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Foreign Investment Survey 2016 Report

Foreword

Since the 1980s, foreign investment has been recognised as an important driver of private investment in many countries. Subsequently, most countries around the world have increasingly made deliberate efforts to attract foreign investments which has in turn seen its tremendous growth across the world. Similar to many of the developing countries, Kenya has been at the forefront of improving its competitiveness as a preferred destination for foreign investments. On the other hand, many corporate bodies have been eager to expand outside their domestic economies with the aim of expanding their revenue base and profits which exemplify the importance of both inward and outward foreign investments.

Kenya has therefore been formulating appropriate policies to increase foreign investment inflows. Investment promotion aims at boosting economic growth through increased employment by creating new jobs, enhancing productivity through human capital building and investment in technology and fixed assets. In addition, foreign investment facilitates faster transfer of new technology and skills which the country also aims at benefiting from.

Good policies must be anchored on quality data that are not only accurate but also relevant and timely. Such data enable the policy makers to arrive at ambitious yet realistic policy options. It is in recognition of these facts that KNBS embarked on routine execution of Foreign Investment Survey (FIS) since 2010. In addition to informing policy making, the surveys are also meant to monitor and evaluate progress on the growth of foreign investments in Kenya. This report is therefore a product of this initiative and details the findings of FIS 2016 which focussed on the direction, magnitude and type of foreign investments in the country during 2014 and 2015. It is not only informative to the government but also to the private sector, economists, researchers and individuals keen on keeping abreast with the development of the Kenyan economy.

This report was made possible through collaboration between the Kenya National Bureau of Statistics (KNBS), Central Bank of Kenya (CBK) and Kenya Investment Authority (KenInvest). I therefore take this opportunity to sincerely thank the management of CBK and KenInvest for their continued support.

Many other institutions deserve my appreciation for the pivotal role they have played in supporting improvement of statistics and in particular the Foreign Investment Surveys over the years. I therefore wish to single out Capital Markets Authority (CMA), Export Processing Zones Authority (EPZA) and Insurance Regulatory Authority (IRA) who contributed in the planning and data collection phase of FIS 2016. The National Treasury and Central Bank of Kenya (CBK) also merit special mention for providing requisite funding for the implementation of the survey.

I wish to recognize the technical team of the Balance of Payments Committee for its unwavering dedication that in many ways enabled the smooth implementation of the survey. The team included Mr. Benjamin Avusevwa, Mr. Benjamin Muchiri, Mr. William Etwasi, Ms. Rosemary Bowen, Ms. Gladys Mbaluku, Ms. Pauline Kamau and Mr. Antony Makau from KNBS; Ms.KethiNgoka, Mr.NahashionMutai,Ms. Maureen Odongo, and Ms. Juliet Akello from CBK; Mr. Joseph Kioko from KenInvest and Mr. Justus Agoti from CMA.

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Finally, I wish to express special gratitude to our respondents for their cooperation in providing the relevant data, information and other feedback that have provided valuable input for this report. The survey would not have been successful without the cooperation of the enterprises that sacrificed their valuable time for the interviews and diligently completed the questionnaires to provide data.

Zachary Mwangi

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Acronyms

AfDB	African Development Bank
BOP	Balance of Payments
BPM6	Balance of Payments and International Investment Position Manual, Sixth Edition
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
COMESA	Common Market for Eastern and Southern Africa
DFI	Development Finance International
EAC	East African Community
EIB	European Investment Bank
EPZA	Export Processing Zones Authority
EU	European Union
FAL	Foreign Assets and Liabilities
FDI	Foreign Direct Investment
PI	Portfolio Investment
GDP	Gross Domestic Product
IFAD	International Fund for Agricultural Development
IFC	International Financial Corporation
IMF	International Monetary Fund
IIP	International Investment Position
IRA	Insurance Regulatory Authority
JICA	Japan International Cooperation Agency
KenInvest	Kenya Investment Authority
KfW	Kredistanstaltfur Wiederaufbau
KNBS	Kenya National Bureau of Statistics
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
NSE	Nairobi Securities Exchange
NSS	National Statistical System
OECD	Organization for Economic Cooperation and Development
PCMS	Private Capital Monitoring System
PTA	Preferential Trade Area
PSED	Private Sector External Debt
SSA	Sub –Saharan Africa
UK	United Kingdom
US	United States of America
UNCTAD	United Nations Conference on Trade and Development
WEO	World Economic Outlook
WIR	World Investment Report

Executive Summary

Kenya has continued to improve its investment climate, with a goal of making the country a regional industrial and financial hub. This initiative has made Kenya attractive for both domestic and international firms seeking to do business in Kenya and in the region. The country has recorded an increase in the number of foreign companies setting up shop in the country and using Kenya as a hub in penetrating the Sub-Saharan markets. In order to establish the economic benefits from foreign investments; and to assess the impact of risks and vulnerabilities that may arise from these investments, collection of reliable and timely data on foreign assets and liabilities is significant for monitoring external transactions for purposes of planning and policy formulation. The foreign investment surveys are intended to provide information required for compilation of the Balance of Payments (BOP) and International Investment Position (IIP) statistics. In addition, the survey results inform investor decisions to choose Kenya as the preferred investment destination. The Foreign Investment Survey (FIS) 2016 is the fourth in the series since the launch of the surveys in 2010. It captured data on foreign private capital flows and stocks for the period 2014 and 2015. A total of 780 enterprises were targeted out of which 474 enterprises indicated that they had Foreign Assets and Liabilities (FAL).

Foreign Liabilities

The stock of foreign liabilities increased by 5.5 per cent from KSh 1,026,031 million in 2014 to KSh 1,081,942 million in 2015. Foreign Direct Investment (FDI) accounted for the largest share of the stock of total foreign liabilities at 52.1 per cent and 54.4 per cent in 2014 and 2015, respectively. Other Investment accounted for 41.8 per cent and 39.7 per cent of the total stock of foreign liabilities, in 2014 and 2015, respectively. Portfolio Investment accounted for the smallest share of the stock of foreign liabilities at 6.1 per cent and 5.9 per cent in 2014 and 2015, respectively.

Total inflows of foreign liabilities decreased by 4.9 per cent from KSh 377,174 million in 2014 to KSh 358,852 million in 2015, while outflows increased by 19.2 per cent to KSh 304,730 million in 2015. Consequently, the total net inflows declined by 55.4 per cent from KSh 121,450 million in 2014 to KSh 54,122 million in 2015. This could be attributed to Other Investment inflows which declined by 38.7 per cent from KSh 134,839 million in 2014 to KSh 82,648 million in 2015, on account of an 83.1 per cent reduction in other accounts payables. In contrast, FDI liability inflows increased by 8.0 per cent from KSh 133,105 million in 2014 to KSh 143,709 million in 2015, accounting for 35.3 per cent and 40.0 per cent of the total inflows, in 2014 and 2015, respectively. The inflows were mainly in the form of long term debt instruments; and equity and investment fund shares. Portfolio Investment inflows, mainly in the form of equity and investment fund shares, increased by 21.3 per cent from KSh 109,230 million in 2014 to KSh 132,495 million in 2015. Other Investment liability inflows accounted for 35.7 per cent and 23.0 per cent of the total inflows respectively, in 2014 and 2015. In 2014, Other Investment inflows mainly comprised other long term accounts payables and long term loans, while in 2015 this category comprised long term loans and short term other accounts payables. All categories of foreign investment liabilities recorded an increase in outflows.

The stock of Private Sector External Debt (PSED) increased from KSh 583,005 million in 2014 to KSh 586,765 million in 2015. PSED was largely in form of Other Investments which accounted for 72.3 per cent of the total PSED in 2015 at KSh 424,283 million. This was mainly driven by long term loans which stood at KSh 229,949 million in 2015 having risen by 11.7 per cent. The stock of other accounts payables also contributed significantly to the stock of Other Investments during the period under review at KSh 135,775 million in 2014 and KSh 132,692 million in 2015. The stock of PSED in form of Foreign Direct Investments (FDI) averaged 26.2 per cent during the review period. On a net basis, the value of PSED inflows declined by 54.8 per cent from KSh 98,440 million in 2014 to KSh 44,537 million in 2015. This was supported by reduced inflows of private external debt and increased repayments in 2015.

Europe remained the largest source of foreign investment, accounting for 33.7 per cent and 34.6 per cent of total foreign liabilities in 2014 and 2015, respectively. The United Kingdom, France and Netherlands were the leading sources of foreign liabilities within the European Union (EU), with a combined stock of KSh 283,590 million in 2014 and KSh 301,108 million in 2015. Foreign investment from the United Kingdom increased from KSh 187,880 million in 2014 to KSh 214,007 million in 2015. The financial and insurance, manufacturing, information and communication and; transportation and storage sectors were the main beneficiaries of investment from the United Kingdom. Asia was the second largest investor in Kenya accounting for 15.5 per cent and 17.1 per cent of the total stock of foreign liabilities in 2014 and 2015, respectively. Investment from China increased from KSh 55,006 million in 2014 to KSh 77,036 million in 2015. Investment from India also increased from KSh 32,434 million to KSh 39,472 million, while investment from Japan increased from KSh 13,661 million to KSh 14,339 million over the same period. Similarly, the stock of investment from the US rose from KSh 116,544 million in 2014 to KSh 119,921 million in 2015. Investment from African countries rose by 16.0 per cent with the stock of investment attributable to Mauritius nearly doubling to KSh 65,252 million in 2015. However, investment from other African countries such as South Africa recorded a 41.2 per cent decline during the same period.

The financial and insurance activities sector was the largest recipient of net FDI inflows during the review period with net inflows amounting to KSh 31,036 million in 2014 and KSh 33,253 million in 2015. Consequently, the stock of FDI liabilities in the financial and insurance services sector rose by 10.5 per cent to KSh 203,090 million in 2015 averaging 34.4 per cent of total stock of FDI liabilities in the review period. Notable increases in net FDI inflows were also recorded in the manufacturing and construction sectors in 2015. The manufacturing sector was the second leading beneficiary of the stock of FDI liabilities which also rose by 8.3 per cent to KSh 121,761 million in 2015. Despite depressed FDI inflows in the information and communication sector, it accounted for an average of 19.1 per cent of the stock of total FDI liabilities during the period. The stock of FDI liabilities within the wholesale and retail trade sector rose by 11.2 per cent to KSh 71,746 million in 2015.

Foreign Assets

The stock of foreign assets increased by 23.3 per cent from KSh 148,009 million in 2014 to KSh 182,473 million in 2015. The largest share of external assets was in form of FDI that averaged 74.5 per cent in the review period. This was largely in the form of equity and investment fund shares which increased by 8.0 per cent to KSh 73,281 million in 2015. The contribution of Other Investment assets to the total stock of external assets decreased from 26.3 per cent in 2014 to 22.7 per cent in 2015 on account of a decline in the stock of currency and deposits abroad from KSh 26,856 million in 2014 to KSh 22,349 million in 2015. However, the stock of other accounts receivables increased by 72.7 per cent in 2015 to KSh 16,468 million. The stock of Portfolio investment abroad increased by 18.8 per cent from KSh 1,515 million in 2014 to KSh 1,800 million in 2015, largely on account of an increase in long term debt securities.

Outflows of foreign assets rose by 26.7 per cent to KSh 69,123 million in 2015. This was mainly attributable to an increase in FDI outflows which nearly doubled from KSh 23,520 million in 2014 to KSh 43,923 million in 2015. Inflows of foreign assets decreased by 29.4 per cent from KSh 66,230 million in 2014 to KSh 46,737 million in 2015, driven by reductions in inflows of FDI and Other Investments. Inflows of currency and deposits under Other Investment nearly halved to KSh 11,080 million in 2015.

The stock of foreign assets within the East African Community rose from KSh 47,919 million in 2014 to KSh 51,352 million in 2015. Tanzania remained the single leading destination of Kenya's investment, accounting for 14.0 per cent and 12.5 per cent of the stock of total foreign assets in 2014 and 2015, respectively. The stock of foreign assets to Uganda rose by 9.8 per cent to KSh 20,642 million in 2015, becoming the second leading destination of Kenya's foreign assets. The stock of foreign assets to the United Kingdom recorded a marked increase from KSh 8,489 million in 2014 to KSh 22,457

million in 2015 and accounted for 12.3 per cent of the total stock of foreign assets in 2015. Similarly, the stock of foreign assets to South Africa more than doubled to KSh 19,320 million, and accounted for 10.6 per cent of the total stock of foreign assets in 2015. This was as a result of the substantial increase in net investment to the country in 2015. However, the stock of assets to the US recorded a 48.1 per cent decline from KSh 18,856 million in 2014 to KSh 9,790 million in 2015.

International Trade in Goods and Services

Exports of goods by enterprises that reported foreign assets and/or liabilities went up by 28.4 per cent to KSh 144,408 million in 2015. This was mainly reflected in enterprises within the manufacturing sector whose exports rose by 14.6 per cent to KSh 73,216 million in 2015. Similarly, exports by enterprises within the wholesale and retail and; transportation and storage sectors rose by 6.3 per cent and 44.5 per cent, respectively in 2015. In contrast, imports by resident enterprises that reported transactions with non-residents declined from KSh 664,744 million in 2014 to KSh 474,298 million in 2015. This was mainly due to a 57.3 per cent decline in imports by enterprises in the electricity, gas, steam and air conditioning supply sector during the review period.

Expenditure on services provided by non-residents increased by 15.6 per cent to KSh 49,328 million in 2015. This is mainly reflected in the computer services rendered by non-residents whose expenditure rose from KSh 1,433 million in 2014 to KSh 3,026 million in 2015. Income from services rendered to non-residents decreased by 6.9 per cent to KSh 13,875 million in 2015 following the decline in foreign earnings from other business services, telecommunication and travel services.

Employment

Employment in enterprises that reported FAL improved by 11.7 per cent from 217,285 jobs in 2014 to 242,600 jobs in 2015. Local employees accounted for 98.3 per cent of the total employment over the review period. Foreign short term employees increased from 685 in 2014 to 1,337 in 2015. Manufacturing sector accounted for the highest proportion of employees at 40.4 per cent and 37.1 per cent of the total employment in enterprises that reported to have FAL in 2014 and 2015 respectively. There was a marked increase in employment by enterprises in construction sector from 8,303 employees in 2014 to 26,635 employees in 2015. Compensation of employees in enterprises that reported to have FAL increased by 16.6 per cent in 2015. Compensation of employees in enterprises engaged in construction activities more than doubled in 2015.

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CHAPTER 1: INTRODUCTION

Overview

The government of Kenya has made considerable effort to improve the investment climate with a goal of making the country a regional industrial and financial hub. The government has continued to implement various economic reforms to support private sector led growth by developing business-friendly policies and programmes in a number of priority sectors. The investment climate has been characterised by a stable macroeconomic environment that has made it conducive for the private sector to thrive. This has been complemented by government effort to promote regional integration initiatives within the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), among others.

1.2. These efforts have been reinforced by the government's commitment to building infrastructure networks which include the expansion of road connectivity, upgrading of the railway network, expanding the energy and the telecommunications infrastructure among others. In addition, the reform agenda on the ease of doing business saw Kenya improve twenty one places to position 92 out of 190 countries during 2016[1]. This improvement is credited to reforms in the areas of starting a business, obtaining access to electricity, registering property, protecting minority investors and resolving insolvency. The reforms have made the country attractive to both domestic and international firms seeking to do business in Kenya and in the region. Kenyan enterprises have expanded in the region, principally in the financial and insurance; trade; manufacturing; and communication sectors. This is complemented by foreign companies based in Kenya that are using it as a regional base.

1.3. The Foreign Investment Survey (FIS) 2016 is the fourth in the series since the launch of the surveys in 2010 and captured data on foreign private capital flows and position for the period 2014 and 2015. The information collected is important for monitoring the type, direction and the magnitude of foreign assets and liabilities. In addition, the data collected provides relevant information for research and analysis; planning and policy formulation; and assessing the impact of risks and vulnerabilities that may arise.

Objectives of the Survey

1.4. The foreign investment surveys are intended to provide information required for compilation of the Balance of Payments (BOP), International Investment Position (IIP) statistics and assessment of investors' perceptions of the investment climate.

1.5. The data collected through the FIS 2016 will extend time series data on foreign investment to nine years building on the data collected during FIS 2010 covering the period 2007 and 2008; FIS 2013 covering the period 2009, 2010 and 2011; and FIS 2015 covering the period 2012 and 2013. The time series data will be useful for research and analysis, planning, policy making and formulation of strategies to achieve the Kenya Vision 2030 goals.

Macroeconomic Developments and Prospects

1.6. Global growth slowed down to 3.2 per cent in 2015 from 3.4 per cent in 2014 reflecting weaker economic activity in emerging and developing economies. Growth in the advanced economies remained modest increasing by 0.3 percentage points to 2.1 per cent in 2015. The modest increase was supported by lower energy prices and improving housing market conditions in the United States, while in the Euro area, monetary easing and low energy prices supported

[1] World Bank, Doing Business 2017 Report

the modest recovery. Meanwhile, in emerging market and developing economies, growth slowed down to 4.1 per cent in 2015 from 4.6 per cent in 2014.This was largely due to declining commodity prices and depreciating emerging market currencies. In Sub-Saharan Africa (SSA) growth decelerated to 3.4 per cent in 2015 from 5.0 per cent in 2014, driven by weak growth in Nigeria on account of low oil prices.

1.7. In Kenya, real Gross Domestic Product (GDP) growth remained resilient increasing to 5.6 per cent in 2015 from 5.3 per cent in 2014. The improvement was largely supported by a stable macroeconomic environment, government spending on infrastructure, and low international oil prices. In addition, favourable weather conditions for the better part of the year supported improved production in the agriculture sector.

1.8. The World Economic Outlook (WEO) report, January 2017 edition estimated global economic growth at 3.1 per cent in 2016 and projects the growth to rise to 3.4 per cent in 2017, largely driven by expected improvements in emerging markets and developing economies. The outlook however, remains uncertain due to policy shifts in the global arena especially those affecting trade. Growth in Sub Saharan Africa (SSA) is also expected to improve to 2.8 per cent in 2017 from 1.6 per cent in 2016.

1.9. The Kenyan economy was resilient in 2016 despite headwinds from the weak global economy. It posted robust growth in the first three quarters of the year and is poised to grow by 5.9 per cent in 2016 and 2017 and 6.4 per cent in 2018, supported by continued macroeconomic stability[2].

