

# Country Report for Kenya



### Disclaimer

This short Country Report, a result of a larger Survey of ICT Outsourcing in Africa, provides a general overview of the current activities and issues related to ICT Outsourcing in the country. The data presented here should be regarded as illustrative rather than exhaustive. ICT Outsourcing is at a particularly dynamic stage in Africa with new developments and announcements happening on a daily basis somewhere or the other on the continent. Therefore, these reports should be seen as 'snapshots' that were current at the time they were taken; it is expected that certain facts and figures presented may become outdated very quickly.

The findings, interpretations, and conclusions expressed herein are a faithful representation of the respondents of the interviews and secondary data collected. Strict analysis has been carried out with the minimal influence of the authors/team members. References to data sources have been made as far as possible. In the case of the detailed data parameters used for scores and ranking, the same data source and timeline has been used for all the fifteen countries compared. In the descriptive section of the country reports all data received from the individual country has been used in order to give as complete an assessment as possible. Thus those countries that have provided more information have a better coverage than those who have not been able to provide data to the research team.

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It is expected that individual Country Reports from the Survey of ICT Outsourcing in Africa will be updated in an iterative process over time, based on additional research and feedback received through the CBC and Cyber Media website.

## 1. Overview

Kenya is situated in the eastern part of the African Continent. The country lies between 5° N and 5° S latitude and between 24° and 31° E longitude. It is almost bisected by the equator. Ethiopia and Sudan border it to the north; Uganda to the west; Tanzania to the south; Somalia to the north-east; and Indian Ocean to the south-east.

Kenya has diverse physical features, which are a major source of tourist attraction. These include: vast plains which are home to world famous game parks and reserves; the Great Rift Valley, which runs north to south and whose floor has provided potential for geothermal power generation; Mount Kenya, the second highest mountain in Africa, which is about 5,199m above sea level; Lake Victoria, the largest freshwater lake on the continent, and which supports the fishing industry in the East Africa region; Lake Nakuru, another tourist attraction because of its flamingos; Lake Magadi, famous for its soda ash; and a number of major rivers, including Tana and Athi, Sondu-Miriu, which generate the hydropower resources of the country; Yala, Nzoia and Mara, the major feeders into Lake Victoria.

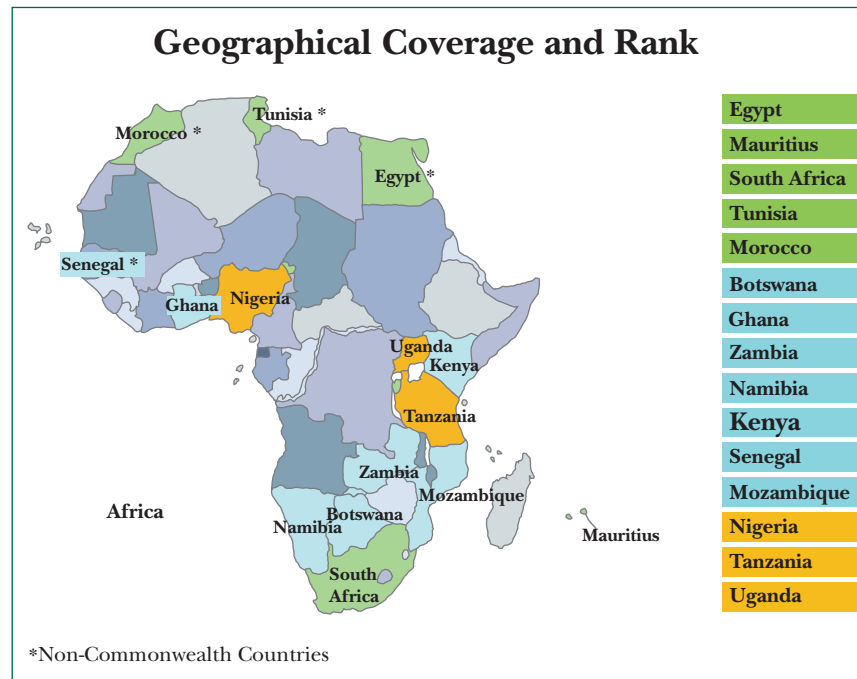
Some parts of the country experience an equatorial kind of climate especially the central highlands, whereas along the coastline the climate is mainly tropical. The country has a bimodal type of climate. The arid and semi-arid lands depend mainly on livestock production.

