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GROWTH TRAJECTORY AND INCREASING FOREIGN INVESTMENT DRIVE NATION TOWARDS REALISATION OF VISION 2030

With growth expected to come in around 6 per cent in 2017 and 2018, the World Bank has called Kenya 'one of the bright spots in sub-Saharan Africa'. Sustained economic growth, increasing foreign investment and the execution of infrastructure mega projects are amongst the factors that will help transform Kenya into a newly industrialising, middle-income country by 2030

While Nigeria, Angola and South Africa struggle with low commodity prices, Kenya can currently boast one of Africa's most robust economies. Kenya's GDP is estimated to have grown by 6 per cent in 2016, up from 5.6 per cent in 2015, and well above the forecasted 1.7 per cent for the sub-Saharan region. The rate of growth will continue at 6 per cent in 2017 and 6.1 per cent in 2018, according to the World Bank's latest October report.

"With economic growth rates sustained at above 5 per cent, Kenya has outperformed the regional average, for eight consecutive years. Robust domestic demand emanating from private consumption and government investment are the key drivers of growth, underpinned by a stable macroeconomic environment, lower oil prices, diversification, improved security perceptions, and ongoing structural reforms," the World Bank report states, citing agriculture, construction, increased foreign investment and a rebound in tourism as the main drivers of growth in 2016.

The tourism industry was hit hard by security threats – most notably the Westgate Mall attack in 2013 – in recent years. But with the security situation much improved, tourist numbers in 2016 are estimated to have increased by 20 per cent on 2015, reaching almost 1.7 million by year end, while tourism earnings jumped to KES 100 billion (approx. £790 million), up from KES 84.6 billion in 2015.

Meanwhile, the agriculture sector, which makes up a quarter of GDP, experienced gains of 5.3 per cent in the first half of 2016, thanks to favourable weather conditions that led to increased production of key crops such as tea.

Since 2011, foreign direct investment (FDI) in Kenya has grown significantly year-on-year. In 2015, net FDI inflows reached a record $1.437 billion (approx £1.2 billion), which was used to fund more than 80 large-scale projects in real estate, renewable and geothermal energy, as well as roads and railways. A recent report by investment monitoring platform FDI Markets ranked Nairobi as Africa's top foreign direct investment destination as it saw inflows surging by 37 per cent in 2015.

"The trends in FDI have increased significantly over the last few years, namely in oil exploration, geothermal energy, and infrastructure," says Henry Rotich, Cabinet Secretary at the National Treasury.

"We have seen a growing interest in investing in Kenya, however the challenge has been to materialise those enquiries into actual and real investments. We are working closely with the national government to follow on the recent momentum."

The UK remains the country's largest investor, with British companies active across the services, manufacturing, energy and agriculture sectors. Remittances from the Kenyan diaspora in the UK has nearly doubled from $275 million in 2010 to $520 million in 2015, and is the single largest source of foreign exchange (representing about 2.6 per cent of GDP in 2015).

However, Kenya's dependence on cash and investment inflows from the UK makes its quite vulnerable to the consequences of the fall-out from Brexit, and the World Bank warns that the East African nation is "likely to be hit from both direct and indirect channels as a result of the UK's vote to leave the EU."

The increase in FDI to Kenya can be, in part, attributed to the continuously improving business climate. While many obstacles remain, Kenya jumped 16 places to 92nd in the World Bank's Doing Business Index 2017 – that followed a jump of 28 places in the 2016 Index, from 136th to 108th – and is now among the top five economies in sub-Saharan Africa where it is easiest to do business.

"What we have done is simplify the business environment by removing the red tapes which hampered business establishment. You can register your company in Kenya, manufacture your goods and access both the local and foreign markets unlike before when you had to choose one," said President Uhuru Kenyatta at the UN General Assembly in New York in September.

Since Mr Kenyatta came to power in 2013, Kenya has quadrupled its spending on infrastructure, with the government borrowing hundreds of billions of shillings for large-scale energy, transport and ICT projects

"I am here to tell you that Kenya is ready for business and we have taken necessary measures to make it easier for you to invest in Kenya."

Since Mr Kenyatta came to power in 2013, Kenya has quadrupled its spending on infrastructure, with the government borrowing hundreds of billions of shillings for large-scale energy, transport and ICT projects. Some highlight mega projects include: the $3.8-billion Standard Gauge Railway Project, its biggest investment in infrastructure since it gained independence from Britain in 1963; a $2.2 billion investment in solar energy developments that will add 1 gigawatt to the grid; $3.2 billion for 10,000 kilometres of new roads; and the $2.9 billion National Broadband Strategy to increase access to high speed internet across the country.

"Infrastructure is a necessity if our economy is to grow and if we are to achieve the prosperity we desire as a people and as a nation. We cannot run away from it," Mr Kenyatta said at a Nairobi infrastructure summit in August, in response to critics of his government's massive borrowing for infrastructure development.