International Private Capital Flows

1.10. According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report (WIR), 2016, global FDI inflows grew significantly by 38.0 per cent to US Dollar 1,760 billion despite a fragile global economic environment. The sharp rebound in global FDI inflows from the low levels recorded during the global economic and financial crisis of 2008-2009, was driven by cross-border mergers and acquisitions of US Dollar 963 billion, as a result of large-scale corporate reconfigurations which are however considered to have little productive impact. Greenfield investments remained high at US Dollar 722 billion in 2015.

1.11. FDI flows to developed economies increased by 84.3 per cent to US Dollar 962 billion in 2015, whereas flows to developing economies (excluding Caribbean financial centres) increased by 9.6 per cent to US Dollar 765 billion. The major recipient of FDI flows remained Developing Asia. FDI inflows to Africa declined by 6.9 per cent to US Dollar 54 billion on account of weak commodity prices, while FDI inflows to East Africa declined by 1.5 per cent to US Dollar 7.8 billion, in 2015.

1.12. The UNCTAD 2016 report projects a decline in FDI flows in 2016 of between 10 per cent and 15 per cent reflecting weak global growth due to weakness in aggregate demand. FDI flows are expected to recover in 2017 and surpass US Dollar 1,800 billion in 2018.

[2]The National Treasury

CHAPTER 2: SURVEY FINDINGS ON FOREIGN LIABILITIES

Overview

This chapter presents survey results on foreign liabilities, also referred to as investments in Kenya by non-residents, broadly categorized into Foreign Direct Investment (FDI), Portfolio Investment (PI), Financial Derivatives and Other Investment (OI). Foreign Direct Investment comprises equity and investment fund shares and debt instruments. Portfolio Investment includes equity and investment fund shares and debt securities while OI includes other equity, currency and deposits; trade credit and advances; loans, insurance, pension and standardized guarantees and; other accounts payables.

Stock of Foreign Liabilities

2.2. The stock of foreign liabilities increased by 5.4 per cent from KSh 1,026,031 million in 2014 to KSh 1,081,942 million in 2015 as shown in Table 2.1. The stock of FDI accounted for the largest share of the total foreign liabilities at 52.1 per cent and 54.4 per cent in 2014 and 2015, respectively. The share of Other Investment to the total foreign liabilities was 41.8 per cent in 2014 and 39.7 per cent in 2015.Portfolio Investment accounted for the smallest share of the total foreign investment at 6.1 per cent in 2014 and 5.9 per cent in 2015.

2.3. The stock of FDI increased by 10.1 per cent from KSh 534,787 million in 2014 to KSh588, 962 million in 2015, as a result of a 13.3 per cent increase in equity and investment fund shares. The stock of Other Investment increased from KSh 428,760 million in 2014 to KSh 429,579 million in 2015, largely on account of a 11.7 per cent increase in long term loans. Portfolio Investment stock registered a 1.5 per cent growth to stand at KSh 63,397 million in 2015.

Table 2. 1: Stock of Foreign Liabilities, 2014-2015

Categories	2014		2015	
	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment	**534,787.25**	**52.1**	**588,961.76**	**54.4**
Equity and Investment Fund Shares	383,293.72	37.4	434,403.58	40.2
Equity and Investment Fund Shares other than Reinvested Earnings	254,123.92	24.8	287,179.33	26.5
Accumulated Retained Earnings	129,169.80	12.6	147,224.25	13.6
Debt Instruments	151,493.54	14.8	154,558.18	14.3
Long Term	79,286.06	7.7	111,516.39	10.3
Short Term	72,207.48	7.0	43,041.79	4.0
Portfolio Investment	**62,481.38**	**6.1**	**63,397.38**	**5.9**
Equity and Investment Fund Shares	54,856.85	5.3	55,476.42	5.1
Debt Securities	7,624.53	0.7	7,920.96	0.7
Long Term	7,624.53	0.7	7,920.96	0.7
Short Term	-	-	-	-
Financial Derivatives	2.23	0.0	3.36	0.0
Forwards	-	-	3.36	0.0
Options	2.23	0.0	-	-
Other Investment	**428,760.41**	**41.8**	**429,579.44**	**39.7**
Other Equity	4,875.71	0.5	5,296.53	0.5
Currency and Deposits	34,352.51	3.3	5,844.99	0.5
Long Term	33,870.93	3.3	5,398.29	0.5
Short Term	481.58	0.0	446.70	0.0
Trade Credits and Advances	714.24	0.1	1,074.76	0.1
Long Term	124.30	0.0	137.54	0.0
Short Term	589.94	0.1	937.22	0.1
Loans	252,312.36	24.6	283,940.94	26.2
Long Term	205,881.84	20.1	229,949.00	21.3
Short Term	46,430.52	4.5	53,991.94	5.0
Insurance, Pension and Standardised Guarantees	730.97	0.1	730.23	0.1
Life & Non-life Insurance Reserves	730.97	0.1	730.23	0.1
Pension Entitlements / Claims	-	-	-	-
Standardised Guarantees	-	-	-	-
Other Accounts Payables	135,774.63	13.2	132,691.98	12.3
Long Term	124,520.97	12.1	117,820.45	10.9
Short Term	11,253.66	1.1	14,871.53	1.4
Grand Total	**1,026,031.28**	**100.0**	**1,081,941.93**	**100.0**

Flows of Foreign Liabilities

2.4. Total foreign liability inflows decreased by 4.9 per cent from KSh 377,174 million in 2014 to KSh 358,852 million in 2015, while outflows increased by 19.2 per cent to KSh 304,730 million in 2015, as presented in Table 2.2.

Consequently, net inflows declined by 55.4 per cent from KSh 121,450 million in 2014 to KSh 54,122 million in 2015. The decline in net inflows could be attributed to a 38.7 per cent decline in Other Investment inflows from KSh 134, 839 million in 2014 to KSh 82, 648 million in 2015, following a reduction of 83.1 per cent in other accounts payables.

2.5. FDI inflows accounted for 35.3 per cent and 40.0 per cent of the total inflows, in 2014 and 2015, respectively. These inflows increased by 8.0 per cent from KSh 133,105 million in 2014 to KSh 143,709 million in 2015, and were mainly in the form of equity and investment fund shares and long term debt instruments. Portfolio Investment inflows, mainly in the form of equity and investment fund shares, increased by 21.3 per cent from KSh 109,230 million in 2014 to KSh 132,495 million in 2015.

2.6. FDI outflows increased by 13.4 per cent to KSh102, 747 million in 2015 on account of retained earnings and long term debt instruments. Similarly, outflows of Portfolio Investment and Other Investment increased by 24.5 per cent and 18.5 per cent to KSh 131,579 million and KSh 70,403 million, respectively, in 2015.

Table 2. 2: Flows of Foreign Liabilities, 2014 – 2015

KSh Million

	2014			2015		
Categories	**Inflows**	**Outflows**	**Net**	**Inflows**	**Outflows**	**Net**
Foreign Direct Investment	**133,105.37**	**90,600.06**	**42,505.31**	**143,708.50**	**102,747.12**	**40,961.38**
Equity and Investment Fund Shares	61,816.74	40,956.42	20,860.32	46,797.19	37,998.71	8,798.48
Equity and Investment Fund Shares other than Reinvested Earnings	21,784.82	2,231.35	19,553.48	3,709.99	2,546.83	1,163.16
Retained Earnings	40,031.92	38,725.07	1,306.84	43,087.20	35,451.88	7,635.33
Debt Instruments	71,288.63	49,643.63	21,644.99	96,911.31	64,748.42	32,162.89
Long Term	44,195.58	25,921.84	18,273.74	70,883.32	42,662.71	28,220.61
Short Term	27,093.05	23,721.79	3,371.26	26,027.99	22,085.70	3,942.28
Portfolio Investment	**109,230.00**	**105,700.00**	**3,530.00**	**132,495.00**	**131,579.00**	**916.00**
Equity and Investment Fund Shares	109,230.00	105,700.00	3,530.00	132,495.00	131,433.88	1,061.12
Debt Securities	0.00	0.00	0.00	0.00	145.12	(145.12)
Long Term			0.00	0.00	145.12	(145.12)
Short Term	0.00	0.00	0.00	0.00	0.00	0.00
Financial Derivatives1	0.00	0.00	0.00	0.00	0.00	0.00
Forwards	0.00	0.00	0.00	0.00	0.00	0.00
Options			0.00			0.00
Other Investment	**134,838.62**	**59,423.94**	**75,414.68**	**82,648.17**	**70,403.39**	**12,244.78**
Other Equity	3,092.04	4,472.15	(1,380.11)	547.68	822.29	(274.61)
Currency and Deposits	1,112.91	565.27	547.65	687.69	2,195.21	(1,507.51)
Long Term	1,030.63	553.95	476.67	682.04	2,154.67	(1,472.63)
Short Term	82.28	11.31	70.97	5.66	40.54	(34.88)
Trade Credits and Advances	2,987.98	2,618.70	369.28	1,819.45	1,501.88	317.57
Long Term	29.41	4.13	25.28	14.33	1.09	13.24
Short Term	2,958.57	2,614.57	343.99	1,805.12	1,500.79	304.33
Loans	44,969.63	13,355.36	31,614.27	63,775.95	21,107.99	42,667.95
Long Term	31,453.42	10,453.09	21,000.32	54,030.13	18,776.58	35,253.55
Short Term	13,516.21	2,902.27	10,613.94	9,745.81	2,331.41	7,414.40
Insurance, Pension and Standardised Guarantees	1,105.70	1,193.22	(87.52)	2,006.86	1,359.59	647.27
Life & Non-life Insurance Reserves	1,105.70	1,193.22	(87.52)	2,006.86	1,359.59	647.27
Pension Entitlements / Claims	0.00	0.00	0.00	0.00	0.00	0.00
Standardised Guarantees	0.00	0.00	0.00	0.00	0.00	0.00
Other Accounts Payables	81,570.37	37,219.24	44,351.12	13,810.53	43,416.43	(29,605.90)
Long Term	73,088.78	31,826.17	41,262.61	1,101.67	30,301.84	(29,200.17)
Short Term	8,481.59	5,393.08	3,088.51	12,708.87	13,114.59	(405.72)
Grand Total	**377,173.99**	**255,724.00**	**121,450.00**	**358,851.67**	**304,729.52**	**54,122.15**

[1]Figures not reported

Stock of Foreign Liabilities by Economic Bloc and Country

2.7. Stock of foreign liabilities by economic bloc and country for the period 2014 and 2015 is presented in Table 2.3; and Figures 2.1 and 2.2. Europe remained the largest source of investment, accounting for 33.7 per cent and 34.6 per cent of total foreign liabilities in 2014 and 2015, respectively. The United Kingdom (UK), France and the Netherlands were the leading sources of foreign liabilities within the European Union (EU), with a combined stock of KSh 283,590 million in 2014 and KSh 301,108 million in 2015. Foreign investment from the United Kingdom increased from KSh 187,880 million 2014 to KSh 214,007 million in 2015, with its share also increasing from 18.3 per cent to 19.8 per cent, over the same period. Investments from the UK were mainly in the financial and insurance; manufacturing; information and communication; and transportation and storage sectors.

2.8. Asia was the second largest investor accounting for 15.5 per cent and 17.1 per cent of the total stock of foreign liabilities in 2014 and 2015, respectively. Investment from China increased from KSh 55,006 million in 2014 to KSh 77,036 million in 2015. Over the same period, investment from India also increased from KSh 32,434 million to KSh 39,472 million, while that from Japan increased from KSh 13,661 million to KSh 14,339 million. The stock of foreign liabilities attributable to America increased from KSh154,285 million in 2014 to KSh 157,629 million in 2015, however, its share to total foreign liabilities declined from 15.0 per cent to 14.6 per cent, respectively. Investment from the US increased from KSh 116,544 million in 2014 to KSh 119,921 million in 2015 and accounted for 11.1 per cent of the total stock of foreign liabilities in 2015. The investments from the US were mainly in the manufacturing; transportation and storage; and financial and insurance sectors.

2.9. The stock of foreign liabilities attributed to Africa increased from KSh 128,705 million in 2014 to KSh 149,253 million in 2015, reflecting a 16.0 per cent growth. The leading sources of investment from the region were Mauritius, South Africa and Egypt. The proportion of liabilities from the Common Market of Eastern and Southern Africa (COMESA) increased from 6.9 per cent in 2014 to 9.6 per cent in 2015, mainly attributed to build up in liabilities from Mauritius. Foreign capital from Mauritius was mainly in the information and communications sector. Foreign liabilities from the EAC region increased from KSh 7,757 million in 2014 to KSh 10,165 million in 2015, with its share increasing marginally to 0.9 per cent from 0.8 per cent, over the review period.

Table 2. 3: Stock of Foreign Liabilities by Economic Bloc, 2014-2015

	2014		2015	
Region	**KSh Million**	**% Share**	**KSh Million**	**% Share**
Africa	**128,705.31**	**12.5**	**149,253.49**	**13.8**
COMESA[1]	70,829.75	6.9	103,739.06	9.6
Mauritius	39,074.08	3.8	65,252.29	6.0
Egypt	21,036.71	2.1	21,898.10	2.0
Libya	2,455.11	0.2	3,059.67	0.3
Seychelles	394.13	0.0	1,247.16	0.1
Madagascar	951.37	0.1	1,004.37	0.1
Other COMESA	1,595.77	0.2	4,272.66	0.4
EAC	7,756.50	0.8	10,164.64	0.9
Uganda	3,408.33	0.3	6,373.35	0.6
Tanzania	2,433.93	0.2	3,159.83	0.3
Other EAC	1,914.24	0.2	631.47	0.1
OTHER AFRICA	55,441.62	5.4	42,354.61	3.9
South Africa	41,212.99	4.0	24,239.54	2.2
Nigeria	7,753.82	0.8	12,615.34	1.2
Benin	2,559.31	0.2	2,701.88	0.2
Cote d'Ivoire	1,058.03	0.1	1,116.89	0.1
Rest of Africa	2,857.47	0.3	1,680.96	0.2
America	**154,285.31**	**15.0**	**157,628.66**	**14.6**
North America	117,706.17	11.5	120,872.90	11.2
US	116,544.32	11.4	119,921.14	11.1
Canada	614.79	0.1	692.49	0.1
South America	2,213.06	0.2	- 2,883.02	- 0.3
Carribean	34,366.08	3.3	39,638.78	3.7
Asia	**158,941.62**	**15.5**	**184,747.40**	**17.1**
Far East	112,733.68	11.0	140,463.65	13.0
China	55,005.96	5.4	77,036.38	7.1
India	32,434.21	3.2	39,471.51	3.6
Japan	13,660.62	1.3	14,338.76	1.3
Pakistan	4,013.16	0.4	4,468.50	0.4
Hong Kong	1,964.43	0.2	3,618.55	0.3
Others	5,655.30	0.6	1,529.95	0.1
Middle East	46,207.94	4.5	44,283.75	4.1
United Arab Emirates	44,343.26	4.3	42,164.16	3.9
Israel	1,802.69	0.2	1,714.35	0.2
Others	62.00	0.0	405.25	0.0
Europe	**346,133.03**	**33.7**	**374,706.28**	**34.6**
Eastern Europe	588.59	0.1	707.17	0.1
EU	320,802.91	31.3	343,692.91	31.8
United Kingdom	187,879.70	18.3	215,401.20	19.9
France	57,269.09	5.6	62,277.94	5.8
Netherlands	38,441.41	3.7	25,390.12	2.3
Germany	17,134.05	1.7	16,431.99	1.5
Sweden	5,827.83	0.6	7,683.29	0.7
Luxembourg	3,483.05	0.3	6,660.99	0.6
Belgium	6,700.10	0.7	5,172.50	0.5
Others	4,067.67	0.4	4,674.88	0.4
Western Europe	24,741.54	2.4	30,306.20	2.8
Switzerland	23,047.37	2.2	29,170.40	2.7
Leichtenstein	1,514.32	0.1	777.48	0.1
Norway	169.97	0.0	358.32	0.0
Australia and Oceanic	**13,494.59**	**1.3**	**13,519.33**	**1.2**
International Financial Institutions/organizations[2]	**163,440.36**	**15.9**	**159,633.34**	**14.8**
Countries not stated	**61,031.06**	**5.9**	**42,453.44**	**3.9**
Grand Total	**1,026,031.28**	**100.0**	**1,081,941.93**	**100.0**

[1] *Includes Uganda, Rwanda and Burundi*

[2] *Includes AfDB, IFC,JICA,IFAD, EIB,PTA,KFW, International Freephone*

Figure 2. 1: Share of Stock of Foreign Liabilities by Economic Bloc, 2014

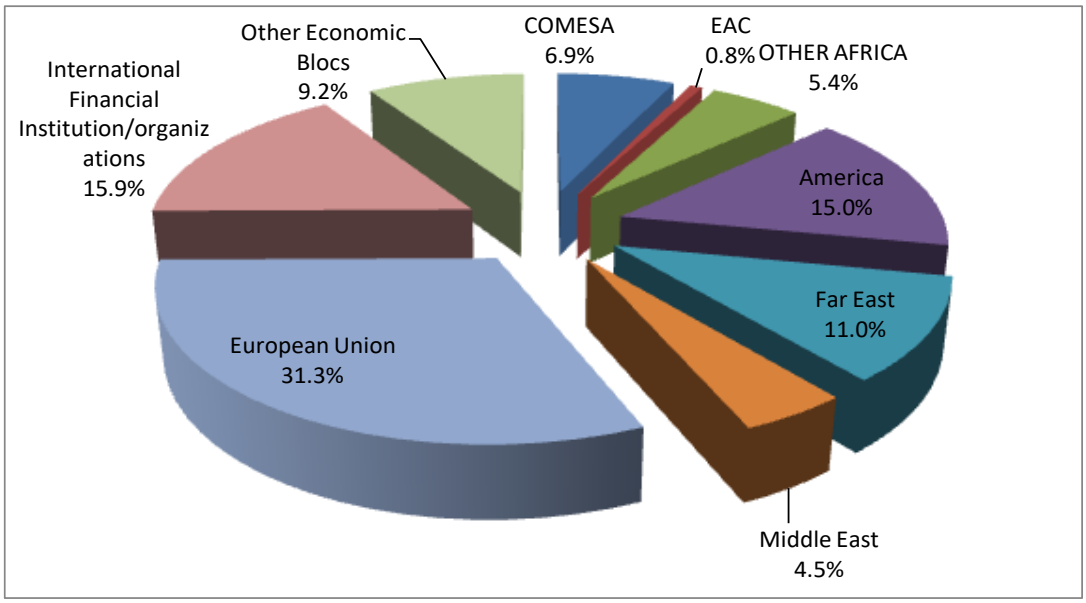
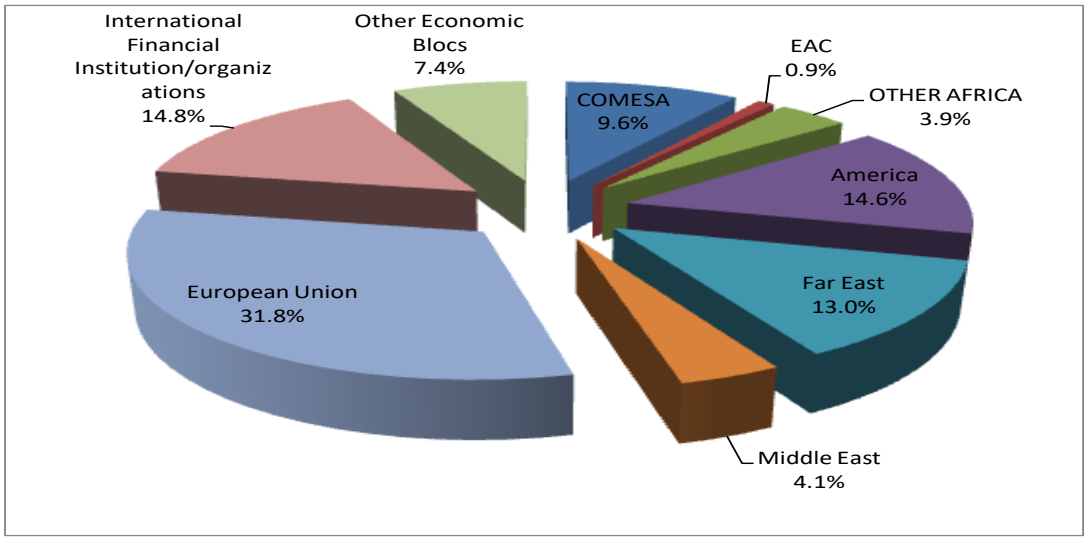


