UNIQUE INVESTMENT OPPORTUNITIES
KENYA COASTAL REGION

DRAFT BRIEFING

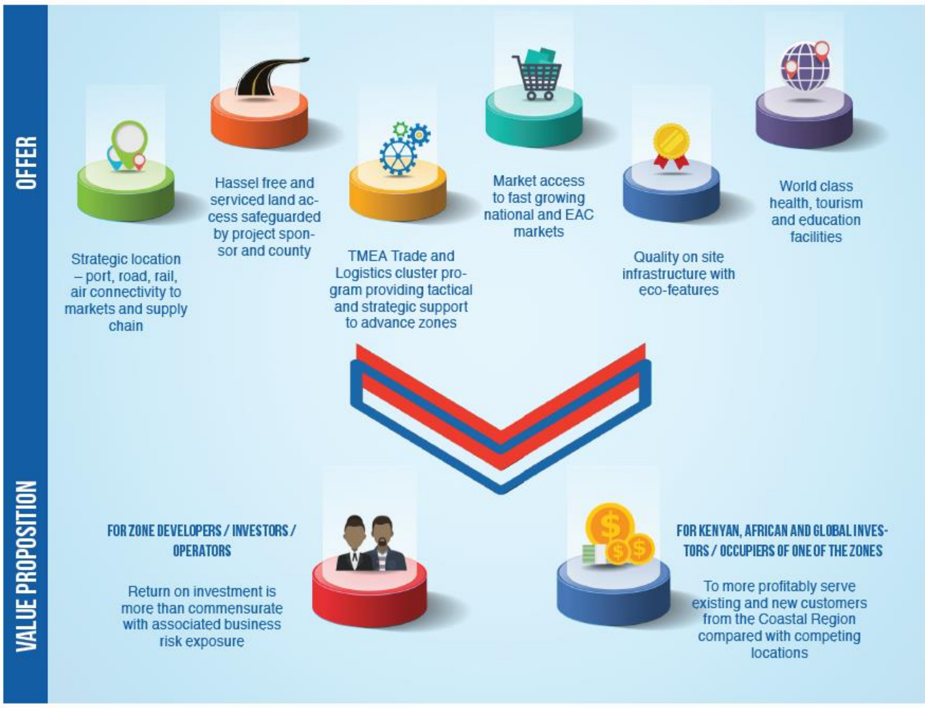
Regional Context:

East Africa is **one of the fastest growing regions in Africa** with Kenya, Tanzania, Uganda and Rwanda and Ethiopia all consistently growing well above 5% per annum.[1] Across the region Governments are aiming to sustain this growth through increased foreign direct investment and are developing industrial parks to promote greater value addition and export diversification.

In Kenya, the government's industrialisation programme sets out a **clear commitment to develop both government and private sector led parks as instruments to catalyse investment** attraction.

TradeMark East Africa (TMEA), a multi-donor funded agency, is supporting the development of these industrial parks. In Kenya, TMEA is piloting this work on the Coast, de-risking investment by developing bankable feasibility studies based on due diligence of the land and topography, identification of priority sectors and analysis of demand from investors. In addition, TMEA is looking to improve the linkages of these parks with both the local economy and regional and global export markets by supporting more competitive supply chains.

The following brief sets out the value proposition for potential investors to invest on the Kenya Coast and participate in the growth opportunities of this fast-developing region.