Kenya is the most developed economy in Eastern Africa with a 2007 Gross Domestic Product (GDP) of approximately USD 27 billion (at an exchange of USD 1 to Kshs 67). It is also the economic, commercial, and logistical hub of the entire East African region. Kenya's estimated population is 37.2 million, and it is projected to grow to 60 million people in 2030. Kenya enjoys an extensive infrastructure, an extraordinarily well-educated, English-speaking, multi-lingual population, and a strong entrepreneurial tradition. It is also a very young country with almost 50 per cent of Kenya's population under the age of fifteen.

The economy has in the past registered high growth rates of 6.4 per cent and 7.0 per cent in 2006 and 2007 respectively. The government has taken steps to enhance Kenya's economic competitiveness and democracy is flourishing.

## 2. Kenya's Position as in Africa's Fifteen Countries

Kenya is the fifth in the upcoming band of countries from the outsourcing attractiveness point of view. The map and table below show where Kenya is positioned.



Contributing scores and ranks are as under.

### Overall

Band	Score (PS & BE)	Rank
Upcoming	5.82	Fifth

### Infrastructure

Score	Rank	Band
6.1	7	Upcoming

While achieving this score for 'Infrastructure', Kenya is the best in terms of cost of space and facilities and fifth out of the fifteen African nations in terms of cost of infrastructure. At the other end, Kenya has scored the least in terms of cost of travel and stay and telecommunications cost.

**■ People and Skills (PS)**

Score	Rank
3.009	8

In the case of ‘People and Skills’, Kenya has done well in the scores for education, language, domain skills, and cost of living (fourth and fifth in fifteen), where-as for ICT exposure it has fallen to fourteenth position.

**■ Business Environment (BE)**

Score	Rank
2.813	11

Kenya has scored third in the scores for ICT security, Cyber Laws, and IPR, but it has not fared very well in four aspects of the Business Environment namely ICT exports, share of services in GDP, legislative risk, and high tax rates. The ranks have been eleven, fourteen, thirteen, and thirteen-out-of-fifteen, respectively.

**3. Country, Political, and Economic Profile**

Kenya has a total area being 582,650 sq km. It has a population of 36.9 million which is growing at the rate of 2.8 per cent, and the average population density is 63.4 persons per sq km. The environment of Kenya is threatened by high population growth and its side effects. The average age of the population is 18.6 years, which means that Kenya has a young workforce.

The salient features are as follows:

**Area:** 582,646 sq km (224,960 sq mi), slightly smaller than Texas.

**Cities:** Capital Nairobi (population 2.9 million, 2007 estimates).

**Other cities:** Mombasa (828,500, 2006 estimates); Kisumu (650,846, 2005-6); Nakuru (1.3 million, 2005-6); Eldoret (193,830, 1999).

**Terrain:** Kenya rises from a low coastal plain on the Indian Ocean in a series of mountain ridges and plateaus which stand above 3,000 meters (9,000 ft) in the centre of the country. The Rift Valley bisects the country above Nairobi, opening up to a broad arid plain in the north. Highlands cover the south before descending to the shores of Lake Victoria in the west.

**Climate:** Tropical in south, west, and central regions; arid and semi-arid in the north and the north-east.

**Population:** 35.60 million

**Education:** First eight years of primary school are provided tuition-free by the government. In January 2008, the government began offering a program of free secondary education, subject to some restrictions.

**Attendance:** 92% for primary grades.

**Adult literacy rate:** 74 per cent.

**GDP:** \$18.7 billion.

**Per capita GDP:** US\$ 547.

**GDP growth rate:** 0.1 per cent.

**Industry:** Petroleum products, grain and sugar milling, cement, beer, soft drinks, textiles, vehicle assembly, paper and light manufacturing.