Figure 2. 2: Share of Stock of Foreign Liabilities by Economic Bloc, 2015



Flows of Foreign Liabilities by Economic Bloc and Country

2.10. Flows of foreign liabilities by economic bloc and country is presented in Table 2.4. Inflows from Asia increased from KSh 79,369 million in 2014 to KSh 138,782 million in 2015.These inflows mainly originated from India, Japan and China. China recorded significant increase of inflows from KSh 23,546 million in 2014 to KSh 96,049 million in 2015, investing mainly in the construction; and mining and quarrying sectors. Inflows from Europe decreased from KSh 94,723 million in 2014 to KSh 93,188 million in 2015. United Kingdom and France were the major sources of inflows from the region recording KSh 44,657 million and KSh 15,322 million respectively, in 2015. Inflows from the United States of America decreased to KSh 28,879 million in 2015 from KSh 91,831 million in 2014. Within the African region, inflows of foreign liabilities also declined from KSh 64,456 million in 2014 to KSh 51,553 million in 2015. The decline was mainly in the COMESA region, following a substantial reduction of inflows from Mauritius and Egypt. However, the EAC region recorded higher inflows of KSh 10,505 million in 2015 compared to KSh 6,141 million in 2014, following increased inflows from Uganda.

2.11. Outflows of foreign liabilities increased by 19.2 per cent to KSh 304,730 million in 2015, and were mainly to Asia and Europe. Outflows to Asia increased by 69.5 per cent in 2015, and were mainly to China and Japan, with a combined outflow of KSh 83,827 million in 2015 compared to KSh 38,111 million in 2014. Outflows to Europe went up by KSh 14,695 million to KSh 88,208 million in 2015 and were mainly to the United Kingdom and Sweden. Outflows to Africa declined to KSh 52,057 million in 2015 from KSh 58,173 million in 2014, on account of low outflows to Egypt and South Africa.

2.12. Total net inflows declined by 55.4 per cent to KSh 54,122 million in 2015, following a substantial reduction in inflows from the US from KSh 63,845 million in 2014 to KSh 5,922 million in 2015. Consequently, the share of net inflows from the US to total net inflows declined to 1.9 per cent from 55.4 per cent over the same period. Net inflows from Europe also declined to KSh 4,980 million in 2015 from KSh 20,660 million in 2014, mainly due to reduction in net inflows from Germany. Net inflows from Africa depicted mixed performance, with that from COMESA declining due to lower inflows in 2015 compared to 2014, and relatively high outflows in 2015. EAC recorded a net inflow of KSh 537 million in 2015 compared to a net outflow of KSh 475 million in 2014 while other countries in Africa (Other Africa) recorded a net inflow of KSh 18,467 million compared to KSh 17,682 million over the same period. Asia recorded higher net inflows of KSh 28,365 million in 2015 from KSh 14,221 million in 2014, mainly from China and India.

Table 2. 4: Flows of Foreign Liabilities by Economic Bloc, 2014-2015

KSh Million

Region/Country	2014			2015		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Africa	**64,455.90**	**58,173.09**	**6,282.81**	**51,553.10**	**52,057.47**	**(504.38)**
COMESA[1]	**32,435.76**	**44,136.83**	**(11,701.07)**	**22,847.91**	**41,455.04**	**(18,607.13)**
Mauritius	15,307.52	4,234.53	11,072.99	7,258.75	10,793.80	(3,535.06)
Egypt	10,206.86	33,165.54	(22,958.69)	180.94	18,750.54	(18,569.60)
Seychelles	27.30	140.03	(112.73)	0.00	701.37	(701.37)
South Sudan	120.05	67.23	52.82	0.00	91.52	(91.52)
Ethiopia	3.85	67.23	(63.38)	1.98	91.73	(89.74)
Sudan	7.22	7.15	0.07	4.22	4.94	(0.72)
Zambia	0.55	83.05	(82.51)	1.11	92.64	(91.53)
Other COMESA Countries	1,029.54	(138.01)	1,167.55	4,928.50	1,358.20	3,570.31
EAC	**6,140.95**	**6,615.95**	**(474.99)**	**10,505.04**	**9,967.25**	**537.79**
Tanzania	408.07	105.87	302.20	32.63	396.95	(364.31)
Uganda	4,554.69	6,508.51	(1,953.82)	9,237.10	6,467.49	2,769.61
Burundi	3.07	1.57	1.50	1.81	1.69	0.11
Rwanda	1,175.12	0.00	1,175.12	1,233.50	3,101.12	(1,867.62)
Africa Other	**31,612.07**	**13,930.39**	**17,681.69**	**28,672.55**	**10,205.48**	**18,467.07**
Nigeria	2,545.78	754.12	1,791.66	2,206.48	88.61	2,117.87
Togo	0.00	0.00	(0.00)	0.00	0.00	(0.00)
Benin	67.52	0.00	67.52	0.00	548.29	(548.29)
South Africa	25,312.18	12,761.88	12,550.30	26,462.70	7,499.26	18,963.44
Cote d'Ivore	23.70	0.00	23.70	0.00	192.44	(192.44)
Ghana	3,660.89	413.60	3,247.29	0.25	1,872.05	(1,871.80)
Rest of Africa	2.01	0.78	1.23	3.12	4.83	(1.71)
America	**91,831.24**	**27,986.69**	**63,844.55**	**28,879.21**	**22,957.28**	**5,921.92**
North America	**84,912.62**	**17,460.24**	**67,452.37**	**23,928.32**	**22,806.20**	**1,122.13**
US	84,539.57	17,203.29	67,336.28	23,616.83	22,607.98	1,008.85
Canada	373.05	256.95	116.10	311.49	198.22	113.27
South America & Carribean	**6,918.63**	**10,526.45**	**(3,607.82)**	**4,950.88**	**151.09**	**4,799.80**
Asia	**79,369.00**	**65,148.18**	**14,220.82**	**138,781.89**	**110,416.69**	**28,365.21**
Far East	**48,651.12**	**46,170.65**	**2,480.46**	**130,430.53**	**93,184.93**	**37,245.60**
India	7,640.10	6,821.24	818.86	14,306.22	4,222.69	10,083.53
China	23,546.24	23,753.63	(207.39)	96,048.51	65,774.01	30,274.51
Japan	13,679.57	14,357.48	(677.91)	18,173.66	18,053.17	120.49
Pakistan	1,843.33	0.76	1,842.56	1,546.33	0.00	1,546.33
Malaysia	241.40	1.90	239.50	136.64	0.62	136.02
South Korea	32.97	115.47	(82.50)	27.45	8.78	18.67
Other Far East Countries	1,667.51	1,120.17	547.34	191.71	5,125.66	(4,933.95)
Middle East	**30,717.88**	**18,977.52**	**11,740.36**	**8,351.36**	**17,231.75**	**(8,880.39)**
United Arab Emirates	30,381.11	18,726.79	11,654.31	8,089.15	10,562.48	(2,473.33)
Israel	241.56	62.80	178.76	98.71	6,413.72	(6,315.01)
Saudi Arabia	43.59	53.60	(10.01)	130.16	240.07	(109.92)
Other Middle East Countries	51.62	134.33	(82.71)	33.34	15.47	17.87
Europe	**94,723.37**	**73,513.73**	**21,209.64**	**93,188.31**	**88,208.26**	**4,980.05**
EU	**87,702.41**	**67,042.54**	**20,659.87**	**85,277.71**	**83,453.41**	**1,824.31**
United Kingdom	37,040.47	28,547.07	8,493.40	44,656.91	34,336.02	10,320.89
France	12,865.81	14,471.04	(1,605.23)	15,322.37	11,442.54	3,879.82
Sweden	8,761.03	3,321.74	5,439.29	7,481.58	6,911.37	570.21
Luxembourg	3,516.88	33.78	3,483.10	2,977.25	174.95	2,802.30
Germany	13,351.21	1,554.06	11,797.16	4,725.12	3,689.95	1,035.17
Other EU Countries	12,167.00	19,114.85	(6,947.85)	10,114.49	26,898.59	(16,784.10)
Western Europe	**7,018.97**	**6,467.72**	**551.24**	**7,906.89**	**4,670.75**	**3,236.14**
Switzerland	6,843.48	5,329.57	1,513.90	7,740.90	2,983.33	4,757.57
Turkey	14.30	0.00	14.30	2.86	2.76	0.10
Other Western Europe Countries	161.19	1,138.15	(976.96)	163.14	1,684.67	(1,521.53)
Rest of Europe	**2.00**	**3.47**	**(1.47)**	**3.70**	**84.10**	**(80.40)**
Australia & Oceanic	**731.65**	**1,236.60**	**(504.95)**	**21.97**	**1,812.28**	**(1,790.31)**
International Financial Institutions[2]	**36,457.88**	**21,313.70**	**15,144.18**	**36,221.17**	**15,982.58**	**20,238.59**
Country Not Stated	**9,604.95**	**8,352.00**	**1,252.94**	**10,206.03**	**13,294.95**	**(3,088.93)**
Grand Total	**377,174.00**	**255,724.00**	**121,450.00**	**358,851.67**	**304,729.52**	**54,122.16**

[1] Includes Uganda, Rwanda and Burundi

[2] Includes AfDB, IFC,JICA,IFAD, EIB,PTA,KFW, International Freephone

Figure 2.3: Share of Inflows of Foreign Liabilities by Economic Bloc, 2014

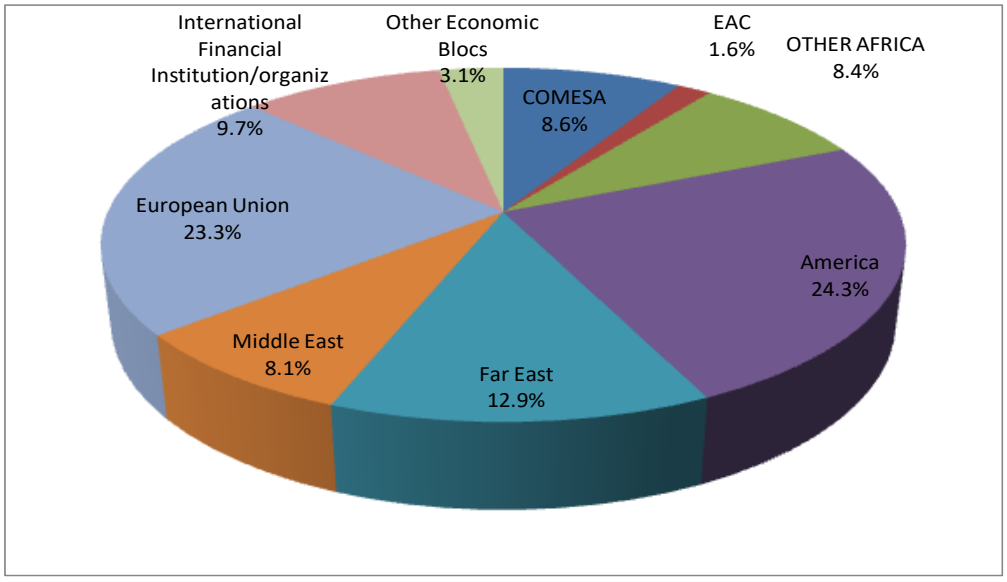
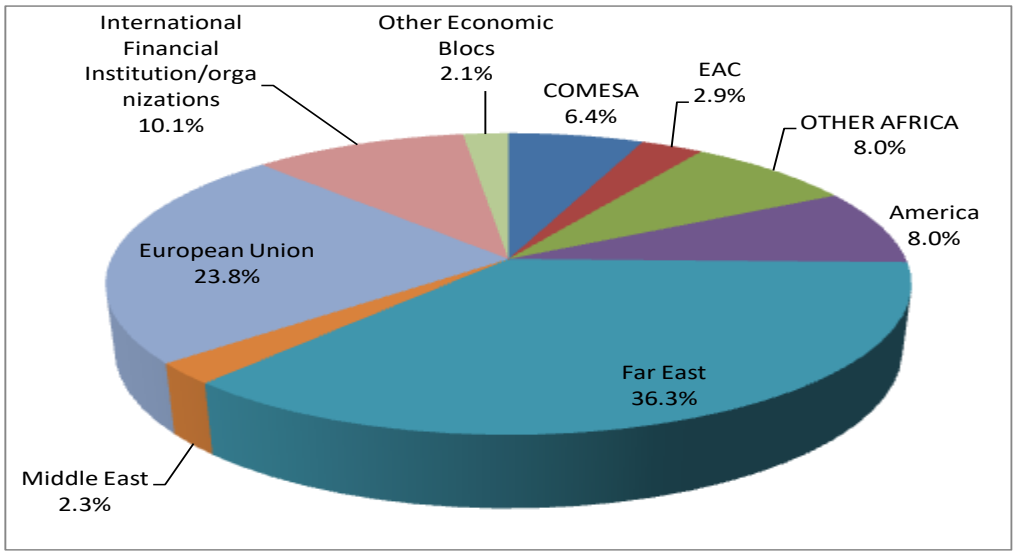


Figure 2. 4: Share of Inflows of Foreign Liabilities by Economic Bloc, 2015



Stock of FDI Liabilities by Economic Bloc and Country

2.13. The stock of FDI liabilities by economic bloc and country increased to KSh 588,962 million in 2015, a 10.1 per cent increase from the previous year as presented in Table 2.5. The growth in stock of FDI liabilities was mainly driven by Africa, Asia and Europe.

2.14. Europe remained the dominant source of FDI stock accounting for 49.8 per cent and 48.5 per cent of the total FDI stock in 2014 and 2015, respectively. However, there were divergent developments for the individual countries within the bloc. The stock of FDI from the United Kingdom and France increased by 14.7 per cent and 10.6 per cent to KSh 166,465 million and KSh 54,373 million, respectively, in 2015, while the stock of FDI from the Netherlands declined by 37.5 per cent to KSh 20,439 million. Reflecting these trends, the share of FDI stock from the UK increased to 28.3 per cent, in 2015, while the share of FDI stock from the Netherlands declined to 3.5 per cent.

2.15. Africa contributed the second largest proportion of total FDI stock followed by Asia accounting for 19.4 per cent and 18.9 per cent, respectively, in 2015. Within Africa, COMESA contributed the largest share of stock of FDI accounting for 64.5 per cent in 2015. The stock of FDI from the COMESA region was largely from Mauritius which accounted for 84.7 per cent of the stock in 2015.

2.16. Stock of FDI liabilities from Asia increased by 13.5 per cent to KSh 111,139 million in 2015. Stock of FDI from Asia were predominantly from the Far East which contributed nearly two thirds of total FDI liabilities stocks attributable to the region in 2015. The stock of FDI liabilities from the Far East was mainly from India, Japan and China which contributed 54.7, 17.3 and 14.5 per cent, respectively, in 2015.

2.17. Stock of FDI from North America and the Caribbean registered increases of 15.7 per cent and 13.9 per cent, respectively, in 2015. The increase in investment from North America reflected a 15.7 per cent increase in FDI stock from the United States to KSh 36,234 million in 2015.

2.18. In 2015, the stock of FDI attributable to the EAC declined by 4.9 per cent to KSh 4,425 million, with Uganda and Tanzania contributing 52.9 per cent and 45.6 per cent of total FDI stock, respectively. Stock of FDI from Uganda increased by 3.8 per cent to KSh 2,340 million while that from Tanzania declined by 14.3 per cent to KSh 2,020 million in 2015.

