





Central Bank of Kenya
Safeguarding the Value of Your Money

Foreign Investment Survey 2015

Preliminary Report

FOREWORD

Kenya has a vibrant private sector that continues to play a prominent role as a source of funds for investment and foreign exchange for the economy. This is on a background of macroeconomic stability, well-functioning financial market, improving technological infrastructure and sustained economic growth. Availability of accurate and timely foreign investment data is essential for understanding the type, size and direction of these investments in the economy and thus useful in informing policy formulation.

This report presents the findings of the Foreign Investment Survey (FIS) 2015, which is the third in a series of Foreign Investment Surveys jointly conducted by the Kenya National Bureau of Statistics (KNBS), Central Bank of Kenya (CBK) and Kenya Investment Authority (KenInvest). The FIS 2015 report presents foreign investment by type, magnitude and direction. The report also provides an assessment of investors' perception about the country's investment climate in 2015.

The data collected through the FIS 2015 will extend time series data on foreign investment to seven years building on the data collected during FIS 2010 covering the period 2007 and 2008 and FIS 2013 covering the period 2009, 2010 and 2011. The data collected is intended to be used for better policy formulation that underpins private sector growth and development. Further the data is expected to enrich research and analysis, planning and policy formulation to achieve the Kenya Vision 2030 goals.

I take this opportunity to thank Development Partners that provided technical support in design of the survey and data analysis. In particular, the contribution of Macroeconomic and Financial Management Institute for Eastern and Southern Africa (MEFMI) and International Monetary Fund (IMF) in providing capacity building.

My sincere appreciation goes to The National Treasury and Central Bank of Kenya (CBK) for providing funding and technical guidance for the implementation of the survey. We recognize the support of Capital Markets Authority (CMA), Export Processing Zones Authority (EPZA) and Insurance Regulatory Authority (IRA) during the planning and data collection phase. I would like to express my appreciation to all other the stakeholders for making this FIS2015 a success.

This report was prepared by the Balance of Payments Committee comprising staff from the Kenya National Bureau of Statistics (KNBS), Central Bank of Kenya (CBK), Kenya Investment Authority (KenInvest) and Capital Markets Authority (CMA). They included the KNBS Mr. Benjamin Avusevwa, Mr. William Etwasi, Ms. Rosemary Bowen, Ms. Gladys Mbaluku, Ms. Pauline Kamau and Mr. Antony Makau from KNBS; Ms. Kethi Ngoka, Ms. Maryanne Nkonge, Ms. Maureen Odongo, Mr. Leonard Kipyegon and Mr. Nahashion Mutai from CBK; KenInvest represented by Mr. Joseph Kioko and the Capital Markets Authority (CMA) represented by Mr. Justus Agoti

Further, we thank Mr. Collins Omondi (KNBS), Mr. Charles Koori (CBK) and Mr. Carilus Odumbe (CBK) for the guidance at various stages of the survey implementation and feedback on the report.

Lastly, we wish to express special gratitude to our respondents, for the cooperation in providing information and whose feedback we value. The survey would not have been successful without the cooperation of the enterprises that gave their valuable time for interviews and diligently completed the questionnaires to provide the much needed information.

Zachary Mwangi
Director General
Kenya National Bureau of Statistics

Further Information on Data

The electronic version of the Foreign Investment Survey (FIS) 2015 report is available in the KNBS website: (www.knbs.or.ke) and the Central Bank of Kenya (CBK) website (www.centralbank.go.ke). Accompanying the electronic publication on the website is detailed FIS 2015 data, and the previous FIS 2010 and 2013 report.

Every effort is made to ensure timeliness, accuracy, and completeness of the Foreign Investment data. However, when errors are discovered, there is a concerted effort to correct them as appropriately. Corrections and revisions made after publication will be incorporated into the electronic editions available from the KNBS and CBK website.

Any enquiries about the content of the FIS reports and the accompanying database should be emailed to or directed to:

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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
CDIS	Coordinated Direct Investment Survey
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	Kredistanstalt fur Wiederaufbau
KNBS	Kenya National Bureau of Statistics
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa
MENA	Middle East and North 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

Lessons from the global financial and economic crisis and the sovereign debt crisis have shown that, while foreign investments have become increasingly important for developing economies, they are also sources of vulnerabilities to such economies. This has called for collection of quality data on foreign assets and liabilities in an effort to establish the type, magnitude and direction of private capital flows as well as investor perceptions on investment climate.

Kenya recognizes the importance and potential risks associated with private foreign capital . Foreign Investment Surveys are intended to collect timely and reliable data on foreign capital flows. Foreign Investment Survey (FIS) 2015 is the third survey in the series since 2010 that captured data on foreign liabilities and assets, international trade, employment for 2012 and 2013; and investor perception on the investment climate in 2015.

The implementation of the FIS 2015 was in five stages namely; survey design; training of personnel and data collection; data editing and capture; data analysis and report writing; and dissemination of the results. The FIS 2015 questionnaire was administered to the sampled 845 enterprises selected on the basis of FIS 2013 updated frame..

Foreign Liabilities

Stock of foreign liabilities increased by 25.2 per cent from KSh 634,155 million in 2012 to KSh 794,026 million in 2013. The stock of FDI, Other Investment and Portfolio Investment accounted for 57.2, 35.3 and 7.4 per cent of the total liabilities in 2013, respectively.

FDI accounted for the largest share of the total foreign liabilities and increased by 20.7 per cent from KSh 376,557 million in 2012 to KSh 454,576 million in 2013. The major recipient sectors of FDI were Wholesale and Retail trade; repair of motor vehicles and motorcycles; Financial and Insurance activities; and Manufacturing which accounted for 24.3, 18.2 and 16.0 per cent of the total FDI inflows respectively, in 2013. FDI inflows from the Far East region increased by 13.8 per cent to KSh 76,578 million in 2013 with inflows from India rising by 41.0 per cent to KSh 27,783 million making it the leading source in 2013.

The stock of Portfolio Investment rose by 75.8 per cent to KSh 58,951 million in 2013. Portfolio Investment inflows also increased by KSh 38,646 million to KSh 92,978 million while outflows

increased by KSh 34,817 million to KSh 67,415 million in 2013.

Other Investment stock increased by 25.2 per cent to KSh 280,498 million in 2013. Other Investment inflows, which mainly comprised of long term loans accounted for 27.5 per cent of the total inflows, declined by 4.0 per cent to KSh 99,909 million in 2013.

Private Sector External Debt (PSED) stock increased by 27.8 per cent to KSh 364,631 million in 2013 and was predominantly in Other Investment, in particular, long-term loans accounting for 75.0 per cent. PSED stock under Other Investment was held mainly in financial and insurance; transport and storage; and electricity and gas sector jointly accounting for 87.6 per cent in 2013. The largest share of external debt stock was from the International Financial organizations and United Kingdom in 2012 and 2013. Inflows of external debt in 2013 increased by 10.4 per cent to KSh 186, 456 million while the outflows increased by 20.9 per cent to KSh 107,498 million.

Foreign Assets

The stock of Kenya's assets abroad increased by 14.0 per cent to KSh 230,514 million in 2013 from KSh 202,267 million in 2012. The share of FDI and Other Investment in total stock averaged 51.8 per cent and 48.2 per cent, respectively, in 2012 and 2013. FDI assets were mainly in equity and investment fund shares while Other Investment assets were in form of currency and deposits. More than half of the assets abroad were held in Uganda and US. The EAC was the preferred destination of FDI assets constituting 87.8 per cent and 86.6 per cent in 2012 and 2013, respectively. In 2013, total outgoing investments increased by 13.3 per cent to KSh 176,329 and were largely destined to US and UK while disinvestments decreased by 33.9 per cent to KSh 105,529 million, mainly from UK and UAE.

International Trade and Employment

In 2013, the volume of international trade in goods by enterprises that reported FAL declined by 15.8 per cent mainly on account of decline in both exports and imports. The decline in exports was mainly reflected in the Manufacturing sector while that of imports was in the Wholesale and retail trade; repair of motor vehicles and motorcycles sector. During the review period, merchanting was reported mainly in the Manufacturing sector.

Expenditure on services rendered by non-residents increased by 55.1 per cent from KSh 42,375 million to KSh 65,735 million in 2013.The major expenditure category was construction services. Similarly, income earned by enterprises for services provided to non-residents

increased by 44.5 per cent from KSh 20,347 million to KSh 29,401 million in 2013. The main income generating services in 2013 were Other business services (mainly Professional and Management Consulting); and Insurance and Pension services.

Employment by enterprises that reported FAL increased by 13.3 per cent from 242,103 employees in 2012 to 274,378 employees in 2013. Wholesale and retail trade, Manufacturing, Accommodation and the Finance and insurance sectors accounted for 25.7, 20.1, 12.0 and 11.5 per cent of total employment, respectively, in 2013. Compensation of employees also increased by 6.5 per cent from KSh 171,124 million in 2012 to KSh 182,316 million in 2013. Resident employees received the highest share of total compensation accounting for 99 per cent on average, over the review period.

Investor perception

Respondents perceived domestic market growth potential, rule of law and existing regulations; availability of skilled workforce; quality of infrastructure and logistics; and access to other markets as the five major factors attracting them to do business in Kenya. In respect to starting a business, respondents perceived that it takes a long time to register property and to acquire work permits. However, it takes a short time to register with social benefit schemes and the tax authority. The cost of access to business credit, electricity connection and acquisition of work permits was perceived to be high.

More than half of the investors interviewed felt that improvements in the access to telecommunication services, internet reliability, transport infrastructure and tax administration over the last two years (2013 and 2014). However, security, counterfeiting, corruption and access to land were rated to have deteriorated over the same period. Areas that require urgent government intervention in order to ensure smooth business operations were security, corruption, tax administration, cost of electricity and politics. With regard to the direction of investment, majority of the respondents indicated that they would most likely improve on existing facilities, diversify range of products, recruit locals, ensure gender balance and acquire additional capital goods.

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CHAPTER 1: INTRODUCTION

Overview

Private capital flows are increasingly becoming an important source of external financing for Kenya. These flows help the country fill the savings-investment resource gap and also play a critical role in promoting research and development, employment creation and economic growth. Foreign investment, in particular inward Foreign Direct Investment (FDI) mainly represents long term investment in productive sectors of the economy, facilitating capital formation, technological transfer, skills development, adoption of organizational and managerial best practices, as well as promoting opportunities for local businesses.

1.2. The Government has endeavoured to create an enabling environment in order to attract and retain foreign investments. One of the key features of the reforms has been the liberalization of the capital and financial account in an effort to promote greater openness to cross-border capital flows.. The implementation of programmes and projects of the *Kenya Vision 2030*[1] have placed the country on the global platform as a preferred destination for investment. In particular, expansion of infrastructure, human capital development and innovation in the financial and communication sectors have enhanced the country's competitiveness, boosted both local and foreign investor confidence, thus stimulating economic growth and development.

1.3. Despite the measures taken to promote foreign investment, lessons from the 2008/09 global financial and economic crisis and the 2011 sovereign debt crisis have shown that, while foreign investments have become increasingly important for developing economies, they are also sources of vulnerabilities to the economy. Collection of reliable and timely data on foreign assets and liabilities is significant for monitoring these flows and assessing the degree of vulnerability to the economy. The data also provides sound basis for developing policies and strategies to mitigate the impact of such risks if they occur. In Kenya, foreign investment surveys are used as an instrument to capture such information on foreign capital. These surveys are implemented through joint collaboration of institutions represented in the Balance of Payments Committee[2] to ensure better utilisation of resources required for data collection and analysis. The Foreign Investment Survey (FIS) 2015 is the third in the series since the launch of the surveys in 2010. The FIS 2015 captured data on foreign private capital flows and stocks for the period 2012 and 2013.

[1] Kenya Vision 2030 is the country's long-term development blueprint for the period 2008–2030. It aims to transform Kenya into a newly industrializing, globally competitive, and prosperous middle income country with a high quality of life for all citizens by the year 2030.

[2] The Balance of Payments Committee include KNBS, CBK, KenInvest and CMA

Objectives of the Survey

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

1.5. The data collected through the FIS 2015 will extend time series data on foreign investment to seven years building on the data collected during FIS 2010 covering the period 2007 and 2008 and FIS 2013 covering the period 2009, 2010 and 2011. 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.

Legal, Regulatory and Institutional Framework

1.6. The information is collected under the Statistics Act, 2006 that empowers KNBS to collect, analyze and disseminate statistical information, as well as coordinates the National Statistical System (NSS).

1.7. Under the Act, KNBS may collaborate with such other bodies within or outside Kenya that is desirable or appropriate in furtherance of the purpose for developing and production of statistics. Thus, FIS 2015 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).

Macroeconomic Developments and Prospects 2013

1.8. The global economic growth slowed down to 3.3 per cent in 2013 from 3.4 per cent in 2012. The slowdown was attributed to a decline in investment inflows and tight liquidity conditions driven by a more protracted recession in the Euro Area and weaker domestic demand in several key emerging market economies. In Sub-Saharan African (SSA) growth decelerated to 4.9 per cent in 2012 from 5.5 per cent in 2011, and slowed to 4.4 per cent in 2013. Growth in the East African Community remained at 5.3 per cent in 2013, the same level as in 2012. World trade recorded a growth of 3.3 per cent compared to a growth of 3.0 per cent in 2012

1.9. In Kenya, real Gross Domestic Product (GDP) growth slowed down to 4.6 per cent in 2012 from 6.1 per cent in 2011. The decelerated growth was occasioned by the fragile global growth that resulted to a decline in net exports during the period under review. Higher global commodity prices during the period also affected key sectors of the economy, as inflationary pressures resulted to tightening of the monetary policy, thus negatively affecting the manufacturing, transport and telecommunications sectors. However, in 2013, the macroeconomic environment stabilized, as growth picked up to 5.7 per cent and inflation eased to 5.7 per cent from 9.4 per cent in 2012.

1.10. The World Economic Outlook (WEO) report, July 2015 edition, shows that the global economy grew by 3.4 per cent in 2014 and is expected to decline marginally to 3.3 per cent in 2015 with persistent diversity across regions. Growth in Sub Saharan Africa (SSA) is also expected to decline to 4.4 per cent in 2015 from 5.0 per cent in 2014. The slowdown of the Chinese economy is expected to affect other emerging market economies, notably the commodity exporters. However, going forward, the growth impetus is expected to come from the US economy resulting from supportive monetary conditions and easing of fiscal consolidation.

International Private Capital Flows

1.11. According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report (WIR), 2015, global FDI inflows fell by 10.3 per cent to US Dollar 1.40 trillion in 2012 from US Dollar 1.56 trillion in 2011. The sharp decline was in line with the slowdown in global economic growth and international trade. The major cause was fragility of the global economy, policy uncertainty in a number of key emerging market economies and elevated geopolitical risks in the Middle East and North Africa (MENA) region. In 2013, FDI flows registered an upward trend, with global FDI inflows increasing by 5.0 per cent to US Dollar 1.47 trillion. However, in 2014, low levels of flows to developed countries resulted to a 16.0 per cent decline. The UNCTAD 2015 report projects an upturn in FDI flows to US Dollar 1.4 trillion in 2015 and US Dollar 1.5 trillion in 2016 attributed to growth prospects in the United States, the demand-stimulating effects of lower oil prices and accommodating monetary policy, and continued investment liberalization and promotion measures.

CHAPTER 2: SURVEY FINDINGS ON FOREIGN LIABILITIES

Overview

This Chapter presents survey results on investments in Kenya by non-residents. These investments are broadly categorized into Foreign Direct Investment (FDI), Portfolio Investment and Other Investment. FDI comprise equity and investment fund shares and debt instruments. Portfolio Investment include equity and investment fund shares and debt securities while Other Investment include other equity, currency and deposits, trade credit and advances, loans, insurance, pension and standardized guarantees and; other accounts payables. This foreign investments positions and flows are referred to as foreign liabilities.

Stock of Foreign Liabilities

2.2. The stock of foreign liabilities increased by 25.2 per cent from KSh 634,155 million in 2012 to KSh 794,026 million in 2013 as shown in Table 2.1. The stock of FDI accounted for the largest share of the total foreign liabilities at 59.4 per cent in 2012 and 57.2 per cent in 2013. Other Investment and Portfolio Investment accounted for 35.3 per cent and 7.4 per cent of the total liabilities, respectively, in 2013.

2.3. The stock of FDI increased by 20.7 per cent from KSh 376,557 million in 2012 to KSh 454,576 million in 2013, mainly as a result of the increase in equity and investment fund shares. Similarly, Portfolio Investment stock rose by 75.8 per cent to KSh 58,951 million in 2013. Other Investment stock increased by 25.2 per cent from KSh 224,060 million in 2012 to KSh 280,498 million in 2013 largely attributed to the increase in long term loans.

Table 2. 1: Stock of Foreign Liabilities, 2012-2013

	2012		2013	
Categories	**KSh Million**	**% Share**	**KSh Million**	**% Share**
Foreign Direct Investment	**376,557.41**	**59.4**	**454,575.71**	**57.2**
Equity and Investment Fund Shares	304,890.39	48.1	362,147.66	45.6
Equity and Investment Fund Shares other than Reinvested Earnings	212,174.94	33.5	269,277.38	33.9
Accumulated Retained Earnings	92,715.45	14.6	92,870.28	11.7
Debt Instruments	71,667.02	11.3	92,428.05	11.6
Long Term	23,132.31	3.6	34,619.42	4.4
Short Term	48,534.71	7.7	57,808.63	7.3
Portfolio Investment	**33,537.43**	**5.3**	**58,951.38**	**7.4**
Equity and Investment Fund Shares	32,830.13	5.2	58,393.13	7.4
Debt Securities	707.30	0.1	558.25	0.1
Long Term	707.30	0.1	558.25	0.1
Short Term	-	-	-	-
Financial Derivatives[1]	-	-	-	-
Forwards	-	-	-	-
Options	-	-	-	-
Other Investment	**224,059.70**	**35.3**	**280,498.49**	**35.3**
Other Equity	11,198.11	1.8	8,853.99	1.1
Currency and Deposits	411.28	0.1	596.00	0.1
Long Term	23.29	0.0	32.44	0.0
Short Term	387.99	0.1	563.56	0.1
Trade Credits and Advances	3,233.02	0.5	4,723.04	0.6
Long Term	754.72	0.1	747.83	0.1
Short Term	2,478.30	0.4	3,975.21	0.5
Loans	201,383.14	31.8	255,669.94	32.2
Long Term	198,042.49	31.2	253,611.98	31.9
Short Term	3,340.65	0.5	2,057.96	0.3
Insurance, Pension and Standardised Guarantees	449.21	0.1	617.09	0.1
Life & Non-life Insurance Reserves	424.83	0.1	612.63	0.1
Pension Entitlements / Claims	-	-	-	-
Standardised Guarantees	24.37	0.0	4.46	0.0
Other Accounts Payables	7,384.94	1.2	10,038.43	1.3
Long Term	1,682.15	0.3	1,890.55	0.2
Short Term	5,702.79	0.9	8,147.88	1.0
Total Foreign Liability	**634,154.54**	**100.0**	**794,025.58**	**100.0**

[1] Figures not reported

Flows of Foreign Liabilities

2.4. The flows of foreign liabilities are presented in Table 2.2. In 2013, the total foreign liability inflows increased by 6.1 per cent to KSh 363,269 million, while outflows increased by 42.3

per cent to KSh 198,717 million. Consequently, the total net inflows declined by 18.8 per cent from KSh 202,539 million in 2012 to KSh 164,552 million in 2013.