**Trade (2007) exports:** \$4 billion; tea, coffee, horticultural products, petroleum products, cement, pyrethrum, soda ash, sisal, hides and skins, fluorspar.

**Major export markets:** Uganda, United Kingdom, Tanzania, Netherlands, United States, Pakistan, and United Arab Emirates.

**Imports:** \$8.5 billion; machinery, vehicles, crude petroleum, iron and steel, resins and plastic materials, refined petroleum products, pharmaceuticals, paper and paper products, fertilizers, wheat.

**Major suppliers:** United Arab Emirates, India, China, United States, Japan, South Africa, United Kingdom, Germany.

**Natural resources:** Wildlife, soda ash, land.

**Agriculture:** Products—tea, coffee, sugar cane, horticultural products, corn, wheat, rice, sisal, pineapples, pyrethrum, dairy products, meat and meat products, hides, skins.

**Arable land:** 5%.

**Government type:** Republic.

**Independence:** December 12, 1963.

**Branches:** Executive—president (chief of state, commander in chief of armed forces), prime minister (head of government), and two deputy prime ministers.

**Legislative:** Unicameral National Assembly (parliament).

**Judicial:** Court of Appeal, High Court, various lower and special courts, including Kadhi (Sharia) courts.

The unicameral National Assembly consists of 210 members elected to a term of five years from single-member constituencies, plus 12 members nominated by political parties on a proportional representation basis.

Until post-election political unrest struck in early 2008, Kenya had, since independence, maintained considerable stability despite changes in its political system and crises in neighbouring countries. The December 2007 elections were marred by serious irregularities, and they set off a wave of violence throughout Kenya. Following the February 2008 signing of a power-sharing agreement between President Kibaki and the opposition, a new coalition cabinet was sworn in April 2008, headed by Prime Minister Odinga.

With the creation of the coalition government, the Kenyan government will focus its attention on achieving its ambitious reform agenda, aimed at avoiding a repeat of early 2008's post-election political and tribal violence. The government also plans to draft a new constitution by mid-2009, specifically to address land rights issues and to restructure the government by strengthening institutions to create a more effective system of checks and balances.

## ■ Shura (consultative) Council

**Judicial:** Court of Appeal, High Court, various lower and special courts, including Kadhi (Sharia) courts.

**Administrative subdivisions:** Sixty-seven districts, joined to form seven rural provinces. The Nairobi area has special provincial status. The government has gazetted thirty-seven new districts. The process of establishing these districts is ongoing.

**Principal political parties:** Over 100 registered political parties. Two coalitions, the Party of National Unity (PNU) and the Orange Democratic Movement (ODM), dominate the political party scene. PNU membership is filled by parties representing Kikuyu and closely related ethnic groups; ODM membership ranks are filled by parties representing nearly everybody else. PNU and ODM agreed in February 2008 to form a grand coalition government in a power-sharing arrangement that ended the political crisis erupting after highly controversial national elections in December 2007.

**Principal opposition parties:** —

**Suffrage:** Universal at eighteen.

## 4. Principal Government Officials

**President:** Mwai Kibaki.

**Vice-President:** Kalonzo Musyoka.

**Prime Minister:** Raila Odinga.

**Minister of Foreign Affairs:** Moses Wetangula.

## 5. Foreign Relations

Despite internal tensions in Sudan and Ethiopia, Kenya has maintained good relations with its northern neighbours. Recent relations with Uganda and Tanzania are strengthening as the three countries work for mutual economic benefit. Kenya has hosted and played an active role in the negotiations to resolve the civil war in Sudan and to reinstate a central government authority in Somalia.

Kenya is host to more than 300,000 refugees, of which 242,000 are from Somalia and the remainder primarily from Sudan and Ethiopia. Kenya maintains a moderate profile in Third World politics. Kenya's relations with Western countries are generally friendly, although current political and economic instabilities are sometimes blamed on Western pressures.