Table 2. 5: Stock of FDI Liabilities by Economic Bloc and Country, 2014-2015

KSh million

	2014		2015	
Region/Country	**KSh Million**	**% Share**	**KSh Million**	**% Share**
Africa	**95,163.57**	**17.8**	**114,203.89**	**19.4**
COMESA[1]	42,616.78	8.0	73,606.32	12.5
Mauritius	35,863.75	6.7	62,336.67	10.6
Libya	2,379.03	0.4	3,015.15	0.5
Madagascar	921.89	0.2	989.75	0.2
Seychelles	381.91	0.1	1,229.01	0.2
Other COMESA	775.19	0.1	3,630.77	0.6
EAC	4,652.82	0.9	4,424.67	0.8
Tanzania	2,357.82	0.4	2,019.70	0.3
Uganda	2,254.50	0.4	2,340.24	0.4
Other EAC	40.50	0.0	64.73	0.0
Other Africa	50,188.97	9.4	38,577.88	6.6
South Africa	39,288.89	7.3	22,567.67	3.8
Nigeria	7,512.54	1.4	12,395.02	2.1
Cote d`Ivoire (Ivory Coast)	870.45	0.2	934.53	0.2
Benin	2,480.00	0.5	2,662.56	0.5
Rest of Africa	37.09	0.0	18.10	0.0
America	**59,632.31**	**11.2**	**63,201.36**	**10.7**
North America	31,798.93	5.9	36,785.63	6.2
US	31,322.49	5.9	36,234.05	6.2
Canada	476.44	0.1	551.58	0.1
South America	2,144.48	0.4	- 2,841.07	(0.5)
Carribean	25,688.90	4.8	29,256.80	5.0
Asia	**97,928.70**	**18.3**	**111,138.52**	**18.9**
Far East	54,498.14	10.2	69,564.29	11.8
India	30,907.61	5.8	38,056.76	6.5
China	3,739.23	0.7	10,073.52	1.7
Japan	10,743.65	2.0	12,036.17	2.0
Pakistan	3,888.79	0.7	4,403.48	0.7
Hong Kong	1,903.56	0.4	3,565.90	0.6
Others	3,315.32	0.6	1,428.46	0.2
Middle East	43,430.56	8.1	41,574.23	7.1
United Arab Emirates	41,978.61	7.8	39,880.32	6.8
Israel	1,409.68	0.3	1,308.71	0.2
Others	42.27	0.0	385.20	0.1
Europe	**266,129.20**	**49.8**	**285,393.96**	**48.5**
Eastern Europe	551.80	0.1	596.27	0.1
EU	244,225.04	45.7	259,980.56	44.1
United Kingdom	145,079.82	27.1	166,465.23	28.3
France	49,150.10	9.2	54,373.33	9.2
Netherlands	32,675.69	6.1	20,439.46	3.5
Sweden	5,244.55	1.0	6,555.93	1.1
Germany	6,271.64	1.2	4,558.02	0.8
Belgium	4,253.94	0.8	4,238.26	0.7
Others	1,549.31	0.3	3,350.32	0.6
Western Europe	21,352.36	4.0	24,817.14	4.2
Switzerland	19,753.09	3.7	23,743.12	4.0
Leichtenstein	1,467.40	0.3	761.21	0.1
Norway	131.88	0.0	312.80	0.1
Ausralia & Oceanic	**11,823.96**	**2.2**	**13,002.58**	**2.2**
International Financial Institutions/organization[2]	**3,104.48**	**0.6**	**-**	**-**
Country Not Stated	**1,005.04**	**0.2**	**2,021.44**	**0.3**
Grand Total	**534,787.25**	**100.0**	**588,961.76**	**100.0**

[1] *Includes Uganda, Rwanda and Burundi*

[2] *Includes AfDB, IFC,JICA,IFAD, EIB,PTA,KFW, International Freephone*

Flows of FDI Liabilities by Economic Bloc and Country

2.19. Total FDI inflows increased by 8.0 per cent from KSh 133,105 million in 2014 to KSh 143,709 million in 2015 as shown in Table 2.6. FDI outflows also increased by 13.4 per cent to KSh 102,747 million in 2015.

2.20. FDI inflows from the EU and the Far East accounted for 31.9 per cent and 21.7 per cent, respectively, in 2014. In 2015, this trend was reversed with the share of FDI inflows from Far East increasing to 43.0 per cent, and that from the EU declining to 25.9 per cent.

2.21. China, India and Japan remained the dominant sources of FDI inflows within the Far East, jointly accounting for 92.3 per cent and 98.2 per cent, respectively, in 2014 and 2015. FDI inflows from China more than doubled to KSh 35,269 million accounting for 67.7 per cent of inflows from the Far East in 2015, compared with 48.3 per cent in 2014. FDI inflows from India also more than doubled to KSh 7,986 million, while those from Japan increased by 24.2 per cent to KSh 10,898 million in 2015.

2.22. Despite a 27.1 per cent decline in FDI inflows from the United Kingdom in 2015, the country remained the dominant source accounting for 40.4 per cent of the inflows from the EU region. In contrast, inflows from France increased by 20.1 per cent to KSh 11,264 million in 2015, raising its contribution to total FDI inflows from the EU from 22.1 per cent in 2014 to 30.2 per cent.

2.23. Countries outside the EAC and COMESA region constituted the bulk of FDI inflows contributing 13.6 per cent and 11.9 per cent of total FDI inflows in 2014 and 2015, respectively. South Africa was the leading source of inflows from Africa accounting for 58.5 per cent and 63.4 per cent of the total FDI inflows in 2014 and 2015, respectively.

2.24. FDI outflows were mainly to the EU and Far East accounting for 31.7 per cent and 47.6 per cent of the total FDI outflows, respectively, in 2015 compared to 34.5 per cent and 27.0 per cent in 2014.

2.25. During the period under review, China, India and Japan accounted for the bulk of FDI outflows to the Far East. FDI outflows to China rose significantly from KSh 13,586 million in 2014 to KSh 35,269 million in 2015, while those to Japan increased from KSh 7,839 million to KSh 9,542 million during the review period. In contrast, FDI outflows to India declined by 49.2 per cent to KSh 1,342 million.

2.26. United Kingdom, France, Netherlands and Sweden were the main destinations of FDI outflows within the EU in 2015. This notwithstanding, FDI outflows to the UK and France declined by 38.2 per cent and 20.6 per cent to KSh 6,779 million and KSh 6,807 million, respectively, in 2015. In contrast, FDI outflows to Sweden more than doubled from KSh 1,791 million to KSh 3,697 million in 2015, while those from the Netherlands registered a sharp increase of 50.5 per cent to KSh 11,757 million.

2.27. Mauritius was the main destination of FDI outflows within COMESA in both years. FDI outflows to Mauritius rose significantly from KSh 2,479 million to KSh 6,150 million in 2015. On the other hand, FDI outflows to South Africa declined by 45.0 per cent to KSh 3,958 million, but the country remained the leading destination within the "Other Africa" category in 2015.

2.28. Net FDI inflows decreased by 3.6 per cent to KSh 40,961 million in 2015, mainly occasioned by declines of 57.5 per cent and 94.8 per cent from EU and COMESA, respectively. However, net FDI inflows from Far East increased significantly from KSh 4,442 million in 2014 to KSh 12,863 million in 2015. These trends resulted in a significant shift

in the share of net FDI inflows from the Far East Asia, which rose from 10.5 per cent in 2014 to 31.4 per cent in 2015. The share of net FDI inflows from COMESA declined from 11.4 per cent to 1.0 per cent during the review period.

Table 2. 6: Flows of FDI Liabilities by Economic Bloc and Country, 2014-2015

KSh million

Region/Country	2014			2015		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Africa	**28,033.69**	**12,467.01**	**15,566.68**	**24,691.52**	**11,911.06**	**12,780.46**
COMESA[1]	**9,612.30**	**4,775.04**	**4,837.26**	**7,658.59**	**7,250.56**	**408.03**
Mauritius	9,304.88	2,479.03	6,825.85	4,498.22	6,149.55	(1,651.34)
Egypt	1.88	0.00	1.88	8.19	0.00	8.19
South Sudan	80.31	39.81	40.50	0.00	53.54	(53.54)
Eritrea	0.00	39.81	(39.81)	0.00	53.54	(53.54)
Seychelles	18.26	82.91	(64.65)	0.00	410.27	(410.27)
Madagascar	16.79	0.00	16.79	0.00	119.22	(119.22)
Ethiopia	2.57	39.81	(37.23)	1.14	53.54	(52.39)
Democratic Republic of Congo	0.23	31.76	(31.54)	0.00	6.38	(6.38)
Djibouti	0.00	0.00	0.00	2,914.13	0.00	2,914.13
Other COMESA Countries	0.37	(104.98)	105.35	1.13	222.96	(221.83)
EAC	**445.72**	**2,215.20**	**(1,769.48)**	**237.47**	**395.82**	**(158.36)**
Tanzania	258.70	48.30	210.41	1.68	214.25	(212.57)
Burundi	0.86	0.00	0.86	0.00	0.00	0.00
Uganda	176.70	2,166.90	(1,990.20)	210.44	181.56	28.87
Rwanda	9.45	0.00	9.45	25.35	0.01	25.34
Other Africa	**18,162.69**	**7,643.67**	**10,519.02**	**17,031.24**	**4,446.24**	**12,585.00**
Nigeria	1,701.90	446.51	1,255.39	1,366.61	51.83	1,314.78
Togo	0.00	0.03	(0.03)	0.09	0.00	0.09
Cote d'Ivoire (Ivory Coast)	15.85	0.00	15.85	0.00	112.57	(112.57)
Benin	45.16	0.00	45.16	0.00	320.72	(320.72)
South Africa	16,399.09	7,196.70	9,202.39	15,663.51	3,958.30	11,705.21
Rest of Africa	0.68	0.43	0.25	1.04	2.82	(1.79)
America	**12,199.25**	**6,731.69**	**5,467.56**	**12,312.96**	**719.54**	**11,593.42**
North America	**7,571.13**	**499.03**	**7,072.10**	**9,156.81**	**568.45**	**8,588.36**
US	7,424.81	428.50	6,996.31	9,085.71	568.45	8,517.26
Canada	146.32	70.53	75.79	71.10	0.00	71.10
Carribean	**4,579.67**	**6,232.66**	**(1,653.00)**	**3,150.34**	**151.09**	**2,999.25**
British Virgin Island	992.90	13.20	979.70	1,545.02	129.77	1,415.25
Cayman Islands	3,586.76	6,138.81	(2,552.05)	1,441.86	21.32	1,420.54
Other Carribean Countries	0.00	80.65	(80.65)	163.46	0.00	163.46
Rest of America	**48.45**	**0.00**	**48.45**	**5.81**	**0.00**	**5.81**
Asia	**47,048.65**	**33,450.87**	**13,597.78**	**65,866.81**	**54,385.45**	**11,481.36**
Far East	**28,907.30**	**24,465.31**	**4,441.99**	**61,812.15**	**48,949.10**	**12,863.06**
India	3,949.63	2,642.99	1,306.64	7,986.46	1,341.65	6,644.81
China	13,966.90	13,586.20	380.70	41,822.46	35,268.85	6,553.61
Japan	8,772.75	7,839.22	933.53	10,897.57	9,541.75	1,355.81
Hong Kong	767.82	326.87	440.95	28.41	815.15	(786.74)
Pakistan	1,233.07	0.00	1,233.07	985.77	0.00	985.77
Other Far East Countries	217.12	70.02	147.10	91.49	1,981.69	(1,890.20)
Middle East	**18,141.36**	**8,985.56**	**9,155.80**	**4,054.66**	**5,436.35**	**(1,381.69)**
United Arab Emirates	17,977.89	8,885.64	9,092.25	4,006.72	5,370.29	(1,363.57)
Saudi Arabia	0.00	20.38	(20.38)	0.00	53.81	(53.81)
Israel	128.93	0.00	128.93	26.69	3.20	23.48
Bahrain	0.00	79.54	(79.54)	21.26	0.00	21.26
Other Middle East Countries	34.53	0.00	34.53	0.00	9.05	(9.05)
Europe	**44,573.23**	**33,581.41**	**10,991.82**	**38,835.44**	**34,047.58**	**4,787.86**
EU	**42,391.38**	**31,261.91**	**11,129.47**	**37,279.23**	**32,553.19**	**4,726.04**
France	9,382.08	8,570.83	811.25	11,264.43	6,806.94	4,457.49
United Kingdom	20,670.41	10,967.67	9,702.74	15,076.17	6,779.05	8,297.12
Sweden	4,732.42	1,790.99	2,941.44	4,646.16	3,697.10	949.06
Belgium	2,431.55	31.15	2,400.40	41.09	68.65	(27.56)
Netherlands	1,350.27	7,810.13	(6,459.87)	2,353.11	11,756.56	(9,403.45)
Germany	1,658.87	778.81	880.06	1,542.36	1,554.59	(12.23)
Other EU Countries	2,165.78	1,312.32	853.45	2,355.91	1,890.31	465.60
Western Europe	**2,180.60**	**2,317.48**	**(136.88)**	**1,555.35**	**1,445.20**	**110.15**
Switzerland	2,081.53	1,651.25	430.28	1,451.35	464.08	987.27
Norway	25.30	21.62	3.67	0.00	59.79	(59.79)
Leichtenstein	73.78	644.61	(570.83)	104.00	921.32	(817.32)
Rest of Europe	**1.25**	**2.03**	**(0.78)**	**0.85**	**49.19**	**(48.34)**
Australia & Oceanic	**24.71**	**731.17**	**(706.46)**	**13.32**	**127.02**	**(113.69)**
Australia	24.71	731.17	(706.46)	13.32	127.02	(113.69)
International Financial Institutions/Organisations[2]	**0.00**	**2,038.59**	**(2,038.59)**	**381.98**	**381.98**	**0.00**
Country Not Stated	**1,225.84**	**1,599.31**	**(373.47)**	**1,606.47**	**1,174.50**	**431.97**
Grand Total	**133,105.37**	**90,600.06**	**42,505.31**	**143,708.50**	**102,747.12**	**40,961.38**

[1]Includes Uganda, Rwanda and Burundi

[2]Includes AfDB, IFC,JICA,IFAD, EIB,PTA,KFW, International Freephone

Stock of FDI liabilities by Sector

2.29. Stock of FDI liabilities by sector is presented in Table 2.7. The stock of FDI liabilities increased by 10.1 per cent from KSh 534,787 million in 2014 to KSh 588,962 million in 2015. Financial and insurance activities had the highest proportion of stock of FDI liabilities accounting for 34.4 per cent and 34.5 per cent of the total stock of FDI liabilities in 2014 and 2015, respectively. This was followed by manufacturing sector accounting for 21.0 per cent and 20.7 per cent of the total stock of FDI liabilities in 2014 and 2015, respectively. During the same period, the share of FDI inflows to the information and communication sector increased from 18.2 per cent in 2014 to 20.0 per cent to 2015.

2.30. The highest growth in the stock of FDI liabilities was recorded in the construction sector from KSh 9,575 million in 2014 to KSh 15,444 million in 2015. Other significant growths in stock of FDI liabilities were recorded in education; electricity, gas, steam and air conditioning supply; and information and communication sectors at 30.2, 21.4 and 20.8 per cent, respectively. There was a significant drop in the stock of FDI liabilities in the transportation and storage sector from KSh 11,650 million in 2014 to a negative position of KSh 393 million in 2015. Other sectors that recorded declines in the stock of FDI liabilities were agriculture, forestry and fishing; mining and quarrying; and professional, scientific and technical activities.

Table 2. 7: Stock of FDI liabilities by Sector, 2014-2015

	2014		2015	
Sector	**KSh Million**	**% Share**	**KSh Million**	**% Share**
A. Agriculture, forestry and fishing	2,778.88	0.5	2,492.48	0.4
B. Mining and quarrying	7,134.09	1.3	6,869.73	1.2
C. Manufacturing	112,401.86	21.0	121,760.68	20.7
D. Electricity, gas, steam and air conditioning supply	11,441.58	2.1	13,886.08	2.4
E. Water supply; sewerage, waste management and remediation activities	0.10	0.0	0.10	0.0
F. Construction	9,574.60	1.8	15,443.58	2.6
G. Wholesale and retail trade	64,520.89	12.1	71,746.04	12.2
H. Transportation and storage	11,649.54	2.2	(392.97)	(0.1)
I. Accommodation and food service activities	14,417.37	2.7	14,947.92	2.5
J. Information and communication	97,354.38	18.2	117,652.17	20.0
K. Financial and insurance activities	183,722.77	34.4	203,089.67	34.5
L. Real estate activities	120.23	0.0	127.09	0.0
M. Professional, scientific and technical activities	7,526.46	1.4	7,328.97	1.2
N. Administrative and support service activities	6,926.95	1.3	7,025.56	1.2
P. Education	4,666.89	0.9	6,075.83	1.0
Q. Human health and social work activities	-	-	-	-
R. Arts, entertainment and recreation	-	-	-	-
S. Other service activities	550.67	0.1	908.83	0.2
Total	**534,787.25**	**100.0**	**588,961.76**	**100.0**

Flows of FDI liabilities by Sector

2.31. The sectoral distribution of FDI flows is presented in Table 2.8. Inflows of foreign liabilities increased from KSh 133,105 million in 2014 to KSh 143,709 million in 2015. Inflows to the construction sector accounted for the highest proportion of FDI inflows at 29.6 per cent, and nearly tripled to KSh 42,478 million in 2015. FDI inflows to the manufacturing sector increased by 20.0 per cent to KSh 25,121 million in 2015. However, FDI inflows to the financial and insurance sector declined by 4.5 per cent to KSh 40,505 million in 2015. Similarly, FDI inflows to the information and communication sector more than halved in 2015.

2.32. FDI inflows to transportation and storage sector increased threefold from KSh 779 million in 2014 to KSh 2,324 million in 2014.FDI inflows to wholesale and retail trade; and administrative and support sectors declined by 18.9 per cent and 26.1 per cent to KSh 12,350 million and KSh 585 million, respectively in 2015.

2.33. Outflows of FDI increased by 13.4 per cent from KSh 90,600 million in 2014 to KSh 102,747 million in 2015. FDI outflows from agriculture, forestry and fishing almost doubled to KSh 4,458 million in 2015. FDI outflows from construction sector increased almost threefold from KSh 13,554 million in 2014 to KSh 36,477 million in 2015. Other notable increases in FDI outflows were recorded in transportation and storage and information and communication sectors. There were significant declines of 31.4, 36.2 and 30.7 per cent in FDI outflows from manufacturing; financial and insurance; and wholesale and retail trade sectors respectively, in 2015.

2.34. Net FDI inflows declined by 3.6 per cent to KSh 40,961 million in 2015. The decline was mainly as a result of net outflows of KSh 2,806 million in information and communication sector. However, net FDI inflows to manufacturing sector increased from KSh 1,085 million in 2014 to KSh 11,510 million in 2015, while that to construction sector tripled to KSh 6,001 million during the same period. The highest proportion of net FDI inflows were recorded in financial and insurance activities at 73.0 per cent and 81.2 per cent in 2014 and 2015, respectively.