2.5. FDI contributed the largest component of inflows accounting for 53.7 per cent and 46.9 per cent of total inflows in 2012 and 2013, respectively. However, FDI inflows declined by 7.3 per cent from KSh 183,853 million in 2012 to KSh 170,382 million in 2013. The inflows were mainly in the form of Equity and Investment Fund Shares and short term debt instruments.

2.6. Portfolio Investment inflows increased by 71.1 per cent to KSh 92,978 million in 2013. Other Investment inflows declined by 4.0 per cent from KSh 104,048 million in 2012 to KSh 99,909 million in 2013 and accounted for 30.4 per cent and 27.5 per cent of the total inflows respectively, in 2012 and 2013. Other Investment flows mainly comprised long term loans.

2.7. FDI outflows increased by 10.0 per cent to KSh 91,474 million in 2013. Over the same period, Portfolio Investment outflows more than doubled to KSh 67,415 million while Other Investment outflows increased by 66.2 per cent to KSh 39,828 million.

Table 2. 2: Flows of Foreign Liabilities, 2012 – 2013

KSh Million

	2012			2013		
Categories	**Inflows**	**Outflows**	**Net**	**Inflows**	**Outflows**	**Net**
Foreign Direct Investment	**183,853.42**	**83,130.92**	**100,722.50**	**170,382.13**	**91,474.06**	**78,908.07**
Equity and Investment Fund Shares	116,951.01	18,027.29	98,923.72	81,929.41	23,758.07	58,171.34
Equity and Investment Fund Shares other than Reinvested Earnings	90,352.73	2,330.21	88,022.52	56,697.64	33.96	56,663.67
Retained Earnings	26,598.29	15,697.08	10,901.20	25,231.77	23,724.11	1,507.67
Debt Instruments	66,902.41	65,103.63	1,798.78	88,452.72	67,715.99	20,736.72
Long Term	18,273.96	47,270.26	- 28,996.30	33,127.07	21,268.24	11,858.83
Short Term	48,628.45	17,833.37	30,795.08	55,325.65	46,447.75	8,877.90
Portfolio Investment	**54,332.00**	**32,598.00**	**21,734.00**	**92,978.00**	**67,415.00**	**25,563.00**
Equity and Investment Fund Shares	54,332.00	32,598.00	21,734.00	92,978.00	67,415.00	25,563.00
Debt Securities	-	-	-	-	-	-
Long Term	-	-	-	-	-	-
Short Term	-	-	-	-	-	-
Financial Derivatives[1]	-	-	-	-	-	-
Forwards	-	-	-	-	-	-
Options	-	-	-	-	-	-
Other Investment	**104,048.19**	**23,965.39**	**80,082.80**	**99,908.73**	**39,828.12**	**60,080.61**
Other Equity	2,060.13	129.79	1,930.34	1,905.41	46.34	1,859.07
Currency and Deposits	895.57	893.72	1.85	1,704.84	1,542.74	162.10
Long Term	1.85	-	1.85	9.15	-	9.15
Short Term	893.72	893.72	-	1,695.69	1,542.74	152.95
Trade Credits and Advances	4,953.63	3,887.27	1,066.36	5,965.66	4,495.92	1,469.75
Long Term	573.07	38.97	534.10	632.03	638.92	- 6.89
Short Term	4,380.56	3,848.31	532.26	5,333.63	3,857.00	1,476.64
Loans	91,659.33	16,614.40	75,044.93	82,642.58	28,903.09	53,739.49
Long Term	87,616.22	12,760.26	74,855.96	80,278.22	24,662.62	55,615.60
Short Term	4,043.12	3,854.14	188.97	2,364.37	4,240.47	- 1,876.10
Insurance, Pension and Standardised Guarantees	24.37	176.16	- 151.79	386.96	178.94	208.02
Life & Non-life Insurance Reserves	-	176.16	- 176.16	187.80	-	187.80
Pension Entitlements / Claims	-	-	-	-	-	-
Standardised Guarantees	24.37	-	24.37	199.16	178.94	20.22
Other Accounts Payables	4,455.15	2,264.04	2,191.11	7,303.27	4,661.09	2,642.18
Long Term	28.09	69.69	- 41.60	433.92	233.12	200.79
Short Term	4,427.06	2,194.35	2,232.71	6,869.35	4,427.96	2,441.39
Total Foreign Liabilitites	**342,233.61**	**139,694.31**	**202,539.30**	**363,268.86**	**198,717.18**	**164,551.68**

[1]Figures not reported

Stock of Foreign Liabilities by Economic Bloc and Country

2.8. Stock of foreign liabilities by economic bloc and country for the period 2012 and 2013 is presented in Table 3.3. Europe was the main source of external liabilities accounting for 42.9 per cent in 2012 and 36.9 per cent in 2013 as shown in Figures 2.1 and 2.2. The stock of external liabilities from the EU was KSh 260,091 million and KSh 276,913 million in 2012 and 2013, respectively. The predominant source of foreign liabilities within the EU was United Kingdom whose stocks increased by 8.4 per cent to KSh 167,342 million in 2013.

2.9. The stock of foreign liabilities attributed to Africa increased from KSh 98,897 million in 2012 to KSh 136,093 million in 2013 and its share increased from 15.6 per cent to 17.1 per cent over the same period. This was largely reflected in increased investments from Common Market of Eastern and Southern Africa (COMESA). Mauritius and Egypt were the major sources of investments within COMESA jointly accounting for 83.3 per cent in 2013. Stock of external liabilities attributable to the EAC more than doubled to KSh 13,175 million in 2013, with Uganda accounting for the largest share of 58.6 per cent in 2012 while Tanzania contributed the highest share of 63.1 per cent in 2013.

2.10. The stock of foreign liabilities attributable to America increased from KSh 66,912 million in 2012 to KSh 103,152 million in 2013 with its share increasing from 10.6 per cent to 13.0 per cent respectively. The stock of liabilities from America was mainly from the US accounting for 87.2 per cent and 82.4 per cent of the total stock of foreign liabilities in 2012 and 2013 from the region, respectively. The stock of foreign liabilities attributable to Asia increased from KSh 82,287 million in 2012 to KSh 106,694 million in 2013 with its share increasing slightly to 13.4 per cent. India, China and Japan were the leading sources of external liabilities from the region at KSh 42,802 million, KSh 33,367 million and KSh 17,137 million, respectively, in 2013. The share of external liabilities attributed to international organizations was 10.1 per cent in 2012 and 10.3 per cent in 2013.

Table 2. 3: Stock of Foreign Liabilities by Economic Bloc and Country, 2012 – 2013

	2012		2013	
Region	**KSh Million**	**%Share**	**KSh Million**	**%Share**
Africa	**98,896.89**	**15.6**	**136,093.30**	**17.1**
COMESA[1]	78,748.12	12.4	100,936.62	12.7
Mauritius	38,743.68	6.1	50,622.40	6.4
Egypt	22,961.00	3.6	33,425.40	4.2
South Sudan	9,794.02	1.5	10,500.38	1.3
Uganda	3,846.35	0.6	4,766.12	0.6
Madagascar	572.62	0.1	761.81	0.1
Eritrea	24.42	0.0	547.64	0.1
Seychelles	136.81	0.0	147.01	0.0
Other COMESA	2,669.22	0.4	165.86	0.0
EAC	6,559.20	1.0	13,174.57	1.7
Tanzania	2,621.13	0.4	8,318.67	1.0
Uganda	3,846.35	0.6	4,766.12	0.6
Other EAC	91.73	0.0	89.78	0.0
OTHER AFRICA	17,527.64	2.8	26,838.01	3.4
South Africa	11,212.89	1.8	10,874.99	1.4
Nigeria	1,345.51	0.2	8,062.04	1.0
Togo	1,899.25	0.3	3,220.89	0.4
Benin	1,270.08	0.2	2,703.29	0.3
Angola	722.91	0.1	722.91	0.1
Cote d'Ivoire	540.67	0.1	719.31	0.1
Rest of Africa	536.34	0.1	534.58	0.1
America	**66,911.73**	**10.6**	**103,151.70**	**13.0**
North America	61,753.06	9.7	97,515.16	12.3
US	58,331.48	9.2	84,990.83	10.7
Canada	3,421.58	0.5	12,524.33	1.6
South America	386.69	0.1	386.69	0.0
Carribean	4,771.98	0.8	5,249.85	0.7
Asia	**82,287.20**	**13.0**	**106,693.90**	**13.4**
Far East	77,918.93	12.3	99,993.77	12.6
India	32,172.75	5.1	42,802.31	5.4
China	27,108.80	4.3	33,367.35	4.2
Japan	13,486.25	2.1	17,136.77	2.2
Others	5,151.13	0.8	6,687.33	0.8
Middle East	4,368.27	0.7	6,700.13	0.8
United Arab Emirates	4,076.09	0.6	6,285.81	0.8
Others	292.18	0.0	414.32	0.1
Europe	**272,027.13**	**42.9**	**292,821.12**	**36.9**
Eastern Europe	185.23	0.0	189.03	0.0
EU	260,090.65	41.0	276,913.15	34.9
United Kingdom	154,374.93	24.3	167,341.52	21.1
France	52,205.59	8.2	55,552.56	7.0
Netherlands	22,855.00	3.6	23,240.36	2.9
Germany	24,336.93	3.8	22,684.06	2.9
Belgium	3,582.27	0.6	4,579.31	0.6
Others	2,735.93	0.4	3,515.34	0.4
Western Europe	11,751.26	1.9	15,718.95	2.0
Switzerland	11,255.09	1.8	14,764.13	1.9
Norway	414.35	0.1	873.00	0.1
Turkey	81.81	0.0	81.81	0.0
Australia and Oceanic	**1,376.31**	**0.2**	**2,516.95**	**0.3**
International Financial Institution/ organizations[2]	**64,038.09**	**10.1**	**81,646.04**	**10.3**
Countries not stated[3]	**48,617.18**	**7.7**	**71,102.57**	**9.0**
Grand Total	**634,154.54**	**100.0**	**794,025.58**	**100.0**

[1]COMESA includes Uganda, Rwanda and Burundi

[2]International Financial Institutions / Organizations include AfDB, IFC, JICA, IFAD, EIB, PTA, KFW and International Freephone

[3]Countries not stated includes Isle of Man, Jersey Channel Islands and countries not specified

Figure 2 1: Stock of Foreign Liabilities by Economic Bloc, 2012

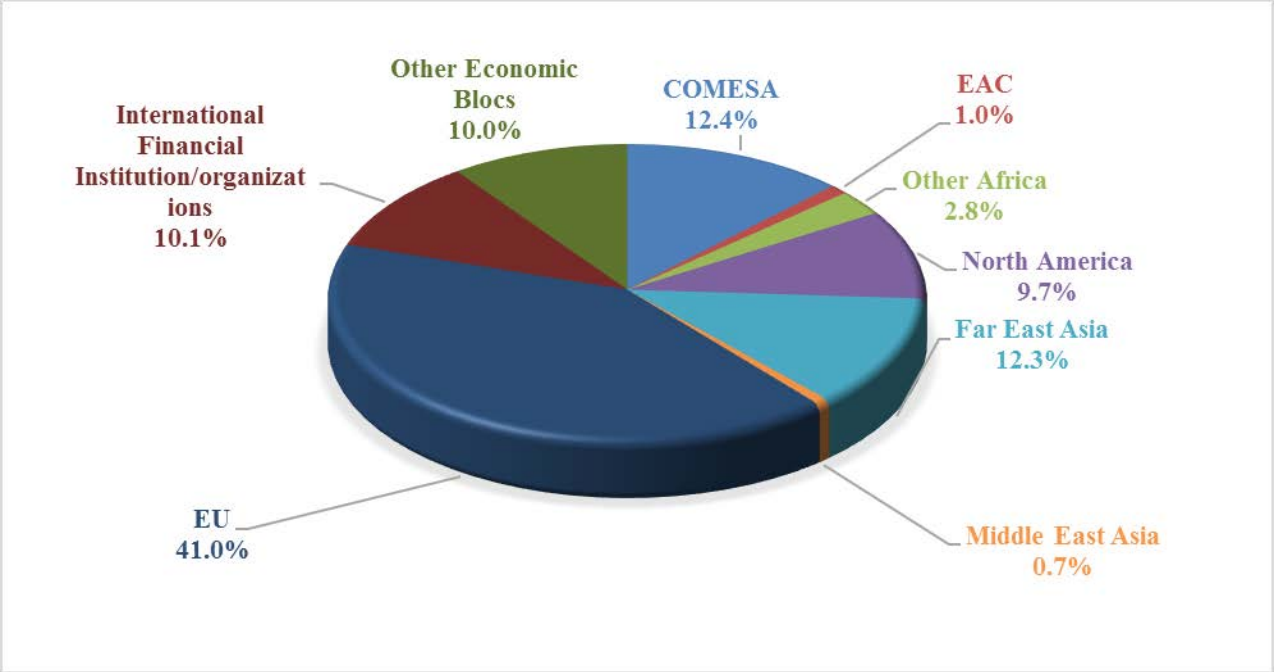
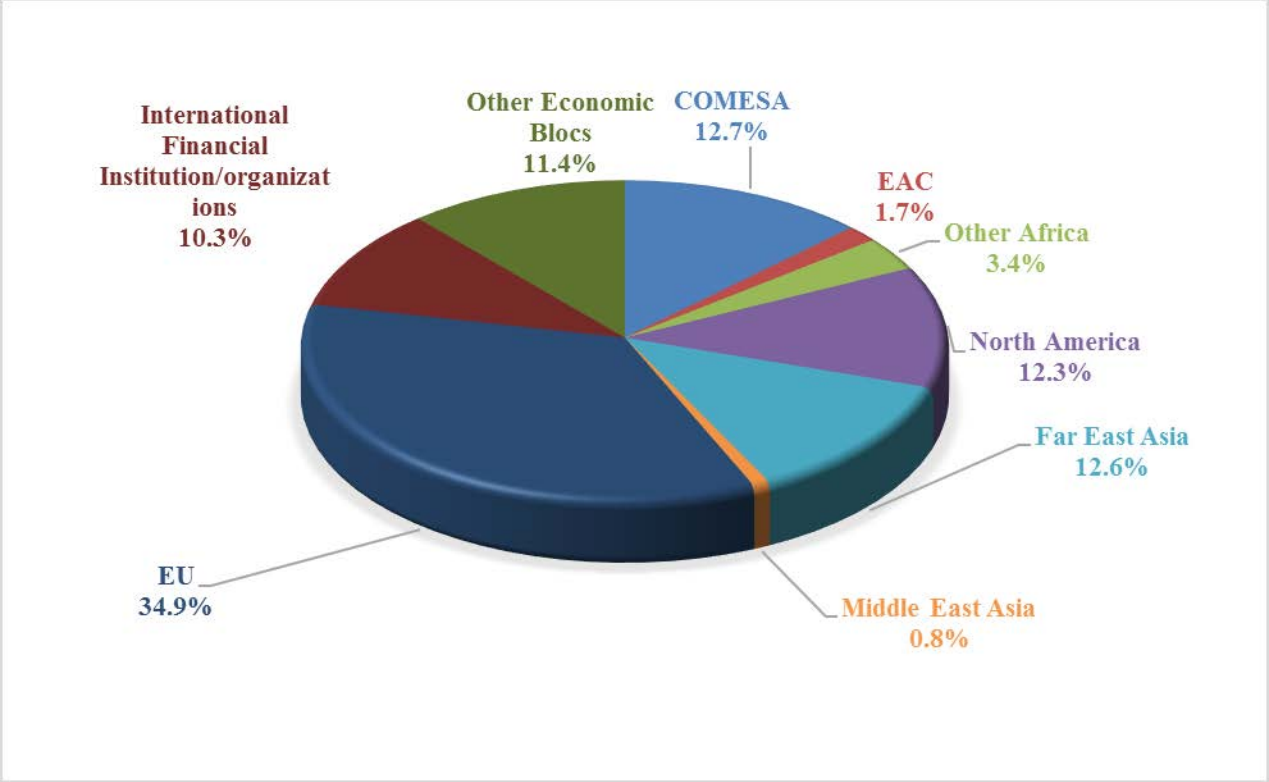


Figure 2.2: Stock of Foreign Liabilities by Economic Bloc, 2013



Flows of Foreign Liabilities by Economic Bloc and Country

2.11. The total foreign liability flows by Economic Bloc and Country is presented in Table 2.4. Inflows from the US increased from KSh 22,486 million in 2012 to KSh 54,171 million in 2013 and accounted for 99.1 per cent of the total inflows from America. Consequently, its share to the total inflows increased from 6.6 per cent in 2012 to 14.9 per cent in 2013. Flows from the Far East also increased from KSh 67,356 million to KSh 76,578 million during the same period. However, the share of inflows from European Union declined from 30.1 per cent in 2012 to 17.8 per cent in 2013, reflected largely on reduced inflows from United Kingdom, France and Germany. Inflows from COMESA countries decreased by 25.5 per cent to KSh 44,009 million in 2013 and its share of total inflows declined from 17.3 per cent to 12.1 per cent over the same period. This was mainly attributed to reduced inflows from Egypt, Mauritius and South Sudan.

2.12. Outflows to COMESA increased to KSh 15,804 million in 2013 from KSh 7,915 million in 2012, and its share of the total outflow increased from 5.7 per cent to 8.0 per cent. This is reflected in outflows to South Sudan, Egypt and Mauritius. Outflows to Asia more than doubled on account of increased outflows to India, China and Japan, whose cumulative share of total outflows increased from 17.6 per cent in 2012 to 27.5 per cent in 2013. However, outflows to the EU declined by 45.4 per cent to KSh 32,598 million in 2013 and its share of the total outflows declined from 42.7 per cent in 2012 to 16.4 per cent in 2013. This was largely attributed to a decrease in outflows to France and United Kingdom during the review period.

2.13. Net inflows from America more than doubled from KSh 19,346 million in 2012 to KSh 51,926 million in 2013 as shown in Figures 2.3 and 2.4. Net inflows from Africa declined by 23.1 per cent, occasioned by reduced flows from Egypt and South Sudan from KSh 22,961 million to KSh 10,464 million and KSh 9,794 million to KSh 706 million in 2012 and 2013, respectively. Net inflows from Far East declined from KSh 42,423 million in 2012 to KSh 21,447 million in 2013, largely reflected in reduced net inflows from China and India by 65.1 per cent and 41.8 per cent, respectively.