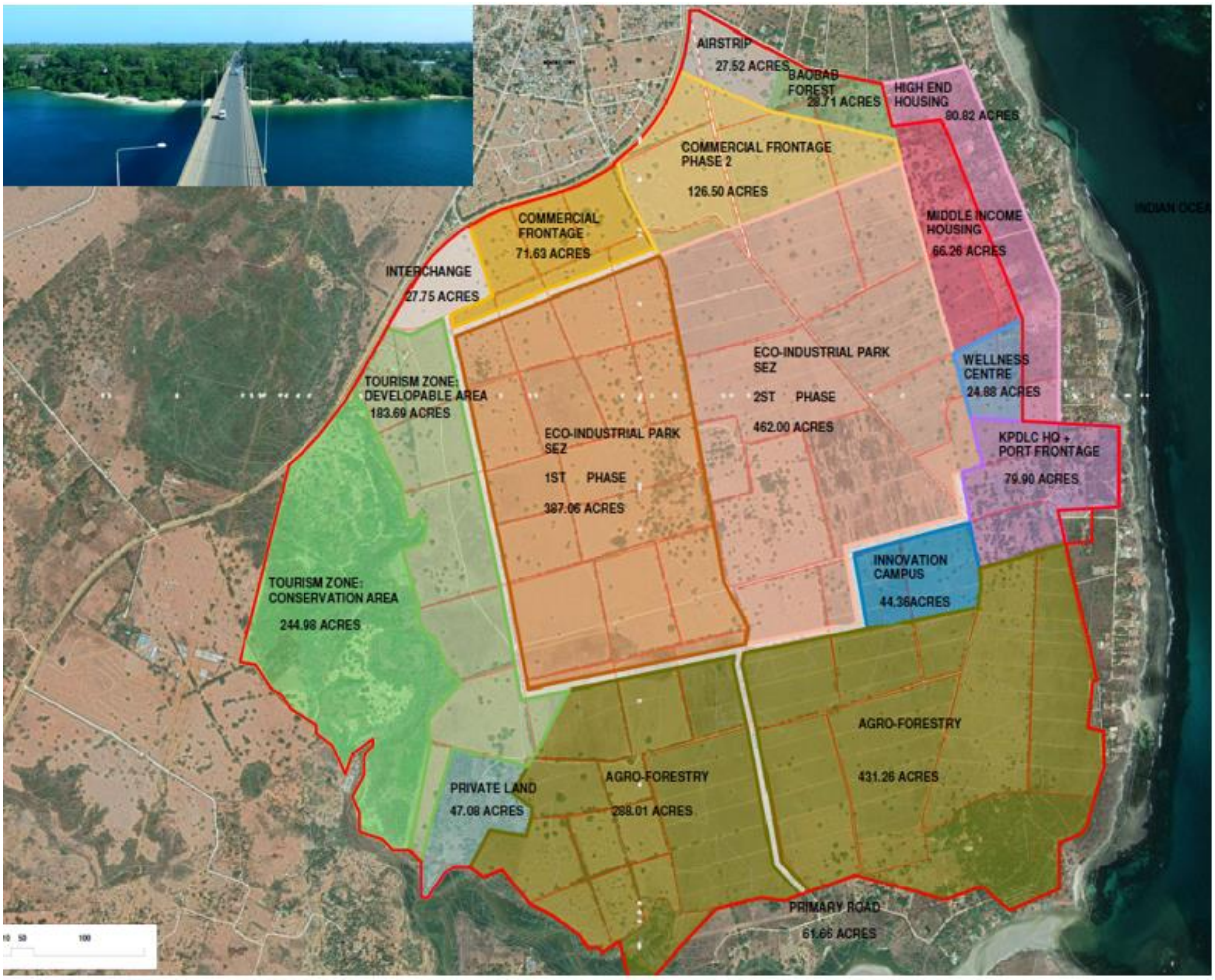


[1] Source: E&Y 2019 Attractiveness Africa.

Specific Opportunity – Kilifi Eco Park (KEP)

170 hectares / Planned Status – SEZ

Kilifi Port Development Limited (KPDL) is developing a 1,000 hectare mixed-use Kilifi Eco Park (KEP) with shared high-quality services such as waste and recycling, ocean frontage. The KPDL and Kilifi County Government have committed to working closely together to create a thriving community and cluster within the Park, as well as to improve the overall operating environment for businesses in and around the Park.