"The challenge we have is to ensure that we invest appropriately, to ensure that we invest without corruption, to ensure that we utilise the resources in that sector in the best possible manner."

But the government cannot cover all the investment costs, and wants to avail of financing options such as public-private partnership (PPP) initiatives to ensure the bulk of infrastructure megaprojects are completed.

"Tapping into PPP financing is particularly advantageous for Kenya, in light of increased confidence from foreign private investors and its position as one of the largest economic powerhouses in sub-Saharan Africa," said infrastructure investment expert Akshai Fofaria of law firm Pinsent Masons.

"Substantial investment in infrastructure is critical to achieving the 'Kenya Vision 2030' to become a globally competitive country."

Vision 2030: A blueprint for a prosperous future

The national Vision 2030 development plan aims to transform Kenya into a newly industrialising, middle-income country providing a high quality of life to all its citizens by 2030 in a clean and secure environment.

"Vision 2030 is an ultimate set of guidelines that aims to eradicate poverty, create a thriving economy, fight graft, build infrastructure, provide better-quality education to our citizens and make Kenya a hub for the rest of sub-Saharan Africa," says Dr James Mwangi, Chairman of Vision 2030.

"It is anchored on three key pillars: economic, social, and political governance. The objective is to achieve an economic growth rate of 10 per cent per annum and sustaining the same until 2030."

Prioritised under the economic pillar are infrastructure development and the aforementioned mainstays of the economy, agriculture and tourism, as well as trade, manufacturing and business process outsourcing. Financial services will play a crucial role in the realisation of Vision 2030, which aims to deepen the capital markets and turn Nairobi into an international financial centre – initiatives overseen by the National Treasury.

"In Kenya the financial services sector is critical to achieving the Vision 2030 target of 10 per cent annual average economic growth," explains Treasury Cabinet Secretary, Mr Rotich. "The sector is expected to stimulate a significant increase in investments and savings through mobilising both domestic and international resources."

> "Kenya is ready for business and we have taken necessary measures to make it easier for you to invest in Kenya"
>
> **Uhuru Kenyatta, President of Kenya**

The political pillar focuses on public sector reform, constitutional changes, judicial and legal reform, improving policing and security, and tackling corruption, a thorn in the side of many African nations.

"The government is aligned with the private sector to eradicate the menace of corruption," says Dr Mwangi. "Corruption is a sickness that cannot be cured overnight. We are making milestones every year. In the next 15 years we can comfortably reflect back and see how different our country will be from the country that we inherited before Vision 2030."

The third and final social pillar of Vision 2030 aims to increase the affordable housing stock across the country, improve and expand vital social services like health, education, water and sanitation, and develop human resources. Dr Mwangi says there has already been great progress made in education, with "27 per cent of Kenyans now accessing high-quality third-level education."

The need to strengthen the role of women in business and government in order to support economic growth has also been recognised: under the plan, women entrepreneurs will have increased access to funding, while initiatives will be put in place to increase female representation at executive level in all branches of the government and the private sector.

Like long-term development plans in many other African nations, the goals of Kenya's Vision 2030 are, indeed, lofty, and a great number of challenges must be overcome to achieve them.

"As the saying goes: Rome wasn't built in a day," says Dr Mwangi. "It has only been three years since the introduction of Vision 2030 and of course we are facing certain challenges and bottlenecks, but in another 15 years I believe most of the initiatives will take roots and mature."

A new managing director for Vision 2030

Joining Dr Mwangi on the management board of Vision 2030 is another highly experienced businessman, Julius Muia, whom President Kenyatta appointed as managing director on November 1.

Following his appointment, Dr Mwangi hailed Mr Muia as "one of the outstanding leaders in our country with a distinguished career in the private sector and public service. He is not only a great scholar, but an experienced administrator and a gifted visionary with a reputation for representing great ideals."

During his career spanning three decades, Mr Muia has served as the Secretary of the National Economic and Social Council, a top advisory government think-tank; and chief operating officer at HF Group, Unga Group Limited and Lonrho Hotels Group, amongst many other roles.

President Kenyatta hopes Mr Muia's experience and intellect will help to drive Kenya the towards the realisation of Vision 2030.

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Nairobi plans to become Africa's financial epicentre

As part of the Vision 2030 plan, the government sees Nairobi becoming the continent's financial hub – an aspiration which will be supported by an already robust and expanding financial sector, a strong and diversified economy, and evolving regulatory framework

With Kenya consolidating its domestic financial sector through ambitious government and private initiatives, the country is also working to establish itself as a regional financial hub.

Kenyan financial authorities and leading private banking executives argue that the country is the logical choice for this task as it is already the most important financial centre for the six-member East African Community (EAC) which groups Kenya, Burundi, Rwanda, South Sudan, Tanzania and Uganda.