Table 2. 4: Flows of Liabilities by Economic Bloc and by Country, 2012-2013

KSh Million

Region/Country	2012			2013		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Africa	**68,236.92**	**11,110.05**	**57,126.87**	**62,796.00**	**18,872.48**	**43,923.52**
COMESA[1]	**59,081.82**	**7,914.91**	**51,166.91**	**44,008.93**	**15,803.65**	**28,205.28**
Mauritius	16,137.36	1,742.25	14,395.11	14,777.13	3,665.82	11,111.31
Egypt	23,773.00	812.00	22,961.00	14,539.40	4,075.00	10,464.40
Uganda	8,010.01	4,184.21	3,825.80	8,497.34	3,337.06	5,160.28
South Sudan	9,836.86	42.84	9,794.02	5,283.82	4,577.46	706.36
Other COMESA Countries	1,324.60	1,133.62	190.98	911.24	148.32	762.92
EAC	**11,159.17**	**5,412.86**	**5,746.31**	**14,632.82**	**3,776.26**	**10,856.57**
Tanzania	2,641.47	97.57	2,543.90	5,998.08	300.53	5,697.56
Uganda	8,010.01	4,184.21	3,825.80	8,497.34	3,337.06	5,160.28
Burundi	-	-	-	77.58	-	77.58
Rwanda	507.70	1,131.09	-623.39	59.82	138.67	-78.86
Africa Other	**6,513.63**	**3,097.57**	**3,416.06**	**12,788.98**	**2,768.30**	**10,020.68**
Nigeria	31.78	1,328.92	-1,297.14	7,883.18	44.89	7,838.29
Togo	1,975.05	1,002.97	972.08	2,014.95	871.76	1,143.19
Benin	44.36	-	44.36	550.60	-	550.60
South Africa	4,099.50	765.69	3,333.81	2,179.94	1,851.64	328.29
Rest of Africa	362.94	-	362.94	160.31	-	160.31
America	**24,672.38**	**5,326.09**	**19,346.30**	**64,119.01**	**12,193.41**	**51,925.61**
North America	**23,830.62**	**5,055.63**	**18,774.99**	**63,680.69**	**12,092.64**	**51,588.05**
US	22,486.01	5,055.63	17,430.37	54,171.32	12,086.51	42,084.81
Canada	1,344.62	-	1,344.62	9,509.36	6.12	9,503.24
South America & Carribean	**841.76**	**270.45**	**571.31**	**438.33**	**100.77**	**337.55**
Asia	**68,894.07**	**26,070.06**	**42,824.02**	**80,829.61**	**58,084.30**	**22,745.31**
Far East	**67,356.06**	**24,931.18**	**42,424.88**	**76,578.27**	**55,131.77**	**21,446.50**
India	19,697.22	1,689.71	18,007.50	27,783.14	17,293.38	10,489.75
China	33,356.64	13,923.13	19,433.51	29,623.82	22,846.61	6,777.20
Japan	12,621.31	8,945.04	3,676.27	17,600.07	14,558.97	3,041.10
Pakistan	702.02	2.51	699.50	520.63	3.62	517.01
Other Far East Countries	978.89	370.78	608.11	1,050.62	429.18	621.44
Middle East	**1,538.01**	**1,138.88**	**399.13**	**4,251.34**	**2,952.54**	**1,298.80**
United Arab Emirates	1,677.40	1,034.80	642.60	4,182.30	2,952.54	1,229.76
Other Middle East Countries	-139.39	104.08	-243.47	69.04	-	69.04
Europe	**106,907.55**	**61,396.44**	**45,511.11**	**66,686.41**	**33,768.51**	**32,917.90**
EU	**103,158.04**	**59,696.69**	**43,461.35**	**64,621.00**	**32,598.06**	**32,022.94**
United Kingdom	43,400.50	13,872.39	29,528.11	39,673.95	17,418.73	22,255.22
France	27,543.55	39,454.45	-11,910.90	14,053.98	7,795.84	6,258.14
Belgium	116.29	957.00	-840.71	2,648.77	1,634.33	1,014.44
Sweden	431.64	717.52	-285.88	702.41	22.62	679.78
Luxembourg	1,109.99	56.17	1,053.82	634.83	49.03	585.80
Netherlands	9,597.94	2,451.98	7,145.96	2,659.55	2,097.99	561.56
Germany	20,663.01	1,814.50	18,848.51	3,193.62	3,127.60	66.02
Other EU Countries	295.12	372.68	-77.57	1,053.90	451.92	601.98
Western Europe	**3,564.28**	**1,628.66**	**1,935.62**	**1,988.78**	**1,097.62**	**891.16**
Switzerland	3,375.08	1,624.80	1,750.27	1,705.41	1,092.95	612.46
Norway	107.39	3.86	103.54	283.37	4.67	278.70
Rest of Europe	**267.04**	**71.09**	**195.95**	**76.63**	**72.83**	**3.80**
Australia & Oceanic	**610.93**	**143.81**	**467.12**	**1,121.98**	**13.69**	**1,108.29**
International Financial Institutions[2]	**21,349.55**	**4,638.38**	**16,711.16**	**25,831.55**	**8,165.30**	**17,666.25**
Country Not Stated[3]	**51,562.20**	**31,009.48**	**20,552.73**	**61,884.29**	**67,619.49**	**-5,735.19**
Grand Total	**342,233.61**	**139,694.31**	**202,539.30**	**363,268.86**	**198,717.18**	**164,551.68**

[1] Includes Uganda,Rwanda and Burundi

[2]Comprises of IFAD,International Freephone,World Bank,KFW,AfDB,EIB,IFC,PTA,JICA

[3]Comprises of Isle of Man,Jersey Channel Islands and Other Countries Not Specified

Figure 2.3: Net Inflows of Liabilities by Economic Bloc, 2012

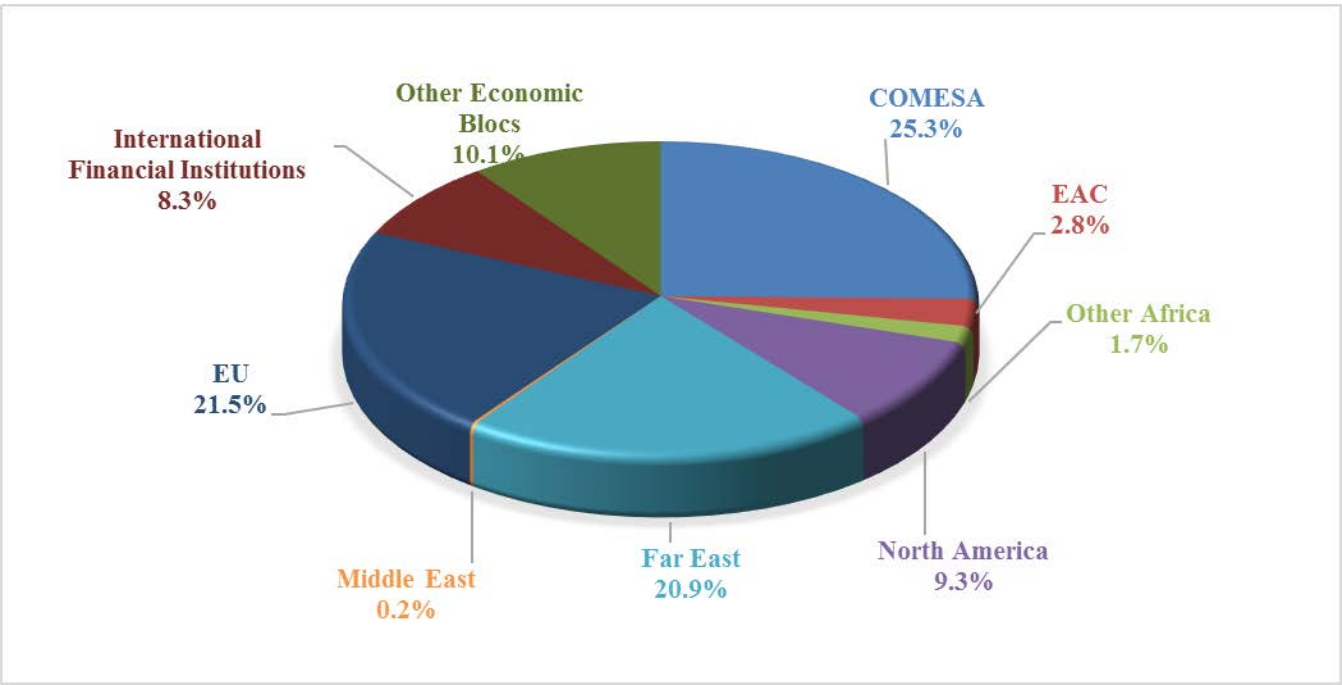
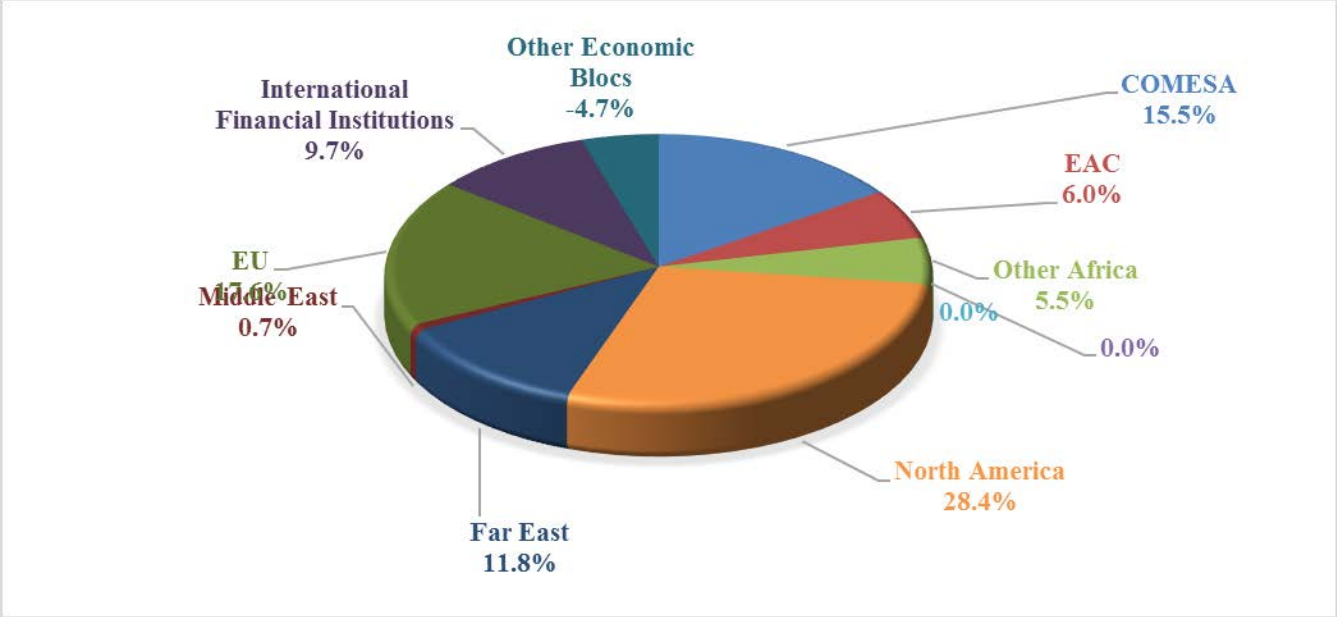


Figure 2 4: Net Inflows of Liabilities by Economic Bloc, 2013



Stock of Foreign Direct Investment Liabilities by Economic Bloc and Country

2.14. The stock of FDI liabilities by Economic bloc and country increased from KSh 376,557 million in 2012 to KSh 454,576 million in 2013 as presented in Table 2.5. Despite the decrease in the share of FDI stock from Europe, it remained the dominant source, accounting for 50.7 per cent and 44.7 per cent of the total FDI stock in 2012 and 2013, respectively. The EU contributed 95.2 per cent and 93.7 per cent of the total FDI stock from Europe in the review period. The

stock of FDI liabilities from the United Kingdom increased by 3.1 per cent to KSh 103,204 million in 2013 while FDI liabilities from France grew by 10.0 per cent from KSh 42,932 million in 2012 to KSh 47,242 million in 2013.

2.15. The African region contributed the second largest proportion of FDI stock followed by Asia accounting for 21.3 per cent and 18.2 per cent of the total stock of FDI in 2013, respectively. The share of FDI stock from COMESA was 14.2 per cent in 2012 and 14.4 per cent in 2013. The stock of FDI from Mauritius which contributed the highest share of 70.4 per cent and 74.8 per cent of stock of FDI within COMESA in the review period grew by 22.4 per cent to KSh 48,924 million in 2013. Stock of FDI attributable to EAC more than doubled to KSh 11,013 million in 2013 and was mainly from Tanzania which accounted for 75.4 per cent. Uganda was the second major source of FDI liabilities within EAC although its stock declined marginally from KSh 2,624 million in 2012 to KSh 2,619 million in 2013.

2.16. Stock of FDI liabilities from Asia increased by 28.6 per cent to KSh 82,835 million in 2013 mainly occasioned by investments from countries in the Far East whose stock of FDI increased by 25.9 per cent to KSh 78,362 million. This was mainly on account of increased stock of FDI liabilities from India which went up by 33.1 per cent to KSh 42,704 million. Foreign direct investments from China and Japan were also significant jointly accounting for 40.1 per cent and 37.0 per cent of the total FDI liabilities from Far East in 2012 and 2013, respectively. The share of stock of FDI liabilities from America increased mainly as a result of increased investments from the US which accounted for over 70 per cent in the review period.

Table 2. 5: Stock of FDI Liabilities by Economic Bloc and Country, 2012 – 2013

	2012		2013	
Region/ Country	**KSh Million**	**%Share**	**KSh Million**	**%Share**
Africa	**69,824.14**	**18.5**	**97,009.42**	**21.3**
COMESA[1]	53,477.28	14.2	65,444.60	14.4
Mauritius	37,636.29	10.0	48,923.68	10.8
South Sudan	9,794.02	2.6	10,500.38	2.3
Uganda	2,623.91	0.7	2,618.82	0.6
Egypt	20.00	0.0	1,779.40	0.4
Madagascar	572.62	0.2	761.81	0.2
Eritrea	24.42	0.0	547.64	0.1
Seychelles	136.81	0.0	147.01	0.0
Other COMESA	2,669.22	0.7	165.86	0.0
EAC	5,322.58	1.4	11,012.62	2.4
Tanzania	2,606.95	0.7	8,304.02	1.8
Uganda	2,623.91	0.7	2,618.82	0.6
Other EAC	91.73	0.0	89.78	0.0
Other Africa	13,739.92	3.6	23,260.80	5.1
South Africa	8,205.13	2.2	8,110.23	1.8
Nigeria	1,247.20	0.3	7,931.25	1.7
Togo	1,899.25	0.5	3,220.89	0.7
Benin	1,270.08	0.3	2,703.29	0.6
Rest of Africa	1,118.26	0.3	1,295.14	0.3
America	**48,835.10**	**13.0**	**67,829.67**	**14.9**
North America	44,091.76	11.7	62,635.43	13.8
US	40,670.18	10.8	50,111.10	11.0
Canada	3,421.58	0.9	12,524.33	2.8
Carribean	4,743.34	1.3	5,194.24	1.1
Asia	**64,395.99**	**17.1**	**82,834.58**	**18.2**
Far East	62,224.19	16.5	78,361.83	17.2
India	32,095.38	8.5	42,703.59	9.4
China	16,232.78	4.3	18,331.21	4.0
Japan	8,748.67	2.3	10,644.94	2.3
Pakistan	2,244.81	0.6	2,803.35	0.6
Korea - South	727.29	0.2	1,095.59	0.2
Others	2,175.26	0.6	2,783.14	0.6
Middle East	2,171.80	0.6	4,472.75	1.0
United Arab Emirates	1,879.62	0.5	4,064.94	0.9
Others	292.18	0.1	407.81	0.1
Europe	**190,838.17**	**50.7**	**203,145.17**	**44.7**
Eastern Europe	124.40	0.0	129.50	0.0
EU	181,733.46	48.3	190,307.86	41.9
United Kingdom	100,132.74	26.6	103,204.20	22.7
France	42,932.26	11.4	47,241.61	10.4
Germany	20,390.08	5.4	18,201.38	4.0
Netherlands	15,474.05	4.1	16,355.80	3.6
Belgium	1,857.77	0.5	4,477.34	1.0
Others	946.56	0.3	827.54	0.2
Western Europe	8,980.31	2.4	12,707.81	2.8
Switzerland	8,645.94	2.3	11,919.54	2.6
Norway	252.56	0.1	706.46	0.2
Ausralia & Oceanic	**781.97**	**0.2**	**1,629.25**	**0.4**
International Financial Institution/ organization[2]	**971.57**	**0.3**	**902.32**	**0.2**
Country Not Stated[3]	**910.48**	**0.2**	**1,225.30**	**0.3**
Grand Total	**376,557.41**	**100.0**	**454,575.71**	**100.0**

[1]Includes Uganda,Rwanda and Burundi

[2]International Financial Institutions/ Organizations are AfDB,IFC,JICA,IFAD,EIB,PTA ,KfW and International

[3]Countries not stated include Isle of Man,Jersey Channel Islands and Countries Not Specified

Flows of Foreign Direct Investment Liabilities by Economic Bloc and Country

2.17. Total FDI inflows reduced from KSh 183,853 million in 2012 to KSh 170,382 million in 2013 as presented in Table 2.6. In contrast, total outflows of FDI increased by 10.0 per cent to KSh 91,474 million in 2013.

2.18. In 2012, countries within the EU accounted for the bulk of FDI inflows followed by countries from the Far East contributing 36.0 per cent and 31.9 per cent of the total FDI inflows, respectively as presented in Figure 2.5 and Figure 2.6. In 2013, however, there was a reverse in the trend with Far East countries contributing the bulk of the flows followed by EU with a share of 38.6 per cent and 16.6 per cent of the total FDI inflows, respectively. Despite a decline of 43.1 per cent and 54.5 per cent in the FDI inflows from United Kingdom and France, these countries were the dominant sources of FDI inflows within the EU in the review period. India, China and Japan were the main sources of FDI inflows from Asia region jointly accounting for over 95 per cent of the FDI inflows from Far East. FDI inflows from India and Japan increased by 41.0 per cent and 39.9 per cent to KSh 27,264 million and KSh 13,678 million in 2013. On the other hand, inflows of FDI from China declined from KSh 27,851 million in 2012 to KSh 23,185 million in 2013. In the Africa region, COMESA countries constituted the bulk of FDI inflows with Mauritius dominating to account for 53.6 per cent and 59.8 per cent of FDI inflows within the bloc in 2012 and 2013, respectively.