## 6. Security and Safety Perceptions

- Political demonstrations can occur sporadically throughout Kenya. Travellers should maintain security awareness at all times and avoid public gatherings and street demonstrations.
- Cross-border violence occurs periodically.

- There is a high rate of crime in all regions of Kenya, particularly Nairobi, Mombasa, Kisumu, and at coastal beach resorts.
- There are regular reports of attacks against tourists by groups of armed assailants. Pickpockets and thieves carry out ‘snatch and run’ crimes on city streets and near crowds.
- Violent criminal attacks, including armed carjacking and home invasions/burglary, can occur at any time and in any location, and are becoming increasingly frequent, brazen, vicious, and often fatal.

## 7. ICT Policy, Infrastructure and Service

Kenya has scored seventh in the Infrastructure scores. Kenya has a very comprehensive ICT policy and strategy in place, but the scores and ratings that Kenya has achieved show that although Kenya is taking steps to improve its ICT facilities, the other countries are doing better. Specific initiatives that have been reported in literature are as follows:

- The Information and Communication Technology (ICT) board has started an aggressive campaign to market Kenya as the next outsourcing destination in the world after India.
- The heavily funded board plans to use the \$8 billion loans it received from the World Bank in May to expand use of existing bandwidth, increase capacity for outsourcing, as well as digitise the country’s 210 constituencies.
- The second component that has been allocated \$63 million is expected to help enhance connectivity through purchase of broadband capacity in regional and national networks for specific user groups such as universities, schools, and technical colleges as well as the business process outsourcing (BPO) industry.
- High cost of bandwidth has hampered the industry’s growth. The bandwidth subsidy was provided by the World Bank through the ICT board, but the money is yet to be released to the beneficiaries.

Thus Kenya has the potential and also has the strategies and policy in place, and it could be an attractive destination if the implementation is faster.

## 8. ICT and BPO Industry Environment

About thirty companies form Kenya’s growing BPO industry. More recently, the industry has seen a surge in the number of investors signalling a bright of its future for local entrepreneurs. The government has identified the outsourcing industry as one of five major sectors to focus on for development and economic growth in its 2030 vision, hoping to rake in over \$200 million by 2013. Currently the majority of companies that use the services are internally based, although local firms such as Kenya Airways and Safaricom are considering outsourcing their customer care centre functions locally. Thus the following observations have been made by reviewing the news and publications in this area. (There was no response from the agencies in Kenya to our questionnaires and calls.)

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- The BPO sector in Kenya is expanding rapidly with a large increase in the number of companies and seats. BPO in Kenya is attractive, given large pools of cheap and high quality labour. This has attracted customers both from around the world and from within Kenya.
- Kenya plans to expand and grow the BPO industry further by establishing a state-of-the-art BPO Park.
- The Government of Kenya is also in the process of designing a comprehensive set of incentives to improve the attractiveness of Kenya as a BPO destination.
- The incentive levels will be competitive with those offered by other countries. Furthermore, the environment of doing business has been improved (e.g. ease of obtaining licences, filing tax returns, and obtaining economic justice) to lower transaction costs.
- A 'one stop shop' for all investor needs (e.g. licensing and recruiting) will be housed within the BPO Park. The BPO industry presents investment opportunities in the establishment of the BPO Park, telecommunications infrastructure, and establishment of training institutions for the required BPO skills among others. The Government of Kenya will provide land in Nairobi for establishment of the park.
- The Kenyan government also plans to complete a 5,000-seat technology park and export promotion zone by 2012, a move aimed at boosting the BPO industry.

Another initiative that the Government of Kenya wishes to promote is a secure information system that requires a data centre and recovery site. The Government of Kenya plans to establish data centres to provide storage for all government databases. In addition, the Neutral Data Centre (NDC) will provide world-class services to government ministries, departments and agencies, private sector operators, and businesses. This provides investment opportunities to interested companies. The success of this will depend on the perceived geopolitical risk. In this study, Kenya is tenth among the fifteen countries studied.