Table 2. 8: Flows of FDI liabilities by Sector, 2014-2015

KSh Million

	2014			2015		
Sector	Inflows	Outflows	Net	Inflows	Outflows	Net
A. Agriculture, forestry and fishing	2,334.32	2,343.88	(9.57)	1,893.48	4,457.74	(2,564.26)
B. Mining and quarrying	0.00	6,453.33	(6,453.33)	0.00	2,706.86	(2,706.86)
C. Manufacturing	20,928.23	19,842.89	1,085.34	25,121.33	13,611.08	11,510.24
D. Electricity, gas, steam and air conditioning supply	2,394.29	360.94	2,033.35	760.69	314.29	446.40
E. Water supply; sewerage, waste management and remediation activities	0.00	30.61	(30.61)	0.00	6.98	(6.98)
F. Construction	15,491.09	13,554.12	1,936.97	42,477.79	36,476.69	6,001.10
G. Wholesale and retail trade	15,232.19	12,247.17	2,985.02	12,349.99	8,483.87	3,866.12
H. Transportation and storage	779.29	7,161.03	(6,381.74)	2,323.86	7,782.21	(5,458.36)
I. Accommodation and food service activities	912.41	(108.54)	1,020.95	843.24	2,416.54	(1,573.30)
J. Information and communication	30,653.46	16,666.72	13,986.74	14,722.52	17,528.61	(2,806.09)
K. Financial and insurance activities	42,409.12	11,373.03	31,036.10	40,505.30	7,252.63	33,252.67
L. Real estate activities	22.15	0.16	21.99	1.52	0.00	1.52
M. Professional, scientific and technical activities	175.87	167.66	8.22	350.68	803.82	(453.14)
N. Administrative and support service activities	791.83	155.36	636.47	585.09	381.64	203.44
P. Education	605.12	351.03	254.09	1,344.31	374.75	969.56
Q. Human health and social work activities	0.00	0.00	0.00	0.00	0.00	0.00
R. Arts, entertainment and recreation	0.00	0.00	0.00	0.00	0.00	0.00
S. Other service activities	376.00	0.66	375.34	428.70	149.40	279.30
Total	**133,105.37**	**90,600.06**	**42,505.31**	**143,708.50**	**102,747.12**	**40,961.38**

Stock of Private Sector External Debt

2.35. The stock of Private Sector External Debt (PSED) increased by 0.6 per cent to KSh 586,765 million in 2015 as presented in Table 2.9. Debt from unrelated enterprises falling under Other Investment category contributed the highest share of total stock of PSED at 72.3 per cent in 2015 and was mainly driven by loans and other accounts payables. Debt associated with FDI accounted for 26.3 per cent of the total stock of PSED in 2015. This resulted from 40.7 per cent increase in long term debt instruments.

Table 2. 9: Stock of Private Sector External Debt, 2014-2015

	2014		2015	
Category	**KSh Million**	**% Share**	**KSh Million**	**% Share**
Foreign Direct Investment	**151,493.54**	**26.0**	**154,558.18**	**26.3**
Debt Instruments	151,493.54	26.0	154,558.18	26.3
Long Term	79,286.06	13.6	111,516.39	19.0
Short Term	72,207.48	12.4	43,041.79	7.3
Portfolio Investment	**7,624.53**	**1.3**	**7,920.96**	**1.3**
Debt Securities	7,624.53	1.3	7,920.96	1.3
Long Term	7,624.53	1.3	7,920.96	1.3
Short Term	-	-	-	-
Financial Derivatives	2.23	0.0	3.36	0.0
Forwards	2.23	0.0	3.36	0.0
Options	-	-	-	-
Other Investment	**423,884.71**	**72.7**	**424,282.90**	**72.3**
Currency and Deposits	34,352.51	5.9	5,844.99	1.0
Long Term	33,870.93	5.8	5,398.29	0.9
Short Term	481.58	0.1	446.70	0.1
Trade Credits and Advances	714.24	0.1	1,074.76	0.2
Long Term	124.30	0.0	137.54	0.0
Short Term	589.94	0.1	937.22	0.2
Loans	252,312.36	43.3	283,940.94	48.4
Long Term	205,881.84	35.3	229,949.00	39.2
Short Term	46,430.52	8.0	53,991.94	9.2
Insurance, Pension and Standardised Guarantees	730.97	0.1	730.23	0.1
Life & Non-life Insurance Reserves	730.97	0.1	730.23	0.1
Pension Entitlements / Claims	-	-	-	-
Standardised Guarantees	-	-	-	-
Other Accounts Payables	135,774.63	23.3	132,691.98	22.6
Long Term	124,520.97	21.4	117,820.45	20.1
Short Term	11,253.66	1.9	14,871.53	2.5
Grand Total	**583,005.01**	**100.0**	**586,765.40**	**100.0**

Private Sector External Debt Flows

2.36. Flows of PSED by category are shown in Table 2.10. Inflows of PSED decreased by 11.8 per cent to KSh 179,012 million in 2015 from KSh 203,035 million in 2014 mainly on account of a 37.7 per cent decrease in Other Investment inflows. On the contrary, PSED outflows increased by 28.6 per cent from KSh 104,595 million in 2014 to KSh 134,475 million in 2015. The increase in outflows was as a result of 30.4 per cent and 26.6 per cent increase in debt associated with FDI and debt classified under Other Investment in 2015, respectively. The increase in Other Investment outflows was driven by loans and other accounts payables.

2.37. On a net basis, the value of PSED inflows declined by 54.8 per cent from KSh 98,440 million in 2014 to KSh 44,537 million in 2015. This was supported by reduced disbursements coupled with increased repayments of PSED in 2015.

Table 2. 10: Flows of Private Sector External Debt, 2014-2015

KSh Million

	2014			2015		
Category	**Inflows**	**Outflows**	**Net**	**Inflows**	**Outflows**	**Net**
Foreign Direct Investment	**71,288.63**	**49,643.63**	**21,644.99**	**96,911.31**	**64,748.42**	**32,162.89**
Debt Instruments	71,288.63	49,643.63	21,644.99	96,911.31	64,748.42	32,162.89
Long Term	44,195.58	25,921.84	18,273.74	70,883.32	42,662.71	28,220.61
Short Term	27,093.05	23,721.79	3,371.26	26,027.99	22,085.70	3,942.28
Portfolio Investment	**0.00**	**0.00**	**0.00**	**0.00**	**145.12**	**(145.12)**
Debt Securities	0.00	0.00	0.00	0.00	145.12	(145.12)
Long Term				0.00	145.12	(145.12)
Short Term						
Other Investment	**131,746.58**	**54,951.79**	**76,794.79**	**82,100.49**	**69,581.11**	**12,519.38**
Currency and Deposits	1,112.91	565.27	547.65	687.69	2,195.21	(1,507.51)
Long Term	1,030.63	553.95	476.67	682.04	2,154.67	(1,472.63)
Short Term	82.28	11.31	70.97	5.66	40.54	(34.88)
Trade Credits and Advances	2,987.98	2,618.70	369.28	1,819.45	1,501.88	317.57
Long Term	29.41	4.13	25.28	14.33	1.09	13.24
Short Term	2,958.57	2,614.57	343.99	1,805.12	1,500.79	304.33
Loans	44,969.63	13,355.36	31,614.27	63,775.95	21,107.99	42,667.95
Long Term	31,453.42	10,453.09	21,000.32	54,030.13	18,776.58	35,253.55
Short Term	13,516.21	2,902.27	10,613.94	9,745.81	2,331.41	7,414.40
Insurance, Pension and Standardised Guarantees	1,105.70	1,193.22	(87.52)	2,006.86	1,359.59	647.27
Life & Non-life Insurance Reserves	1,105.70	1,193.22	(87.52)	2,006.86	1,359.59	647.27
Pension Entitlements / Claims	0.00	0.00	0.00	0.00	0.00	0.00
Standardised Guarantees	0.00	0.00	0.00	0.00	0.00	0.00
Other Accounts Payables	81,570.37	37,219.24	44,351.12	13,810.53	43,416.43	(29,605.90)
Long Term	73,088.78	31,826.17	41,262.61	1,101.67	30,301.84	(29,200.17)
Short Term	8,481.59	5,393.08	3,088.51	12,708.87	13,114.59	(405.72)
Grand Total	**203,035.21**	**104,595.43**	**98,439.79**	**179,011.80**	**134,474.64**	**44,537.16**

Stock of Private Sector External Debt by Country

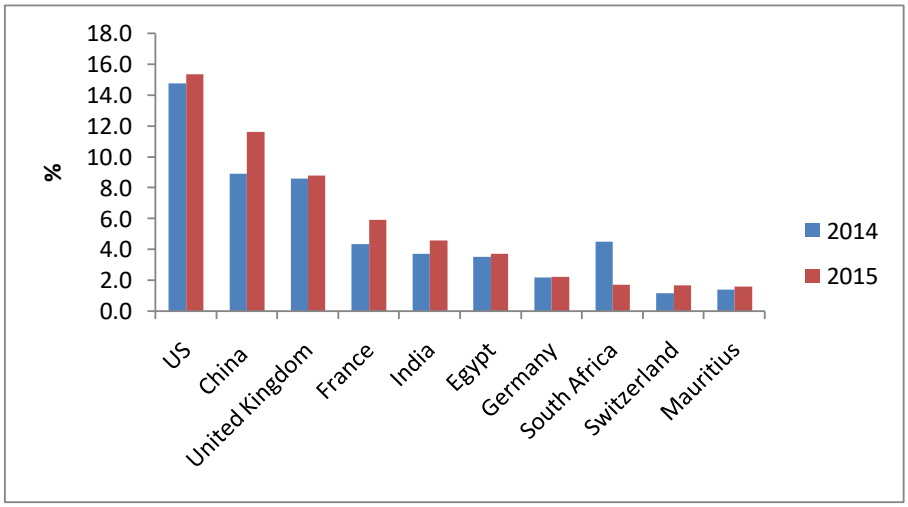
2.38. As shown in Table 2.11 and Figure 2.3, the US, China, United Kingdom and France were the main source countries of PSED, collectively accounted for 36.6 per cent and 41.7 per cent of the total stock of PSED in 2014 and 2015, respectively. The proportion of PSED attributed to International Financial Organisations averaged 27.3 per cent during the review period. Stock of PSED attributed to South Africa reduced by 61.5 per cent to KSh 10,149 million in 2015 from KSh 26,353 million in 2014.

Table 2. 11: Stock of Private Sector External Debt by Country, 2014-2015

	2014		2015	
Country	**KSh Million**	**% Share**	**KSh Million**	**% Share**
US	86,071.58	14.8	89,940.34	15.3
China	51,991.16	8.9	68,150.44	11.6
United Kingdom	50,111.07	8.6	51,477.17	8.8
France	25,366.57	4.4	34,860.54	5.9
India	21,745.74	3.7	26,921.87	4.6
Egypt	20,632.85	3.5	21,865.86	3.7
Germany	12,843.52	2.2	13,207.30	2.3
South Africa	26,352.94	4.5	10,149.01	1.7
Switzerland	6,900.00	1.2	10,004.89	1.7
Mauritius	8,134.76	1.4	9,425.74	1.6
United Arab Emirates	6,788.48	1.2	8,439.31	1.4
Netherlands	7,450.82	1.3	8,227.85	1.4
Cayman Islands	6,401.77	1.1	7,391.41	1.3
Uganda	2,835.77	0.5	5,716.16	1.0
Sweden	3,481.49	0.6	4,910.38	0.8
Luxembourg	2,295.61	0.4	4,144.30	0.7
Japan	3,391.53	0.6	3,701.39	0.6
Belgium	4,651.01	0.8	3,288.69	0.6
Hong Kong	2,301.86	0.4	2,546.13	0.4
Spain	2,256.55	0.4	2,292.87	0.4
Tanzania	1,622.67	0.3	1,243.11	0.2
Italy	1,011.75	0.2	1,078.82	0.2
Canada	209.45	0.0	232.52	0.0
Australia	998.30	0.2	54.62	0.0
International Financial Institutions/Organisations	159,820.50	27.4	159,031.59	27.1
Others[1]	67,337.27	11.6	38,463.09	6.6
Grand Total	**583,005.01**	**100.0**	**586,765.40**	**100.0**

[1] *Others include countries not specified*

Figure 2. 5: Top Ten Sources of PSED, 2014-2015



Private Sector External Debt Flows by Country

2.40. Inflows of PSED declined mainly due to a substantial reduction in inflows from the US from KSh 66,300 million in 2014 to KSh 3,843 million in 2015. However, inflows from China increased from KSh 15,000 million in 2014 to KSh 54, 281 million in 2015, making it the leading source of PSED during the period under review, as presented in Table 2.12. PSED inflows from Uganda grew from KSh 154 million in 2014 to KSh 3,912 million in 2015. Outflows of PSED recorded a 28.6 per cent increase mainly due to a combined increase of KSh 30,781 million in outflows to China and UK in 2015.

Table 2. 12: Private Sector External Debt Flows by Country, 2014-2015

KSh Million

	2014			2015		
Country	**Inflows**	**Outflows**	**Net**	**Inflows**	**Outflows**	**Net**
China	15,000.31	14,033.81	966.50	54,281.42	38,467.64	15,813.79
South Africa	15,798.35	7,445.60	8,352.76	14,952.19	3,914.79	11,037.41
France	9,556.75	3,788.12	5,768.64	11,353.59	2,169.09	9,184.50
India	2,210.72	2,970.12	(759.39)	6,249.12	1,260.17	4,988.95
Uganda	153.86	2,180.56	(2,026.69)	3,911.88	1,181.37	2,730.52
Switzerland	2,511.30	1,531.05	980.25	3,533.10	1,516.61	2,016.49
Luxembourg	2,268.00	0.00	2,268.00	1,822.00	0.00	1,822.00
United Arab Emirates	4,658.87	1,510.67	3,148.20	1,964.83	159.10	1,805.73
Germany	8,570.64	528.99	8,041.65	2,807.42	1,297.39	1,510.03
United Kingdom	5,741.03	10,527.34	(4,786.30)	18,016.92	16,875.00	1,141.93
Japan	7,556.27	8,236.53	(680.25)	10,787.72	10,296.05	491.67
Sweden	5,218.88	1,949.58	3,269.30	4,392.66	3,988.16	404.50
Hong Kong	763.90	0.00	763.90	2.66	52.23	(49.56)
Indonesia	210.55	214.91	(4.37)	84.81	178.14	(93.33)
Belgium	2,623.31	95.72	2,527.59	25.94	121.28	(95.34)
Tanzania	252.18	22.88	229.30	20.80	173.66	(152.85)
Mauritius	5,082.76	510.69	4,572.07	1,134.64	1,768.75	(634.11)
Australia	464.72	1.02	463.70	0.69	933.08	(932.40)
Rwanda	786.08	0.00	786.08	786.35	1,814.01	(1,027.66)
Netherlands	759.76	884.20	(124.44)	1,219.52	4,474.18	(3,254.67)
US	66,300.25	5,161.20	61,139.05	3,843.14	7,594.15	(3,751.00)
Egypt	6,827.73	19,637.17	(12,809.44)	115.35	10,968.16	(10,852.81)
International Financial Institutions/Organisations	24,208.28	22,161.21	2,047.07	23,377.29	21,047.32	2,329.97
Others[1]	15,510.70	1,204.07	14,306.63	14,327.74	4,224.32	10,103.42
Grand Total	**203,035.21**	**104,595.43**	**98,439.79**	**179,011.80**	**134,474.64**	**44,537.16**

[1] *Others include countries not specified*

CHAPTER 3: SURVEY FINDINGS ON FOREIGN ASSETS

Overview

This chapter presents survey results on foreign assets owned by private sector, also referred to as investments abroad. Similar to liabilities, foreign assets are categorized into Foreign Direct Investment, Portfolio Investment, Financial Derivatives and Other Investment. Foreign Direct Investment comprises equity and investment fund shares and debt instruments. Portfolio Investment includes equity and investment fund shares and debt securities while OI includes other equity, currency and deposits; trade credit and advances; loans, insurance, pension and standardized guarantees and; other accounts receivables.

Stock of Foreign Assets

3.2. The stock of foreign assets increased by 23.3 per cent from KSh 148,009 million in 2014 to KSh 182,473 million in 2015 as presented in Table 3.1. This was mainly driven by FDI which increased by 29.5 per cent to KSh 139,279 million in 2015. In the FDI category, equity and investment fund shares increased by 8.0 per cent to KSh 73,281 million in 2015. The share of stock of debt instruments of enterprises in the FDI relationship to the total stock of external assets increased from 26.8 per cent in 2014 to 36.2 per cent in 2015. This was mainly in form of short term debt instruments.

3.3. The contribution of Other Investment assets to the total stock of external assets decreased from 26.3 per cent in 2014 to 22.7 per cent in 2015. The proportion of currency and deposits, which was the main financial instrument in this category, was 69.0 per cent and 54.0 per cent in 2014 and 2015, respectively. The stock of currency and deposits decreased from KSh 26,856 million in 2014 to KSh 22,349 million in 2015. In contrast, the stock of other accounts receivables increased by 72.7 per cent in 2015 to KSh 16,468 million. The stock of Portfolio investment abroad increased by 18.8 per cent from KSh 1,515 million in 2014 to KSh 1,800 million in 2015, largely on account of an increase in long term debt securities.

Table 3. 1: Stock of Foreign Assets, 2014-2015

	2014		2015	
Category	**KSh Million**	**% Share**	**KSh Million**	**% Share**
Foreign Direct Investment	**107,570.60**	**72.7**	**139,279.26**	**76.3**
Equity and Investment Fund Shares	67,868.35	45.9	73,280.98	40.2
Equity and Investment Fund Shares other than reinvested earnings	60,568.7	40.9	66,450.2	36.4
Accumulated Retained Earnings	7,299.67	4.9	6,830.74	3.7
Debt Instruments	39,702.25	26.8	65,998.28	36.2
Long Term	12,196.94	8.2	23,961.84	13.1
Short Term	27,505.30	18.6	42,036.45	23.0
Portfolio Investment	**1,514.85**	**1.0**	**1,800.15**	**1.0**
Equity and Investment Fund Shares	839.16	0.6	859.16	0.5
Debt Securities	675.69	0.5	940.99	0.5
Long Term	675.69	0.5	940.99	0.5
Short Term	-	-	-	-
Financial Derivatives	1.96	0.0	4.38	0.0
Forwards	1.96	0.0	4.38	0.0
Options	-	-	-	-
Other Investment	**38,921.82**	**26.3**	**41,388.91**	**22.7**
Other Equity	-	-	-	-
Currency and Deposits	26,855.83	18.1	22,348.98	12.2
Long Term	14,101.76	9.5	9,067.71	5.0
Short Term	12,754.07	8.6	13,281.27	7.3
Trade Credits and Advances	322.43	0.2	448.56	0.2
Long Term	57.58	0.0	90.06	0.0
Short Term	264.85	0.2	358.50	0.2
Loans	1,843.84	1.2	1,624.52	0.9
Long Term	1,254.12	0.8	1,420.52	0.8
Short Term	589.72	0.4	204.00	0.1
Insurance, Pension and Standardised Guarantees	362.75	0.2	499.05	0.3
Life & Non-life Insurance Reserves	362.75	0.2	499.05	0.3
Pension Entitlements / Claims	-	-	-	-
Standardised Guarantees	-	-	-	-
Other Accounts Receivables	9,536.96	6.4	16,467.79	9.0
Long Term	2,900.27	2.0	5,132.66	2.8
Short Term	6,636.69	4.5	11,335.13	6.2
Grand Total	**148,009.22**	**100.0**	**182,472.70**	**100.0**

Flows of Foreign Assets

3.4. Outflows of foreign assets increased by 26.7 per cent from KSh 54,574 million in 2014 to KSh 69,123 million in 2015, as summarized in Table 3.2. This was mainly attributed to an increase in FDI outflows which nearly doubled from KSh 23,520 million in 2014 to KSh 43,923 million in 2015. Debt instruments associated with Foreign Direct Investment

recorded significant increases in the period accounting for 83.4 per cent and 87.9 per cent of total FDI outflows in 2014 and 2015, respectively. Nevertheless, outflows of Other Investment reduced by 19.2 per cent to KSh 24,926 million in 2015, as a result of marked reduction in short term loans advanced abroad.