2.19. In line with the trend in the FDI inflows, in 2012, the bulk of FDI outflows were destined to EU and Far East accounting for 58.2 per cent and 24.8 per cent of the total FDI outflows. The EU and Far East were also the major destinations of FDI outflows, with Far East leading to account for 54.2 per cent of the total FDI inflows in 2013. Within the Far East, China, India and Japan were the main destinations while United Kingdom and France were the main destinations within EU, in 2013. FDI outflows to China rose by 57.2 per cent while outflows to India rose significantly by KSh 15,417 million to KSh 16,779 million in 2013. Mauritius and South Sudan were the main destinations of FDI outflows within COMESA. In the EAC, Uganda was the leading destination in 2013 whereby FDI outflows more than doubled to KSh 1,444 million. The growth in FDI outflows to America was mainly attributable to the significant increase in outflows to the US from KSh 4,661 million in 2012 to KSh 10,928 million in 2013.

2.20. Net FDI inflows decreased by 21.7 per cent to KSh 78,908 million in 2013. This was mainly occasioned by decline in net FDI inflows from EU, Far East and COMESA which jointly accounted for 51.5 per cent of the total FDI inflows in 2013. However, during the review period, net FDI inflows from North America increased by 51.7 per cent to KSh 19,376 on account of increased net inflows from Canada which more than offset the decrease in net inflows from the US.

Table 2. 6: Flows of FDI Liabilities by Economic Bloc and by Country, 2012-2013

KSh Million

Region/ Country	2012			2013		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Africa	**36,789.83**	**6,063.70**	**30,726.14**	**40,661.17**	**11,463.00**	**29,198.16**
COMESA[1]	**28,455.24**	**3,009.17**	**25,446.07**	**23,136.18**	**9,670.01**	**13,466.16**
Mauritius	15,258.40	1,709.67	13,548.72	13,826.74	3,559.71	10,267.03
Egypt	20.00	-	20.00	1,759.40	-	1,759.40
South Sudan	9,794.02	-	9,794.02	5,283.82	4,577.46	706.36
Eritrea	24.26	-	24.26	532.40	9.10	523.30
Other COMESA Countries	3,358.57	1,299.50	2,059.07	1,733.81	1,523.74	210.07
EAC	**5,193.75**	**1,394.53**	**3,799.22**	**7,489.93**	**1,823.72**	**5,666.21**
Tanzania	2,627.83	97.57	2,530.26	5,997.55	300.53	5,697.03
Burundi	-	-	-	77.58	-	77.58
Uganda	2,479.64	587.30	1,892.35	1,414.82	1,444.36	(29.55)
Rwanda	86.28	709.67	(623.39)	(0.03)	78.83	(78.86)
Other Africa	**5,706.77**	**2,956.96**	**2,749.81**	**11,527.44**	**1,492.47**	**10,034.97**
Nigeria	28.35	1,328.92	(1,300.57)	7,856.54	44.89	7,811.65
Togo	1,975.05	1,002.97	972.08	2,014.95	871.76	1,143.19
Benin	44.36	-	44.36	550.60	-	550.60
South Africa	3,560.03	625.08	2,934.96	945.03	575.81	369.22
Rest of Africa	98.98	-	98.98	160.31	-	160.31
America	**17,688.86**	**4,915.63**	**12,773.23**	**30,389.09**	**11,013.54**	**19,375.55**
North America	**17,688.86**	**4,915.63**	**12,773.23**	**30,389.09**	**11,013.54**	**19,375.55**
US	15,502.49	4,661.45	10,841.03	20,488.91	10,927.53	9,561.38
Canada	1,344.62	-	1,344.62	9,504.02	0.78	9,503.24
British Virgin Island	841.7595958	35.5	806.26	396.160055	14.26027046	381.90
Cayman Islands	0	218.67478	(218.67)	0	70.97056	(70.97)
Asia	**58,952.25**	**20,794.18**	**38,158.07**	**67,744.16**	**50,325.91**	**17,418.25**
Far East	**58,649.01**	**20,594.28**	**38,054.73**	**65,695.48**	**49,561.96**	**16,133.52**
India	19,340.22	1,362.20	17,978.01	27,263.75	16,779.27	10,484.48
China	27,851.42	13,080.18	14,771.24	23,184.66	20,564.69	2,619.97
Japan	9,780.25	5,778.61	4,001.64	13,678.31	11,785.20	1,893.11
Hong Kong	0.47	-	0.47	863.10	0.47	862.62
Pakistan	702.02	2.51	699.50	520.63	3.62	517.01
Other Far East Countries	974.64	370.78	603.86	185.04	428.71	(243.67)
Middle East	**303.24**	**199.90**	**103.34**	**2,048.68**	**763.95**	**1,284.73**
United Arab Emirates	442.63	102.11	340.52	1,986.15	763.95	1,222.20
Bahrain	50.72	-	50.72	235.48	-	235.48
Other Middle East Countries	(190.11)	97.79	(287.90)	(172.95)	-	(172.95)
Europe	**69,516.13**	**49,982.40**	**19,533.72**	**30,236.80**	**18,412.50**	**11,824.30**
EU	**66,108.61**	**48,404.89**	**17,703.72**	**28,342.47**	**17,319.55**	**11,022.92**
France	22,558.75	37,571.13	(15,012.39)	10,270.80	6,795.61	3,475.19
United Kingdom	21,069.12	7,237.43	13,831.69	11,981.98	8,546.57	3,435.42
Belgium	108.69	618.25	(509.56)	2,648.39	12.42	2,635.97
Netherlands	4,641.08	2,439.42	2,201.66	2,603.98	1,604.10	999.88
Germany	17,240.38	96.44	17,143.94	225.21	352.83	(127.63)
Other EU Countries	490.59	442.21	48.38	612.12	8.02	604.10
Western Europe	**3,283.12**	**1,577.51**	**1,705.60**	**1,889.23**	**1,092.95**	**796.28**
Switzerland	3,130.92	1,577.51	1,553.41	1,611.49	1,092.95	518.54
Norway	70.38	-	70.38	277.74	-	277.74
Rest of Europe	**206.21**	**-**	**206.21**	**5.10**	**-**	**5.10**
Australia & Oceanic	**472.29**	**142.81**	**329.47**	**827.14**	**12.21**	**814.93**
Australia	472.29	142.81	329.47	827.14	12.21	814.93
International Financial Institutions/ Organisations[2]	**183.10**	**307.37**	**(124.26)**	**133.75**	**203.04**	**(69.29)**
Country Not Stated[3]	**250.96**	**924.84**	**(673.88)**	**390.03**	**43.86**	**346.17**
GRAND TOTAL	**183,853.42**	**83,130.92**	**100,722.50**	**170,382.13**	**91,474.06**	**78,908.07**

[1]COMESA includes Uganda,Rwanda and Burundi

[2]International Financial Institutions / Organizations include AfDB, IFC,JICA,IFAD, EIB,PTA,KFW and international Freephone

[3]Countries not stated includes Isle of Man, Jersey Channel Islands and countries not specified

Figure 2.5: FDI Inflows by Economic Bloc, 2012

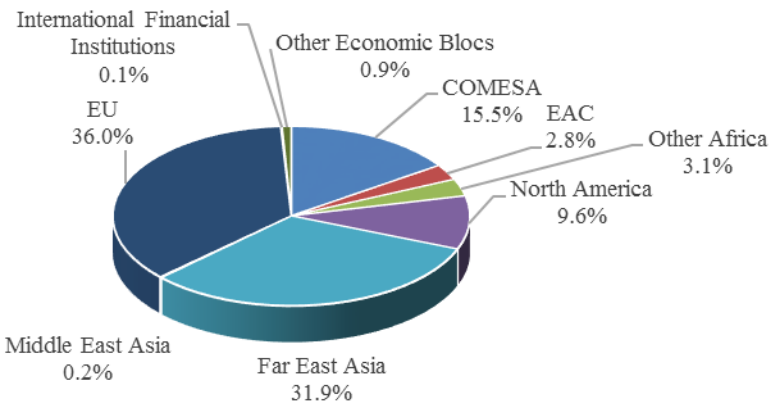
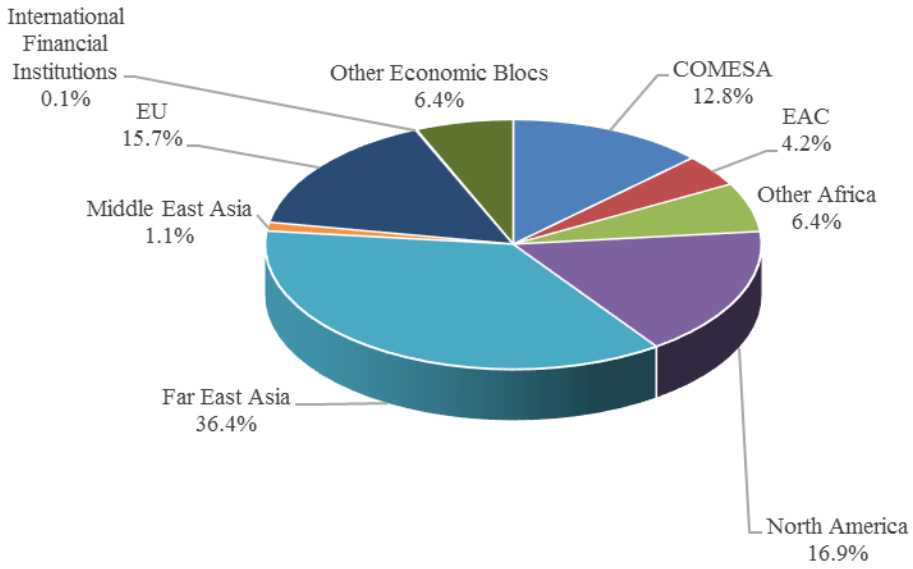


Figure 2.6: FDI Inflows by Economic Bloc, 2013



Stock of FDI Liabilities by Sector

2.21. Stock of FDI liabilities by sector is presented in Table 2.7. The data shows an increase of 20.7 per cent from KSh 376,557 million to KSh 454,576 million during the period under review. All sectors recorded increased stock in FDI liabilities in 2013 except Administrative and support services; Professional, scientific and technical activities and Human health and social work activities sectors.

2.22. Financial and Insurance sector had the largest share of total stock of FDI liabilities, accounting for 30.6 per cent in 2012 and 28.4 per cent in 2013.The share of FDI in Manufacturing and; Wholesale and Retail trade sectors were also significant at 22.3 per cent and 15.8 per cent in 2013, respectively.

2.23. The sectors with the highest increase in the share of FDI stock were Electricity, gas, steam and air conditioning supply; and Manufacturing which grew from 0.4 per cent and 20.9 per cent in 2012 to 4.2 per cent and 22.3 per cent in 2013, respectively.

Table 2. 7: Stock of FDI Liabilities by Sector

Sectors	2012		2013	
	KSh Million	%Share	KSh Million	%Share
A. Agriculture, forestry and fishing	19,935.58	5.3	20,864.70	4.6
B. Mining and quarrying	12,655.03	3.4	19,105.88	4.2
C. Manufacturing	78,576.35	20.9	101,181.85	22.3
D. Electricity, gas, steam and air conditioning supply	1,680.19	0.4	18,867.07	4.2
E.Water supply;sewerage,waste management and remediation services	-	-	-	0.0
F. Construction	7,268.68	1.9	9,062.46	2.0
G. Wholesale and Retail trade; repair of motor vehicles and motorcycles	60,506.89	16.1	71,794.41	15.8
H. Transportation and Storage	28,443.93	7.6	30,082.00	6.6
I. Accommodation and food service activities	13,619.74	3.6	14,181.30	3.1
J. Information and Communication	26,441.29	7.0	27,139.06	6.0
K. Financial and insurance activities	115,216.96	30.6	129,252.41	28.4
L. Real estate activities	69.72	0.0	82.24	0.0
M.Professional, scientific and technical activities	896.41	0.2	541.01	0.1
N. Administrative and support service activities	4,315.40	1.1	4,292.06	0.9
P. Education	4,404.99	1.2	5,613.73	1.2
Q. Human health and social work activities	59.13	0.0	53.22	0.0
S. Other service activities	2,467.12	0.7	2,462.30	0.5
Total	**376,557.41**	**100.0**	**454,575.71**	**100.0**

Flows of Foreign Direct Investment Liabilities by Sector

2.24. Flows of FDI liabilities by sector are represented in Table 2.8. In 2013, Wholesale and Retail trade; repair of motor vehicles and motorcycles was the main recipient of FDI accounting for 20.6 per cent and 24.3 per cent in 2012 and 2013, respectively. Financial and insurance sector was the second largest recipient of FDI accounting for 18.0 per cent and 18.2 per cent in review period. FDI inflows into Wholesale and Retail trade; repair of motor vehicles and motorcycles increased by 9.1 per cent to KSh 41,408 million in 2013 from KSh 37,948 million in 2012. Inflows into Electricity, gas, steam and air conditioning supply increased from KSh 291 million in 2012 to KSh 17,183 million in 2013. Other sectors that recorded growth in inflows were Manufacturing (22.1 per cent) and Construction (47.0 per cent).

2.25. FDI outflows from the Wholesale and Retail trade; repair of motor vehicles and motorcycles, as a share of total FDI outflows, increased from 8.8 per cent in 2012 to 34.9 per cent in 2013 while that of Communication and information sector declined from 47.3 per cent to 16.9 per cent in review period. Outflows from the Communication and information sector declined by 60.8 per cent from KSh 39,352 million in 2012 to KSh 15,438 million in 2013.

2.26. Net inflows to Electricity, gas, steam and air conditioning supply increased from KSh 193 million in 2012 to KSh 17,183 million in 2013. However, net inflows to Wholesale and Retail trade; repair of motor vehicles and motorcycles decreased from KSh 30,670 million in 2012 to KSh 9,469 million in 2013 occasioned by the significant growth in FDI outflows from KSh 7,278 million to KSh 31,940 million, respectively, over the review period.

Table 2. 8: Flows of FDI Liabilities by Sector, 2012-2013

KSh Million

Sectors	2012			2013		
	Inflows	Outflows	Net	Inflows	Outflows	Net
A. Agriculture, forestry and fishing	3,648.51	954.70	2,693.82	2,261.66	1,490.85	770.82
B. Mining and quarrying	10,512.98	477.31	10,035.67	7,593.51	1,042.66	6,550.85
C. Manufacturing	22,362.16	7,070.19	15,291.97	27,306.11	3,164.27	24,141.84
D. Electricity, gas, steam and air conditioning supply	291.05	97.79	193.26	17,182.61	-	17,182.61
E.Water supply, sewerage,waste management and remediation activities	-	-	-	-	-	-
F. Construction	15,454.19	13,075.73	2,378.46	22,712.67	20,842.35	1,870.32
G. Wholesale and Retail trade; repair of motor vehicles and motorcycles	37,948.28	7,278.08	30,670.20	41,408.23	31,939.72	9,468.51
H. Transport and Storage	20,358.19	3,338.76	17,019.43	3,390.45	1,210.99	2,179.46
I. Accommodation and food service activities	10,550.80	1,021.90	9,528.90	1,879.55	913.86	965.68
J. Information and Communication	22,283.86	39,351.92	(17,068.06)	14,254.96	15,438.03	(1,183.07)
K. Financial and insurance activities	33,049.70	9,912.78	23,136.92	31,024.65	14,944.20	16,080.45
L. Real estate activities	32.16	2.42	29.74	23.78	1.72	22.06
M. Professional, scientific and technical activities	489.38	3.72	485.67	136.52	495.20	(358.68)
N. Administrative and support service activities	356.28	541.70	(185.42)	136.39	(20.22)	156.61
P. Education	4,003.53	3.93	3,999.60	1,071.03	4.50	1,066.53
Q. Human health and social work activities	64.68	-	64.68	-	5.64	(5.64)
R.Arts,entertainment and recreation	-	-	-	-	-	-
S. Other service activities	2,447.66	-	2,447.66	-	0.29	(0.29)
Total	**183,853.42**	**83,130.92**	**100,722.50**	**170,382.13**	**91,474.06**	**78,908.07**

Stock of Private Sector External Debt

2.27. Stock of Private Sector External Debt (PSED) is presented in Table 2.9. PSED stock increased by 27.8 per cent from KSh 285,236 million in 2012 to KSh 364,631 million in 2013. Other Investment accounted for 75.0 per cent of total PSED in 2013 and was mainly on account of long-term loans while FDI accounted for 25.0 per cent and was mainly in form of short-term debt instruments.

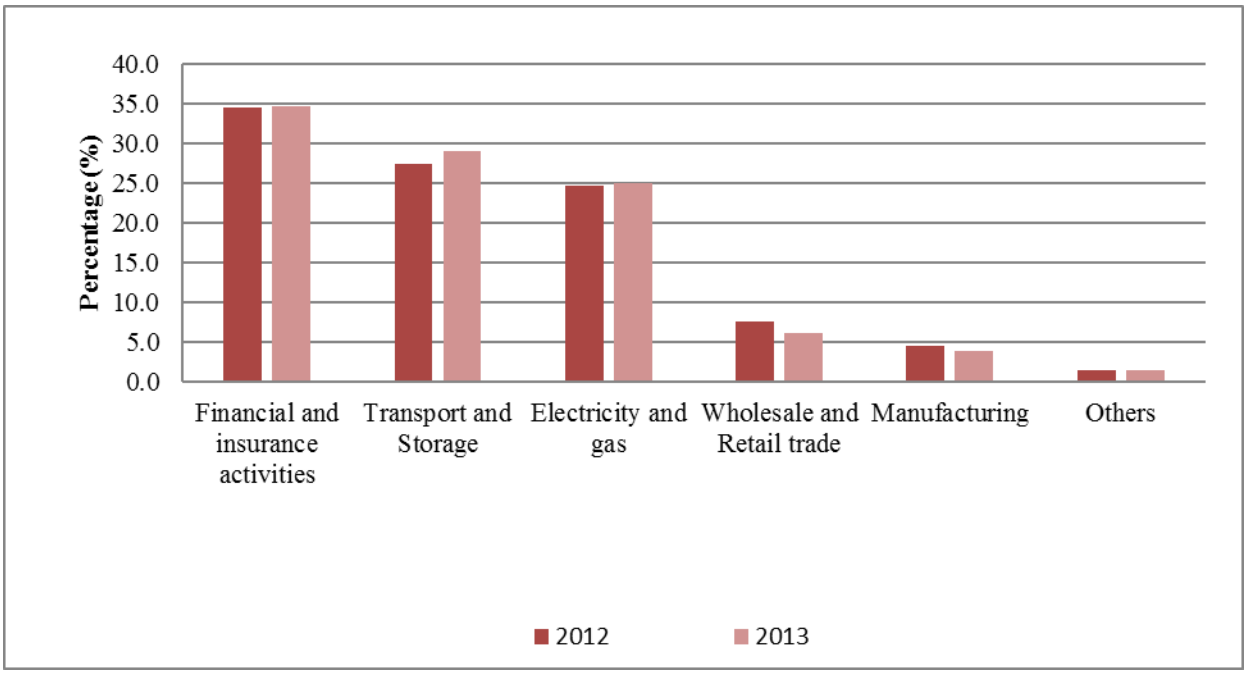
2.28. The share of external debt under Other Investment category by sector remained largely unchanged in 2012 and 2013 as shown in Figure 2.7. The largest share, on average, was in Financial and insurance sector (34.6 per cent) followed by Transport and storage sector (28.2 per cent) and Electricity and gas sector (24.8 per cent).

