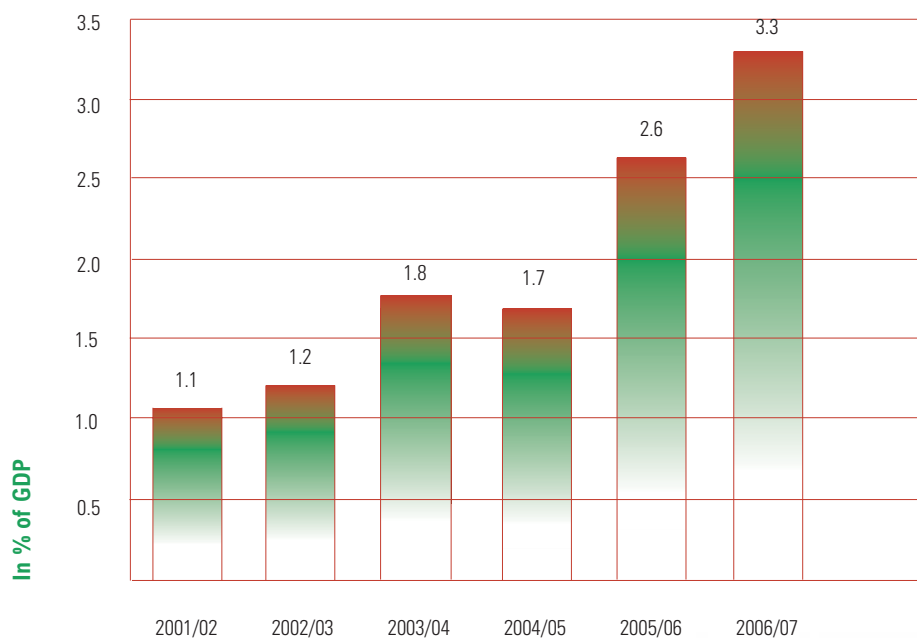


Progress Under Pillar II: Fiscal Reforms for Equity Cont..

Domestically funded capital expenditure has increased almost six-fold



In real terms, domestically funded capex should increase by 200%



- 🔄 Overall, the Government has implemented a number of fiscal reforms, including:
 - New financial management and audit legislations
 - Introduction of CDF and other devolved funds to address equitable regional development Prudent fiscal management and maintenance of sustainable debt level
 - Budget Outlook Paper and Budget Strategy Paper to align planning, policy and budgeting
 - Implementing measures to ensure efficiency, transparency and accountability in public financial management
 - Creating fiscal space to shift resources to priority areas of infrastructure, agriculture, education and health

III Reforms under governance and anti-corruption are aimed at:

- Reducing corruption and rent-seeking opportunities in public sector
- Improving efficiency in public service delivery
- Ensuring effective implementation of government policies; and
- Creating enabling environment for sustained business growth and development in all sectors of the economy
- 🔄 To this end, various anti-corruption and structural reforms have been implemented over the last 4-years:
 - Enactment of several governance and anti-corruption related legislation
 - Enforcement of the anti-corruption and economic crime Act 2004 and the Public Officers Ethics Act 2004
 - Public financial management reforms
 - Restructuring of the public enterprise

🔄 Corruption Prevention

🔄 I. Legislative Actions Since 2003

- The Public Officer Ethics Act 2003 (POEA),
- The Anti-Corruption and Economic Crimes Act 2003, establishing KACC
- The Government Financial Management Act (2004);
- The Public Audit Office Act (2004);
- The Public Procurement and Disposal Act 2005 establishing PPOA

- The Privatization Act, which provides for a Privatization Commission
- The Statistics Act 2006, establishing National Bureau of Statistics.

🔄 Administrative Actions

- Abolition of harambees and curbing of land-grabbing;
- Introduction of ministerial Code of Conduct
- Dismissal of procurement and forest officers
- Enforcement of The Public Officer Ethics Act (POEA).
- Enhancing administrative capacity of KACC to investigate corruption

🔄 Public Sector and Financial Management Reforms

- Introduction of a Results-Based Management (RBM)
- Rolled out IFMIS in a number of ministries,
- strengthened the expenditure commitment control systems,
- Established the Kenya National Audit Office (KENAO)
- Integration of domestic taxes; and modernization of customs to reduce corruption and facilitate trade.
- Overhaul of the business licensing to reduce cost of doing business.

🔄 IV. Private Sector Participation SOE Reforms

- Introduction of performance contracts
- The IPO sale of 30 percent of Kenya Electricity Generating Company (Kengen)
- Concessioning of the Kenya-Uganda railways, which has now been finalised;
- The commercialisation of water services
- Licensing the second fixed-line provider and a third mobile phone provider

Corruption Investigation

- 🔄 Restructuring of the DPP office to deal with corruption and economic crimes
- 🔄 Launching in 2003 of:
 - the Goldenberg Commission of Inquiry;
 - The Presidential Commission on Illegal and Irregular Allocation of Public Land (Ndung'u Commission)
- 🔄 Instituting a special audit of the eighteen Anglo leasing-type of security projects.

- 🌐 Establishing specialized corruption courts and increasing the number of magistrates.
- 🌐 Prosecution of senior government officials implicated in Goldenberg and Anglo Leasing scandals and other scandals.
- 🌐 Cleaning up of the judiciary following a report by the Integrity and Anti-Corruption Committee of the Judiciary.
- 🌐 Tracing and recovering assets suspected to be illegally acquired under:
 - The recommendations of the Goldenberg;
 - The Ndung'u Commissions and
 - The Anti-Corruption and Economic Crimes Act, 2003

Improved Governance for Prosperity: Way Forward.