Key Features:

This Eco Park offers a number of attractive features for potential investors, including:

1. **Special Economic Zone (SEZ) status:**
   The SEZ designation of KEP (in final stage of approval) complements the current export processing zones (EPZs) by offering greater flexibility to trade within Kenya and the East African Community – incentives for SEZ enterprises, developers and operators include:
   - Flexibility to serve local, EAC and international markets;
   - Exemption from excise duty, customs duty, VAT and stamp duty;
   - Flexibility for employment of foreign workers (up to 20% of full-time employees);
   - Corporate income tax rate reduction from 30% to 10% for first 10 years of operation.

2. Access to competitive factors of production:

- *Raw materials:* Kilifi Eco Park has excellent access to abundant supplies of agricultural products from Kilifi and Tana River counties, and fish and seafood from Kilifi county.
- *Utilities:* The property contains an existing bio-mass plant and on-site electricity transformer.
- *Labour:* 130,000 people live within the labour catchment area (within 50 km) of KEP, with high responsiveness to skills development courtesy of the 28 vocational training centres in the county, and modest labour costs in comparison with other regional locations.

3. Strategic location for sustainable investment:

This land is strategically located 70km from Mombasa Port which is the gateway to the East African Market of 146 million people and has a throughput of 1.4 million TEUs a year. It is also next to the Northern Road Corridor which is the main transport route to Nairobi and the hinterland. The ability to source locally for agro-processing and transport sustainably with sea and rail freight via Mombasa Port and the Mombasa-Nairobi-Naivasha Standard Gauge Railway 70 km to the south, helps set the next horizon in environmentally sustainable development.

Sectors of Opportunities for Investors:

While Kilifi Eco Park can competitively meet the needs of a range of environmentally-friendly light manufacturing and mixed-use activities, the extent to which sector-specific demand for production and logistics capacity is unmet tends to be demonstrably higher with the following segments:

Agro-Processing

- Mangoes – primarily for the wider EAC region and global export markets;
- Coconuts – Identified as one of the key products in which Kenya has competitive advantage with improving accessibility to key markets such as the European Union;
- Cashews - a very significant growing export market with tangible interests from potential investors.

Blue Economy

- Ocean frontage allows for optimised supply-side logistics for fresh fish and crustaceans;
- Growing domestic demand for fish as protein source;
- Strong potential for growth as current production of 9,000 metric tonnes per year is a fraction of the sustainable yield of Kenya’s coastal waters (est. 150,000 to 300,000 Mt)
- Kenya is at forefront of fostering a sustainable blue economy with the Blue Economy Task Force established in 2017 to boost exports, satisfy growing domestic markets, improve supply chains and maximise value added;

Food Processing

- In Kenya, the food and beverage sector receive the highest share of manufacturing FDI, estimated around 29%;
- KEP can help to provide the step change within the Coastal Region needed to upgrade existing production and processing activities by:
    - Driving synergies with other agro-processing and blue economy occupants;
    - Reducing logistics, cold-chain-storage & distribution costs through scale economies;
    - Maximising cluster dynamics;
    - Potential to attract R&D along with food safety laboratories and specialist services – environmentally friendly / carbon neutral packaging (for example, potential for sisal packaging given the extensive local supply);
- Kenya kas 21,500 m^3 of refrigerated warehouse capacity today but this is only about 1% of the addressable market.

Logistics

- The creation of KEP will in and of itself, create a major investment opportunity for logistics investors;
- While Mombasa hosts several key logistics companies, most of their real-time inventory counts, re-distribution, packaging and value addition tends to take place closer to key customers in and around Nairobi. However, the demand from KEP will encourage domestic and international companies to establish facilities and specialised services within the zone.