Table 2. 9: Stock of Private Sector External Debt, 2012 - 2013

	2012		2013	
Category	**KSh Million**	**%Share**	**KSh Million**	**%Share**
Foreign Direct Investment	**71,667.02**	**25.1**	**92,428.05**	**25.3**
Debt Instruments	71,667.02	25.1	92,428.05	25.3
Long Term	23,132.31	8.1	34,619.42	9.5
Short Term	48,534.71	17.0	57,808.63	15.9
Portfolio Investment	**707.30**	**0.2**	**558.25**	**0.2**
Debt Securities	707.30	0.2	558.25	0.2
Long Term	707.30	0.2	558.25	0.2
Short Term	-	-	-	-
Financial Derivatives [1]	-	-	-	-
Forwards1	-	-	-	-
Options	-	-	-	-
Other Investment	**212,861.58**	**74.6**	**271,644.50**	**74.5**
Currency and Deposits	411.28	0.1	596.00	0.2
Long Term	23.29	0.0	32.44	0.0
Short Term	387.99	0.1	563.56	0.2
Trade Credits and Advances	3,233.02	1.1	4,723.04	1.3
Long Term	754.72	0.3	747.83	0.2
Short Term	2,478.30	0.9	3,975.21	1.1
Loans	201,383.14	70.6	255,669.94	70.1
Long Term	198,042.49	69.4	253,611.98	69.6
Short Term	3,340.65	1.2	2,057.96	0.6
Insurance, Pension and Standardised Guarantees	449.21	0.2	617.09	0.2
Life & Non-life Insurance Reserves	424.83	0.1	612.63	0.2
Pension Entitlements / Claims	-	-	-	-
Standardised Guarantees	24.37	0.0	4.46	0.0
Other Accounts Payables	7,384.94	2.6	10,038.43	2.8
Long Term	1,682.15	0.6	1,890.55	0.5
Short Term	5,702.79	2.0	8,147.88	2.2
Grand Total	**285,235.90**	**100.0**	**364,630.80**	**100.0**

[1]Figures not reported

Figure 2 7: Share of PSED in Other Investment Category by Sector, 2012-2013



Private Sector External Debt Flows

2.29. PSED flows are presented in Table 2.10. PSED inflows increased by 10.4 per cent from KSh 168,890 million in 2012 to KSh 186,456 million in 2013 attributed to a 32.2 per cent increase in FDI inflows. The share of FDI inflows to total PSED also increased from 39.6 per cent to 47.4 per cent. However, Other Investment inflows decreased by 3.9 per cent from KSh 101,988 million in 2012 to KSh 98,003 million in 2013, and its share of total inflows reduced from 60.4 per cent to 52.6 per cent.

2.30. PSED outflows increased by 20.9 per cent from KSh 88,939 million in 2012 to KSh 107,498 million in 2013. The outflows were reflected mainly in FDI category which increased by 4.0 per cent to KSh 67,716 million in 2013. However, the share of FDI outflows declined from 73.2 per cent in 2012 to 63.0 per cent in 2013. PSED outflows in Other Investment category increased by 66.9 per cent to KSh 39,782 million in 2013, and was largely reflected in long-term loans which nearly doubled. However, the proportion of Other Investment outflows to total outflows declined from 60.4 per cent to 52.6 per cent in the review period. Net inflows of PSED declined by 1.2 per cent from KSh 79,951 million in 2012 to KSh 78,958 million in 2013.

Table 2. 10: Flows of Private Sector External Debt, 2012-2013

KSh Million

	2012			2013		
Category	**Inflows**	**Outflows**	**Net**	**Inflows**	**Outflows**	**Net**
Foreign Direct Investment	**66,902.41**	**65,103.63**	**1,798.78**	**88,452.72**	**67,715.99**	**20,736.72**
Debt Instruments	66,902.41	65,103.63	1,798.78	88,452.72	67,715.99	20,736.72
Long Term	18,273.96	47,270.26	- 28,996.30	33,127.07	21,268.24	11,858.83
Short Term	48,628.45	17,833.37	30,795.08	55,325.65	46,447.75	8,877.90
Portfolio Investment	-	-	-	-	-	-
Debt Securities	-	-	-	-	-	-
Long Term						
Short Term						
Financial Derivatives [1]	-	-	-	-	-	-
Forwards	-	-	-	-	-	-
Options	-	-	-	-	-	-
			-			-
Other Investment	**101,988.06**	**23,835.60**	**78,152.46**	**98,003.32**	**39,781.78**	**58,221.54**
Currency and Deposits	895.57	893.72	1.85	1,704.84	1,542.74	162.10
Long Term	1.85	-	1.85	9.15	-	9.15
Short Term	893.72	893.72	-	1,695.69	1,542.74	152.95
Trade Credits and Advances	4,953.63	3,887.27	1,066.36	5,965.66	4,495.92	1,469.75
Long Term	573.07	38.97	534.10	632.03	638.92	- 6.89
Short Term	4,380.56	3,848.31	532.26	5,333.63	3,857.00	1,476.64
Loans	91,659.33	16,614.40	75,044.93	82,642.58	28,903.09	53,739.49
Long Term	87,616.22	12,760.26	74,855.96	80,278.22	24,662.62	55,615.60
Short Term	4,043.12	3,854.14	188.97	2,364.37	4,240.47	- 1,876.10
Insurance, Pension and Standardised Guarantees	24.37	176.16	- 151.79	386.96	178.94	208.02
Life & Non-life Insurance Reserves	-	176.16	- 176.16	187.80	-	187.80
Pension Entitlements / Claims	-	-	-	-	-	-
Standardised Guarantees	24.37	-	24.37	199.16	178.94	20.22
Other Accounts Payables	4,455.15	2,264.04	2,191.11	7,303.27	4,661.09	2,642.18
Long Term	28.09	69.69	- 41.60	433.92	233.12	200.79
Short Term	4,427.06	2,194.35	2,232.71	6,869.35	4,427.96	2,441.39
Grand Total	**168,890.47**	**88,939.23**	**79,951.24**	**186,456.04**	**107,497.77**	**78,958.26**

[1]Figures not reported

Stock of PSED by Country

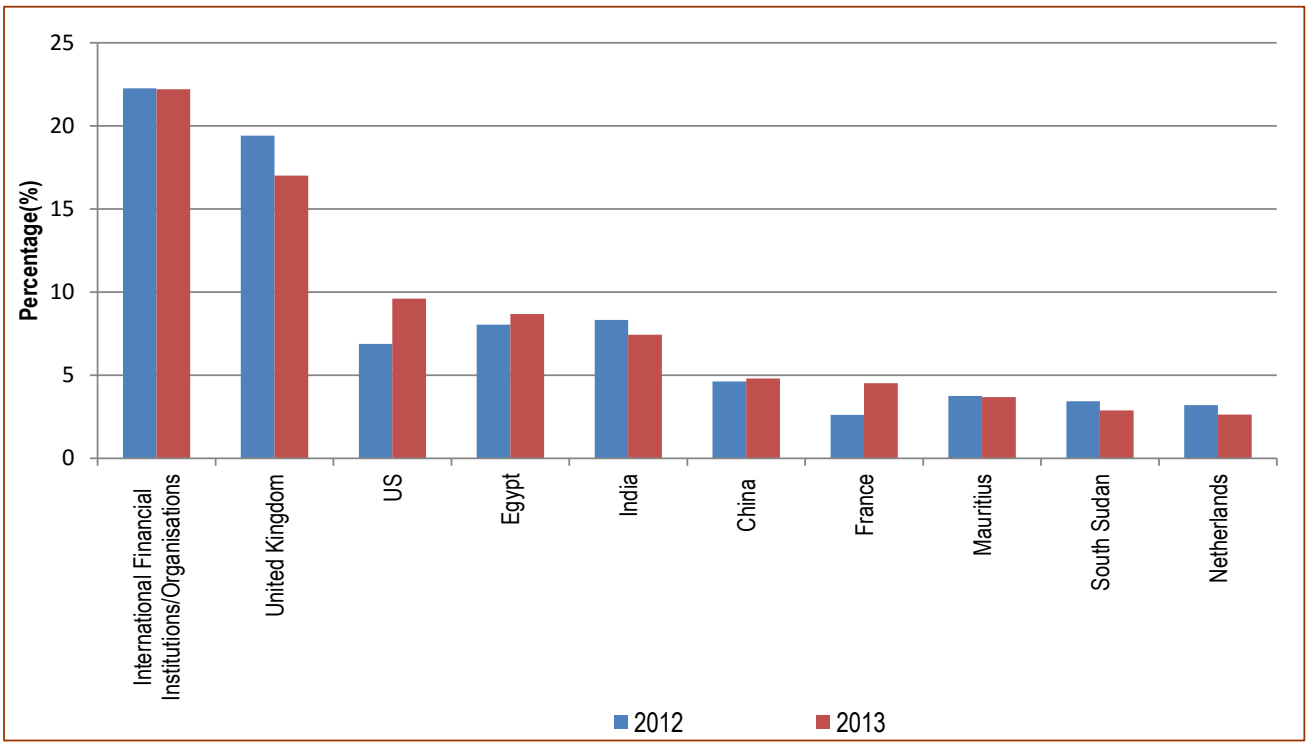
2.31. Stock of PSED by country is presented in Table 2.11. The main source country for the PSED was the United Kingdom, with the stock increasing from KSh 55,343 million in 2012 to KSh 61,986 million in 2013. However, its share relative to total PSED declined from 19.4 per cent in 2012 to 17.0 per cent in 2013 as shown in Figure 2.8. The share of PSED attributed to the US increased from 6.9 per cent in 2012 to 9.6 per cent in 2013, while the share attributed to Egypt increased from 8.0 per cent to 8.7 per cent over the same period. However, the share of the PSED attributed to India declined from 8.3 per cent in 2012 to 7.4 per cent in 2013. The International Organizations jointly accounted for 22.3 per cent of total PSED stock during the review period.

Table 2. 11: Stock of Private Sector External Debt by Country, 2012-2013

	2012		2013	
Country	**KSh Million**	**%Share**	**KSh Million**	**%Share**
United Kingdom	55,342.61	19.4	61,985.87	17.0
US	19,626.09	6.9	34,988.09	9.6
Egypt	22,941.00	8.0	31,646.00	8.7
India	23,758.25	8.3	27,125.88	7.4
China	13,174.77	4.6	17,511.71	4.8
France	7,417.28	2.6	16,432.53	4.5
Mauritius	10,713.38	3.8	13,412.33	3.7
South Sudan	9,794.02	3.4	10,500.38	2.9
Netherlands	9,108.82	3.2	9,550.96	2.6
Japan	7,079.97	2.5	8,540.15	2.3
Germany	4,535.85	1.6	4,322.06	1.2
South Africa	4,478.40	1.6	4,073.13	1.1
United Arab Emirates	2,606.12	0.9	3,276.72	0.9
Belgium	1,982.23	0.7	2,898.38	0.8
Switzerland	2,186.75	0.8	2,247.27	0.6
Uganda	2,036.76	0.7	2,103.49	0.6
Luxembourg	1,109.99	0.4	1,624.96	0.4
Cayman Islands	1,374.56	0.5	1,448.07	0.4
Korea - South	779.96	0.3	1,162.53	0.3
Australia	451.31	0.2	968.55	0.3
Hong Kong	0.47	0.0	863.10	0.2
Angola	722.91	0.3	722.91	0.2
Canada	536.21	0.2	722.43	0.2
Taiwan	711.96	0.2	711.94	0.2
Italy	570.91	0.2	596.22	0.2
Tanzania	461.65	0.2	427.16	0.1
Sweden	349.36	0.1	388.84	0.1
Argentina	386.69	0.1	386.69	0.1
Spain	0.31	0.0	337.09	0.1
International Financial Institutions/ Organisations	63,477.88	22.3	80,952.05	22.2
Others[1]	17,519.46	6.1	22,703.31	6.2
Grand Total	**285,235.90**	100.0	**364,630.80**	100.0

[1] Others include countries not specified

Figure 2.8: Top Ten Sources of Stock of PSED, 2012-2013



Private Sector External Debt Flows by Country

2.32. PSED Flows by country are presented in Table 3.12. Net inflows of PSED were mainly from the US, and its share to total net inflows increased from 2.7 per cent in 2012 to 19.5 per cent in 2013. Other countries from which significant net inflows of PSED were recorded include; Egypt, United Kingdom, China, India and Mauritius. In 2012, PSED from France declined by KSh 27,859 million while PSED increased by KSh 9,004 million in 2013.

2.33. The International Organizations jointly accounted for 20.8 per cent and 22.2 per cent of total net inflows of PSED in 2012 and 2013, respectively.

Table 2. 12: PSED Flows by Country, 2012-2013

KSh Million

	2012			2013		
Country	**Inflows**	**Outflows**	**Net**	**Inflows**	**Outflows**	**Net**
US	6,662.21	4,520.59	2,141.61	25,932.70	10,571.50	15,361.20
France	4,182.77	32,041.87	-27,859.11	9,353.62	349.99	9,003.64
Egypt	23,753.00	812.00	22,941.00	12,780.00	4,075.00	8,705.00
United Kingdom	21,031.66	9,214.05	11,817.61	15,666.72	9,031.40	6,635.32
China	19,707.76	13,900.37	5,807.39	27,548.34	22,760.73	4,787.61
India	17,018.39	1,579.84	15,438.55	20,410.35	17,058.00	3,352.35
Mauritius	2,992.56	333.54	2,659.02	3,130.55	431.52	2,699.02
Belgium	21.50	832.93	-811.43	2,539.73	1,623.57	916.15
Japan	11,079.55	8,845.30	2,234.25	15,306.53	14,440.86	865.67
Hong Kong	0.47	-	0.47	863.10	0.47	862.62
South Sudan	9,836.86	42.84	9,794.02	5,283.82	4,577.46	706.36
United Arab Emirates	1,282.65	932.69	349.96	3,218.29	2,570.31	647.98
Australia	0.11	131.27	-131.16	517.36	0.11	517.24
Luxembourg	1,109.99	-	1,109.99	564.00	49.03	514.97
Netherlands	5,222.89	231.52	4,991.37	1,518.54	1,079.23	439.31
Uganda	5,516.13	4,170.55	1,345.58	3,389.64	3,322.90	66.73
Switzerland	244.20	46.82	197.39	61.91	0.05	61.86
Sweden	290.04	5.46	284.59	57.00	17.53	39.47
Tanzania	468.13	97.57	370.57	266.00	300.53	-34.53
Rwanda	500.25	1,131.09	-630.83	59.84	138.67	-78.83
Germany	3,521.78	1,808.65	1,713.13	2,856.82	3,084.06	-227.25
Indonesia	549.91	-	549.91	0.17	390.13	-389.96
South Africa	1,885.49	736.18	1,149.30	1,316.86	1,733.63	-416.77
International Financial Institutions/ Organisations	21,283.97	4,638.38	16,645.59	25,697.81	8,165.30	17,532.51
Others[1]	10,728.21	2,885.74	7,842.48	8,116.36	1,725.79	6,390.57
Grand Total	**168,890.47**	**88,939.23**	**79,951.24**	**186,456.04**	**107,497.77**	**78,958.26**

[1] Others include countries not specified

CHAPTER 3: SURVEY FINDINGS ON KENYA'S INVESTMENTS ABROAD

Overview

This chapter presents analysis of assets owned by Kenyan enterprises in other countries. Investments abroad are in form of equities and debt instruments. These are broadly categorized as FDI, Portfolio Investment and Other Investment. FDI comprises of equity and investment fund shares and debt instruments. Portfolio Investment include equity and investment fund shares; and debt securities while Other Investment include other equity, currency and deposits, trade credit and advances, loans, insurance, pension and standardized guarantees and; other accounts receivables.

Stock of Kenya's Foreign Assets

3.2. Stock of Kenya's foreign assets is presented in Table 3.1. The stock of foreign assets increased by 14.0 per cent from KSh 202,267 million in 2012 to KSh 230,514 million in 2013. The largest share of external assets was in form of FDI that averaged 52.0 per cent in the review period. This was largely in the form of equity and investment fund shares which increased by 19.5 per cent to KSh 87,532 million in 2013. The share of stock of debt instruments of enterprises in the FDI relationship to the total stock of external assets declined from 15.6 per cent in 2012 to 13.7 per cent in 2013. This was largely in form of long term debt instruments.

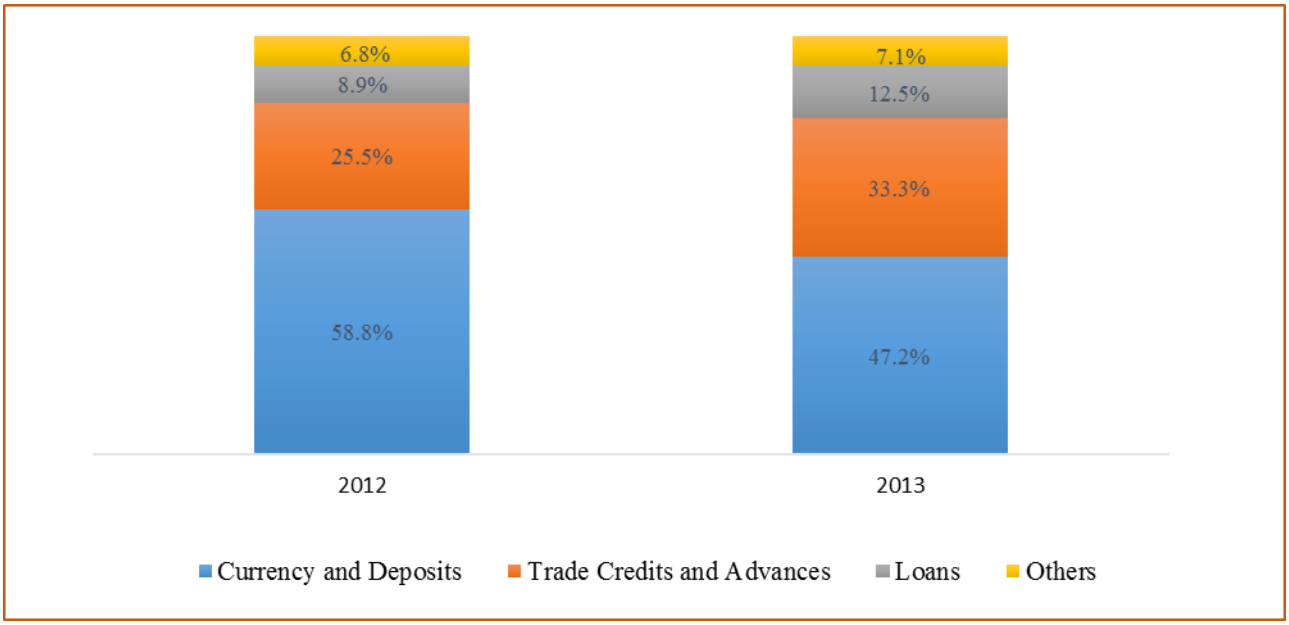
3.3. The contribution of Other Investment assets to the total stock of external assets remained fairly constant at 48.0 per cent during the review period. Currency and deposits was the major component in this category accounting for 58.8 per cent and 47.2 per cent in 2012 and 2013, respectively as presented in Figure 3.1. The stock of currency and deposits decreased from KSh 57,121 million in 2012 to KSh 52,416 million in 2013. Other Investment in trade credits and advances increased from KSh 24,754 million to KSh 37,038 million over a similar period. Loans and other accounts receivables also increased to KSh 13,846 million and KSh 7,425 million respectively, in 2013. The stock of Portfolio Investment abroad decreased by 14.9 per cent from KSh 266 million in 2012 to KSh 226 million in 2013, and its share to the total external assets remained below one per cent.