Preventive initiatives

🌐 I. Further Legislative Advances

- Implement a new salary structure for constitutional office holders;
- Harmonise the penalties for offenses under both The Anti-Corruption and Economic Crimes Act, 2003 and The Penal Code;
- Regulate and enhance public access to the officers' declaration of Assets and Liabilities;
- Table the Proceeds of Economic and Anti-Money laundering Bill; and
- Table the Political Parties Funding Bill.

🌐 II. Public Access to Information and Public Education

- The Freedom of Information Bill 2006, with provisions for whistleblower protection,
- Finalization of Media Bill
- Establishment of the National Bureau of Statistics
- Invest in e-government and in public education;
 - Deepening financial sector reforms
- Elimination business licenses found not to serve a useful purpose (1400 are earmarked for simplification),
- Establish an electronic consolidated regulatory registry for all valid licenses.
- Modernizing the company's registry and updating the company's law

- Put in place a legal and institutional framework to facilitate public private partnerships,
- Undertake a diagnostic audit of state corporations, including National Social Security Fund (NSSF)

Investigation Initiatives

- Further strengthen the investigative capacity of KACC
- Strengthen the Implementation Coordinating Committee (ICC)
- Enhance the implementation by KACC of the provisions related to compensation and recovery of corrupt benefits
- Implement the plan to address the issues raised in the Ndung'u Commission Report;
- Continue with the investigation of the
- Anglo Leasing and security related contracts; and
- Implement the Goldenberg Commission of Inquiry Report.

Prosecutorial initiatives

- Strengthen through training the State Law Office and recruit additional lawyers,
- Increase the number of judges of the High Court 70 from 50 and those of the Court of Appeal from 11 to 15
- Expand the commercial courts to deal with commercial cases
- Build more courts countrywide to make justice accessible
- Establish mobile/visiting courts in sparsely populated areas
- Training of judges, modernise and automate court system
- Introduce alternative methods of dispute resolution to shorten the time taken to dispose of cases

Improving Governance in Priority Sectors

- **Health:** adopt a risk-based management approach to internal audit; improved management of the Global Fund Program and address weaknesses in the area of procurement, financial management and governance
- **Education:** further strengthen free primary education through community involvement through decentralized financing and

procurement; resource allocation;
consultation and social accountability
and teacher management; and

- **Infrastructure:** establish three autonomous road authorities to streamline ownership, management, accountability and financing of all road network activities in the country
- 🌱 Overall, as a Government, we have kept our promises as spelt out in the ERS
- 🌱 The economy now enjoys a broad-based sustained growth underpinned by:
 - stable macro-economic environment
 - A more efficient public and effective sector,
 - Reduce cost of doing business
 - Active participation by the private sector

All the full versions of presentations are available from the website www.kenyans4kenyans.com



Mr. Peter Kahara Munga

Chairman, Board of Directors Equity Bank Kenya Ltd

Mr. Peter Kahara Munga, Chairman, Board of Directors Equity Bank Kenya Ltd

Honorable Minister of Finance, Amos Kimunya, Your Excellency Mr. Joseph Muchemi, Kenya's High Commissioner to the UK, Your Excellencies the High Commissioners and Ambassadors, Mr. Dick Gold, the Director of the Governance and Institutional Development Division, of the Commonwealth Secretariat; Dr. Banjoko, the Chairperson and Director of Africa Recruit, Distinguished Guests, Participants Ladies and Gentlemen:

I am indeed delighted to be addressing you this morning during this opening ceremony for the Kenya Diaspora Investment Forum 2006. When we first discussed with Mr. Kaberere and Mrs. Joyce Umbima, the Country Director of Actionaid International Kenya Office, my Co-Patron, of this Forum, it was just a few of us. I later travelled on my own to London UK to discuss this idea further with officials of the Commonwealth Secretariat, where I met Mr. Gold and his team, and later addressed the Commonwealth Secretariat Staff on "Banking for the Unbankable, the origins and development of Equity Bank", the Banking institution which I founded and Chair the Board.

During my trip, when we met His Excellency the High Commissioner Mr. Muchemi and Dr. Banjoko, we concurred that the idea of uniting the Kenya Diaspora Communities so that they can support development back home has come. We therefore agreed to mobilise further support for this meeting in our respective capacities to make this idea a reality. I am therefore very happy today Honorable Minister, that what was discussed by a few people has now the support of very many people and that the Kenyan Government is fully supportive.

Honorable Minister, Your Excellencies, our Guests and Participants, I have continuously been asking myself

*“How can we end poverty in our lifetime?”
How can we liberate our people from effects of
Hunger, Disease, and other ills that affect our
people in Kenya and Africa?*

Our founding Fathers in many of our African Countries were in Diaspora when they actively lobbied and many sacrificed their lives in fighting for the independence of our countries. We have been free for more than Forty years.

However, as Economists would tell us, the majority of our people in Africa still live below the poverty line. We therefore cannot say that we are totally free! Being poor means being dependent on other people. We can only be truly free if we have economic freedom!

Our people in the Diaspora have a key role in facilitating economic liberation of our countries and our people. We have institutions such as those that are represented here today and others that we can agree to create to make this a reality

Hon. Minister, I strongly believe that this is possible in our lifetime. I have seen it in my own eyes, when I reflect on the struggles we had to go through when I started Equity Bank with Only Kshs.5000. Equity Bank has now over 14 Billion in assets and nearly 1million customers. I have seen it in my lifetime. When only three months back when we initially discussed the idea of Kenyans4Kenya... Today we are all here.... I believe in the art of the possible!