For further information please contact KPDL or TMEA:

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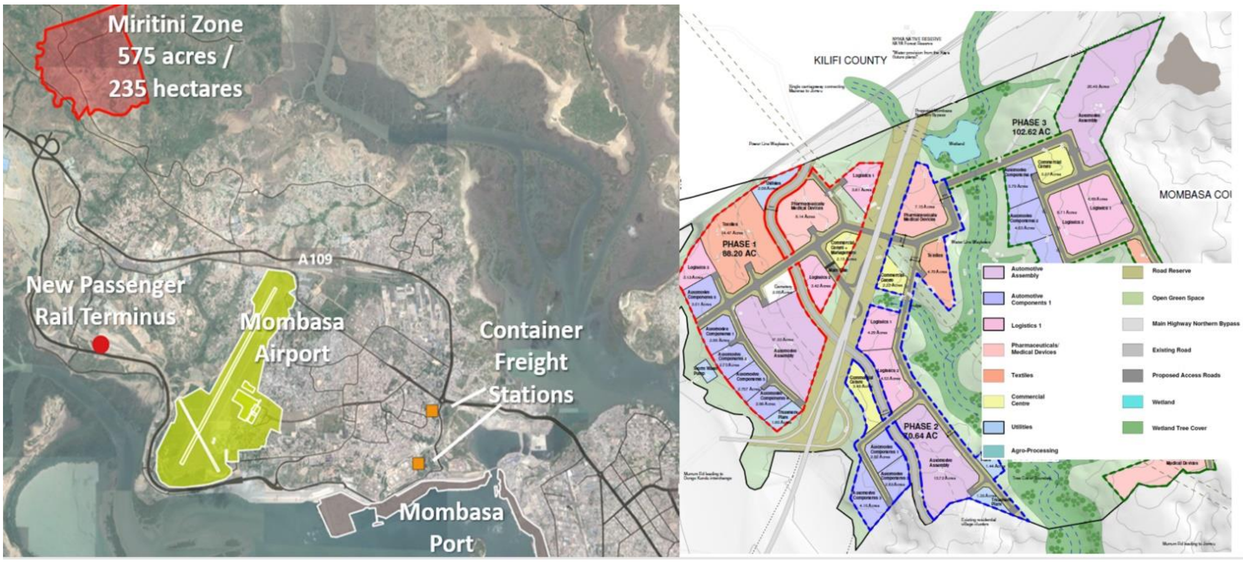
Specific Opportunity - Mombasa Industrial Park @ Miritini

235 hectares / Planned Status – SEZ

The Mombasa County Government is developing a prime piece of land into an industrial park as one of their flagship projects to create more jobs and better jobs in higher value addition manufacturing sectors.



Key Features:

This Industrial Park offers a wealth of ROI-enhancing features for investors including but not limited to:

1. **Strategic Location:**
   This land is strategically located in close proximity to Mombasa Port which is the gate way to the East African Market of 146 million people and has a throughput of 1.4 million TEUs a year. It is also next to the Northern Road Corridor which is the main transport route to Nairobi and the hinterland and the new Standard Gauge Railway which presently provides container and passenger services to Nairobi but is planned to extend to Kampala.

2. **Special Economic Zone Status:**
   Mombasa County is the process of finalising its application for this land to become a SEZ which affords specific incentives to investors including:
   - Flexibility to serve local, EAC and international markets;
   - Exemption from excise duty, customs duty, VAT and stamp duty;
   - Flexibility for employment of foreign workers (up to 20% of full-time employees);
   - Corporate income tax rate reduction from 30% to 10% for first 10 years of operation.

3. **Access to competitive factors of Production:**
   - *Energy*: In addition to the special economic zone the Government of Kenya plans to extend an energy subsidy to investors for investment in the manufacturing sector. While

energy, predominantly green energy, and other utilities are reliable and readily available.

- *Labour*: English is widely spoken in Kenya with approximately 96% literacy which translates into one of the most productive labour forces in Africa. With a population of 1.3 million Mombasa has a deep labour pool on which to draw and has become a hub for technical training centres such as Mombasa Technical Training Center.

Sectors of Opportunities for Investors:

Given the strategic location of this industrial park in Miritini, the feasibility study has identified a number of attractive sectors.