"Within the EAC, the finance sector has been growing at a rapid rate, with Kenya playing a leading role as an important financial hub for our neighbours," explains Cabinet Secretary of the National Treasury Henry Rotich. "You will find most Kenyan banks are present in the neighbouring countries and some have even extended their wings beyond the EAC region."

Analysts point out that in Kenya the financial services sector is critical to achieving the country's Vision 2030 target of 10 per cent annual economic growth while its EAC partners see it as vital to their own poverty reduction goals.

"A dynamic and efficient financial industry provides key pillars to spur economic growth by mobilising and pooling savings; monitoring investments and exerting corporate governance; easing trading, diversification and risk management; and making possible the exchange of goods and services," Mr Rotich says.

In a major step towards these lofty aspirations, the government passed the Finance Act 2015, which introduces a broad range of modifications, such as the exemption of capital gains arising from the transfer of shares traded on an exchange licensed by the Capital Markets Authority (CMA). Among many other changes, it also establishes a new regime for rental income, overhauls the VAT agent system, extends the period to carry forward tax losses from five years to two years and introduces tax reductions and tax rebate schemes for a number of industries.

Like other Kenyan financial institutions, the CMA has garnered praise for its performance and was voted the most innovative capital markets regulator in Africa. Mandated with both regulating and developing orderly, fair and efficient capital markets in Kenya with the view to promoting market integrity and investor confidence, the CMA has been lauded by Africa Investor, an investment and communication group.

According to the World Bank, Kenya has the third-largest financial sector in sub-Saharan Africa, but has cautioned that further reforms are needed for the country to reach its full potential. In a gesture of support, the international lender approved in May a $37 million credit line for the country's financial sector to strengthen the institutional, regulatory and legal environment.

Meanwhile the government is adopting fresh measures to further boost the business community as the economies of the country and its neighbours grow, says Capital Markets Authority chief executive Paul Muthaura.

"First and foremost, we have introduced the new Companies Act that revolutionises and modernises the framework for company operations, public listing procedures and directors' responsibilities. It also establishes much more explicit liability and responsibility for corporate governance and risk management for the board of directors," he explains.

Complimenting the act is the new Corporate Governance Code for Public Listed Companies that was benchmarked against similar codes in the United Kingdom, South Africa and India.

"We are very confident that the framework will put us on par with any other financial centres, whether regionally or internationally, when it comes to transparency, accountability and clear allocation of responsibility at board level," Mr Muthaura says.

Exciting changes are also underway at the Nairobi Securities Exchange (NSE) which currently has 66 listed securities with a market capitalization of close to around KES 2 trillion (approx. £15.5 billion).

"For any market to work effectively and have enhanced liquidity, it must have mechanisms to execute short sales," notes NSE chief executive Geoffrey Odundo. "And the NSE is working with various stakeholders to develop a comprehensive framework and requisite regulations to enable market makers, short sellers and stock lenders to operate in the domestic capital market."

In 2016 the exchange launched the Derivatives Market and Exchange Traded Funds and a mobile-based retail bond dubbed the "M-Akiba Bond", a unique innovation that will facilitate the rapid mobilisation of domestic savings, placing Kenya on the fast track to achieve the United Nations' Sustainable Development Goals.

As an active member of the Sustainable Stock Exchanges Initiative, the NES is also working closely with multilateral partners and others to launch alternative green products such as green bonds and a carbon trading segment.

"We expect listings to occur on our traditional equity and bond segments," Mr Odundo adds. "We have begun the upgrade of our automated trading system, which will enhance our capability to support the trading of these products."

This flurry of measures seals the authorities' commitment to ensuring Kenya's future role as a major financial centre while the banking industry is also playing its part through domestic and regional expansion, offering new products such as Islamic banking and introducing innovative methods to streamline operations and offer new banking opportunities to potential depositors.

These moves are attracting the attention of the world's major financial players, which are already impressed with the performance and the future of the Kenyan economy, notes Joshua Oigara, the Chairman and Chair of the Governing Council of the Kenya Bankers Association and CEO and Managing Director of Kenya Commercial Bank (KCB) Group.

"Kenya's economy is very resilient in comparison to other African economies because we are not dependent on a single sector like so many others," he says. "Our economy has long been one of the most diversified in Africa, based on traditional sectors like agriculture, ICT, finance, tourism and the skills and services industries."

Mr Oigara recalls the recent downturn in foreign investment due to security concerns, which especially hit Kenya's lucrative tourism industry, but he claims that the good times are coming back.

"Kenya went through some turbulent times when European and US investors cut back, there were travel advisories for the country, etc," he says. "However, the table is turning and we are already seeing some of those key investors coming back. In fact, if you look at the US investment flows, we are the second largest in the continent after Egypt."