Together we can deliver our people out of poverty; Together we can build institutions for better Governance and Prosperity; Together we can make a difference in our lifetime; We can only do this through our own actions by working towards turning our dreams into reality; We can only do this together, as Together Everyone Achieves More.



Mr Dick Gold
**then Director Governance & Institutional Development
Division Commonwealth Secretariat**

Dick Gold, then Director Governance & Institutional Development Division Commonwealth Secretariat Presenting the Governance & Institutional Development Division (GIDD) of the Commonwealth Secretariat

The Commonwealth vision is for “Every Commonwealth country to have institutional capacities for effective democratic governance and sustainable development”. The work of the Commonwealth Secretariat is funded by the Commonwealth Fund For Technical Co-operation (CFTC), a contributory fund by member governments.

GIDD is one of the programming divisions of the Commonwealth Secretariat with key areas of work including:

Public Sector Development (Prog 8)

Strategic Direction: Policy advice as a central role to strengthen public sector institutions and service delivery processes to assist member countries to move to stronger governance networks.

Priorities and Results

- ☞ Trained professional public services, capable of implementing programmes and providing efficient and effective services.
- ☞ Capable and well-functioning public sector training institutions and professional public sector bodies and associations.
- ☞ Robust, independent constitutional bodies, which monitor the work of governments and public administrations, and act as avenues for citizen redress.
- ☞ A predictable and transparent regulatory environment conducive to private sector development and good corporate governance.
- ☞ A better informed civil society actively participating in the business of government and public administration.
- ☞ E-governance strategies developed in selected countries.

Capacity Building and Institutional Development (Prog 15)

Strategic Directions: Priority to the deployment of long-term experts to build capacity and appropriate skills in key political, economic and social institutions in support of Secretariat's other programmes.

Objective: To strengthen the capacity of local national and regional institutions in areas critical to good governance and sustainable development through the placement of experts.

Strategies

- ☞ Assist member countries in developing and implementing sound policies, processes and systems in support of development priorities.
- ☞ Develop and manage technical expertise and related capacity building activities in support of member' strategic development needs.
- ☞ Ensure the requirements for critical expertise for capacity building and institutional strengthening in all Secretariat programmes are met effectively.
- ☞ Transfer skills and expertise to fill strategic gaps in areas critical to national development processes

- ☞ Support member countries development strategies through the Commonwealth Service Abroad Programme (CSAP)

GIDD Programmes are delivered through;

- ☞ Advisory and Consultancy Services.
- ☞ Long & short expert and Volunteer Assistance Services (Over 100 long-term and 30 short-term experts and 2,500 trainee).
- ☞ Fellowships, Attachments, Study Visits and Academic Exchange Programmes.
- ☞ Specialised Education and Training Programmes.
- ☞ Consultative Policy Meetings, Roundtables, Workshops.
- ☞ Professional Networking.
- ☞ Quality Publications (Reports, Best Practices, Policy Guidelines, etc).
- ☞ Project co-funding & managing projects for other agencies.

John Wilkins - Head of Special Programmes Section, Governance & Institutional Development Division (GIDD)/Commonwealth Secretariat

I bring you greetings on behalf of the Right Honorable Don McKinnon, Secretary General of the Commonwealth Secretariat, and the other 52 member countries of the Commonwealth.

Goethe said "Whatever you can do or dream you can do, begin it. Boldness has genius, power, and magic in it."

Let me congratulate the leaders among us who had the vision and energy to conceptualise and launch this groundbreaking initiative to engage the Kenya Diaspora. The numbers present from the investment and broader communities give testament to the commitment to national development among Kenyans.

Kenya is known worldwide for its distance runners - from 1968 Olympic hero Kip Keino to current world record holder Paul Tergat. This national trait and international comparative advantage transcends sport. Like a marathon, national development requires endurance, patience, and perseverance to be sustainable. This Kenya Diaspora Investment Forum is an important leg of the national marathon to alleviate poverty, build capacity, share wealth, and contribute generally to achieving the United Nation's Millennium Development Goals.

If we shrank the planet's population to a village of precisely 100 people, with all the existing human ratios remaining the same, it would look something like this. There would be 57 Asians, 21 Europeans, 14 North and South Americans, and 8 Africans. 52 would be female, and 48 would be male. 70 would be people of colour, while 30 would be white. 30 would be Christian, while 70 would be of other faiths. 89 would be heterosexual, and 11 would be homosexual. 6 people would possess 59% of the world's wealth, and all 6 would be from the richest countries. 80 would live in substandard housing. 70 would be unable to read. 50 would suffer from malnutrition. 1 would be near death. 1 would be near birth. 1 would have a university education. 1 would own a computer.

When the world is viewed from such a compressed perspective, the need for acceptance, understanding, and education becomes glaringly apparent.

Leadership is essential to improve the human condition. The need has never been greater.

Anthropologist Margaret Mead observed "Never doubt that a small group of thoughtful, committed people can change the world.... Indeed, it is the only thing that ever has."

Your involvement here today is evidence of a belief in Kenya and of a commitment to nation building. This is the essence of leadership. It is a heavy burden with a serious purpose. It is about making a difference and changing lives.

At times, you may feel not quite up to the task and will get frustrated by the lack of apparent progress. Take heart from these words of encouragement that are grounded in an alternative perspective of leadership.

Our deepest fear is not that we are inadequate.

Our deepest fear is that we are powerful beyond measure.

It is our light, not our darkness, that most frightens us.

We ask ourselves: who am I to be brilliant, gorgeous, talented, fabulous?

Actually, who are you not to be?

You are a child of God.

Your playing small doesn't serve the world.

There is nothing enlightened about shrinking so that other people won't feel insecure around you.

We are all meant to shine, as children do.