3.5. Inflows of foreign assets reduced by 29.4 per cent from KSh 66,230 million in 2014 to KSh 46,737 million in 2015. This was driven by 29.6 per cent and 29.4 per cent reductions in inflows of FDI and Other Investment, respectively, in 2015. Inflows of currency and deposits within the Other Investment category nearly halved in 2015 to KSh 11,080 million, largely contributing to the reduction in Other Investment. Similarly, inflows of debt instruments within the FDI category led to the decrease in FDI inflows in 2015. These developments resulted into an increase in net outflows of foreign assets of KSh 22,386 million, in 2015.

Table 3. 2: Flows of Foreign Assets, 2014-2015

KSh Million

Category	2014			2015		
	Outflows	Inflows	Net	Outflows	Inflows	Net
Foreign Direct Investment	**23,519.70**	**31,769.48**	**(8,249.78)**	**43,923.44**	**22,363.19**	**21,560.25**
Equity and Investment Fund Shares	3,893.96	1,505.27	2,388.68	5,292.82	446.33	4,846.49
Equity and Investment Fund Shares other than Reinvested Earnings	1,001.91	0.91	1,001.00	2,328.41	129.56	2,198.84
Accumulated Retained Earnings	2,892.04	1,504.36	1,387.68	2,964.42	316.77	2,647.65
Debt Instruments	19,625.75	30,264.21	(10,638.46)	38,630.62	21,916.86	16,713.76
Long Term	5,531.74	13,621.57	(8,089.83)	21,616.89	9,698.50	11,918.39
Short Term	14,094.00	16,642.64	(2,548.63)	17,013.73	12,218.36	4,795.37
Portfolio Investment	**209.59**	**72.08**	**137.51**	**270.74**	**102.48**	**168.26**
Equity and Investment Fund Shares	0.00	0.00	0.00	0.00	0.00	0.00
Debt Securities	209.59	72.08	137.51	270.74	102.48	168.26
Long Term	209.59	72.08	137.51	270.74	102.48	168.26
Short Term	0.00	0.00	0.00	0.00	0.00	0.00
Financial Derivatives	0.00	1.04	(1.04)	2.42	0.00	2.42
Forwards	0.00	1.04	(1.04)	2.42	0.00	2.42
Options	0.00	0.00	0.00	0.00	0.00	0.00
Other Investment	**30,844.76**	**34,387.87**	**(3,543.11)**	**24,926.09**	**24,270.90**	**655.19**
Other Equity	0.00	0.00	0.00	0.00	0.00	0.00
Currency and Deposits	1,872.59	21,093.23	(19,220.65)	5,523.23	11,079.81	(5,556.59)
Long Term	586.44	19,009.11	(18,422.67)	4,125.83	10,209.61	(6,083.78)
Short Term	1,286.14	2,084.12	(797.98)	1,397.40	870.20	527.19
Trade Credits and Advances	799.90	694.08	105.82	788.25	666.34	121.91
Long Term	20.75	0.00	20.75	32.48	0.00	32.48
Short Term	779.16	694.08	85.07	755.77	666.34	89.43
Loans	13,257.16	699.07	12,558.09	389.12	0.00	389.12
Long Term	647.09	0.00	647.09	322.21	0.00	322.21
Short Term	12,610.07	699.07	11,911.00	66.90	0.00	66.90
Insurance, Pension and Standardised Guarantees	494.84	450.02	44.82	720.59	584.28	136.31
Life & Non-life Insurance Reserves	494.84	450.02	44.82	720.59	584.28	136.31
Pension Entitlements / Claims	0.00	0.00	0.00	0.00	0.00	0.00
Standardised Guarantees	0.00	0.00	0.00	0.00	0.00	0.00
Other Accounts Receivables	14,420.27	11,451.47	2,968.81	17,504.91	11,940.46	5,564.45
Long Term	806.32	862.12	(55.80)	2,091.63	990.46	1,101.17
Short Term	13,613.95	10,589.34	3,024.61	15,413.28	10,950.00	4,463.28
Grand Total	**54,574.05**	**66,230.47**	**(11,656.42)**	**69,122.69**	**46,736.56**	**22,386.12**

Stock of Foreign Assets by Country

3.6. Table 3.3 presents the stock of foreign assets by country. The stock of foreign assets held in the EAC rose from KSh 47,919 million in 2014 to KSh 51,352 million in 2015. Tanzania remained the single leading destination of Kenya's investments, accounting for 14.0 per cent and 12.5 per cent of the total stock of external assets in 2014 and 2015, respectively. The stock of external assets held in Uganda rose by 9.8 per cent to KSh 20,642 million in 2015, making it the second destination of Kenya's external assets within the region.

3.7. Private investments held in the United Kingdom grew significantly from KSh 8,489 million in 2014 to KSh 22,457 million in 2015, accounting for 12.3 per cent of the total stock of external assets in 2015. Similarly, the stock of foreign assets in South Africa more than doubled to KSh 19,320 million in 2015 to account for 10.6 per cent of the total stock of foreign assets in the year. However, investments in the US recorded a 48.1 per cent decline from KSh 18,856 million in 2014 to KSh 9,790 million in 2015.

Table 3. 3: Stock of Foreign Assets by Country, 2014-2015

	2014		2015	
Country	**KSh Million**	**% Share**	**KSh Million**	**% Share**
Tanzania	20,697.85	14.0	22,724.41	12.5
United Kingdom	8,489.19	5.7	22,456.85	12.3
Uganda	18,799.05	12.7	20,641.58	11.3
South Africa	7,830.64	5.3	19,320.04	10.6
South Sudan	13,914.32	9.4	15,655.23	8.6
United Arab Emirates	11,796.87	8.0	11,774.44	6.5
US	18,856.49	12.7	9,789.94	5.4
Rwanda	5,966.77	4.0	5,646.91	3.1
Congo, Democratic Republic of	261.26	0.2	4,799.12	2.6
Mauritius	3,869.35	2.6	4,001.34	2.2
Cayman Islands	1,839.77	1.2	3,118.96	1.7
Burundi	2,454.99	1.7	2,339.00	1.3
Angola	1,909.34	1.3	2,229.54	1.2
Nigeria	481.73	0.3	2,147.45	1.2
Singapore	0.56	0.0	1,677.77	0.9
France	849.88	0.6	866.42	0.5
Ireland, Republic of	692.45	0.5	628.12	0.3
Ethiopia	564.45	0.4	566.61	0.3
Mozambique	322.44	0.2	483.52	0.3
Zimbabwe	165.08	0.1	289.31	0.2
Zambia	70.16	0.0	211.57	0.1
India	58.17	0.0	140.30	0.1
Others[1]	28,118.43	19.0	30,964.28	17.0
Grand Total	**148,009.22**	**100.0**	**182,472.70**	**100.0**

[1] *Others include countries not stated*

Flows of Foreign Assets by Country

3.8. United Kingdom was the main recipient of Kenya's investments abroad with a share of 26.0 per cent of the total foreign assets in 2015. Outflows to South Africa more than tripled to KSh 8,377 million, while to Cayman Islands and Tanzania rose by 9.5 per cent and 48.6 per cent to KSh 8,209 million and KSh 4,098 million respectively, in 2015. During the same year, outflows to Uganda declined by 8.1 per cent, while those to Mauritius dipped by 71.9 per cent.

3.9. Inflows of foreign assets from the UK reduced by 35.1 per cent to KSh 10,824 million in 2015. Nevertheless, inflows from the United Kingdom accounted for the highest proportion of the total inflows at 23.2 per cent. Inflows from Tanzania, Uganda and South Sudan declined by 17.7, 82.2 and 3.1 per cent to KSh 2,443 million, KSh 1,275 million and KSh 2,104 million respectively, in 2015.

Table 3. 4: Flows of Foreign Assets by Country, 2014-2015

KSh Million

Country	2014			2015		
	Outflows	Inflows	Net	Outflows	Inflows	Net
South Africa	1,808.12	945.48	862.64	8,377.40	173.18	8,204.22
United Kingdom	9,832.63	16,670.85	(6,838.22)	17,996.14	10,823.74	7,172.40
Singapore	0.56	0.00	0.56	1,703.24	0.00	1,703.24
Nigeria	218.13	0.00	218.13	1,668.67	2.96	1,665.71
Tanzania	2,758.03	2,969.08	(211.05)	4,097.73	2,442.80	1,654.93
Cayman Islands	7,494.85	5,655.08	1,839.77	8,208.57	6,929.38	1,279.19
South Sudan	254.74	7,176.42	(6,921.69)	2,257.54	1,275.19	982.35
Mauritius	2,539.66	1,335.05	1,204.61	713.28	21.17	692.11
United Arab Emirates	60.49	53.49	7.00	683.26	21.98	661.28
Angola	1,662.56	0.00	1,662.56	293.20	0.00	293.20
Bahamas	0.00	80.65	(80.65)	163.46	0.00	163.46
Zambia	112.78	222.71	(109.93)	297.67	153.54	144.12
Mozambique	93.11	3.08	90.04	135.81	0.22	135.59
Zimbabwe	25.48	0.00	25.48	124.24	0.00	124.24
India	7.61	138.88	(131.27)	85.25	2.57	82.68
Uganda	2,331.20	2,171.32	159.88	2,141.61	2,104.14	37.48
Greece	0.03	0.00	0.03	22.52	0.00	22.52
Switzerland	0.31	0.00	0.31	18.87	0.00	18.87
Grenada	316.91	318.88	(1.97)	255.44	247.76	7.68
Congo, D.R	163.94	36.91	127.03	76.05	70.94	5.11
Netherlands	6.98	3.98	3.00	3.01	0.46	2.55
Ghana	0.00	0.00	0.00	1.27	0.00	1.27
Mexico	0.00	0.00	0.00	1.20	0.00	1.20
China	7.08	2.96	4.12	2.96	1.97	0.99
Swaziland	0.00	0.00	0.00	0.43	0.00	0.43
Romania	0.28	0.00	0.28	0.35	0.00	0.35
Others[1]	24,878.55	28,445.65	(3,567.10)	19,793.52	22,464.56	(2,671.04)
Grand Total	**54,574.05**	**66,230.47**	**(11,656.42)**	**69,122.69**	**46,736.56**	**22,386.12**

[1] *Others include countries not stated*

Stock of Foreign Direct Investment Assets by Country

3.10. Overall, the stock of FDI assets increased by 29.5 per cent from KSh 107,571 million in 2014 to KSh 139,279 million in 2015 as shown in Table 3.5. The stock of FDI assets in United Kingdom increased tremendously from KSh 5,273 million in 2014 to KSh 19,300 million in 2015, while those in South Africa nearly tripled to KSh 19,231 million during the same period. Other notable increases in the stock of FDI assets were registered for Democratic Republic of Congo, Nigeria and Cayman Islands. There were declines in stock of FDI in the US, United Arab Emirates, Rwanda, Burundi and Ireland in the review period.

3.11. The EAC held the highest share of stock of FDI at 41.2 per cent and 33.3 per cent of the total FDI in 2014 and 2015, respectively. Within the region, Tanzania held the highest proportion of FDI assets in 2015 at 14.9 per cent followed by Uganda at 12.9 per cent. During the same period, the proportion of stock of FDI in the United Kingdom increased from 4.9 per cent to 13.9 per cent while those in South Africa increased from 7.2 per cent to 13.8 per cent.

Table 3. 5: Stock of FDI Assets by Country, 2014-2015

Country	2014		2015	
	KSh Million	% Share	KSh Million	% Share
EAC	**44,292.29**	41.2	**46,410.24**	33.3
Tanzania	19,121.84	17.8	20,796.69	14.9
Uganda	16,894.83	15.7	17,946.62	12.9
Rwanda	5,830.31	5.4	5,349.88	3.8
Burundi	2,445.32	2.3	2,317.04	1.7
United Kingdom	5,273.04	4.9	19,300.29	13.9
South Africa	7,747.32	7.2	19,231.22	13.8
South Sudan	13,914.32	12.9	15,655.23	11.2
United Arab Emirates	11,786.67	11.0	11,743.57	8.4
US	8,684.69	8.1	8,158.67	5.9
Congo, D.R	256.69	0.2	4,781.11	3.4
Mauritius	3,869.35	3.6	4,001.34	2.9
Cayman Islands	1,839.77	1.7	3,118.96	2.2
Angola	1,909.34	1.8	2,229.54	1.6
Nigeria	478.96	0.4	2,147.39	1.5
Ireland	692.45	0.6	628.12	0.5
Ethiopia	562.35	0.5	570.55	0.4
Mozambique	322.44	0.3	483.52	0.3
Zimbabwe	165.08	0.2	289.31	0.2
Others [1]	5,775.83	5.4	530.20	0.4
Total	**107,570.60**	**100.0**	**139,279.26**	**100.0**

[1] *Others include countries not stated*

Flows of Foreign Direct Investment Assets by Country

3.12. Outflows of FDI almost doubled from KSh 23,520 million in 2014 to KSh 43,923 million in 2015 as presented in Table 3.6. Outflows of FDI to South Africa increased fivefold from KSh 1,598 million in 2014 to KSh 8,248 million and accounted for 18.8 per cent of the total FDI outflows, in 2015. Outflows of FDI to United Kingdom increased substantially from KSh 725 million to KSh 7,920 million in the same period. Outflows of FDI to the Cayman Islands increased from KSh 7,495 million in 2014 to KSh 8,209 million in 2015.

3.13. Inflows of foreign direct investment assets reduced by 29.6 per cent from KSh 31,769 million in 2014 to KSh 22,363 million, in 2015. This was largely due to reductions in inflows from the United Kingdom, South Sudan and Mauritius. Cayman Islands and the EAC region accounted for the largest proportion of total inflows at 31.0 per cent and 19.7 per cent, respectively, in 2015.

3.14. Increase in net outflow of FDI of KSh 21,560 million was mainly on account of relatively higher outflows and lower inflows in 2015.

Table 3. 6: Flows of FDI Assets by Country, 2014-2015

KSh Million

Country	2014			2015		
	Inflows	Outflows	Net	Inflows	Outflows	Net
EAC	**4,276.66**	**3,500.57**	**776.09**	**5,412.46**	**4,399.03**	**1,013.43**
Tanzania	1,939.65	2,167.81	(228.16)	3,646.54	1,927.59	1,718.95
Uganda	1,326.83	1,284.51	42.32	1,379.84	1,321.92	57.92
Burundi	618.19	0.53	617.66	191.30	457.90	(266.59)
Rwanda	391.99	47.72	344.27	194.78	691.63	(496.85)
South Africa	1,597.69	765.26	832.43	8,248.11	49.38	8,198.72
United Kingdom	724.74	6,260.40	(5,535.66)	7,919.77	937.80	6,981.97
Nigeria	215.36	0.00	215.36	1,668.42	0.00	1,668.42
Cayman Islands	7,494.85	5,655.08	1,839.77	8,208.57	6,929.38	1,279.19
South Sudan	254.74	7,176.42	(6,921.69)	2,257.54	1,275.19	982.35
Mauritius	2,537.12	1,332.51	1,204.61	713.28	21.17	692.11
United Arab Emirates	4.75	0.00	4.75	640.17	0.00	640.17
Angola	1,662.56	0.00	1,662.56	293.20	0.00	293.20
Others [1]	4,751.23	7,079.23	(2,328.00)	8,561.92	8,751.23	(189.31)
Total	**23,519.70**	**31,769.48**	**(8,249.78)**	**43,923.44**	**22,363.19**	**21,560.25**

[1] *Others include countries not stated*

CHAPTER 4: INTERNATIONAL TRADE AND EMPLOYMENT

Overview

Survey findings on international trade in goods and services; employment and compensation of employees are presented in this chapter.

International Trade in Goods

Exports

4.2. Exports by enterprises that reported foreign assets and/or liabilities went up by 28.4 per cent to KSh 144,408 million in 2015 as presented in Table 4.1 and Figure 4.1. Exports from the manufacturing sector, which rose by 14.6 per cent to KSh 73,216 million in 2015, were the main drivers of this growth. Other sectors which registered notable increases in exports during the year under review included transportation and storage; agriculture, forestry and fishing; and mining and quarrying.

Imports

4.3. The value of imports by enterprises that reported transactions in foreign assets and/or liabilities declined from KSh 664,744 million in 2014 to KSh 474,298 million in 2015. This was mainly due to 57.3 per cent decrease in imports by enterprises in the electricity, gas, steam and air conditioning supply sector. Other sectors which registered significant declines in imports were professional, scientific and technical activities; and transportation and storage sectors. However, imports by enterprises in the wholesale and retail trade; manufacturing and construction sectors went up by 4.8, 14.5 and 9.5 per cent respectively, in 2015.