Kenya's banking sector will, of course, be a major player in channelling investments and the KCB chief is excited about a wide range of big-ticket infrastructure schemes over the next several years which will aid the country in achieving its vast potential.

"We are seeing big projects taking place such as geothermal, solar and wind energy, along with new roads, energy pipelines and transportation links. Banks in Kenya are very proactive and are the nerve centre for investment to enable all of this," he says.

On a small scale, Mr. Oigara emphasizes that the Kenyan banking system enjoys a sterling reputation as being the most sophisticated on the continent after South Africa and is number one in leveraging technology and mobile solutions within the financial sector.

One local bank which has racked up an impressive record in introducing mobile technology to ease transactions and other key services for its customer base is Co-operative Bank of Kenya, founded 40 years ago and now one of the five largest financial institutions in the country.

"We are also the largest co-operative bank in Africa supported by the largest co-operative sector in the continent," explains Group Managing Director and CEO, Dr Gideon Muriuki. "Kenya has 12,000 co-operative societies with 5,000 of those savings and credit cooperatives, so that makes virtually every member of society a member of one of these financial co-operatives."

Since its beginning serving the co-operative sector, the bank has become a truly universal bank offering the entire range of financial services and products including insurance, stock brokering and corporate banking.

In 2015, Co-Operative Bank reported after-tax profit of $115 million, a 46 per cent increase over the figure for the previous financial year, putting the bank well ahead of its peers in terms of profit growth.

The impressive increase came a year after the bank brought global consulting firm McKinsey on board and launched its Soaring Eagle Transformation Project aimed at improving efficiencies, managing costs and increasing frontline productivity.

"We have also prioritised our big outreach effort," Dr Muriuki says, "and now we have 150 branches serving 5.9 million customers who have accounts with us."

Around half that number have signed up for the bank's mobile banking platform called MCo-op Cash, allowing depositors to access a variety of banking, money transfer and payment services. The mobile service is part and parcel of Co-Operative Bank's investment in customer delivery platforms aimed at becoming more responsive to depositor needs.

"Whereas customers would take up to 45 minutes to be served in our branches, they are now getting their business done in just five minutes," Dr Muriuki says. "We have enabled our customer interaction at alternative channels, notably mobile banking and agency banking, and today only 25 per cent of our customer transactions are done at branches."

Last year, Co-operative Bank secured a long-term $105 million loan with the International Finance Corporation (IFC), to support lending to small and medium-sized businesses, women entrepreneurs and the housing sector.

"At our bank, we believe in empowering the millions of people in rural areas which is a very similar ethos to what the IFC stands for," Dr Muriuki explains.

"We are an institution for creating wealth for our shareholders but also for empowering the common man by providing cheap financing and capacity building with the co-operative societies to enhance their competitiveness in handling and investing money."

"The long and short of all of this," he concludes, "is that as a business we had very humble beginnings started by smallholder farmers and so we remain steadfast to our founding principles of supporting the interest of the majority."

Change is also the driving mantra at Equity Bank whose managing director and CEO, Dr James Mwangi, says that the institution pioneered new paths which proved successful for the local sector.

"In fact, Equity is a creation of innovation as our first step was to move to a high-volume, low-cost business model," he recalls. "This really disrupted the Kenyan banking industry, which prior to our entry into the market, was high-margin, low-volume. Suddenly, the unbanked became bankable and that led us to become home to more than 50 per cent of all of the bank accounts in the country to this day."

But it is not just the Kenyan market where Equity is breaking new ground. Its operations have spread beyond the country's borders and now the bank is active in South Sudan, Uganda, Rwanda, Tanzania and DR Congo, which bodes well for the bank playing a role in Kenya's aspirations to become a financial powerhouse as part of the Vision 2030 plan, of which Dr Mwangi is the chairman.

"One of the deliverables of Vision 2030 is to make Nairobi a financial hub for Africa," he argues, "and we have the necessary ingredients to make that happen, such as strong financial inclusion, well-educated human resources in the sector, an evolving regulatory framework and the political will needed for the transformation."

So further changes to strengthen the sector are certainly in store. For example, some analysts argue that Kenya is overbanked with a high ratio of institutions in comparison with the population and have called for consolidation among smaller banks.

In backing their argument for this move, they point out that the country has around 43 commercial banks to offer services to 44 million people. This compares with other major African nations such as Nigeria, which has 22 banks serving 180 million people, or South Africa with 19 banks for a population of 55 million. But come what may, it is clear the Kenyan financial sector has arrived and will soon become a force to be reckoned with as Africa steps forward to take its rightful place in the globalised world.