We were born to make manifest the glory of God that is within us. It's not just in some of us; it's in everyone!

And as we let our own light shine, we unconsciously give other people permission to do the same.

As we are liberated from our own fear, our presence automatically liberates others!

Nelson Mandela spoke these words at his 1994 presidential inauguration. I think he wanted us to better understand our gifts as leaders. We make a living by what we get, but we make a life by what we give. Please carry his words of inspiration on your marathon of hope for Kenya.

My sincerest best wishes for your deliberations today and for your actions and results tomorrow.

**Address; Kenya Diaspora Investment Forum
by; Taboka Nkhwa, Head Africa Section,
Governance and Institutional Development
Division, Commonwealth Secretariat
December, 09, 2006
Congress Centre; London, United Kingdom**

Honorable Minister of Finance; Hon Kimunya
Honorable Members of Parliament here present
HE High Commissioner of Kenya; H E High
Commissioners here present Patron of the KDIF;
Mr Peter Munga Distinguished delegates

Ladies and Gentlemen:

Good morning and Karibu Kenya pa London,
Its indeed a pleasure to see so many of you here
today, I bring you greetings from the family of the
Commonwealth Secretariat and well wishes for a
successful Diaspora investment Forum.

Ladies and Gentlemen the Commonwealth
Secretariat is proud to have played a partnership
and facilitator role in this event, Africa is very
central to the democracy and development agenda
of the Commonwealth and over 40% of the
Commonwealth Secretariat resources have over
the last few years been dedicated to capacity
building efforts in Africa.

Through our engagement in the region we have
seen significant progress in both the political
governance agenda as well as economic
development programmes across Africa most
notably in the following areas;

- 🌱 Political stability and democracy, and peaceful
transition of governments from one party to the
other. We have seen it in Zambia, Malawi as
well as in Kenya. The most notable transition
of government from President Moi to the
opposition President elect President Kibaki.
- 🌱 Economic development and notable
achievements in several areas such as
increased access to education, improved
agricultural contribution to GDP in some
countries ,improvements in infrastructural
developments and many others.
- 🌱 African political leadership commitment
to engage and advance the African
development agenda through NEPAD ,AU
and through strengthened regional blocs
and several other international platforms

We have also witnessed several challenges
across Africa such as;

- 🌱 HIV/AIDS pandemic and its negative impacts
and decimation of the African human pool
and African potential
- 🌱 High poverty levels relative to other continents.
Africa is deemed as the poor cousin, who is
getting poorer whilst other continents are
advancing and getting richer.
- 🌱 High levels of talent migration from the
continent in search of greener pastures to
stronger economies of the world. This has
in the short-term created challenges of
service delivery.

The Africa Commission Report 2005 including
the G8 meeting of Gleneagles 2005 have
unequivocally stated that whereas Africa needs
support, the solution to Africa's problem rests
with the Africans themselves.

*The Solution to Kenya's development agenda therefore
rests with the Kenyans themselves at home and in
the Diaspora.*

It is imperative that no matter where we are,
and what we may be, or doing we should never lose
focus of the fact that we are Africans and that we will
always have deep roots and connections in Africa,
as Africans we come from big and loving
communities of siblings, cousins aunts and uncles
and these entities are the make up of our nations,
they give us identity, passion and love. Our love
for our communities should motivate us to seek
opportunities for making a better life for our
people and ourselves

Investment by nature provides opportunities and
risks, not only in Africa but the world over, We have
seen the Enron scandals in the USA a fortune 500
company, the collapse of the pension funds in the
UK etc and this has not stopped investment in
anyway and the question is why should the same
stop us investing in our countries. Our governments
have taken major steps to fight corruption and to
promote accountable governance.

Africa is virgin territory for the investment sharks of
the world and we should be bold and seize the
opportunity to invest in our country Kenya and to
broaden our investment horizon in Africa, or else we
will live to regret the missed opportunities as other

people takeover investments in our countries, we live in a global village and there is no room for xenophobic ideals.

"The world is but a stage where everyman (and woman) must play a part"

Shakespeare

"and Kenyans you are invited to the world stage to play your part in your country Kenya. Kenyans for Kenya"

"And to life you are asked your contribution"

Viktor Frenkel

"and to the Kenyans you are asked what is your contribution to Kenya?"

"Life is best understood backwards but lived forward"

Charles Handy

"and Kenyans let us live life forward and make a better life for all of us Kenyans, we should use the global knowledge of the Diaspora to make informed decisions about the future and potential investment opportunities".

Please let us not undermine the role that we can play in contributing to the development agenda of our country, each and every contribution counts no matter how big or small.

From the Commonwealth Secretariat we wish you a successful event, and once again karibu Kenya Asante Sana.

Key Points from other presentations are summarized below. All full presentation can be viewed and downloaded at

www.kenyans4kenya.com

Presentation by Ms. Susan Kikwai Managing Director, Kenya Investment Authority - on the role need for Diaspora Investments in Kenya

The Kenyan Diaspora consists of one the country's most talented population group who contribute in a large manner to the country's development; especially in remittances. Also, Kenyans in the Diaspora contribution through information and knowledge exchange with Kenyans on the ground is immense.

The officially recorded remittances worldwide exceeded \$232 billion in 2005 (World Bank 2006 Global Economic Prospects). Of this developing countries received \$167 billion. The relative gains of remittances are much higher in developing country house holds than in developed countries. This then rivals the potential gains from global reform of merchandise trade (Kenyans abroad remit not less than \$1 billion annually).

Diaspora Networks

The Diaspora option allows for the transfer of information and technology from industrialized countries to countries-it allows for the brain drain to be turned into brain gain.