Most of these initiatives reported are at planning stage, and success will depend on the implementation of these strategies and promises. But the industry has started and is growing slowly but steadily perhaps because Kenya does offer cost effectiveness with quality.

Kenya has recently approached the Commonwealth Fund for Technical Cooperation (CFTC) to provide constancy assistance to improve the BPO sector.

### ■ Physical Infrastructure

- **Office market:** Demand for office space both inside and outside the Nairobi CBD has increased with prime rents in Westlands now achieving Kshs 645 (US\$ 10) per sq m per month and CBD rents up to Kshs 376 (US\$ 6) per sq m per month. Meanwhile, speculative office development outside the CBD continues apace.
- **Retail market:** Nairobi has seen a substantial increase in the number of decentralised shopping malls since the opening of The Junction in 2004. New shopping centres include Crossroads Centre in Karen (7,500 sq m), which opened in 2006, and the new

Westgate Centre in Westlands (30,000 sq m), which opened in 2007 and has achieved record rents of Kshs 2,420 (US\$ 37) per sq m per month.

- **Industrial market:** Demand for industrial land is increasing, although principally for owner occupation, and speculative development in this sector is still risky. The proposed bypasses around Nairobi will increase land values and make Nairobi’s current industrial area a more attractive location for offices.
- **Residential market:** Nairobi’s residential market has seen the most growth of all property sectors, particularly the mid-market cluster developments, which are currently in oversupply. This oversupply has led to an increase in vacancy levels, but has at the same time pushed land values up to an all-time high. Prime residential apartment rents now stand at around Kshs 160,000 (US\$ 2,400) and have stagnated at this level for the last year.

	Prime rents	Prime yields
Offices	US\$ 10 per sq m per month	12%
Retail	US\$ 37 per sq m per month	14%
Industrial	US\$ 3 per sq m per month	15%
Residential	US\$ 3,500 per month*	9%

\*Four bed room executive house—prime location

On an overall basis, physical infrastructure cost in Kenya are the best out of the 15 countries.

## 9. Human Resource Efficiency and Cost

Kenya has scored between third to sixth in most of the parameters that contribute to people and skills. Thus there is a strong potential in Kenya. The cost effective, qualified, and capable work force is a positive factor; the educational facilities, schools colleges, and universities of high quality that are in place will ensure that this supply of human resources is sustained.

Kenya prides itself in its large pool of professional workers, trained both within the country and in institutions in Europe, North America, Australia, and other parts of the world. For years, Kenya has produced well-educated professionals, fluent in English and highly trained in various fields. Kenya holds the distinction of having the highest number of university- and college-educated English-speaking professionals in East Africa.

Most Kenyan universities offer degree courses in IT and various colleges; technical and management training institutions offer diploma courses. Kenya, therefore, has skilled personnel in the IT profession, including computer programmers, software developers, hardware maintenance engineers, systems analysts, and IT consultants.

The Kenyan government has also started training its own staff on IT-related subjects, and it proposes mainstreaming of IT training within all schools, colleges, and universities.

Kenya has a well-developed education system, with the primary language of instruction being English. There exists a large pool of English-speaking workers, trained in various professions. There are over eleven universities, four polytechnics, forty-one technical training institutions, and several management training institutions in the country. IT degrees are offered by most of the Kenyan universities, while diploma courses are also offered by both the public and private sector technical and management training institutions.

To summarize why one should choose a Kenyan professional?

- Very good English and other international languages.
- Well-trained in recognized institutions of higher learning—locally and overseas.
- Highly-skilled, college graduate staff.
- Highly computer-literate.
- Up to 40 per cent lower professional fees than in Europe and North America.
- 24-hour availability.

Thus Kenya has a well-developed professional services sector with some multinational professional companies such as KPMG, E&Y, etc. having regional offices in Nairobi. Most major insurance companies, banks etc. have a presence in Kenya. Some of the important banks have placed their African back-office operations in Kenya.