Table 3. 1: Stock of Foreign Assets, 2012-2013

	2012		2013	
Category	**KSh Million**	**%Share**	**KSh Million**	**%Share**
Foreign Direct Investment	**104,804.58**	**51.8**	**119,122.81**	**51.7**
Equity and Investment Fund Shares	73,243.44	36.2	87,531.63	38.0
Equity and Investment Fund Shares other than reinvested earnings	37,006.98	18.3	43,535.61	18.9
Accumulated Retained Earnings	36,236.46	17.9	43,996.02	19.1
Debt Instruments	31,561.14	15.6	31,591.18	13.7
Long Term	26,423.75	13.1	25,644.08	11.1
Short Term	5,137.39	2.5	5,947.10	2.6
Portfolio Investment	**266.02**	**0.1**	**226.41**	**0.1**
Equity and Investment Fund Shares	-	-	0.42	0.00
Debt Securities	266.02	0.1	225.99	0.1
Long Term	266.02	0.1	225.99	0.1
Short Term	-	-	-	-
Financial Derivatives[1]	-	-	-	-
Forwards	-	-	-	-
Options	-	-	-	-
Other Investment	**97,196.84**	**48.1**	**111,164.67**	**48.2**
Other Equity	185.77	0.1	133.43	0.1
Currency and Deposits	57,120.57	28.2	52,416.41	22.7
Long Term	8,507.64	4.2	8,706.06	3.8
Short Term	48,612.93	24.0	43,710.35	19.0
Trade Credits and Advances	24,753.54	12.2	37,037.91	16.1
Long Term	19,135.35	9.5	27,589.25	12.0
Short Term	5,618.19	2.8	9,448.65	4.1
Loans	8,676.04	4.3	13,845.80	6.0
Long Term	8,675.91	4.3	13,845.67	6.0
Short Term	0.13	0.0	0.13	0.0
Insurance, Pension and Standardised Guarantees	311.50	0.2	306.22	0.1
Life & Non-life Insurance Reserves	311.50	0.2	306.22	0.1
Pension Entitlements / Claims	-	-	-	-
Standardised Guarantees	-	-	-	-
Other Accounts Receivables	6,149.42	3.0	7,424.90	3.2
Long Term	461.31	0.2	461.83	0.2
Short Term	5,688.11	2.8	6,963.08	3.0
Grand Total	**202,267.44**	**100.0**	**230,513.89**	**100.0**

[1] Figures not reported

Figure 3. 1: Share of stock of Other Investment Assets Abroad by component



Flows of Kenya's Foreign Assets

3.4. Private investments abroad decreased by 13.3 per cent from KSh 203,372 million in 2012 to KSh 176,330 million in 2013 as shown in Table 3.2. The decline was recorded across all categories of external assets in the period under review. Other Investment contributed the largest share accounting for 84.2 per cent and 83.0 per cent of the total foreign assets in 2012 and 2013 respectively. Other Investment abroad, comprising mainly of short term currency and deposits, decreased by 14.6 per cent from KSh 171,268 million in 2012 to KSh 146,268 million in 2013. Outgoing FDI in the form of equity and investment fund shares decreased by 14.3 per cent to KSh 12,229 million in 2013. However, FDI abroad in form of debt instruments increased by 10.1 per cent to KSh 14, 062 million in the review period.

3.5. Total disinvestments abroad declined by 33.9 per cent from KSh 159,589 million in 2012 to KSh 105,529 million in 2013 reflected mainly in Other investment which decreased by 37.4 per cent to KSh 92,533 million. Disinvestments in short term currency and deposits decreased by 81.9 per cent from KSh 63,693 million in 2012 to KSh 11,533 million in 2013. However, disinvestments in short-term other accounts receivables increased to KSh 68,096 million during the review period.

Table 3. 2: Flows of Foreign Assets, 2012-2013

KSh Million

Category	2012			2013		
	Inflows	Outflows	Net	Inflows	Outflows	Net
Foreign Direct Investment	**31,982.62**	**11,833.06**	**20,149.56**	**30,061.21**	**12,956.19**	**17,105.02**
Equity and Investment Fund Shares other than Reinvested Earnings	14,271.30	1,226.58	13,044.72	12,229.91	345.99	11,883.92
Accumulated Retained Earnings	4,937.02	913.68	4,023.34	3,769.05	1,004.22	2,764.83
Debt Instruments	12,774.31	9,692.81	3,081.50	14,062.26	11,605.99	2,456.27
Long Term	6,931.51	4,632.43	2,299.08	5,380.11	3,752.14	1,627.97
Short Term	5,842.80	5,060.38	782.42	8,682.14	7,853.84	828.30
Portfolio Investment	**121.12**	**-**	**121.12**	**-**	**40.04**	**-40.04**
Equity and Investment Fund Shares	-	-	-	-	-	-
Debt Securities	121.12	-	121.12	-	40.04	-40.04
Long Term	121.12	-	121.12	-	40.04	-40.04
Short Term	-	-	-	-	-	-
Financial Derivatives[1]	-	-	-	-	-	-
Forwards	-	-	-	-	-	-
Options	-	-	-	-	-	
Other Investment	**171,267.75**	**147,755.90**	**23,511.85**	**146,268.44**	**92,533.26**	**53,735.18**
Other Equity	101.94	-	101.94	-	-	-
Currency and Deposits	68,572.22	68,050.29	521.93	46,456.92	12,109.46	34,347.46
Long Term	3,791.75	4,357.50	-565.75	1,056.11	576.75	479.36
Short Term	64,780.47	63,692.78	1,087.68	45,400.82	11,532.72	33,868.10
Trade Credits and Advances	24,232.83	8,708.17	15,524.66	24,671.12	12,050.56	12,620.56
Long Term	17,094.10	2,356.35	14,737.75	12,245.14	3,791.24	8,453.90
Short Term	7,138.73	6,351.82	786.91	12,425.98	8,259.32	4,166.66
Loans	9,774.73	10,276.57	-501.84	5,551.07	54.13	5,496.95
Long Term	9,774.73	10,276.57	-501.84	5,551.07	54.13	5,496.95
Short Term	-	-	-	-	-	-
Insurance, Pension and Standardised Guarantees	6,364.52	-	6,364.52	-	5.28	-5.28
Life & Non-life Insurance Reserves	3.03	-	3.03	-	5.28	-5.28
Pension Entitlements / Claims	6,361.49	-	6,361.49	-	-	-
Standardised Guarantees	-	-	-	-	-	-
Other Accounts Receivables	62,185.11	60,688.47	1,496.63	69,536.61	68,284.60	1,252.01
Long Term	478.95	67.46	411.49	218.00	217.48	0.52
Short Term	61,742.56	60,653.42	1,089.14	69,371.33	68,096.36	1,274.97
Grand Total	**203,371.50**	**159,588.96**	**43,782.53**	**176,329.65**	**105,529.49**	**70,800.16**

[1] Figures not reported

Stock of Foreign Assets by Country

3.6. More than 50 per cent of assets held by Kenyan enterprises abroad were in Uganda and US as shown in Table 3.3. The stock of assets held in Uganda increased by 8.6 per cent from KSh

62,788 million in 2012 to KSh 68,173 million in 2013. Notably, the EAC member countries which include Uganda, Tanzania, Burundi and Rwanda were the preferred destination of investment by the Kenyan enterprises accounting for 48.2 per cent and 49.5 per cent of total foreign assets in 2012 and 2013, respectively. Investments in Burundi and Rwanda rose significantly by 48.1 per cent and 31.4 per cent respectively, in 2013.

Table 3. 3: Stock of Foreign Assets by Country, 2012-2013

	2012		2013	
Country	**KSh Million**	**%Share**	**KSh Million**	**%Share**
Uganda	62,787.71	31.0	68,173.38	29.6
US	46,270.60	22.9	52,301.65	22.7
Tanzania	18,812.16	9.3	22,924.27	9.9
Burundi	12,120.55	6.0	17,956.10	7.8
United Kingdom	19,198.81	9.5	15,147.30	6.6
South Sudan	5,839.30	2.9	7,306.79	3.2
Rwanda	3,829.65	1.9	5,030.98	2.2
South Africa	4,914.48	2.4	4,947.49	2.1
Germany	701.00	0.3	2,549.19	1.1
United Arab Emirates	1,053.56	0.5	1,963.19	0.9
Brazil	2,650.00	1.3	1,918.00	0.8
Sweden	1,579.25	0.8	1,425.62	0.6
Bahrain	196.19	0.1	1,274.81	0.6
Mauritius	814.44	0.4	1,240.01	0.5
Cayman Islands	911.00	0.5	911.00	0.4
Ukraine	0.00	-	430.34	0.2
Japan	467.13	0.2	414.75	0.2
Netherlands	420.90	0.2	361.41	0.2
Democratic Republic of Congo	292.28	0.1	266.01	0.1
Nigeria	45.57	0.0	265.65	0.1
Switzerland	482.68	0.2	226.35	0.1
Pakistan	159.55	0.1	142.67	0.1
Others[1]	18,720.63	9.3	23,336.92	10.1
Grand Total	**202,267.44**	**100.0**	**230,513.89**	**100.0**

[1] Others Include countries not stated

Flows of Foreign Assets by Country

3.7. During the review period, total outgoing investments were mainly destined to US and UK as presented in Table 3.4. Outgoing investments to the US, Tanzania, UK and Uganda collectively accounted for 46.6 per cent and 43.3 per cent of the total stock of external assets in 2012 and 2013, respectively. However, investment inflows to these destinations decreased in 2013. Investments to the US decreased by 22.6 per cent to KSh 34,843 million in 2013 while outgoing investments to UK decreased by 14.5 per cent to KSh 22,220 million in 2013.

3.8. In 2012, disinvestments abroad were mainly from US, UK and Germany jointly accounting for 45.6 per cent of the total outflows of external assets while in 2013 the UK and United Arab Emirates were the main sources of disinvestments. The US and Tanzania recorded the highest net inflows amounting to KSh 30,784 million in 2012 and KSh 40,903 million in 2013.

Table 3. 4: Flows of Foreign Assets by Country, 2012-2013

KSh Million

	2012			2013		
Country	**Inflows**	**Outflows**	**Net**	**Inflows**	**Outflows**	**Net**
US	45,001.69	25,298.56	19,703.13	34,843.82	3,207.33	31,636.49
Tanzania	11,447.33	366.50	11,080.83	10,357.69	1,090.70	9,267.00
United Kingdom	26,002.67	26,137.44	-134.77	22,219.51	14,019.64	8,199.87
Uganda	12,303.91	4,975.57	7,328.33	8,860.19	3,469.57	5,390.62
Burundi	1,378.24	127.72	1,250.52	3,520.40	169.81	3,350.59
Germany	18,495.11	21,279.61	-2,784.50	2,417.16	1.09	2,416.07
South Sudan	2,397.01	1,723.23	673.78	2,850.72	738.91	2,111.81
Bahrain	196.19	0.00	196.19	1,274.81	196.19	1,078.62
United Arab Emirates	4,813.57	4,384.75	428.83	7,889.28	6,979.65	909.63
Ukraine	0.00	0.00	0.00	430.34	0.00	430.34
Rwanda	1,602.39	757.22	845.17	1,978.94	1,557.35	421.59
Mauritius	85.92	36.50	49.42	317.86	0.00	317.86
Nigeria	30.22	0.00	30.22	220.08	0.00	220.08
South Africa	4,405.83	206.73	4,199.10	3,830.84	3,801.90	28.94
Denmark	23.56	0.00	23.56	0.00	4.50	-4.50
Hong Kong	10.09	0.00	10.09	0.56	7.41	-6.85
Zambia	2.78	18.40	-15.63	0.65	7.69	-7.04
Pakistan	0.00	242.22	-242.22	0.00	16.88	-16.88
Democratic Republic of Congo	77.64	23.31	54.33	3.71	27.61	-23.89
Australia	29.24	0.00	29.24	0.00	28.51	-28.51
Japan	454.37	69.63	384.74	212.38	246.14	-33.77
Canada	32.33	21.04	11.29	1.64	45.58	-43.94
Netherlands	0.00	247.73	-247.73	0.00	59.49	-59.49
Sudan	113.60	0.00	113.60	0.00	90.11	-90.11
Sweden	190.51	209.65	-19.14	18.91	172.53	-153.63
Switzerland	757.93	1,125.63	-367.70	726.40	982.73	-256.33
Brazil	1,290.00	8.00	1,282.00	127.00	859.00	-732.00
Others[1]	72,229.39	72,329.53	-100.13	74,226.76	67,749.19	6,477.57
Grand Total	**203,371.50**	**159,588.96**	**43,782.53**	**176,329.65**	**105,529.49**	**70,800.16**

[1] Others Include countries not stated

Stock of Foreign Direct Investment Assets by Country

3.9. The stock of FDI abroad increased by 13.6 per cent from KSh 104,805 million in 2012 to KSh 119,123 million in 2013 as illustrated in Table 3.5. EAC was the dominant destination of FDI with Uganda, Tanzania and Burundi accounting for 83.6 per cent and 82.5 per cent of the total FDI stock in 2012 and 2013 respectively. The stock of FDI assets held in Uganda increased by 9.4 per cent to KSh 64,469 million in 2013 and remained the leading destination of the stock of FDI during the review period.

Table 3. 5: Stock of FDI Assets by Country, 2012-2013

	2012		2013	
Country	**KSh Million**	**%Share**	**KSh Million**	**%Share**
EAC	**92,038.49**	**87.8**	**103,211.14**	**86.6**
Uganda	58,941.43	56.2	64,468.91	54.1
Tanzania	17,767.37	17.0	20,269.43	17.0
Burundi	10,894.77	10.4	13,630.83	11.4
Rwanda	4,434.93	4.2	4,841.97	4.1
South Sudan	5,839.30	5.6	7,306.79	6.1
United Arab Emirates	1,052.15	1.0	1,958.54	1.6
Sweden	1,472.55	1.4	1,312.86	1.1
South Africa	884.07	0.8	1,272.79	1.1
Mauritius	814.44	0.8	1,240.01	1.0
Cayman Islands	911.00	0.9	911.00	0.8
US	339.98	0.3	414.93	0.3
Netherlands	420.90	0.4	361.41	0.3
Nigeria	44.40	0.0	263.60	0.2
Pakistan	154.60	0.1	138.15	0.1
Others[1]	832.70	0.8	731.60	0.6
Total	**104,804.58**	**100**	**119,122.81**	**100**

[1] Others include countries not stated

Flows of Foreign Direct Investment Assets by Country

3.10. Outgoing FDI is presented in Table 3.6. Total outgoing FDI decreased by 6.0 per cent from KSh 31,983 million in 2012 to KSh 30,061 million in 2013. The EAC was the leading destination of FDI accounting for 76.2 per cent and 60.7 per cent of total FDI assets in 2012 and 2013, respectively. FDI to South Sudan increased by 45.0 per cent from KSh 1,966 million in 2012 to KSh 2,851 million in 2013.

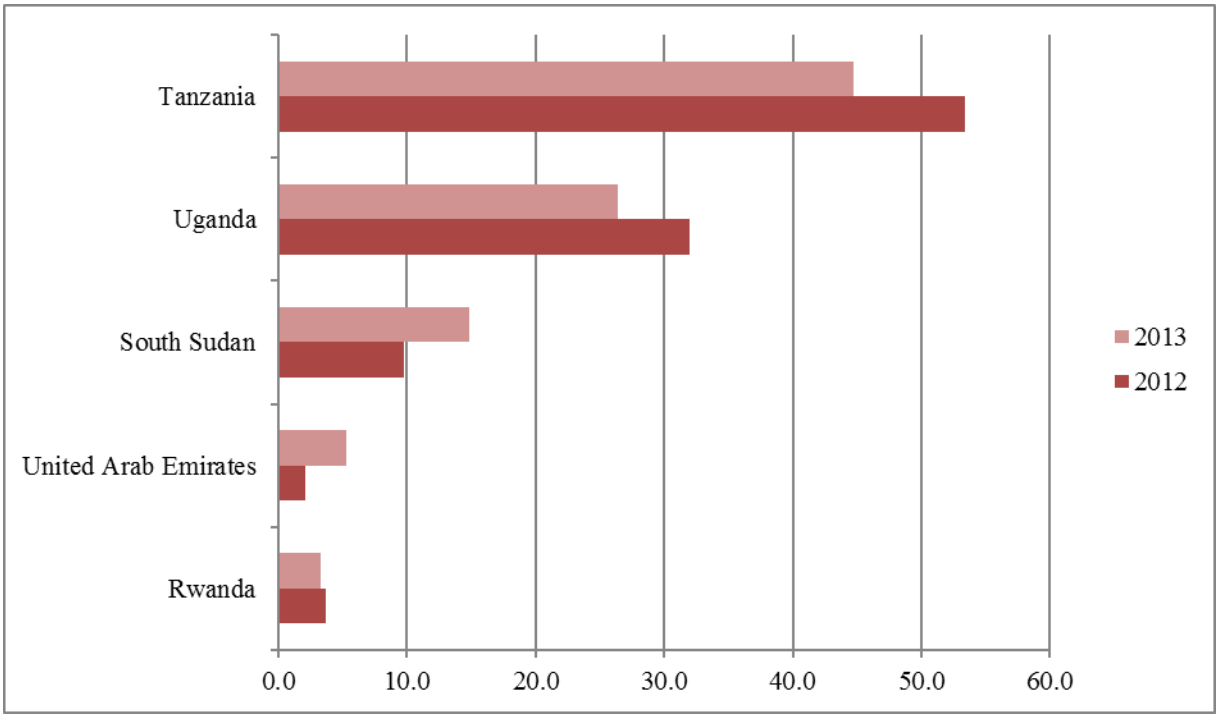
3.11. Foreign direct disinvestment increased by 9.5 per cent from KSh 11,833 million in 2012 to KSh 12,956 million in 2013. Uganda and United Arab Emirates were the major sources of disinvestments collectively accounting for 76.1 per cent and 76.8 per cent of the total FDI outflows in 2012 and 2013, respectively. The decrease in FDI abroad, coupled with an increase in FDI outflows led to a 15.1 per cent decrease in net FDI assets. Top 5 destinations of Net FDI assets are presented in Figure 3.2.