Institutionalising Diaspora networks: Informal Diaspora networks already exist. The objective is to the "critical mass" - getting from spectacular exceptions to an institutionalised procedure of reaching to influential Kenyans abroad. Building such a mass means defining specific commitments from them. A small group of dedicated overachievers is the key: these champions act as springboards for tangible projects

Recommendations

- 🌱 Creating a desk for the Diaspora (to supplement activities of the Kenya Diaspora Remittance Facilitation Committee)
- 🌱 Sensitisation of public and private sector stakeholders on Diaspora issues
- 🌱 Maintaining accurate and timely data and information for the Diaspora.
- 🌱 Development of Provincial/District investment profiles to target members of the Diaspora.

The Role of Kenya Private Sector Alliance **Lee G. Karuri, Chairman, Kenya** **Private Sector Alliance**

Mainstreaming the Kenya community abroad **for trade and investment**

The private sector has identified the crucial role of the Kenya community in Diaspora and in conjunction with the Government of Kenya has initiated a programme to mainstream Kenyans abroad into our economy. Estimates indicate remittance to Kenya is about 400 million pounds a year. Through the effort of mainstreaming, this amount could double in 3 years. The Government of Kenya and KEPSA in conjunction with representatives of Kenyans abroad have proposed and prepared a draft bill for our parliament which addresses the following issues amongst others: Dual citizenship, right to vote and right to representation; Enhanced and effective consular affairs and improvement of public service to Kenyans abroad; Remittances; a comprehensive, affordable and secure remittance programme for economic and socio investment funds; Enhance trade and investment to be coordinated by a proposed institution called the Diaspora Council.

Investing In UK and Europe- A perspective **of a Kenyan in the Diaspora Issues** **and challenges** **Gabriel Rwamba, MD, Eulink Group**

Majority of Kenyans in Diaspora Majority are immigrants. My presentation will concentrate on migrants that came in the 1990s and early 2000 that are most unlikely to return home in their most productive economic lives. This group has the following characteristics and this should be appreciated when talking of them.

Suggested way forward;

- Expanding our knowledge base- education, IT.
- Support our own- who will likewise feel obliged to help. Seek information.
- Be our brothers keeper-one successful is good for our community.
- Follow up dreams- Luck is none existence.
- Without matching/timing to opportunities, LUCK evaporates.
- Try. Better "I tried but failed".
- Take advantage of available opportunities -create time to attend forums. Keep asking until you know.
- Walk and interact with optimistic persons.





Mr. Ireri

Managing Director Housing Finance

The Role of the Financial Sector in Mobilising Greater Investment for Kenyans in the Diaspora **Mr. Frank Ireri - Managing Director, Housing Finance**

Property (real estate) values have increased on average by 30% since 2003. Some areas have seen an increment of over 100%. These investments not only retain value but continually increase over time.

Why increased impetus for property?

- 🔄 Better land rights enforcement
Improved transfer processing, enforcement of building standards, growing property development teams.
- 🔄 Inclusion as a national development strategy.
- 🔄 New sessional paper and Housing bill with better incentives envisaged.
- 🔄 Realisation of the supply and demand gap (profits).

- 🔄 Economic recovery and hence improved buyer income.
- 🔄 New players and benefits of competition.
- 🔄 Lower and stable interest rates; T Bill is our indicator.

What are the opportunities?

- 🔄 High demand offers better tenancy rates.
- 🔄 The variety of housing solutions is expanded - market ready for plucking.
- 🔄 Technology transfer for suitable housing stock creation.
- 🔄 New and improved financing products personalized for you.
- 🔄 Fewer restrictive policies as contact becomes easier.
- 🔄 The players are reaching out to new markets to stimulate supply and demand - we are here!

Our Role

- A - Awareness/information**
- B - Building Trust**
- C - Access**
- D - Availability**
- E - Protection, safety and Assurance**
- F- Service**

Way Forward

- 🔄 We are here because we want to get involved and work with you. We want you to get involved.
- 🔄 We want to listen to you on two main fronts: a little about the problems and frustrations (we are fixing them), and a lot about the needs and opportunities.
- 🔄 The financial sector is flexible and responds to changing demands - it won't ignore yours.
- 🔄 Come to the workshop. Share the financial sector and property investment experience with us.
- 🔄 We will explain and share the end-to-end experience from deciding to invest, the real estate experience, the mortgage experience, handling the Diaspora customer.



*Carol Musyoka. Corporate Director
Barclays Bank Kenya Limited*

The Role of the Financial Sector in Mobilizing Greater Investment for Kenyans in the Diaspora

**Carol Musyoka, Corporate Director,
Barclays Bank Kenya Limited**

There are significant number of Kenyans working in the United States, United Kingdom and South Africa (Non-Resident Kenyans) with a good number who want to vote and take an active part in the growth and future of their birthplace. Various risks have also been associated with Non-Resident Kenyans (NRK).

They include:

Sovereign risk: GOK will not nationalize or expropriate their assets at whim.

Transferability & Convertibility risk: That the GOK will not reintroduce exchange controls and make foreign currency unavailable for the NRK when they sell property to a Kenyan who is paying in Kenya Shillings. Further, that GOK will not prevent the NRK removing foreign currency bank deposits from

Kenya when they liquidate their investments. The GOK faces a different kind of pressure

- ☞ Government guarantees required by foreign investors wishing to lend to a parastatal that is building infrastructure.
- ☞ Cost of borrowing on the international market is higher because of sovereign rating
- Limited sources of foreign exchange in the form of agriculture and tourism.

Financial Institutions (FI) have a big role in bringing convergence to the two interests.