Merchanting

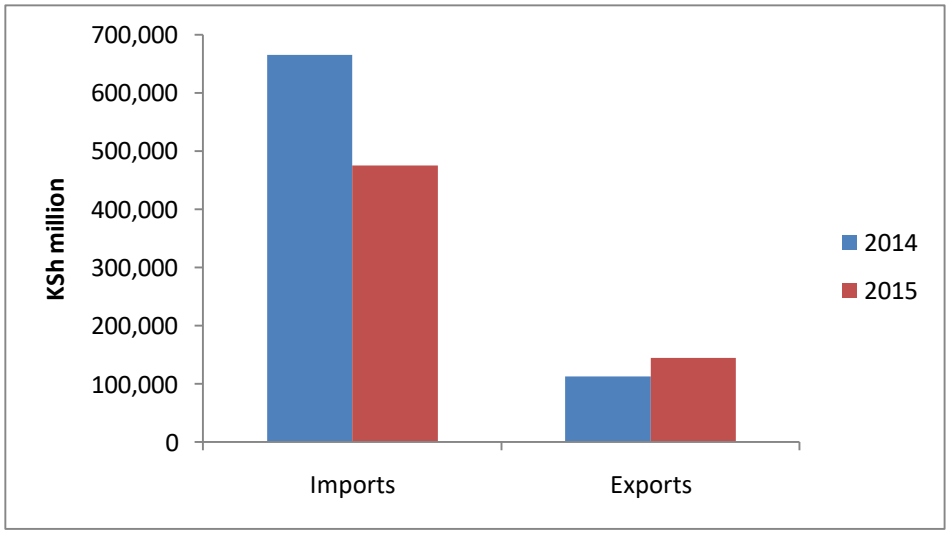
4.4. The value of goods sold under merchanting declined by 58.6 per cent to KSh 392 million in 2015. This was as a result of 77.8 per cent and 55.3 per cent decline in the value of goods sold under merchanting in the manufacturing; and wholesale and retail trade sectors, respectively.

Table 4. 1: International Trade in Goods, 2014-2015

KSh Million

Sectors	2014			2015		
	Imports	Exports	Merchanting	Imports	Exports	Merchanting
A. Agriculture, Forestry & Fishing	6,490.44	8,324.58	-	6,181.31	14,241.45	-
B. Mining & Quarrying	1,081.13	10,677.35	-	657.11	17,939.19	110.54
C. Manufacturing	88,853.24	63,891.77	665.82	101,765.63	73,215.60	147.87
D. Electricity, Gas, Steam & Air Conditioning Supply	367,030.88	573.94	-	156,881.95	205.85	-
E. Water Supply; Sewerage, Waste Management & Remediation Activities	4.00	-	-	10.00	-	-
F. Construction	33,350.23	66.78	-	36,514.51	342.07	-
G. Wholesale & Retail Trade	157,696.14	13,619.48	270.48	165,180.96	14,479.02	121.02
H. Transportation & Storage	2,995.60	14,304.33	-	2,016.00	20,662.71	-
I. Accommodation & Food Service Activities	184.69	3.66	-	163.18	2.56	-
J. Information & Communication	3,802.90	114.89	-	3,316.48	208.39	-
K. Financial & Insurance Activities	577.13	61.37	-	624.18	406.84	-
M. Professional, Scientific & Technical Activities	2,234.94	439.08	11.94	580.39	2,477.85	13.05
N. Administrative & Support Service Activities	81.63	-	-	78.32	-	-
Q. Human Health & Social Work Activities	40.00	-	-	42.00	-	-
S. Other Service Activities	320.98	387.27	-	285.56	226.34	-
Grand Total	**664,743.92**	**112,464.51**	**948.25**	**474,297.58**	**144,407.87**	**392.49**

Figure 4. 1: International Trade in goods, 2014-2015



International Trade in Services

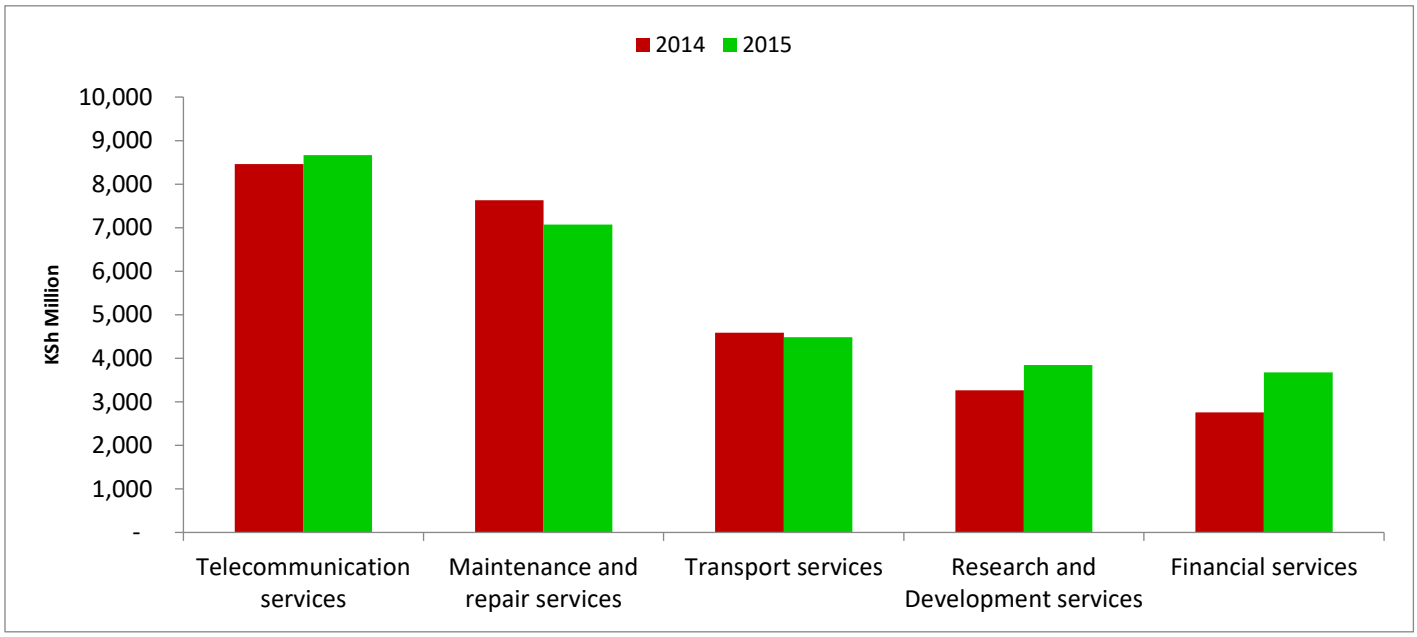
Expenditure on services provided by non-residents

4.5. Expenditure on services provided by non-residents increased by 15.6 per cent to KSh 49,328 million in 2015, as shown in Table 4.2. The proportion of expenditure on telecommunications services; and maintenance and repair services was the highest, and jointly accounted for 37.7 per cent and 31.9 per cent of total expenditure on services in 2014 and 2015, respectively. The expenditure on computer services more than doubled from KSh 1,433 million in 2014 to KSh 3,026 million in 2015. Other services which recorded increased expenditure in 2015 were financial (33.2 per cent) and; professional and management consulting (33.2 per cent). However, expenditure on travel and transport services declined by 15.3 per cent and 2.3 per cent, respectively in 2015.

Table 4. 2: Expenditure on Services provided by non-Residents, 2014-2015

Type of Service	2014		2015	
	KSh Million	% Share	KSh Million	% Share
Maintenance and repair services n.i.e	7,630.37	17.9	7,068.97	14.3
Transport services	4,590.44	10.8	4,485.15	9.1
(i) Passenger services	*78.57*	*0.2*	*71.37*	*0.1*
(ii) Freight services	*3,842.77*	*9.0*	*3,432.45*	*7.0*
(iii) Postal and courier services	*11.78*	*0.0*	*9.34*	*0.0*
(iv) Other Transport services	*657.33*	*1.5*	*971.99*	*2.0*
Travel services	771.85	1.8	653.71	1.3
(i) Accommodation	*729.95*	*1.7*	*618.52*	*1.3*
(ii) Food and beverages	*41.89*	*0.1*	*35.19*	*0.1*
Insurance and Pension services	831.50	1.9	831.72	1.7
Financial services	2,759.74	6.5	3,676.85	7.5
Financial Intermediation Services (FISIM)	2.48	0.0	9.80	0.0
Charges for use of intellectual property n.i.e	964.16	2.3	1,229.46	2.5
Telecommunication services	8,458.57	19.8	8,662.89	17.6
Computer services	1,433.19	3.4	3,026.44	6.1
Information services	1,525.54	3.6	1,694.30	3.4
Other Business services	3,263.26	7.6	3,844.42	7.8
(i) Research and Development services	*11.55*	*0.0*	*2.61*	*0.0*
(ii) Professional and Management consulting services	*1,993.64*	*4.7*	*2,655.35*	*5.4*
(iii) Technical, trade related	*251.67*	*0.6*	*326.50*	*0.7*
(iv) Business Process Outsourcing services	*74.71*	*0.2*	*188.36*	*0.4*
(v) Other business services	*931.68*	*2.2*	*671.60*	*1.4*
Personal, cultural and recreation services	131.44	0.3	117.11	0.2
Others	10,308.79	24.2	14,027.56	28.4
Grand Total	**42,671.32**	**100.0**	**49,328.37**	**100.0**

Figure 4. 2: Expenditure on Top Five Services, 2014-2015



Income from Services rendered to non -residents

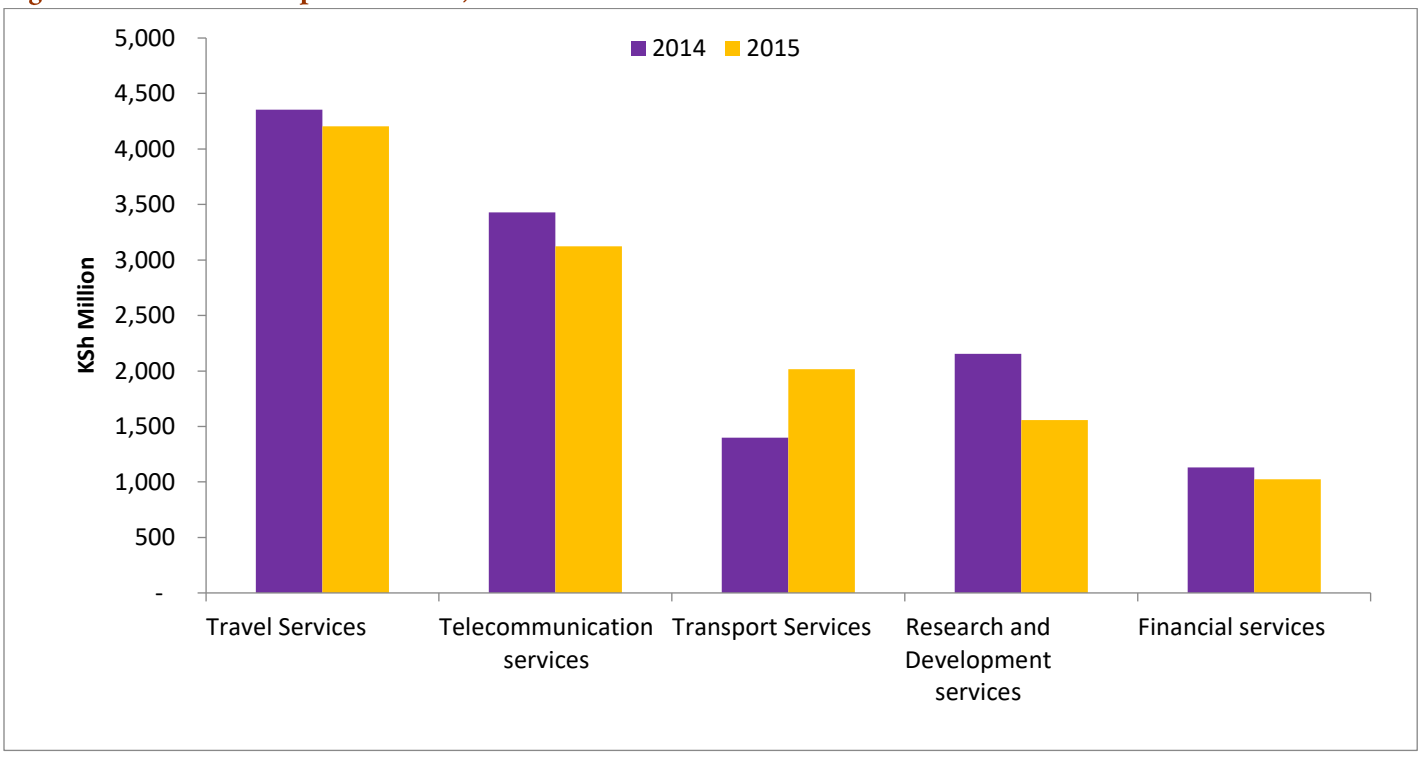
4.6. In 2015, income from services rendered to non-residents decreased by 6.9 per cent to KSh 13,875 million, following the decline in receipts from other business services; telecommunication; and travel services, as presented in Table 4.3. The decline in income from other business services was mainly driven by a decrease in export of professional and

management consulting services which dipped by 29.3 per cent while that of travel services was on account of decline in income on accommodation services. However, earnings from transport services; and maintenance and repair services increased by 44.1 per cent and 34.8 per cent respectively, in 2015.

Table 4. 3: Income from services rendered to non-residents, 2014-2015

Type of Service	2014		2015	
	KSh Million	% Share	KSh Million	% Share
Maintenance and repair services n.i.e	280.74	1.9	378.39	2.7
Transport Services	1,398.95	9.4	2,015.31	14.5
(i) Passenger services	*12.00*	*0.1*	*13.50*	*0.1*
(ii) Freight services	*28.60*	*0.2*	*31.50*	*0.2*
(iii) Postal and Courier services	*24.60*	*0.2*	*19.32*	*0.1*
(iv) Other Transport services	*1,333.75*	*9.0*	*1,950.99*	*14.1*
Travel Services	4,355.72	29.2	4,205.17	30.3
(i) Accommodation	*3,506.95*	*23.5*	*3,387.52*	*24.4*
(ii) Food and beverages	*848.77*	*5.7*	*817.65*	*5.9*
Construction services	27.11	0.2	17.68	0.1
Financial services	1,130.48	7.6	1,023.82	7.4
Telecommunication services	3,429.40	23.0	3,122.01	22.5
Information services	313.43	2.1	272.93	2.0
Other Business Services	2,155.36	14.5	1,558.61	11.2
(i) Research and Development services	*40.19*	*0.3*	*30.57*	*0.2*
(ii) Professional and Management consulting services	*1,949.06*	*13.1*	*1,378.24*	*9.9*
(iii) Other business services	*166.11*	*1.1*	*149.79*	*1.1*
Others services, not elsewhere specified	1,807.01	12.1	1,280.83	9.2
Grand Total	**14,898.20**	**100.0**	**13,874.75**	**100.0**

Figure 4. 3: Income on top five services, 2014-2015



Employment

Employment by Skill Category, Nationality and Sex

4.7. Employment in enterprises that reported foreign assets and/ or liabilities (FAL) improved from 217,285 jobs in 2014 to 242,600 jobs in 2015, representing a growth of 11.7 per cent, as shown in Table 4.4. In 2015, total employment was 238,037 and 4,563 for local and foreign employees, respectively. Foreign short term employees increased from 685 in 2014 to 1,337 in 2015.

4.8. The skilled category had the highest share of the total number of persons employed accounting for 57.3 per cent and 53.5 per cent of the total employment in 2014 and 2015, respectively. The number of male employees was more than double that of female employees in both 2014 and 2015.

Table 4. 4: Employment by Skill Category, Nationality and Sex, 2014-2015

Number

Skill Category	2014						
	Local		Foreign		Total by Sex		Total Employment
	Full-time	Part-time	Long term	Short term	Male	Female	
Managerial	19,685	206	1,068	252	14,570	6,641	21,211
Skilled	115,559	7,749	805	399	85,424	39,088	124,512
Unskilled	50,700	20,025	803	34	48,385	23,177	71,562
Total	**185,944**	**27,980**	**2,676**	**685**	**148,378**	**68,907**	**217,285**

Number

Skill Category	2015						
	Local		Foreign		Total by Sex		Total Employment
	Full-time	Part-time	Long term	Short term	Male	Female	
Managerial	20,873	411	1,334	549	16,386	6,781	23,167
Skilled	119,561	8,634	923	666	89,947	39,837	129,784
Unskilled	65,264	23,294	969	122	64,684	24,965	89,649
Total	**205,698**	**32,339**	**3,226**	**1,337**	**171,017**	**71,583**	**242,600**

Employment by Sector

4.9. As presented in Table 4.5, manufacturing sector was the main employer, accounting for 40.4 per cent and 37.1 per cent of the total employment in enterprises that reported to have FAL in 2014 and 2015, respectively. In 2015, number of persons employed within the manufacturing sector stood at 89,987; administrative and support service activities at 39,903; and financial and insurance activities at 27,831.

4.10. Construction; agriculture, forestry and fishing; and manufacturing created 18,332; 4,459 and 2,203 new jobs in 2015, respectively. The significant increase in employment in the construction sector could be attributed to the on-going infrastructural development.

Table 4. 5: Employment by Sector, 2014-2015

Sector	2014		2015	
	Employees	% share	Employees	% share
A. Agriculture, Forestry & Fishing	12,787	5.9	17,246	7.1
B. Mining & Quarrying	1,509	0.7	1,344	0.6
C. Manufacturing	87,784	40.4	89,987	37.1
D. Electricity, Gas, Steam & Air Conditioning Supply	2,489	1.1	2,691	1.1
F. Construction	8,303	3.8	26,635	11.0
G. Wholesale &Retail Trade	12,271	5.6	12,842	5.3
H. Transportation & Storage	6,595	3.0	6,502	2.7
I. Accommodation & Food Service Activities	3,181	1.5	3,227	1.3
J. Information & Communication	10,364	4.8	10,604	4.4
K. Financial & Insurance Activities	28,572	13.1	27,831	11.5
L. Real Estate Activities	143	0.1	148	0.1
M. Professional, Scientific & Technical Activities	1,368	0.6	967	0.4
N. Administrative & Support Service Activities	39,418	18.1	39,903	16.4
P. Education	1,085	0.5	1,026	0.4
Q. Human Health & Social Work Activities	1,010	0.5	1,039	0.4
S. Other Service Activities	406	0.2	608	0.3
Grand Total	**217,285**	**100.0**	**242,600**	**100.0**

Compensation of Employees by Sector

4.11. Wages and other benefits (fringe benefits, NSSF and pension; and directors' fees) paid by enterprises with FAL grew by 16.6 per cent to KSh 183,447 million in 2015.This was on account of increases in compensation to employees engaged in financial and insurance activities; construction; and manufacturing sectors which went up by KSh 11,389 million, KSh 7,986 million and KSh 2,357 million, respectively.

4.12. Compensation of employees in financial and insurance activities; manufacturing; information and communication; and construction sectors accounted for 32.0, 16.9, 9.9 and 7.5 per cent of the total compensation, respectively, in 2015.