Analysts point out that in Kenya the financial services sector is critical to achieving the country's Vision 2030 target of 10 per cent annual economic growth

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ICT innovations support development of smart economy

From policing to banking, education and farming, information and communication technologies are transforming lives and the economy, while also enhancing Kenya's attractiveness as an investment destinationw

Bob Collymore, CEO, Safaricom

During the first decade of the 21st century alone, ICT was responsible for the growth of approximately one-quarter of Kenya's GDP, and today, Kenya has been ranked among the top five African countries with the fastest growth in telecommunication, infrastructure and mobile money innovations. At the core of this growth has been the mobile revolution which the country has seen, and which has led it to reach 82.6 per cent mobile penetration.

Platforms such as M-pesa – a mobile phone-based money transfer, financing and microfinancing service – are transforming lives and different sectors of the economy, from finance to health, education, and agriculture. Well aware of the importance of mobile, the Kenyan government is also leveraging ICT technology to distribute information and boost security efforts following terrorist threats and attacks.

"The application of Information and Communications Technology will definitely enhance command and control," says Joe Mucheru, Cabinet Secretary of the MoICT. "It will allow us to play a very important role in tackling some of the contemporary challenges we face in Kenya."

Following a spate of terrorist threats, the general safety of cities such as Nairobi and Mombasa was compromised, though an ambitious CCTV project between leading Kenyan telecoms company Safaricom and the Kenyan police force launched in 2015 is making a difference.

"National security is a priority not only for the government but also for the private sector," says Safaricom CEO, Bob Collymore.

In exchange for free use of the infrastructure during the first year, the Kenyan government has an arrangement with Safaricom, which has provided a KES 14.9 billion (approx. £115 million) national surveillance, communication and control system that links all security agencies, making it easy to share information and direct operations. Broad in scope, the project involved connecting 195 police stations in Nairobi and Mombasa to high-speed (4G) Internet to ease communication.

Mr Collymore explains that the system enables security personnel to monitor areas under surveillance, detect any security incidents, and help direct police response and monitor the flow of people and traffic, especially in town centres. "The technology will help the public gain trust for police to fight crime," he says.

Safaricom has trained more than 10,000 officers in maintaining and operating the system and equipped them with walkie-talkies with cameras to take pictures at crime scenes for assessment and evidence. The pictures can be sent in real-time to the command and control centre, which has greatly improved accuracy and response times. "Corruption and crime undermines fair competition, distorts development priorities and impedes long-term foreign and domestic investment," says Mr Collymore. "A thriving economy is clearly important to a company like ours, and it's not going to thrive if you have security threats every week."

Safaricom has been at the helm of Kenya's ICT push. According to Mr Collymore, mobile has created new possibilities for the country by transforming entire societies and reshaping the economy in more ways than any other technology since independence. "Innovation is part of Safaricom's DNA," he says. "We have a long-standing commitment and passion to help nurture a vibrant ICT-powered economy."

Following suit with Kenya's National ICT Master Plan, the government has established three main pillars for guiding the development of the ICT sector. They include: using ICT to enhance public value, develop ICT businesses, and strengthen ICT as a driver of industry.

As part of the first pillar, the government is aiming to make public services more accessible by using e-government initiatives such as online business licensing, tax return submissions and applications. This objective is being pushed in tandem with the goal of getting 90 per cent of Kenyans to access at least some public services via the internet by 2017. In order to facilitate its projects, the Kenyan government has also made an effort to standardise e-government communication services and to market Kenya as a hub for ICT investment.

Already, companies such as Nokia and IBM are active in the Kenyan ICT market. They've established regional development centres in Nairobi, which has been gaining fame as a hotbed of ICT innovation thanks to Konza Techno City, a £10 billion project also known as 'Silicon Savannah'. Spread over 20 square kilometres, just 70 kilometres south-east of Nairobi, the area will house science and technology parks, educational facilities, hotels and residences. The first of its four phases is expected to be complete by 2017 and government forecasts indicate that it will create 20,000 jobs.

Kenya's education sector has also seen increased ICT traction. The government recently spent around £190 million to provide more than 1.2 million laptops to the approximately 24,000 primary schools across Kenya. Furthermore, ICT has allowed school-age children access to a more affordable, expansive range of content, not to mention the potential of expanding access to online education for children who live far from schools.

In terms of financial inclusion, the help of ICT has made a significant impact on bringing two out of three adult Kenyans into the formal financial ecosystem. Through the rapid growth of platforms like M-pesa, the business models of most of Kenya's financial institutions have shifted, and mobile money agents now represent three-quarters of the total financial access points in Kenya.

In the health sector, ICT has been used to grant greater health-related information to the public and improve its access to quality healthcare. The procurement and distribution of medicine and supplies has also been improved, as has the attention and care given to pre and post-partum mothers.

From an agricultural perspective, the use of mobile technology has also been fruitful. Better informed as to how to increase yields and access new markets, farmers are using new technologies such as iCow, a mobile-phone app invented in Kenya and developed in partnership with Safaricom, which gives farmers access to agricultural information services aimed to help them learn about better farming methods and increase productivity.