Next Steps

Financial Institutions should:

- ☞ Mobilise foreign currency deposits through provision of attractive instruments with high yield and tax incentive features.
- ☞ Provide local currency and foreign currency mortgages.
- ☞ Provide recognised and solid custodial services to enable NRK's to maintain their assets safely while monitoring them on a real time basis.

Government of Kenya should:

- ☞ Stop using buzzwords such as "resource mobilisation"! Start acting.
- ☞ Incorporate the tax incentives that make it worthwhile to bring **NRK** money home in the 2007 budget process begins next month.
- ☞ Collect statistical data on **NRK's**, give financial institutions and other stakeholders the information with which to begin a focused and well targeted approach to **NRK** banking.
- ☞ Abolish withholding tax for interest earned on instruments purchased by "**NRK's**".
- ☞ Provide enabling income tax benefits for Kenyans who work in countries that do not have double taxation treaties with Kenya. Kenyans who invest in these instruments would not fall afoul of the income tax requirements to pay tax in Kenya regardless of working in another tax jurisdiction.
- ☞ Provide high yield instruments, give me a reason to place my savings with you and pay me well for trusting that you will have the foreign currency to repay me at the end of the instrument's tenor.



Philip Ilako, Div. Director
Corporate, Kenya Commercial Bank

The Role of Financial Institutions in Mobilizing Investments for Kenyans in the Diaspora

**Philip Ilako, Div. Director -
Corporate, Kenya Commercial Bank**

The majorities of Kenyans in the Diaspora are nostalgic about their home country and have shown interest in engaging one way or the other with Kenya, in the same vein, the Government of Kenya has provided a generally enabling investment climate. It abolished exchange controls in 1992/3 and permitted the free flow (out/ in) of commodities across borders, enabling Kenyans (living in Kenya) to hold Ksh & foreign currency accounts with commercial banks and to make offshore investments. It also abolished import licenses / restrictions on imports.

Kenyans in the Diaspora are remitting funds to Kenya for a number of activities such as:

- ☞ Support to meet basic needs for their families. Investments in small & medium business ventures.
- ☞ Investments in the NSE, real estate, government securities (T/bills & bonds) etc.

Challenges for FIs; Need to continually seek feedback from their customers; Follow trends and do research on their customers behaviors, changing needs; Come up with new products as their customers have become more informed and demand improving services and tailor made solutions to their needs.

"Banks are not necessary but banking is!"
PWC Consultant-Banking in the 21st Century



*Mr. Jimnah Mbaru, Chairman and CEO
NSE and Dyer & Blair Investment Bank*

Investment Opportunities on the Nairobi Stock Exchange (NSE)

**Mr. Jimnah Mbaru, Chairman and CEO,
Dyer & Blair Investment Bank**

The structure of the Nairobi Stock Exchange

- 51 Listed Companies
- 80 Treasury Bonds; 6 Corporate Bonds
- 11 Stock Brokers
- 7 Investment Banks
- 19 Investment Advisors
- 13 Licensed Fund Managers
- Trading systems
- 1954-1991 - Callover System
- 1991- August 2006 - Open outcry
- 2004 - Central Depository Settlement System (CDS) set-up
- Sept. 2006; Automated Trading System (ATS)
- Monday to Friday - 10.00A.M - 1.00 P.M
- Settlement Period: T + 5 - intended T+3
- Capital Markets Authority established in 1989
- Member of African Stock Exchanges Association

Performance

- Primary Market raised in 2006 (Kshs Million: 9,119.55; Privatisation IPO: 9,119.55; Bond Market: 76,666.10
- (B) Secondary Market: Turnover (Kshs Billion 78.00; Volume Kshs Million 1,224; Market capital Kshs Billion 806; NSE Index 5,670; Liquidity%: 17.57; Bonds Kshs Billion 46.0)

Factors Influencing NSE rising performance

- Increased corporate profitability.
- Increased annual remittances by Kenyans in Diaspora.
- Low stable interest rates and higher lending to individuals and corporates.
- Over Kshs 200 billion held by pension funds - credible reforms by Retirement Benefits Authority (RBA).
- Mutual funds and unit trusts asset base of Kshs 15 Billion.
- Over 300,000 first time investors in the stock market.
- Economic recovery: GDP growth at 5.8% in 2005 (4.9% 2004); GDP expected to grow at 5.5% in 2006.

Opportunities in Forthcoming IPOs

Privatisation: Mumias Sugar Company (ongoing); Kenya Reinsurance Corporation; KenGen (2nd Issue); Safaricom; Telkom.

Private Sector: ISP Company; Stanbic Bank Uganda(ongoing).
Demutualisation of the NSE.

Investing in Kenya's Investment Markets through Trusts
Dominic Kiarie, General Manager,
British-American Asset Managers Ltd
Nairobi, Kenya

Recent Performance of Kenya's Investment Markets

Kenya's capital and equity markets have continued to deepen and have posted attractive returns over the last couple of years. During 2005, the Nairobi Stock Exchange index was up 34%, while in 2006 the index is up 37%. The NSE index crossed the 5,000-point in Oct 2006 and previous cross over was on 7 March 1994, over 12 years ago. In 2006, there have been 3 new IPOs (KenGen, ScanGroup and Eveready) and 1 public offer of shares (Mumias Sugar). During the period 2003 to date, market capitalisation of the NSE increased from Kshs 100 billion to the current Kshs 800 billion, an 8-fold increase in 3 years. CDSC accounts increased from 78,300 accounts in December 2005 to circ. 324,700 accounts as at end of June 2006.

Kenya's securities markets have come of age and are increasingly becoming a mainstay of savings for many households. Going forward, we expect activity on the NSE to be vibrant due to increased investor confidence and education, stable macro-economic conditions, positive outlook on corporate earnings and new listings.