Automotive Assembly

- Strong existing automotive cluster in Mombasa County – for example, Toyota Kenya chose Mombasa in 2019 for the assembly of the popular Hilux model to add to the other product lines being assemble in Kenya (Land Cruiser, Hino trucks and Yamaha Motorcycles)
- Market opportunity drivers include:
    - Strong growing middle class is increasing the 'motorisation' rate in Kenya. In 2030, demand is forecasted for an additional 430,000 vehicles in Kenya.
    - Excellent market access via the AfCFTA (African Continental Free Trade Area – once operational) and EAC / COMESA makes Mombasa the optimal export platform;
    - Restrictions on importation of second-hand cars from 2021 will further buoy the domestic market for new vehicles;
    - The Government of Kenya is implementing a comprehensive automotive policy to accelerate local assembly and production of vehicles.
- For 2019, approximately 80% of vehicles imported were second hand – this highlights the market opportunity for aftermarket automotive components and increasing opportunities for vehicle assembly and ultimately fully integrated manufacturing.

Textile and Garments

- With growing costs of labour and production in Asia and preferential market access to the US market through the AGOA trade agreement, East Africa is becoming a more attractive destination.
- The apparel sector in Mombasa is home to around 60% of apparel manufacturers in Kenya with exports growing at a rate of 17% per annum since 2010;
- The Kenyan Government is providing vital support for the entire textile and apparel value chain, which includes subsidised power of $0.09 / kWh for apparel manufacturers;
- Although labour costs are relative higher than neighbouring Ethiopia, the Kenyan labour force is considered to be one of the most productive;
- Proximity to Mombasa Port combined with implementation of best practice trade facilitation mean that turn-around times are minimal compared to other locations in East Africa.

Pharmaceutical

- By Sub-Saharan African standards Kenya has a sizeable pharmaceutical sector (35 companies) with domestic manufacturing growing exponentially, particularly cardiovascular sub growing at 15.4% and domestic firms producing 90% of Kenya's essential drug list;
- The strong demand from a growing population in Kenya and neighbouring countries has created very significant market opportunities within the short-to-medium term in:
    - Bottling and production of customised packaging – especially for lotions and non-prescription medicines;
    - Dose release and blending of prescription drugs;
    - Distribution of imported medicaments.
- For pharmaceutical production and distribution Mombasa offers the cost-effectiveness, productive labour, conducive business enabled environment and excellent connectivity to enable investors to profitably serve existing and new customers.

For further information please contact Mombasa County Government or TMEA:

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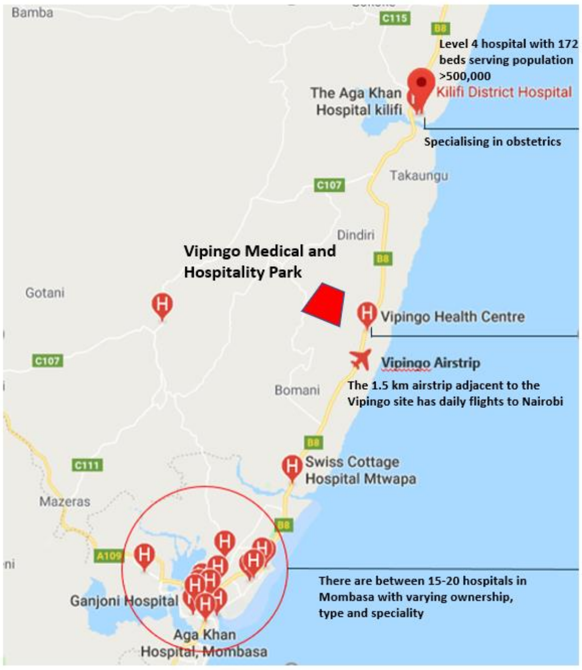
Specific Opportunity - Vipingo Medical Park @ Vipingo Ridge / 40 hectares

Vipingo Ridge Limited is looking to capitalise on the existing leisure and golf estate to further develop a medical, wellness and pharmaceutical park in line with the Government of Kenya's Big 4 Agenda which includes affordable and quality healthcare.