Still, for as much promise as it shows, ICT development faces many challenges and insufficient infrastructure has been the biggest constraint to continued expansion and to help boost financing for new infrastructure, increase the number of trained employees with the skills needed to serve in the ICT-related workforce and manage the ever-present challenge of IT security, the Kenyan government launched the $2.9 billion National Broadband Strategy (NBS); a joint product of the MoICT and the Communications Commission of Kenya, the sector's regulator. More than half of the NBS's budget is allocated to building infrastructure, with the balance directed towards capacity building and content development.

Last Mile to power Kenya's ambitions

The $600 million Last Mile Connectivity Project aims to bring electricity to 100 per cent of the population by 2020

"Looking at the reliability of supplies and reduced cost of electricity, investors should be looking at this as an opportunity to invest in the country"

Dr Ben Chumo, Managing Director & CEO, Kenya Power

Kenya needs power to realise its Vision for 2030, by which time demand for electricity is forecasted to rise to 15,000 megawatts (MW). With the East African country's installed capacity currently standing at close to around 2,400 MW, major investments are needed in the coming years to ensure that rising demand for power can be met and development aspirations set out in the government's Vision 2030 plan are achieved.

Following several delays, the landmark Last Mile Connectivity Project (LMCP) was finally launched in April in Nandi County. The LMCP – which has so far received financing totalling more than $600 million from several donors including the European Investment Bank, the African Development Bank (AfDB) and the World Bank – aims to increase electricity access to 70 per cent of the population by 2017, before bringing universal access in 2020, by maximizing the utilization of over 45,000 existing distribution transformers spread across the country.

The plan is ambitious but certainly achievable for a government that since coming to power in 2013 has increased generation capacity by 663 MW and access from 27 per cent to 54 per cent of the population, according to Dr Ben Chumo, Managing Director and CEO of Kenya Power (KP). With close to 4.5 million customers, the Nairobi Stock Exchange-listed utility owns and operates most of the electricity transmission and distribution system in Kenya.

One of the government's main priorities is expanding access to low-income households and small businesses, a key priority of Vision 2030. But of course increasing access to the grid is futile, if connecting to the grid is too costly for end users, particularly for low-income households in rural areas. Up to 2013, the cost for a homeowner to connect to the grid was KES 35,000, or around £270, a relatively large sum for many Kenyans. "Through agreements with AfDB and other international organizations the government has managed to reduce the cost, where we subsidise KES 85,000 and households are paying KES 15,000, which already is a massive decrease from the KES 35,000," says Dr Chumo, who adds that KP is currently connecting around 3,000 new customers to the grid each day.

"This particular Last Mile is going to be a phenomenon situation because with only KES 15,000, everybody will be able to afford an electricity connection. In fact under phase 1 we are going to take advantage of 5,320 transformers to connect 314,000 households. Each household has 5.5 people. Multiply by 5.5 people that will be about 1.5 million Kenyans having access. Then we shall repeat the same thing on phase 2 of the project. By the time we're done, you can see access going towards 92 per cent in a very short time."

According to Dr Chumo, the cost of electricity itself has also come down rapidly, from KES 7.22 to KES 2.31 per kilowatt per hour.

The LMCP is being supported by another KP initiative, the Kenya Electricity Modernisation Project (KEMP). Almost completely funded by the World Bank, the $260 million KEMP aims to improve reliability of electricity service, by building new and upgrading existing power infrastructure.

Along with increasing capacity, expanding access and bringing down costs, improving reliability will help to end the blackouts that stifle output of businesses and enhance the attractiveness of Kenya as an investment destination for foreign companies.

"We have made it our priority to upgrade infrastructure so there are no shortages and power cuts. The reliability over the last three years has increased drastically in both urban and non-urban areas," says Dr Chumo.

"Looking at the reliability of supplies and reduced cost of electricity, investors should be looking at this as an opportunity to invest in the country because unlike other sub-Saharan countries we are improving rapidly, and in a few years' time it will be too late. Why not grow with us, rather than face stiff competition in a few years time when it is too late."

World leader in renewable energy

What is also admirable vis-à-vis Kenya's progress in the development of the power sector is its use of renewable energy resources. Of its aggregate of around 2,400 MW of installed capacity, more than 600 MW is coming from geothermal energy sources and more than 800 MW from hydro power, according to a report by KP. Kenya is Africa's largest producer of geothermal power; and possesses 40 per cent of the continent's 15,000 MW of geothermal potential.

With virtually zero investments in renewable energies up to 2009, Kenya is now one of the largest investors in renewables in the developing world; and in 2015 was ranked amongst the top 10 emerging markets that have made significant investments in renewable energy in a report by Bloomberg New Energy Finance. Kenya, which placed sixth, was one of three African countries on the list, joining South Africa (fourth) and Uganda (ninth).