Table 3. 6: Flows of FDI Assets by Country, 2012-2013

KSh Million

	2012			2013		
Country	**Inflows**	**Outflows**	**Net**	**Inflows**	**Outflows**	**Net**
EAC	**24,379.12**	**5,659.88**	**18,719.23**	**18,250.07**	**5,273.45**	**12,976.62**
Tanzania	11,090.68	321.06	10,769.62	8,510.24	853.19	7,657.05
Uganda	11,057.85	4,623.09	6,434.76	7,476.55	2,966.60	4,509.94
Rwanda	1,324.31	588.01	736.30	1,842.36	1,283.84	558.52
Burundi	906.28	127.72	778.56	420.92	169.81	251.11
South Sudan	1,966.26	0.00	1,966.26	2,850.72	308.16	2,542.56
United Arab Emirates	4,808.45	4,384.75	423.71	7,885.73	6,977.90	907.82
South Africa	376.90	0.00	376.90	386.37	1.72	384.66
Mauritius	85.92	36.50	49.42	317.86	0.00	317.86
Nigeria	30.22	0.00	30.22	219.20	0.00	219.20
Pakistan	0.00	241.72	-241.72	0.00	16.45	-16.45
United Kingdom	49.92	47.84	2.09	48.64	76.04	-27.40
Switzerland	57.44	0.00	57.44	0.00	57.44	-57.44
Sweden	160.11	209.65	-49.55	12.85	172.53	-159.69
Others	68.29	1,246.71	-1,178.42	89.78	29.46	60.32
Total	**31,982.62**	**11,833.06**	**20,149.56**	**30,061.21**	**12,956.19**	**17,105.02**

Figure 3. 2: Top 5 Destinations of Net FDI Assets



CHAPTER 4: INTERNATIONAL TRADE AND EMPLOYMENT

Overview

This chapter presents the survey findings on international trade in goods and services; employment and compensation of employees.

International Trade in Goods

4.2. Exports of enterprises that reported transactions in FAL declined by 23.0 per cent to KSh 135,940 million in 2013 from KSh 176,524 million in 2012 as presented in Table 4.1. The decline was reflected in the Manufacturing sector with the value of exports declining by 35.6 per cent to KSh 70,026 million in 2013. Imports of enterprises that reported transactions in FAL also declined from KSh 476,650 million in 2012 to KSh 413,857 million in 2013. Imports of the Wholesale and retail trade sector; repair of motor vehicles and motorcycles contracted by KSh 44,535 million in 2013 wholly offsetting the KSh 11,319 million increase in imports of the Manufacturing sector. In general, the Manufacturing sector dominated exports while the Wholesale and retail trade sector; repair of motor vehicles and motorcycles was the major importer of goods. During the review period, merchanting was reported mainly in the Manufacturing sector.

Table 4. 1: International Trade in Goods

KSh Million

Sectors	2012			2013		
	Exports	Imports	Merchanting	Exports	Imports	Merchanting
A. Agriculture, forestry and fishing	22,210.86	8,573.63	-	22,457.98	8,290.86	-
B. Mining and quarrying	9,616.15	1,437.91	-	8,234.48	568.72	-
C. Manufacturing	108,742.47	90,237.95	1,664.36	70,026.15	101,556.68	2,655.34
D. Electricity, gas and air conditioning supply	3,459.03	22,305.80	-	1,388.52	12,610.70	-
E. Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-
F.Construction	-	5,495.64	-	277.21	4,293.69	-
G.Wholesale & retail trade; repair of motor vehicles and motorcycles services	19,273.02	275,519.57	312.02	17,349.25	230,984.21	283.19
H. Transportation and Storage	9,892.07	25,308.01	-	13,520.57	15,370.07	-
I. Accommodation and food service activities services	-	662.62	-	-	254.02	-
J. Information and communication	574.82	17,666.41	4.14	783.69	15,597.45	10.18
K. Finance and Insurance activities	1,482.61	3,363.73	-	787.48	2,768.76	-
L. Real estate activities	131.68	1,136.85	-	101.10	4,172.70	-
M. Professional, scientific and technical activities	-	58.33	-	-	40.35	-
N. Administrative and support service activities	0.58	44.46	-	0.35	71.48	-
P. Education	-	337.46	-	-	382.01	-
Q. Human Health and Social work activities	-	152.94	-	-	230.05	-
R. Arts, entertainment and recreation	-	-	-	-	-	-
S. Other service activities	1,140.66	24,348.31	-	1,012.28	16,665.12	-
Grand Total	**176,523.95**	**476,649.60**	**1,980.52**	**135,939.08**	**413,856.87**	**2,948.72**

International Trade in Services

4.3. International trade in services covered in the survey comprised; Manufacturing services, Maintenance and repair services, Transport services, Construction services, Financial services, Telecommunication, Computer and Information services and; Other Business services.

Expenditure on services provided by non-residents

4.4. Expenditure on services rendered by non-residents increased by 55.1 per cent from KSh 42,375 million in 2012 to KSh 65,736 million in 2013, as shown in Table 4.2. Construction, Other Business Services and Maintenance recorded the highest expenditure on services provided by non-residents, contributing 39.9 per cent, 21.3 per cent and 12.4 per cent to total expenditure respectively. Expenditure on construction services increased by KSh 19,882 million in 2013 reflecting increased investment in energy related activities. Increased expenditure on other business services in 2013 amounting to KSh 1,143 million partly reflected the growth in operational leasing activities. Expenditures on travel services however declined by 18.6 per cent

to KSh 4,539 million in 2013.

Table 4. 2: Expenditure on Services provided by non-residents

Type of Service	2012		2013	
	KSh Million	%share	KSh Million	%share
Manufacturing services on physical inputs owned by others	535.55	1.3	588.28	0.9
Maintenance and repair services not included elsewhere(n.i.e)	6,807.40	16.1	8,157.48	12.4
Transport Services	1,492.67	3.5	1,497.17	2.3
Travel Services	5,577.60	13.2	4,539.30	6.9
Construction services	6,323.60	14.9	26,205.85	39.9
Insurance and pension services	888.22	2.1	905.15	1.4
Financial services (commission, fees and other charges excluding interest)	784.18	1.9	905.34	1.4
Charges for the use of intellectual property	1,706.18	4.0	2,385.20	3.6
Telecommunication, Computer and Information Services	3,137.58	7.4	3,740.30	5.7
o.w Information Services	383.20		368.06	
Other Business Services	12,848.43	30.3	13,991.50	21.3
Others	2,273.88	5.4	2,819.90	4.3
Grand Total	**42,375.29**	**100.0**	**65,735.46**	**100.0**

Income on Services rendered by residents

4.5. Income received from services rendered to non-residents increased from KSh 20,347 million in 2012 to KSh 29,401 million in 2013, representing a 44.5 per cent increase as shown in Table 4.3. The increase in revenues of KSh 9,055 million in 2013 is reflected in insurance and pension services (KSh 4,091 million), transport services (KSh 1,588 million) and other business services (KSh 1,130 million). Other business services were the predominant source of income earned on services rendered by residents in 2013 with a share of 39.5 per cent largely on the basis of professional and management consulting services. The share of insurance and pension services increased to 13.9 per cent in 2013. The growth in insurance services partly reflects the vibrancy of the country's Financial and insurance sector.

Table 4. 3: Income on Services rendered by residents

Type of Service	2012		2013	
	KSh million	%share	KSh million	%share
Manufacturing services on physical inputs owned by others	564.10	2.8	595.50	2.0
Maintenance and repair services not included elsewhere(n.i.e)	2,040.66	10.0	2,647.68	9.0
Transport Services	691.36	3.4	2,279.10	7.8
Travel Services	1,905.72	9.4	1,717.02	5.8
Construction services	0.17	0.0	4.19	0.0
Insurance and pension services	6.77	0.0	4,097.57	13.9
Financial services (commission, fees and other charges excluding interest)	775.52	3.8	1,035.76	3.5
Telecommunication, Computer and Information Services	1,813.70	8.9	2,797.07	9.5
Other Business Services	10,477.23	51.5	11,607.34	39.5
Personal, cultural and recreational services	0.15	0.0	16.42	0.1
Others	2,071.11	10.2	2,603.74	8.9
Grand Total	**20,346.50**	**100.0**	**29,401.40**	**100.0**

Employment

Employment by Skill category, Nationality and Sex

4.6. Employment in enterprises that reported to have FAL increased by 13.3 per cent to 274,378 jobs in 2013 from 242,103 jobs in 2012 as presented in Table 4.4. The unskilled category accounted for 63.9 per cent of the total number of persons employed whereas the skilled and managerial categories accounted for 31.9 per cent and 4.2 per cent in 2013 respectively. The number of resident employees was recorded at 271,588 in 2013 while non-resident employees were 2,790.

Table 4. 4: Employment by Skill category, Nationality and Sex

Skill Category	Nationality	2012			2013		
		Female	Male	Total	Female	Male	Total
Managerial	**Total**	**5,600**	**11,528**	**17,128**	**3,704**	**7,877**	**11,581**
	Local	5,334	11,086	16,420	3,627	7,381	11,007
	Foreign	266	443	708	77	496	573
Skilled	**Total**	**53,918**	**86,930**	**140,848**	**34,632**	**52,957**	**87,589**
	Local	53,445	86,185	139,631	34,290	51,667	85,958
	Foreign	473	744	1,217	341	1,290	1,631
Unskilled	**Total**	**27,497**	**56,631**	**84,127**	**91,379**	**83,830**	**175,209**
	Local	27,432	56,199	83,631	91,292	83,331	174,623
	Foreign	65	432	497	87	498	585
Grand Total		**87,014**	**155,089**	**242,103**	**129,715**	**144,663**	**274,378**

Employment by Sector

4.7. Employment distribution by sector is presented in Table 4.5. Wholesale and retail trade, Accommodation and food services and, Information and communication created 37,173, 3,158 and 2,532 new jobs in 2013, respectively. On the contrary, Finance and insurance and, Agriculture, forestry and fishing sector shed off 5,487 and 4,344 jobs in 2013 respectively. Wholesale and retail trade; repair of motor vehicles and motorcycles, Manufacturing and, Accommodation and food service sectors constituted 25.7, 20.1 and 12.0 per cent of total employment respectively, in 2013. The dominance of the Wholesale and retail sector which requires relatively less specialization partly explains the increase in unskilled employment in 2013.

Table 4. 5: Employment by Sector

Sector	2012		2013	
	Employees	%share	Employees	%share
A. Agriculture, forestry and fishing	33,544	13.9	29,200	10.6
B. Mining and quarrying	963	0.4	1,229	0.4
C. Manufacturing	55,370	22.9	55,067	20.1
D. Electricity, gas and air conditioning supply	12,145	5.0	12,600	4.6
E. Water supply; sewerage, waste management and remediation activities	-	-	-	-
F.Construction	4,699	1.9	4,700	1.7
G.Wholesale & retail trade; repair of motor vehicles and motorcycles services	33,353	13.8	70,526	25.7
H. Transportation and Storage	8,659	3.6	7,844	2.9
I. Accommodation and food service activities services	29,814	12.3	32,972	12.0
J. Information and communication	7,362	3.0	9,894	3.6
K. Finance and Insurance activities	37,066	15.3	31,579	11.5
L. Real estate activities	521	0.2	544	0.2
M. Professional, scientific and technical activities	1,604	0.7	1,765	0.6
N. Administrative and support service activities	3,058	1.3	3,588	1.3
P. Education	2,786	1.2	2,905	1.1
Q. Human Health and Social work activities	926	0.4	1,011	0.4
R. Arts, entertainment and recreation		-		-
S. Other service activities	10,233	4.2	8,954	3.3
Grand Total	**242,103**	**100.0**	**274,378**	**100.0**

Compensation of Employees by Sector

4.8. Private sector enterprises that reported to have FAL paid out wages and other forms of compensation including fringe benefits, pension, fees and others amounting to KSh 182,316 million in 2013 compared with KSh 171,124 million paid out in 2012 as presented in Table 4.6. Compensation to resident employees (employees working in Kenya for a period of 12 months or more) accounted for 99.9 per cent of the total compensation paid out in 2012 and 2013 and increased by KSh 11,254 million in 2013. This was mainly driven by an increase in wage bill in the Finance and insurance, Manufacturing, Electricity and gas, Information and communication sectors which went up by KSh 5,052 million, KSh 2,220 million, KSh 1,482 million and KSh 1,048 million, respectively.

Table 4. 6: Compensation of Employees by Sector

KSh Million

Sector	2012		2013	
	Resident	Non-Resident	Resident	Non-Resident
A. Agriculture, forestry and fishing	4,195.95	-	5,131.04	12.06
B. Mining and quarrying	1,205.26	0.67	2,054.95	-
C. Manufacturing	26,924.68	30.24	29,144.69	4.78
D. Electricity, gas and air conditioning supply	13,718.16	-	15,200.26	-
E. Water supply; sewerage, waste management and remediation activities	-	-	-	-
F.Construction	2,513.59	-	2,810.19	-
G.Wholesale & retail trade; repair of motor vehicles and motorcycles services	10,523.12	-	11,172.24	-
H. Transportation and Storage	15,078.08	-	15,400.88	-
I. Accommodation and food service activities services	6,107.02	-	3,069.63	-
J. Information and communication	9,056.98	4.80	10,105.45	7.50
K. Finance and Insurance activities	60,623.91	100.66	65,676.21	49.94
L. Real estate activities	228.54	-	134.38	-
M. Professional, scientific and technical activities	4,189.00	-	4,690.12	-
N. Administrative and support service activities	814.43	-	933.83	-
P. Education	846.04	-	904.54	-
Q. Human Health and Social work activities	483.35	-	590.23	-
R. Arts, entertainment and recreation	-	-	-	-
S. Other service activities	14,479.77	-	15,223.12	-
Grand Total	**170,987.87**	**136.37**	**182,241.76**	**74.28**

CHAPTER 5: INVESTOR PERCEPTION

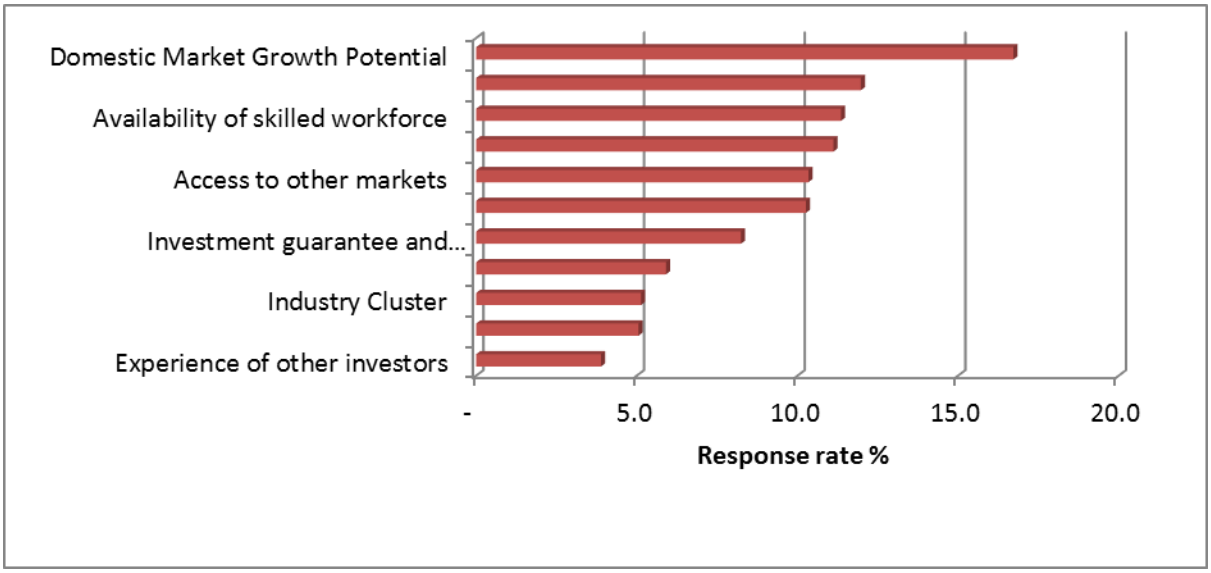
Overview

This chapter presents the findings of an assessment of investors' perception on various factors that inform investment decisions made by enterprises in 2015. The factors were categorized into five broad areas namely; location factors, ease of starting a business, change in business environment over the last two years, top business concerns and the direction of investment in future.

Location factors

5.2. The FIS 2015 took cognizance of the fact that, while there are many motivating factors explaining why investors choose certain locations for their businesses, there are some key factors that are generally perceived to have a significant impact on the decision of where to set up a business. The question tested the extent to which these factors influence the decision to invest in Kenya. Domestic market growth potential, rule of law and existing regulations; availability of skilled workforce; quality of infrastructure and logistics; and access to other markets were the five major factors, in order of importance as presented in Figure 5.1. However, industry cluster, experience of other investors and quality of life appeared lower in the list of priority factors.