Two main routes in investing in Kenya's Securities Markets are:

Direct: Purchasing securities directly through stockbrokers and other broker dealers (through a CDSC Account).

Indirect: Investing in a collective investment fund (such as a unit trust fund), which in turn invests in selected securities.

Types of Unit Trusts available in Kenya

Equity Funds

- ☞ Fully invested in shares listed on NSE and selected shares in regional markets.
- ☞ Diversified across all sectors of the equity market

- ☞ Key investment objective is to maximise return in the long-term.
- ☞ Suitable for investors with a long-term horizon (min. 3-5 years).

Money Market & Income Funds

- ☞ Invests in treasury bills and short-term bonds.
- ☞ Diversified across securities.
- ☞ Investment objective is stability of capital.
- ☞ Suitable for investors with a short-term horizon (6 mths-1 year).

Mixed Fund (Balanced Fund)

- ☞ Investment in a mixture of short term securities and shares.
- ☞ Investment objective is stability of capital and capital growth.
- ☞ Suitable for investors with a medium term outlook (2-3 years).

Conclusion

We believe that investing in unit trust funds provides a compelling case for Kenyans in the Diaspora to access Kenya's equity and capital markets and, therefore we:

- ☞ Facilitate the build-up of an investment fund in home country.
- ☞ Diversify investments in a highly liquid and safe investment fund.
- ☞ Earn superior returns and therefore build real wealth.
- ☞ Hedge (in the short term) weakness in US dollar
- ☞ Participate in the economic development of our nation.



Eddy Njoroge, Managing Director
Kengen

Investment Opportunities in the Power Sector **Eddy Njoroge, Managing Director, Kengen**

The Demand of the Power Sector

The increase in economic growth currently at 5.8% continues to stimulate growth in demand for electric power. Total electric power supply to KPLC by the generators increased by 7% from 5347 million kilowatt hours in June 2005 to 5697 million kilowatt hours in June 2006.

Capacity Constraint

Considering a peak demand of 975.22MW in November 2006 against effective capacity of 1059.5MW, then, current reserve capacity is 7.9% against the recommended reserve of 15%. The current effective capacity cannot sustain the projected annual demand increment of 150MW, even for 1 year.

Way Forward

To meet the growing demand there is an urgent need for capacity expansion by an additional 83.5MW by the year 2012. This will be achieved by implementing new plants and up-grading the existing plants

Conclusion: There is growing demand for electricity in Kenya; the investment opportunity is over USD 1 Billion over the next six years; the implementation of these projects will be by Kengen /IPPS /KENGEN JVS.

The funding will be through a mixture of various debt including bonds, rights issue, commercial loans and concessionary loans.

Investing In The Tourism Sector In Kenya **Dr. Ongon'ga Achieng', Managing Director,** **Kenya Tourist Board**

Tourism is considered as the most remarkable socio-economic phenomenon of the 20th century and it is expected to maintain the status in the 21st century. Tourism in the present time will not only be the biggest industry, but the largest industry the world has ever seen. According to UNWTO study (1999) tourism volume is estimated to reach 1.5 billion tourists by 2020, spending more than \$5 billion everyday. The forecasts represent nearly three times more international tourism than the 625 million recorded in 1998 and nearly six times more of tourists spending. In 2005 international tourist arrivals increased by 5.5 percent from 763 million arrivals in 2004 to 808 million despite various intrigues that visited the sector.

In Kenya tourism has continued to play an important role in the country's economic development through its contribution to the Gross Domestic Product (GDP) which currently stands at 12.6%, foreign exchange earnings recorded at Ksh. 48.9 billion (US\$ 652 million), employment and poverty reduction. In terms of its size, tourism falls under the services sector which constitutes 65% of the entire economy. Kenya's economic performance has for a long time now been closely linked to the tourism industry, the leading foreign exchange earner after tea. The sector earned the country Ksh22 billion (US\$275 million) in 2003.

Recent tourism performance (2000-2005)

The tourism sector performance since the year 2000 has been on an increasing trend. International arrivals by air and sea experienced an average growth of 11.5 percent from 506,364 in 2000 to 832,229 in 2005. Similarly cross-border arrivals had an increased average growth of 11.7 percent, from 488,836 in 2000 to 838,200 in 2005. Finally, the consolidated international arrivals reported an improved annual average growth of 11.3 percent from 995,200 in 2000 to 1,670,475 in 2005. Out of this, significant improvement of 28.6 percent was observed at the Jomo Kenyatta International Airport arrival while Moi International Airport Mombasa arrivals recorded an average improvement of 14.4 percent. This year the tourism sector performance in terms of arrivals is

currently running at an average of 13.5% per month and is expected to increase by an average of 15% over 2005.

In terms of arrivals by purpose the year 2005 was remarkable. Out of the 832,229 arrivals by air and sea, 592,542 were holiday arrivals while business arrivals were reported at 104,332. Holiday arrivals increased by 38% from 429,867 to 592,542 in 2004 and 2005 respectively while business travel experienced positive registered an increase in 4.2%. The growth in the tourism sector over the period stated is attributed to the sound government policies and the concerted destination marketing campaign led by the Kenya Tourist Board.

Investing in the Tourism infrastructure dynamics

Kenya has relatively established infrastructure with good coverage across the country. Following the improved performance of tourism, the private sector has increased to good extent additional beds in the already existing establishments as well as new up-market accommodation. Between 2003-2006, the number of classified beds increased by 28% from 30,640 in 2003 to 39,321 in 2006, thus generating over 14.4 million bednights in availability. However given the ever increasing demand for Kenya as a tourist destination, the destination has been stretched in bed availability which means that additional investments in classified beds of about 53% in supply would be needed to match up the demand. While interest in investing in the hotel industry has been seen through international hotel chain groups like the ACCOR Group of France, VENTA CLUB and TURISANDA of Italy, more investment in bed capacity will be required to service the ever-increasing demand.