"Today, the future of Africa holds more promise and opportunity than ever before," states Dr Chumo.

"While many African countries are rapidly urbanising, sub-Saharan economies understand very clearly that we must continue to invest to meet the goal of doubling access to power. Distributed generation using renewable energy sources must also play an important role in the future of power generation. From solar to hydropower, geothermal, wind and natural gas, we have the tools to increase access to power while realising a cleaner energy future. Kenya is a great example."

Private sector helps to build region's most competitive economy as business climate warms up

Kenya jumped 16 places to 92nd in the World Bank's Doing Business Index 2017 and is now among the top five economies in sub-Saharan Africa where it is easiest to do business

It seems only fitting that 'harambee' plays a prominent role in Kenya's business culture; roughly translated it means, 'let's all work together'. The same spirit of cooperation is helping to turn Kenya into East Africa's economic growth engine, as investors eye Africa as the next frontier for investment.

"The East Africa Community (EAC) is one of the fastest-growing economic blocks in the world," says Carole Kariuki, CEO of the Kenya Private Sector Alliance (KEPSA), a group that comprises 100,000 business organizations and corporate members. "There is an appetite for the region because of the opportunities that are available and that's what is driving the private sector into the region. There are plenty of opportunities in the oil, gas, geothermal as well as the tourism sectors."

Kenya's business climate has been enhanced in recent years. In the World Bank's Doing Business 2017 index, Kenya climbed 16 places to 92nd, following a jump of 28 places in the 2016 Index, from 136th to 108th. It is now among the top five economies in sub-Saharan Africa where it is easiest to do business.

The improved ranking follows a series of government measures that included loosening credit, improving access to energy, and making the registration of property more transparent.

"At the beginning of 2014, during our round-table discussions with the president, we analysed our top five worst-performing indicators and worked on addressing them," says Ms Kariuki. "The improved ranking was mainly due to the changes in access to credit."

Kenya's reforms won kudos from the World Bank's Director of East and Southern Africa, Oumar Seydi, who hailed the steps as concrete measures toward making it easier to do business in Kenya.

"The digitisation process in the registration of property for instance has improved efficiency; this can attract more investments to the country," stated Mr Seydi, who went on to say that the World Bank would continue to work closely with Kenya to accelerate its development process with a view toward improving the living standards of its citizens.

Deputy President William Ruto reinforced the sentiment by reiterating the government's commitment to economic prosperity.

"We seek to position Kenya as the continent's manufacturing and technology hub, the preferred gateway to Africa for domestic and foreign investors."

Political stability in East Africa and Europe's slowdown have made conditions ripe in Kenya for an invigorated commercial sector, helping to drive 2016's estimated growth rate of 6 per cent.

"Kenya's private sector has been more dynamic than that of the other members of the East African Community, which has translated into a more competitive and innovative economy relative to its neighbours," says Naushad Merali, Chairman of the Sameer Group, a Kenyan-based conglomerate with interests in agriculture, manufacturing, construction, high-tech and transportation. "During the last decade, Kenya has emerged as technological and financial hub for East and Central Africa. We have the most mobile subscriptions, the most banked population in the region, and these may seem like simple developments in comparison to Europe but it speaks volumes for the vibrancy of Kenya's private sector."

"One of our greatest advantages is our people," says Mr Merali, who credits Kenya's workforce for a steady growth rate of 5 per cent over the last decade.

Kenya boasts an adult literacy rate of 87 per cent, one of the highest in Africa. The country devoted more than 27 per cent, the largest share of its national budget, to education in 2015, spending the equivalent of around £1.6 billion on free primary and secondary education as well as school feeding programmes.

"Having an educated population has enabled the private sector to utilise the skillset of the people, build on it and propel it to new heights," says Mr Merali, whose company employs more than 30,000 people and in 2015 announced a multi-million-dollar milk-processing plant in Nakuru County.

The dairy-processing plant is part of the Sameer Group's strategy to develop and promote commercial agriculture, to find ways to link small enterprises with value chains and to develop both the upstream and downstream activities in agribusiness.

Agriculture in sub-Saharan Africa is expected to become a $1 trillion industry by 2030, and is becoming the focus of the government's development plans for growth, job creation and food security.

Kenya's potential is stimulating interest locally and abroad. The UK has been a long-standing partner, sharing its sophistication, technology and expertise; its interest has only grown in recent years.

Naushad Merali, Chairman, Sameer Group

"Kenya's agricultural sector can be a strong support to UK supermarkets, by providing high-quality and organic produce," says Mr Merali. "While a single avocado in the UK can cost 2 British pounds, for the same price you can buy 20 avocados in Kenya. We need to utilise this new momentum both in Kenya and the UK to collaborate and establish new trade and manufacturing ties."

Other countries are looking to establish a foothold also. Ms Kariuki says she has hosted a number of meetings with foreign delegations and ambassadors from Asia and Europe interested in furthering economic ties.