Figure 5. 1: Importance of factors affecting business location



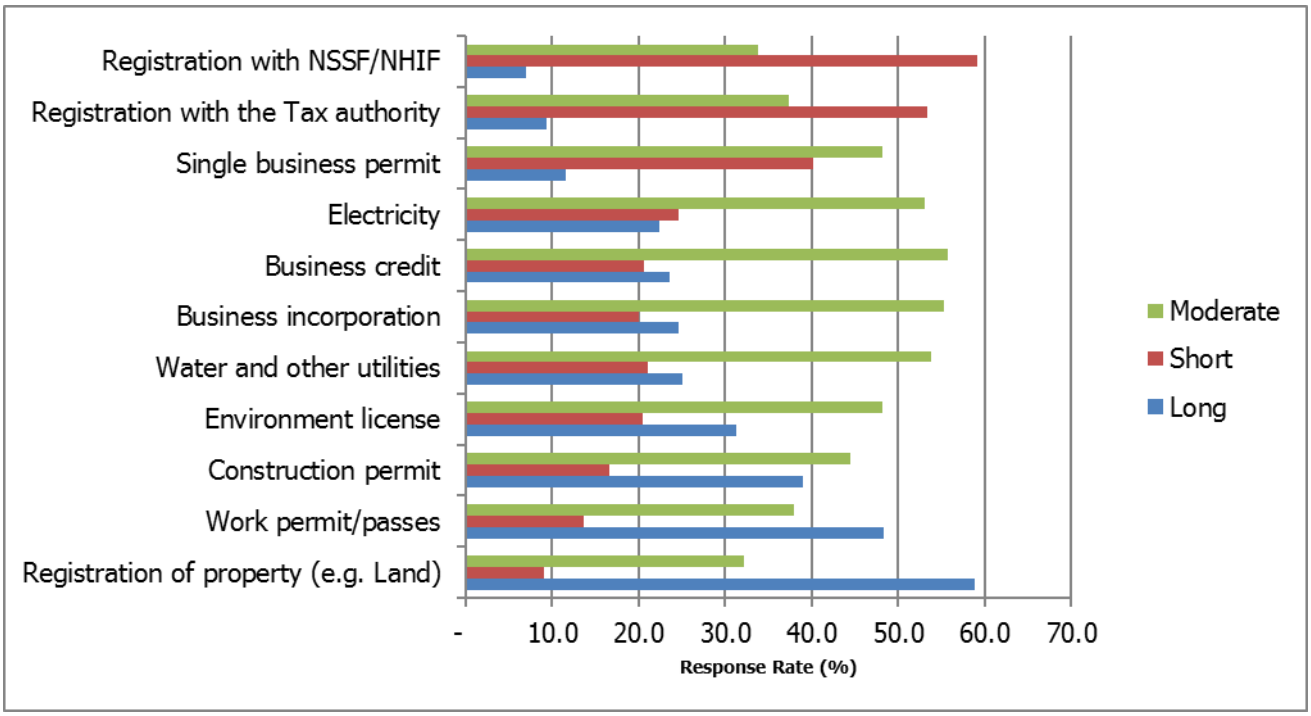
Starting a business

5.3. Respondents were required to rate the cost and time taken in acquiring the key services required during the inception of a business. The selected services were perceived to affect almost all investors irrespective of the economic activity undertaken.

Time taken

5.4. Perception of investors on the time taken to acquire the necessary approvals and services when starting a business are shown in Figure 5.2. More than 58.9 per cent of the respondents indicated that it takes a long time to register property whereas 48.3 per cent indicated that it takes long to acquire work permits. However, 59.2 per cent and 53.3 per cent of the respondents indicated that it takes a short time to register with NSSF/NHIF and to register with the tax authority, respectively. For the rest of the factors, majority of respondents indicated that the time taken is moderate.

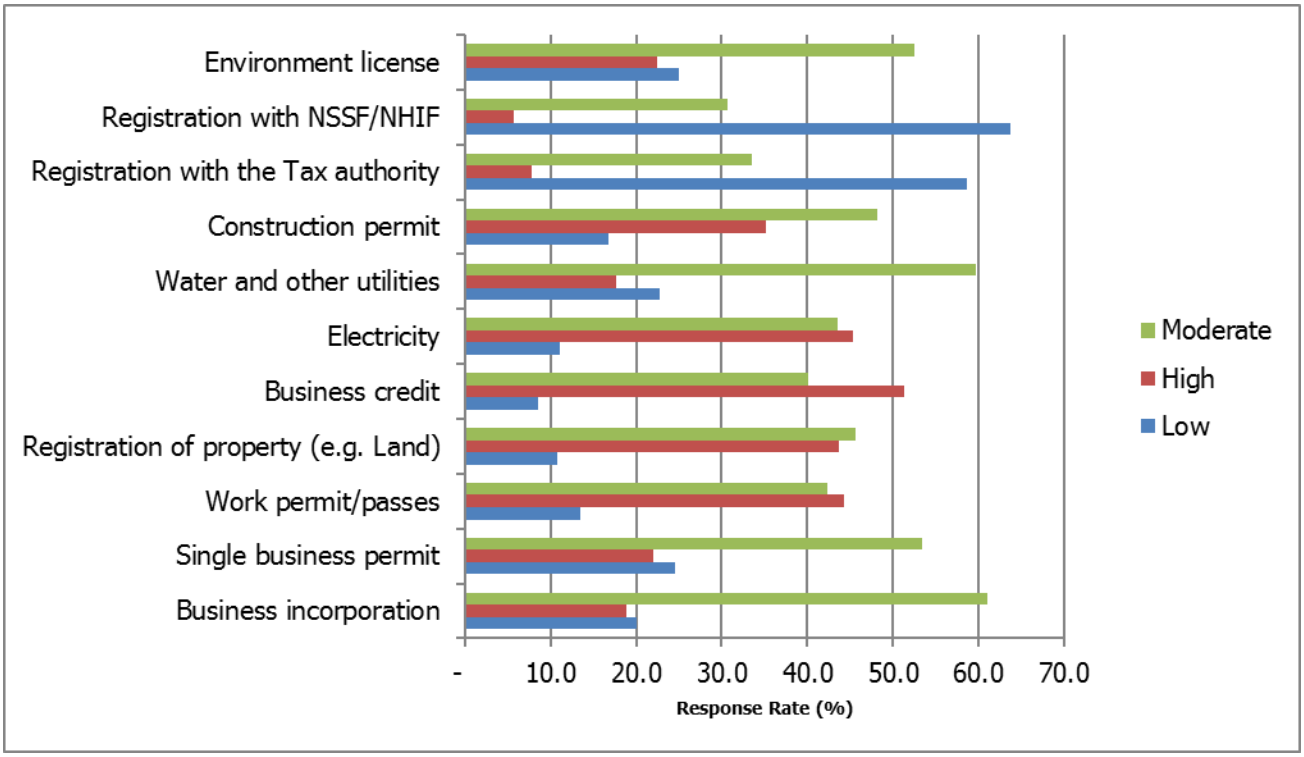
Figure 5. 2: Perception on time taken to acquire services when starting a business



Cost of business services

5.5. The cost of access to business credit, electricity connection and acquisition of work permits was rated high by 51.3, 45.4, and 44.3 per cent of respondents respectively, as shown in Figure 5.3. On the other hand, the cost of registration with NSSF/NHIF and registration with the tax authority was rated to be low by 63.7 per cent and 58.7 per cent of the respondents, respectively. The cost of other selected factors was considered to be moderate by majority of the respondents.

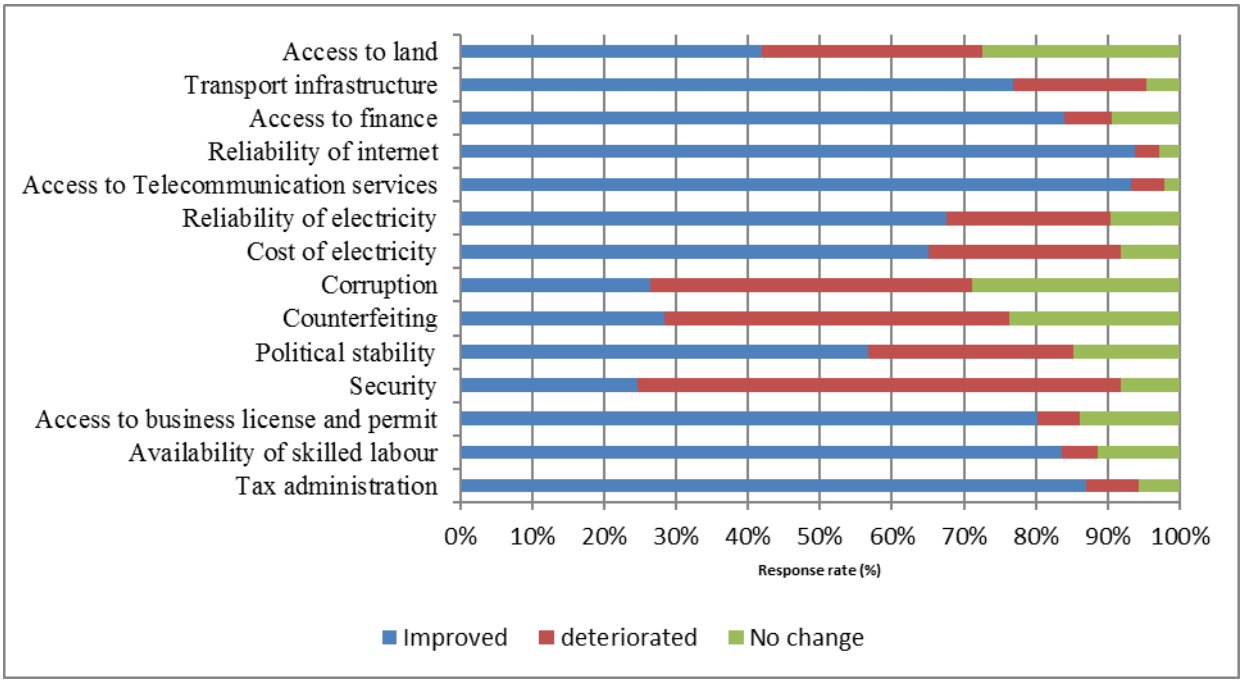
Figure 5. 3: Perception on the cost of acquiring services for starting a business



Changes in the business environment over the last 2 years

5.6. Respondents were asked to assess whether the quality of selected factors had improved, deteriorated or had remained unchanged over the last two years. More than 50.0 per cent of the respondents indicated that there is a lot of improvement in access to Telecommunication services, Internet reliability, Transport infrastructure and Tax administration over the last two years. Security, counterfeiting, corruption and access to land were rated to have deteriorated over the same period.

Figure 5. 4: Perception on the changes in the business environment over the last 2 years

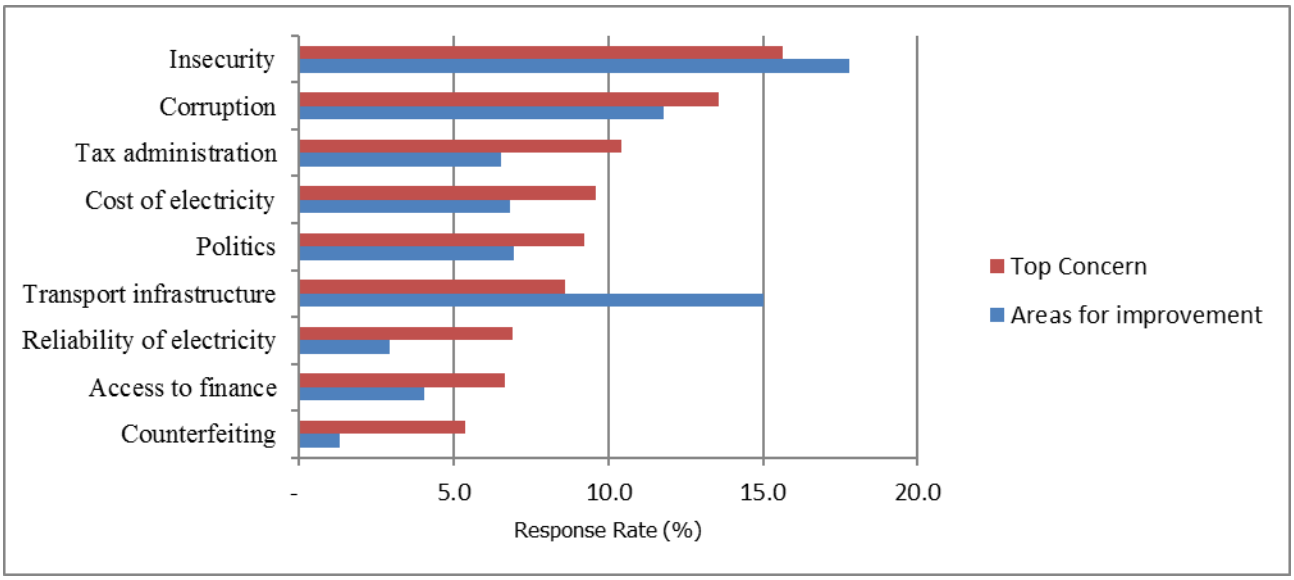


Top business concerns and areas for improvement

5.7. Respondents were asked to select five factors which they perceived to be of major concern to them while doing business in Kenya. Insecurity, corruption, tax administration, cost of electricity and politics were identified as the five main concerns by the business community. These factors were also enumerated as requiring urgent government intervention in order to ensure smooth business operations. The results of the findings are presented in Figure 5.5.

Respondents also identified exchange rate movement, delays in VAT refunds, need to digitize government services, traffic jams, harmonization of national and county government levies; and involvement of the private sector in policy formulation as areas that required improvement.

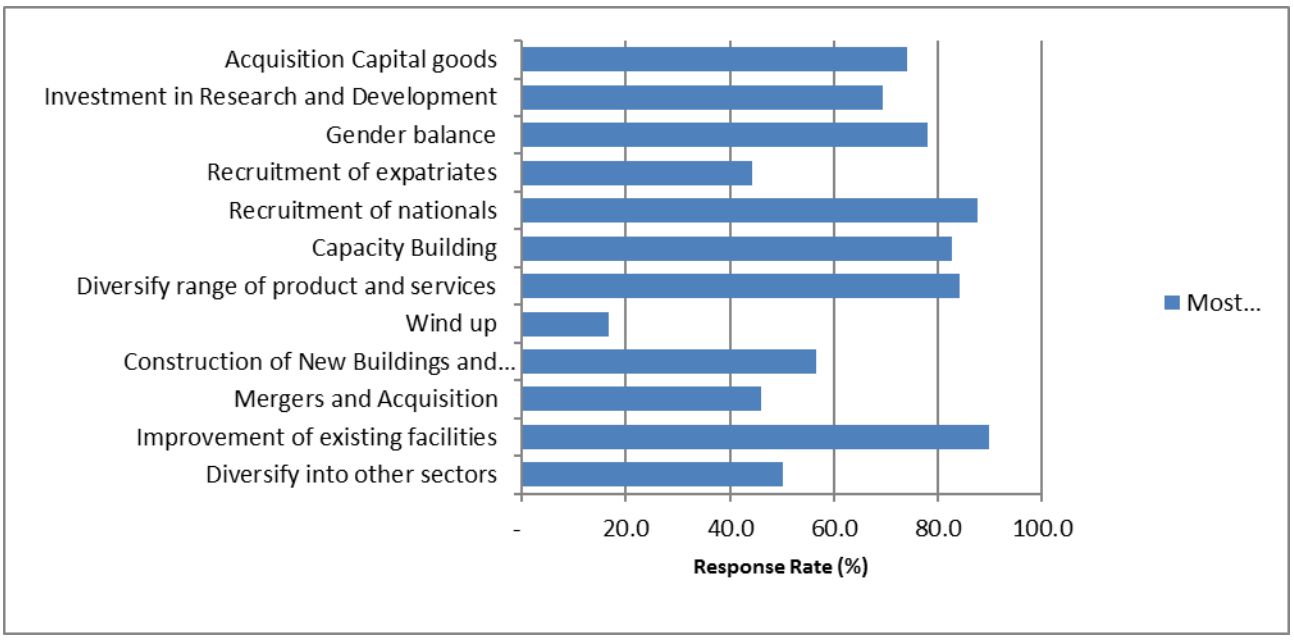
Figure 5. 5: Top business concerns and areas for improvements



Direction of investment in the next three years

5.8. Respondents were asked to indicate the likelihood of undertaking selected activities relating to their investment in the next three years. Majority of the respondents indicated that they would most likely improve on existing facilities, diversify range of products, recruit locals, ensure gender balance and acquire additional capital goods as indicated in Figure 5.6. The country still remains a preferred destination for investment since majority of the respondents indicated that they were very unlikely to wind up.

Figure 5. 6: Direction of investment in the next three years



CHAPTER 6: SURVEY METHODS AND TECHNIQUES

Overview

The Foreign Investment Survey (FIS) 2015 was broadly implemented in five stages namely; (1) survey design (2) training of personnel and data collection (3) data editing and capture (4) data analysis and report writing and (5) dissemination of the results. The survey was designed to capture data on foreign private capital for the reference period 2012 and 2013 and investor perceptions on the business environment in 2015. The FIS 2015 targeted enterprises with Foreign Assets and Liabilities (FAL). In addition, information on foreign investment was sought using non-survey methods from CBK, KenInvest and CMA.

6.2. The training of the survey personnel was conducted for ten days followed by data collection which took 45 days between May and July, 2015. To enhance the response rate, awareness and sensitization workshop for the stakeholders was held and press advertisements were placed in the local newspapers.

Sample Selection

6.3. The selection of the enterprises for FIS 2015 was based on the enterprises covered in FIS 2013 and additional enterprises selected on the basis of the enterprises having foreign investments. This resulted in the selection of a total of 845 enterprises.

Survey Instruments

6.4. Data collection instruments comprising the questionnaire and instruction manual were developed following the compilation guidelines of the Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). . The information sought in the questionnaire comprised of general information on the enterprises, employment, exports and imports, foreign liabilities and assets, international trade in services and investor perception on the investment climate in the country. To ensure consistency and quality of data collected, an Instructions' Manual was developed. The Manual was designed for use during training and for reference by Research Assistants and Supervisors in the course of the survey data collection.

Field Activities

Survey Administration

6.5. The survey involved distribution of questionnaires to respondents, face-to-face interviews, dropping of questionnaires at the targeted enterprises 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 18th May, 2015 for a period of 45 days.

Response Rate and Data Validation

6.6. FIS 2015 targeted a total of 845 enterprises. However, due to refusals, closures, mergers and acquisitions, 760 questionnaires were distributed to the enterprises. Seven hundred and thirty six (736) questionnaires were completed and collected as shown in Table 2.1. This translated to a response rate of 87.1 per cent.

Data Processing

6.7. The data processing entailed data entry, data cleaning and tabulation. This was achieved by using the Private Capital Monitoring System (PCMS), computer software developed by MEFMI. Tabulation of these variables was done to provide standard tables reflecting the major findings of the survey.

CHAPTER 7: CONCLUSION

According to the Foreign Investment Survey 2015, the stock of private sector foreign investment in Kenya improved in 2013 compared with 2012, and largely reflected the FDI and private foreign borrowings. Although the inflows of private sector investment declined during 2013, it remained high. The sectors with significant FDI inflows include Manufacturing, Wholesale and Retail trade; and Electricity, gas, steam and air conditioning supply sectors, and have boosted international trade in goods and services, and employment opportunities. Similarly, Kenya's investment abroad improved in 2013 and was largely in form of FDI to East African Community. The Governments endeavour to create an enabling environment in order to attract and retain investments coupled with regional integration initiatives are expected to sustain foreign private capital flows.

7.2. FIS 2015 was conducted successfully in spite of some challenges that include: the unavailability of the respondents at the time of the survey, longer time taken to fill the questionnaire due to auditing exercises, inadequate knowledge by the respondents about the Statistics Act 2006, and inefficient MEFMI Private Capital Monitoring System (PCMS) for capturing and analysing the data. Going forward, the BOP team has planned to develop its own system for analysing future FIS data. Further, thorough sensitization and awareness creation will always be conducted prior to the launch of future surveys. Nevertheless, the survey was a success.