Table 4. 6: Compensation of Employees by Sector, 2014-2015

KSh Million

Sector	2014	2015
A. Agriculture, Forestry & Fishing	3,760.76	5,561.07
B. Mining &Quarrying	2,951.64	2,728.56
C. Manufacturing	28,705.74	31,062.84
D. Electricity, Gas, Steam & Air Conditioning Supply	6,332.28	6,440.65
F. Construction	5,811.97	13,798.15
G. Wholesale & Retail Trade	13,146.24	13,643.99
H. Transportation & Storage	12,967.83	12,417.71
I. Accommodation & Food Service Activities	3,008.03	3,175.31
J. Information & Communication	15,751.71	16,715.23
K. Financial & Insurance Activities	47,302.09	58,690.87
L. Real Estate Activities	369.55	47.79
M. Professional, Scientific & Technical Activities	3,105.06	3,466.28
N. Administrative & Support Service Activities	10,534.55	11,718.63
P. Education	2,091.47	2,210.76
Q. Human Health & Social Work Activities	1,408.00	1,556.00
S. Other Service Activities	132.39	213.65
Grand Total	**157,379.30**	**183,447.46**

CHAPTER 5: SURVEY METHODS AND TECHNIQUES

Overview

The Foreign Investment Survey (FIS) 2016 was designed to capture data on foreign private capital for the reference period 2014 and 2015. The FIS 2016 targeted enterprises with Foreign Assets and Liabilities (FAL). In addition, information on foreign investment was sought using non-survey methods from KenInvest and Capital Markets Authority.

5.2. To enhance the response rate, awareness and sensitization workshop for the stakeholders was held and press advertisements were placed in the local dailies, prior to data collection exercise. The training of the survey personnel was conducted for ten days followed by data collection which took 50 days between August and October, 2016.

Legal, Regulatory and Institutional Framework

5.3. The FIS 2016 was conducted under the Statistics Act, 2006 that empowers KNBS to collect, analyse and disseminate statistical information, as well as coordinate the National Statistical System (NSS). The Act mandates KNBS to collaborate with other bodies within or outside Kenya as is appropriate in furtherance of the purpose for developing and production of statistics.

5.4. FIS 2016 was carried out in collaboration with other relevant organizations that include: The National Treasury, Central Bank of Kenya, Kenya Investment Authority, Capital Markets Authority, Insurance Regulatory Authority, Export Processing Zones Authority, International Monetary Fund (IMF) and Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI).

Sample Selection

5.5. The selection of the enterprises for FIS 2016 was based on the enterprises covered in the previous Foreign Investment Surveys, and additional enterprises selected on the basis of the enterprises having foreign investments. This resulted in the selection of 780 enterprises.

Survey Instruments

5.6. Data collection instruments comprised of the questionnaire and instruction manual, developed by the Balance of Payments committee responsible for overseeing the implementation of survey activities. The committee ensured that the questionnaire was in line with the current international compilation standards and guidelines in the Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6).

5.7. **The Questionnaire:** The design of the FIS 2016 questionnaire was guided by the BPM6. The information sought comprised general information on the enterprises, employment, exports and imports, foreign liabilities and assets, and international trade in services.

5.8. **Instructions' Manual:** To ensure consistency and quality of data collected, an Instructions' Manual was developed. The Manual was designed for training and for reference by the survey personnel.

Field Activities

Survey Administration

5.9. The survey involved distribution of questionnaires to the respondents, face-to-face interviews and follow-up. The overall survey process was overseen by a national coordinator assisted by two assistant coordinators and four regional coordinators. A total of fifty one (51) research assistants, grouped into seventeen teams, were deployed to administer the questionnaires. Each team comprised three research assistants and a supervisor. The distribution of teams was according to the estimated concentration of the target enterprises in a particular area. The data collection exercise commenced on 8th August, 2016 for a period of 50 days.

Response Rate and Data Validation

5.10. FIS 2016 targeted a total of 780 enterprises. However, due to refusals, closures, mergers and acquisitions, 690 questionnaires were distributed to the enterprises. Five hundred and sixty eight (568) questionnaires were completed and collected as shown in Table 5.1. This translated to a response rate of 72.8 per cent. Out of the 780 enterprises selected for the survey, 474 indicated that they had Foreign Assets and Liabilities (FAL), out of which 343 completed the questionnaire successfully, equivalent to a response rate of 72.4 per cent.

Table 5. 1: Response Rate

Enterprise Category	Number of Enterprises	Distributed Questionnaires	Completed & Returned	Partially Completed & Returned	Refusals	Mergers	Closures	% Response Rate (Completed)
Enterprise with FAL	474	444	343	24	67	12	28	72.4
Enterprise without FAL	306	246	225	81	0	0	0	73.5
Total	**780**	**690**	**568**	**105**	**67**	**12**	**28**	72.8

5.11. Data editing was conducted for 30 days. It involved validating and reconciling reported flows and positions data in the questionnaires with the submitted financial statements. In addition, the returns with non-FAL were examined to establish the existence of any FAL by interrogating the submitted financial statements and contacting the affected enterprises for confirmation.

Data Processing

5.12. **Data Entry:** Involved capturing all the information from the questionnaires and storing in electronic format. This was done using the Private Capital Monitoring System (PCMS-Version 2), computer software developed by MEFMI. The system facilitates processing of Private Capital survey and non-survey information in line with BPM6.

5.13. **Data Tabulation:** After cleaning of the captured data, further analysis was done on the various variables that included sector classification, investment type and direction of the investments. Tabulation of these variables was done to provide standard tables reflecting the major findings of the survey in a manner useful to policy makers and other users of statistics.

APPENDICES

Appendix 1

Glossary of Key Terms and Concepts

Introduction

This section describes the underlying technical concepts and definitions based on the IMF's *Balance of Payments & International Investment Position Manual 6th Edition* (BPM 6).

1. Balance of Payments, Flows, Transactions, Foreign Assets and Liabilities

The **Balance of Payments (BOP)** is a systematic statistical statement. It summarises for a given period (e.g. calendar year), an economy's **transactions** (**inflows** and **outflows** reflecting creation, transformation, exchange, transfer or extinction of economic value) with the rest of the world. BOP comprises the Current Account (Goods and Services; Primary Income; and Secondary Income) and the Capital and Financial Account, which includes all private capital flows. BOP captures transactions between **residents** and **non-residents**, irrespective of the currency in which the transaction is made. Typically, a transaction in foreign currency between two residents of Kenya is therefore not part of BOP.

Note that: **Flows** refer to economic actions and effects of events within an accounting period. It reflects the creation, transformation, exchange, transfer, or extinction of economic value; they involve changes in the volume, composition, or value of an institutional unit's assets and liabilities. International flows are recorded in the accounts as transactions (Balance of Payments) and other changes in financial assets and liabilities account.

Consequently, flows from non-resident to resident enterprises of Kenya also referred to as Kenya's foreign liability flows are recorded in the Kenyan books of account as inflows. Hence, when these foreign liabilities reduce which means that either Kenyan resident enterprises are repaying the liabilities or the non-resident enterprises are disinvesting from the resident enterprises, then these are recorded in the books of account as outflows. Similarly, flows from resident enterprises of Kenya to non-resident enterprises also referred to as Kenya's foreign assets will be recorded in the Kenyan books of account as outflows. Hence, when these foreign assets reduce which means that either Kenyan resident enterprises are disinvesting from the non-resident enterprises or the non-resident enterprises are repaying their liabilities (which are Kenyan resident's assets), then these are recorded in the books of account as inflows.

2. International Investment Position / Stocks

International Investment Position **(IIP)** is a statistical statement that shows at a point in time the value and composition of Kenya's financial **assets** (claims on rest of the world) and **liabilities** (claims by the rest of the world).

Note that: Stocks/Positions refer to the level of financial assets or liabilities at a point in time. Generally, positions are shown at the beginning and end of an accounting period and are recorded in the international investment position, which is a balance sheet of external financial assets and liabilities.

3. Residency

A **resident** is any individual, enterprise, or other organisation ordinarily domiciled in Kenya. In other words, its centre of economic activity is in Kenya. For statistical purposes, an individual who lives (or intends to live) in Kenya for more than a year is considered a **resident** of Kenya regardless of the individual's citizenship or nationality. An enterprise incorporated in Kenya is considered a resident of Kenya irrespective of the domicile of the owners of the enterprise. A branch of a foreign enterprise operating (or intending to operate) in Kenya for more than a year is treated as a resident of Kenya. An exception to this rule is foreign embassies and missions and international organisations such as the UN (treated as non-residents).

All other entities are regarded as **non-residents** including the following:

1. Individuals or enterprises that have lived or operated abroad for a year or more, regardless of nationality.
2. Foreign Governments and bilateral development assistance organizations e.g. Department for International Development (DFID), Japan International Cooperation Agency (JICA).
3. International organizations with shareholders who are governments of more than one country e.g. World Bank, African Development Bank, International Finance Corporation, etc.

4. Book (Nominal) Value

Book (Nominal) value refers to the value recorded in the enterprise's records. This comprises of authorised and issued share capital at historical cost; any share premium; reserves and retained earnings; revaluations and any other reserves. This concept is familiar to accountants and financial managers, and is known to them as "shareholder funds".

5. Institutional unit

Institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.

6. Enterprises

An enterprise is defined as an institutional unit engaged in production of goods and services. An enterprise may be a corporation (including a quasi-corporation), a non-profit institution, or an unincorporated enterprise. Corporations are legal or social entities whose existence is recognized by law or society, independent of the persons or other entities that may own or control them. Examples include companies, branches, partnerships e.t.c

An establishment is an enterprise or part of an enterprise that is situated in a single location and in which only a single productive activity is carried out, or in which the principal production activity accounts for most of the value added.

7. Financial Instruments

Financial instruments are financial contracts made between institutional units. Financial Instruments consists of equity and non-equity. **Equity** means shares in companies and equivalent ownership interest in an enterprise. **Non-equity** means all other financial instruments including currency and deposits; debt securities; loans; insurance, pension and standardized guarantee schemes; trade credits and advances; and other accounts receivables/payables.

Currency and Deposits: consists of notes and coins that are of fixed nominal values and are issued or authorized by central banks or governments while deposits include all claims on central bank, banks and other financial institutions.

Debt Securities: are negotiable instruments serving as evidence of a debt. They include bills, bonds, notes, negotiable certificates of deposit, commercial paper, debentures, asset-backed securities, money market instruments, and similar instruments normally traded in the financial markets.

Loans: are financial assets that are created when a creditor lends funds directly to a debtor, and are evidenced by documents that are not negotiable.). These include loans (different from trade credits) to finance trade, mortgages, other loans and advances, financial leases for the purchase of goods (where payment consists of interest on the outstanding liability, and repayment of the loan liability). Repurchase agreements are treated as securitized loan. They consist of the sale (made with the intention that the transaction will be reversed at a specified future date) of a security such as a government bond by one institution to another.

Trade credits and advances: Trade credit and advances consist of credit extended directly by the suppliers of goods and services to their customers, and advances for work that is in progress (or is yet to be undertaken) and prepayment by customers for goods and services not yet provided.

Insurance, pension and standardized guarantee schemes: Insurance, pension, and standardized guarantee schemes consist of the following: (a) nonlife insurance technical reserves; (b) life insurance and annuity entitlements; (c) pension entitlements, claims of pension funds on pension managers, and entitlements to nonpension funds; and (d) provisions for calls under standardized guarantees.

Insurance reserves: They refer to prepayments for unearned insurance premiums or outstanding insurance claims identified that are expected to be paid out and arise from events for which the claims are not yet settled.

Standardized Guarantees: Standardized guarantees are defined as those guarantees that are not provided by means of a financial derivative but for which the probability of default can be well established. These guarantees cover similar types of credit risk for a large number of cases. Examples of standardized guarantees include export credit guarantees and student loan guarantees. The guarantors are usually general government units or financial corporations. Because the guarantor provides large numbers of guarantees, it is possible to estimate the risk of default.

Pension entitlements: These are financial claims that both existing and future pensioners hold against either their employer or a fund.

Accounts receivable/payable

Accounts receivable/payable include liabilities for taxes, purchase and sale of securities, securities lending fees, wages and salaries, dividends, and social contributions that have accrued but not yet paid.

8. Maturity

Short-term: original contractual maturity of one year or less.

Long-term: original contractual maturity of more than one year.

9. Foreign Direct Investment

Foreign Direct Investment (FDI) occurs when an investor resident in one economy obtains a lasting interest in an enterprise in another economy. This implies a long-term relationship and significant degree of influence by the direct investor in the FDI enterprise.

Foreign Direct investment therefore indicates "the investments which a resident entity in one economy (the direct investor) makes with the purpose of acquiring a lasting interest in an enterprise resident in another economy (the direct investment enterprise). By lasting interest, it is meant that there should exist a long-term relationship between the direct investor and the enterprise, and that the investor should exercise a significant influence on the management of the enterprise.

Thus, FDI comprise the entirety of funds (contributions to share capital: appropriations; loans; making available cash, commercial credits, or reinvested earnings) which, at a given time, a direct investor leaves to the disposition of enterprises with which is in a direct investment relationship.

10. Direct Investment Enterprise(DIE) is one in which a direct investor resident in *another* economy owns 10 per cent more of the shares or **voting rights** in an **incorporated** enterprise or equivalent in an **unincorporated** -one not registered such as small, informal businesses or branches. **For inward investment**, a DIE is a resident enterprise in which a non-resident Direct Investor owns more than 10 per cent of the total equity of the resident Direct Investment Enterprise. **For outward investment**, a DIE is a non-resident enterprise in which a resident Direct Investor owns more than 10 per cent of the total equity of the non-resident Direct Investment Enterprise. DIE comprise **subsidiaries** (a **non-resident** investor owns more than 50%), **associates** (an investor owns 10%-50%) and **branches** (wholly or jointly owned unincorporated enterprises).

FDI has 3 components, which the survey captures:

- Equity which entails ownership of shares or voting rights of 10% and above.
- Reinvested (or Retained) Earnings this denotes income on equity
- Shareholder and Inter-Enterprise Loans / Borrowing. It comprises the borrowing or lending of funds among related enterprises between the direct investor, and the direct investment enterprise, where one is resident, and the other is non-resident.

11. Direct Investor

A direct investor is an enterprise or group of related enterprises that is able to control or have a significant degree of influence over another enterprise that is resident of a different economy. Control is determined to exist if the direct investor owns more than 50 % of the voting power in the direct investment enterprise (also called a subsidiary). A significant degree of influence is determined to exist if the direct investor owns from 10 to 50 % of the voting power in the direct investment enterprise (also called associate).

12. Direct Investment: is defined as any ownership stake held by a non-resident in the resident enterprise that is 10 per cent or more of total equity. The control or influence may be direct (through ownership of voting power) or indirect (through ownership of enterprises that in turn have voting power).

13. Reverse Investment

Reverse investment arises when a direct investment enterprise lends funds to or acquires equity in its immediate or indirect direct investor, provided it does not own equity comprising 10 per cent or more of the voting power in that

direct investor. In contrast, if two enterprises each have 10 per cent or more of the voting power in the other, this is not reverse investment, rather there exists two mutual direct investment relationships. That is, each enterprise is both a direct investor and direct investment enterprise of the other.

14. Fellow Enterprise (FE)

Fellow enterprises (FE) are those enterprises that are under the control or influence of the same immediate or indirect investor, but neither fellow enterprise controls or influences the other fellow enterprise. Often the direct investor and fellow enterprises are all in different economies, but sometimes the direct investor is in the same economy as one of the fellow enterprises (in which case, it is not a direct investor in that fellow enterprise).

15. Reinvested (or Retained) Earnings

This is one of the three components of FDI and is also referred to as income on equity. It is the direct investor's share (calculated as a proportion of direct equity held) of that part of net profit earned, not distributed as dividends by the direct investment enterprise, together with earnings of branches that are not remitted to the direct investor.

16. Investment Fund Shares (IFS)

They are collective investment undertakings through which investors pool funds for investment in financial or non-financial assets or both. Thus, investment fund shares or units refer to the shares issued by mutual funds and unit trusts rather than the shares they may hold.

17. Investment income

This is income from ***interest, dividends,*** and ***remitted profits.***

Dividends are income on **equity** in incorporated enterprises (companies) and **branch profits** are the equivalent in unincorporated enterprises (branches). They are the distributed earnings allocated to shares for participation in the equity of incorporated private enterprises, co-operatives, and public corporations, and the equivalent for branches.

18. Portfolio Investment

This entails ownership of shares/voting rights of less than 10 per cent of the total equity by a non-resident entity.

As with FDI, this is divided into **equity securities** and **debt (non-equity) securities**. Portfolio investment instruments are tradable between **non-residents** and **residents**.

Equity securities: cover those instruments whose holders receive or bear the risks and rewards arising from ownership of the enterprise. It includes shares (in mutual funds, investment trusts and unit trusts); stocks; participation or similar documents such as depository receipts. But it exclude shares securities such as certain preference shares if they do not entitle the holder to a specified return (these should be classified as debt and not equity).

19. Financial derivatives

These are financial instruments whose value is derived from the value of something else (particularly from other financial instruments). They generally take the form of contracts under which the parties agree to payments

between them based upon the value of an underlying asset or other data at a particular point in time. The main types of derivatives are futures, forwards, options and swaps.

20. Other Investment

This is a residual category of the broad functional categories of Direct Investment and Portfolio Investment. Thus, whatever cannot be classified either as Direct Investment or Portfolio Investment is captured under Other Investment. This comprises other equity (less than 10% of voting rights and non-tradable); debt securities; currency and deposits; loans; trade credits and advances; insurance, pension and standardized guarantee schemes; and accounts payables and receivable.

21. Investment Fund Shares (IFS): They are collective investment undertakings through which investor's pool funds for investment in financial or non-financial assets or both. Thus, investment fund shares or units refer to the shares issued by mutual funds and unit trusts rather than the shares they may hold.

22. Employee Stock Option

This refers to options to buy equity of a company, offered to employees of the company as a form of remuneration.

23. Compensation of employees

Compensation of employees presents remuneration (comprising wages, salaries and other benefits) in return for the labour input to the production process contributed by an individual in an employer-employee relationship with the enterprise. For BOP purposes, compensation of employees is recorded when the employer (the producing unit) and the employee are resident in different economies.

Employees in this context include seasonal or other short term workers (less than one year) and border workers who have centres of economic interest in their own economies.

For the economy where the producing units are resident, compensation of employees is the total remuneration, **in cash or in kind**, payable by resident enterprises to non-resident employees in return for work done by the latter during the accounting period.

24. Merchanting

Merchanting refers to the purchase of goods by a resident of the compiling economy from a non-resident combined with the subsequent resale of the same goods to another non-resident without the goods being physically present in the compiling economy.