"We are working hand in hand with the government to ensure Kenya keeps its leading position in the region. We look at how competitive we are against the countries of the region, but also we benchmark ourselves against other countries like South Africa, Nigeria, Ghana, among others," says Ms Kariuki. "We identify the bottlenecks that affect our competitiveness and we establish the required policies for Parliament to act on in order to foster entrepreneurship and investment from the private sector."

Insurance industry enjoys double-digit growth

The insurance industry is attracting a wave of new domestic investment and the interest of major UK and other foreign players eager to get a foot in the door of this exciting market

It may come as a surprise to many, but one of the most innovative and fastest-growing financial services industries in Kenya is insurance.

Over the past decade, Kenya's insurance industry has consistently chalked up double-digit growth and over the past five years has doubled in premium size. Between 2010 and 2014 alone, the value of premiums jumped from $983 million to $1.8 billion, the largest in sub-Saharan Africa outside of South Africa.

Similar growth is expected well into the next decade, industry insiders say.

"Having witnessed significant growth across all sectors in the past few years, the Kenyan insurance industry will continue to grow at double digits," says the country's former Insurance Regulatory Authority CEO Sammy Makove, who left his post in November.

Forecasts point to premiums eventually reaching $3.1 billion by 2019 at a compound annual growth rate of 15.5 per cent, industry analysts report.

According to economists, the reasons fueling this growth include a significant population increase that is expected to continue, rapidly rising incomes and urbanisation, an expanding middle class, improved governance and stability in Kenya, and a better business environment. Also key to the sector's potential is the current low penetration rate, with the life insurance rate at a mere 0.94 per cent, but still better than in most other African nations, which averages only 0.27 per cent.

Non-life insurance, such as motor and fire, also presents opportunities for companies, the premiums of which currently account for 66 per cent of the total insurance market. Some analysts predict the non-life sector should grow by around 16 per cent annually over the next three years and they are especially bullish on motor insurance as rising disposable income will mean more auto sales and the need for third-party liability.

However, it is not just traditional insurance which is set for growth. Kenyan underwriters are also among the leaders in offering not only innovative but even unconventional coverage, with services using the latest mobile technology to link clients with companies.

Kenyans are able to pay their premiums through a selection of platforms and one unorthodox scheme offers small farmers protection against disastrous weather phenomenon such as torrential rains or prolonged drought. Farmers are connected to local weather stations and if weather conditions in a client's area are particularly adverse and result in damage, pay-outs are made automatically without the need for the farmer to file a claim.

Another marketing move which is innovative in Africa is the so-called "bancassurance" distribution network in which insurance companies partner with local banks to offer policies to the bank's customers.

Multinational insurance companies are taking note of these changes and the opportunities they present to move into the Kenyan market. At the same time there has been a surge in mergers and acquisitions. Over the past two years alone, a number of British companies have made major investments with Barclays buying a major stake in Kenya's First Assurance, financial services group Old Mutual snapping more than 60 per cent of local insurer UAP, and Prudential UK purchasing Shield Assurance.

Other recent foreign investors in the sector include Saham Finance of Morocco, South Africa's Sanlam and Swiss Re, while Kenyan companies like Britam have expanded beyond their domestic market to set up insurance operations in neighbouring countries such as Uganda, Tanzania and Rwanda.

Kenya Re, a leading reinsurance company created by the government in 1970, is a prime example of how the sector has progressed and is prospering and expanding in a changing market. As the oldest reinsurer in the region, Kenya Re has consistently provided reinsurance services to more than 265 companies across 62 countries, not only in Africa but also the Middle East and Asia.

"Over the past two years our sector witnessed significant growth with companies investing heavily to meet the demands of the vigorously dynamic markets," says Kenya Re Managing Director Jadiah Mwarania.

"The emergence of the Takaful Islamic insurance business, micro-insurance and agricultural insurance, political risk and terrorism has boosted the reinsurance service to the industry," he adds.

But the executive cautioned that the industry has its challenges and his company is unveiling strategies to ensure those challenges are met.

Jadiah Mwarania, Managing Director, Kenya Re

Mr Mwarania describes the reinsurance business environment as "extremely dynamic, unpredictable and characterised by cut-throat competition" and only those companies fortified by the appropriate strategies will survive and thrive.

Outlining his own company's plans, he says that Kenya Re "has focused on capturing new markets and as a growing business we are implementing a five-year corporate strategy that will not only create a reinsurance company that delivers top performance but also sustainable value."

That strategy includes becoming more customer-focused; upgrading the technology to ensure system and procedure efficiency; attracting, developing and retaining qualified and experienced staff; and being socially responsible and observing high ethical standards.

"We have grown to an extent that we are recognised not only regionally but the world over to be trusted internationally and we continually push our boundaries."