This is perhaps bringing outsourcing to Kenya in spite of other limitations, a situation in India in the late eighties and early nineties when India had no liberalisation, ICT parks, or liberalised international connectivity, yet multinational players used Indians in India and abroad, went into a lot of trouble setting up shop in India like the first ever Texas Instruments design support facility in Bangalore, India, done in spite of severe resistance from the then government-owned telecommunication operators.

## 10. Legal and Enforcement Issues

Kenya has scored very well in the ICT security, Cyber, and IPR law scores. On the other hand, legislative risk score is low indicating a high legislative risk. Some of the factors contributing to this are as follows:

- The Companies Act specifies Kenya is a member of the World Intellectual Property Organization (WIPO) and of the Paris Union, the international convention for the protection of industrial property, and it has signed the Universal Copyright Convention and the Berne Copyright Convention. Kenya is also a member of the African Regional Industrial Property Organization.
- Investors are entitled to national treatment and priority right recognition for their patent and trademark filing dates. The Trade Marks Act provides protection for registered trade and service marks.

- The act establishes an independent national patent law and an Industrial Property Institute, which considers applications for and grants industrial property rights. The registration is valid for ten years and is renewable.
- Similarly the Cyber Laws and their enforcement mechanisms done in cooperation with the rest of EAC contributed to these factors.

## 11. Labour & Expatriate Worker's Permits

- Expatriates are allowed to work in Kenya provided they have an entry permit (work permit) issued under the Immigration Act (Chapter 172, Laws of Kenya).
- An applicant for an entry permit needs to describe the work he or she intends to engage in and will be allowed to engage only in that specific activity. Entry permits are usually granted to foreign enterprises approved to operate in Kenya as long as the applicants are key personnel.
- Any enterprise, whether local or foreign, may recruit expatriates for any category of skilled labour if Kenyans are not available. The issue of work permits is closely controlled, although the government recognizes that foreign investors or shareholders need to be represented in senior management. This applies in particular to managing directors, senior finance and marketing executives, and highly specialized technical positions.
- The Investment Promotion Centre facilitates the acquisition of entry permits, which can be obtained on arrival in Kenya if they have not been secured beforehand.

## 12. Revenue, Tax, and Repatriation Issues

The existing framework provides guarantees against the expropriation of private property; guarantees for the repatriation of capital and after-tax profits; a variety of incentives, including investment allowances of 60 per cent to 100 per cent; liberal depreciation rates based on book value; the offsetting of losses by future taxable profits; and so on.

Taxes that are levied by the government are as follows:

- Income Tax.
- Corporate tax.
  - 30 per cent for local companies.
  - 37.5 per cent for branch of overseas of foreign companies.
- Withholding tax 5 per cent.
- Pay-as-you-earn: graduated up to a maximum of 30 per cent of income.
- Customs Duty 4 bands from 0–35 per cent.
- Excise tax applicable to cigarettes, alcohol, petroleum, confectioneries.
- VAT–16 per cent standard rate.

Kenya does have high taxes as the tax score is thirteen out of fifteen.

### 13. Investment Policy and Incentives

Any investment incentive will be applicable to outsourcing operations if they are for 100 per cent export of services. In any case that is the scope of this study. Thus all incentives applicable to Export Processing (EP) Zones should be applicable. (The investments guides are not explicit about services being an export commodity.)

The incentives applicable for EP's are as follows:

- 10-year tax holiday.
- Duty and VAT exemption.
- Single license.
- Exemption from stamp duty.
- Exemption for withholding tax.
- 25 per cent corporate tax for ten years after the first ten years expire.
- 100 per cent investment allowance.
- Duty Remission.
  - Exemption on duties and VAT on raw materials utilized to process confirmed exports orders.
  - Liberal Depreciation Rates.
  - Loss-Carry forward.
  - Business must recover previous losses before paying corporate tax.
- Capital expenditure.
  - Duties paid for capital expenditure in excess of US\$ 70,000 can be recovered from corporate tax.
  - Capital goods and basic raw materials are zero-rated.

### 14. Agencies Giving Support to Outsourcing

#### Chief Executive Office

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Or

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**15. Recommendations**

Before making recommendations it is necessary to summarise what the outsourcing industry professions are thinking about and saying about Kenya. What is the situation and what opportunity is Kenya getting and perhaps losing?