Key Features:

Vipingo Ridge offers a wealth of ROI-enhancing features for investors including but not limited to:

1. Strategic Location: The property is situated off the Mombasa-Kilifi highway and is approximately 35km north of Mombasa City. The property contains an airstrip with direct flights to Nairobi. It is adjacent to other large projects such as the Centum Industrial Park which is a mixed-use (office and residential) development.

2. Access to competitive factors of Production:
   - *Energy*: Vipingo Ridge Limited has constructed a 5MW electricity transmission plant and underground cabling installed on the property. There is also potential to install green energy such as solar heating given the climate of the area.
   - *Water:* A dam has been constructed on the property to capture rain-water for use in green spaces and other secondary uses.
   - *Labour*: English is widely spoken in Kenya with approximately 96% literacy which translates into one of the most productive labour forces in Africa. Additional Kenya has a large pool of medical practitioners – doctors, nurses and medical officers. There is a

potential to establish linkages with Pwani University in Kilifi which offers courses in pure, applied and human sciences.

Sectors of Opportunities for Investors:

Given the strategic location of this property and buoyed by the fact that 65% of all tourists to Kenya visit the Coastal region, the feasibility study identified an opportunity to capitalise on an unmet and growing demand within a visionary destination for world-class medical care, high-end wellness along with pharmaceutical development and production.

Medical Tourism

- An average of 10,000 Kenyans travel abroad annually for medical treatment (mainly to India) while around 5,000 foreigners annually travel to Kenya for treatment from neighbouring Eastern African countries;
- There are approximately 1.5 million Kenyans privately insured and 192 Kenyan hospitals offering different specialised services – investors capturing a realistic 0.5% share of the local private healthcare market would attract 7,800 potential patients annually;
- None of the medical establishments in the Coastal Region offers specialised services such as quality orthopaedic and reconstructive surgery, cardiology along with the diagnosis, staging and treatment of cancer.
- The development of medical tourism is a strategic priority for Kenya, and capturing a realistic target share of 0.2% of the global market translates to circa 28,000 patients per year.

Pharmaceutical

- Despite a significant trade deficit in pharmaceuticals, Kenya is one of the few countries in Sub-Saharan Africa with a relatively sizable industry particularly cardiovascular being the most dominant and fastest-growing prescription market segment at 15.4% CAGR;
- In 2018, about 50% of the total pharmaceutical companies producing finished products based in East Africa (72 total) were based in Kenya (35 companies);
- Kenya’s local pharmaceutical industry plays a key role in the formulation and manufacture of pharmaceutical products, producing over 90% of products listed under their national EDL (essential drug list);
- The strong demand from a growing population in Kenya and neighbouring countries has created very significant market opportunities within the short-to-mid-term in:
    - Bottling and production of customised packaging – especially for lotions and non-prescription medicines;
    - Dose release and blending of prescription drugs;
    - Distribution of imported medicaments.
- For pharmaceutical production and distribution, the Coastal Region of Kenya offers the cost-effectiveness, productive labour, conducive business enabled environment and excellent connectivity to enable investors to profitably serve existing and new customers.

Wellness

- The sector is growing at 10% year on year in Kenya due to increased international and domestic tourism coupled with a growing middle class.
- Between 2013 and 2017, wellness-related sales doubled from $20 million to $43 million;
- While there are around 2,300 Spas in Sub-Saharan Africa, few can match the exceptional outlook over the Indian Ocean afforded by Vipingo Ridge along with the existing premium level of customer care;
- Travel and Tourism in Kenya grew faster than the regional average in 2018 (Source: World Travel and Tourism Council 2019) at 5.6% - faster than both the global average (3.9%) and the Sub-Saharan Africa average (3.3%);
- Tourists spent over $1.5 billion in Kenya in 2018 – accounting for 15% of total exports – largest inbound markets were USA (11%), UK (9%), India (6%) and China (4%) – combined with domestic spending, travel and tourism supported 8.8% of the nation's GDP in 2018;

For further information please contact the project sponsor, from Vipingo Ridge Limited or TMEA who are the project facilitators.

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