In order to encourage hotel infrastructural development in the tourism industry, the government through its policy of product diversification has subdivided the country into tourism circuits to allow controlled development and distribution of tourism wealth across regions. For this reason the Ministry of Tourism and Wildlife opened up the Western Kenya Circuit and the North Rift, which currently requires urgent tourism infrastructure development. On the same, the government through the Tourism Trust Fund has conducted studies and has generated, Tourism Area Master Plans, which identifies the

tourism potential and promotable products in such as the above mentioned areas. The government therefore encourages investors both local and international to invest in tourism related facilities such areas.

Other areas that provide opportunities for investment with high returns in the Kenya's tourism sector are: the restaurant economy, Lake Victoria Cruise Services, Indian Ocean Cruise Services, International Aircraft Charter and the Low Cost Carrier Air Business, Eco-tourism and the Community Based Tourism Partnership.

Tourism support services

Kenya is well endowed in terms of readily available qualified manpower required for the tourism industry. Currently Kenya supplies manpower for the industry in the Eastern Africa region and as far as Dubai. While the government still allows foreign expertise in the sector, it will ensure that employment opportunities for Kenyan citizens are maximized by ensuring that tourism positions in establishments are filled by suitably qualified citizens. Similarly Kenya is well networked in terms of internet technology and telecommunication system that enables business operations, which in overall terms lowers the cost of production and reaches customers far and wide.

Tourism Investment Incentives

In order to encourage investment in the sector, the government of Kenya within her discretion has undertaken to offer the following incentives:

- 📌 VAT exemption for small hotels and restaurants,
- 📌 Waiver of import duties for buildings related materials,
- 📌 Provision of long-term and soft loans through (KTDC).



Mr. James Mwangi MD and CEO

Equity

Background Information on Equity Bank - By James Mwangi, MD and CEO

Equity Bank Kenya Ltd. co-sponsored the Kenya Diaspora Investment Forum 2006, which was attended by over 1000 Kenyans living and working in the UK. This Forum organised by Comsec/GIDD through AfricaRecruit and the Kenyan High Commission, has been recorded as the biggest gathering of Kenyans in the Diaspora ever to be held in modern times.

Equity Bank has over 1,000,000 (one million) Kenyan small savers most of them small scale farmers and micro credit operators, and assets of over Kenya shillings twenty billion shillings. It was founded founded in 1984 as Equity Building Society (EBS) as a Building Society. The original founders of Equity were inspired by the desire to create a financial services provider that would serve the majority of the Kenyan population, especially the lower income earners.

This desire was borne of the realization that the low and medium income earners had no access to formal banking; and where they had access; Banking services were not affordable to them (the “unbanked” population). Due to the high share capital requirements at the time and the legal framework under the Banking Act, Equity was registered under the Building Societies Act. The Bank commenced operations as a specialist provider of mortgage financing to its members.

Between 1984 and 1993, the Kenyan banking sector experienced a turbulent period resulting in a series of crises in the industry. The society stagnated and continued to post losses during this period. However, The Board of Directors presented to the Central Bank of Kenya a turnaround strategy that involved a change of business strategy and the strengthening of management to help revive the institution.

The Bank's management reviewed their business model radically reshaped and refocused the Society towards serving what would later become a celebrated niche - the un-banked Kenyan population. In essence, the Bank's board and management undertook a complete re-positioning of the Bank and totally changed its strategic direction. Equity shifted its focus from a mortgage provider to savings and deposit mobilization, and the efficient provision of loan facilities to the microfinance sector in Kenya.

Today this turnaround is celebrated as “The rebirth of Equity”. The re-alignment created the foundation for the Bank's future and set it on the path to the tremendous growth, success and recognition that it currently enjoys. Many customers today as well as investors may not fully appreciate just how important this period and events turned out in shaping the present success that is widely admired globally.

Equity experienced rapid growth measured by various criteria of performance, averaging compound annual growth rates of 65.0% from 2000 to 2004. In 2001, Planet Finance ranked Equity as a “high global performer, professionally advanced, technically self sufficient and a low risk investment”. These ratings encouraged AfriCap, a microfinance investment fund, to choose Equity as its first investment with an injection of KShs. 120 million, becoming at the time the single largest

shareholder in Equity at 16%. With rapid growth, the limitations of a building society started to emerge. As the institution continued to gain nationwide acceptance, customers began demanding additional products like trade finance, foreign exchange, current accounts and overdrafts. To address these needs Equity began to prepare for conversion to a commercial bank.

The process of conversion to a commercial bank commenced and entailed the creation of a new legal entity, a limited liability company with a commercial banking license; and the transfer of business assets and liabilities of the building society to the new entity. To effect the conversion, Equity Bank Limited was formed after a private placement that raised Kshs.725 million. The transfer of assets and liabilities of the building society to the new registered bank was effected on 31st December 2004 completing the conversion process.

Equity became the first indigenous Kenyan building society to convert to a commercial bank. In 2005, Equity acquired the banking business of Industrial Development Bank. Equity also becomes a member of the National Payment System by entering the clearing house. Having stabilized, Equity commenced a phase of rapid growth.

EVENT EVALUATION

Over 90% of those that completed the event evaluation form were happy with the main speaking session indicating that the conference did meet their expectation. Over 50% were happy with the breakout sessions. The areas of challenges identified by the delegates were time constraints and lack of time to address many of the questions and comments.

NOTES