With India's rising costs and employee turnover encouraging information technology executives to look beyond the subcontinent for offshore outsourcing providers, a country like Kenya could be poised to win more IT services business from abroad. The East African nation boasts a big pool of English-speaking professionals, and its government has invested millions to improve its telecommunications infrastructure.

However, recent events have conspired to slow Kenya's growth potential in the near term. Most dramatically, a disputed election at the end of 2007 ignited ethnic tensions and violence for two months in the country, leaving hundreds of citizens dead and hundreds of thousands more displaced. In late February 2008, former United Nations Secretary General Kofi Annan negotiated a power-sharing deal between the two presidential candidates that established a coalition government. But uncertainty about the new government continues.

Geopolitical concerns are never good for IT services business. Kenya's disputed presidential election, post-election violence, and civil unrest raised a significant red flag for decision makers considering outsourcing to Kenya. Watching riots and chaos broadcast around the world makes a very tough sell inside the board room. Political instability has derailed the Kenyan economy from its growth momentum. Early estimates put the cost of the political crisis to the Kenyan economy at US\$1 billion, with some revising Kenya's 2008 economic growth projections from 7 per cent down to 3.2 per cent. The economy is expected to recover in the mid-term, with growth estimates for 2009 nearing 5 per cent.

The IT services sector may be poised to persevere. Once the political issues are addressed, Kenya could well be one of the world's fastest developing outsourcing destinations due to its large English-speaking population, low costs, and near shore status for European and Middle Eastern companies, putting it on par with its IT services competitors on the continent including South Africa, Mauritius, Egypt, and Ghana.

The East African nation could become a preferred destination for call center and smaller business process outsourcing contracts. Thus far, the local call center industry employs 3,000 professionals and has grown to \$5 million since the first call centre opened a few years ago; thus leaving plenty of room for growth.

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The most established local providers include Skyweb Evans, Kencall, and Preciss, who serve customers in the United States, Canada, and Europe. One giant obstacle has been the local data and telecoms infrastructure.

Call centre operators in East Africa's biggest economy rely on an outdated satellite system where echoes caused by latency—the time gap created when calls travel some 36,000 kilometres through space and back—spoil call quality, and for that shoddy service, they pay \$7,000 per megabyte of bandwidth per month, compared to the \$500 a month an Indian provider would pay. Infrastructure improvements are coming, slowly but surely.

The Kenyan government has invested \$100 million in The East African Marine Systems (TEAMS), an undersea cable to connect Mombasa with Fujairah in the United Arab Emirates, which is expected to bring the cost of connectivity down to the levels India pays. In addition, construction has finally begun on the Eastern Africa Submarine Cable System (EASSy), spearheaded by the World Bank back in 2003, which will connect East African countries to the rest of the world via high-bandwidth fibre optic cable. The project is slated for completion in late 2010.

The Kenyan government also plans to complete a 5,000-seat technology park and export promotion zone by 2012, a move aimed at boosting the BPO industry. IDC Kenya says data centres, managed services, help desks, call centres, and application and hosting services will be key areas to watch in 2009.

Quality and speed could be more important than cost in future growth for the Kenyan IT services industry.

Confidentiality and the ability to handle important client information is another important factor that prospective buyers have as priority. One potential role for the East African country is as a subcontractor for other offshore IT service providers.

Indian companies have begun looking to outsource their own outsourcing operations to Kenya to battle higher wage inflation, over-heated infrastructure. And there are reports of a ready pool of investors looking to enter the Kenyan industry, particularly from South Africa where labour costs are much higher.

Ultimately, for IT services customers, it comes down to a risk-reward calculation when deciding on a new offshore outsourcing destination.

Thus Kenya is poised to grow but will need concentrated efforts to comprehensively tackle the situations and carry out their strategies in a determined manner. Most of all, remembering that the competition in the rest of Africa is increasing with all the competitors moving fast.

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**The Kenya High Commission**

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