

# AUSSEN WIRTSCHAFT BRANCHENREPORT KENIA

BUILDING CONSTRUCTION / INFRASTRUCTURE

BUILDING CONSTRUCTION MARKET- GENERAL OVERVIEW  
VOICE OF THE INDUSTRY- CHALLENGES AND OPPORTUNITIES  
MAPPING KENYA'S CONSTRUCTION ECOSYSTEM  
INFRASTRUCTURE  
RECOMMENDATIONS FOR AUSTRIAN COMPANIES  
DOING BUSINESS IN KENYA: A PRACTICAL UNDERSTANDING

AUSSENWIRTSCHAFTSCENTER NAIROBI  
MAI 2020

*go international*  
= Bundesministerium  
Digitalisierung und  
Wirtschaftsstandort 



Unser vollständiges Angebot zu den Themen Bau und Infrastruktur (Veranstaltungen, Publikationen, Schlagzeilen etc.) finden Sie unter: <https://www.wko.at/service/aussenwirtschaft/hochbau-baustoffe.html>.

Eine Information des  
**AußenwirtschaftsCenters Nairobi**

Wirtschaftsdelegierte

Mag. Edith Predorf

T +254 20 776 2390

E [nairobi@wko.at](mailto:nairobi@wko.at)

W [wko.at/aussenwirtschaft/ke](http://wko.at/aussenwirtschaft/ke)

f [fb.com/aussenwirtschaft](https://fb.com/aussenwirtschaft)

t [twitter.com/wko\\_aw](https://twitter.com/wko_aw)

in [linkedin.com/company/aussenwirtschaft-austria](https://linkedin.com/company/aussenwirtschaft-austria)

yt [youtube.com/aussenwirtschaft](https://youtube.com/aussenwirtschaft)

fl [flickr.com/aussenwirtschaftaustria](https://flickr.com/aussenwirtschaftaustria)

blog [www.austria-ist-ueberall.at](http://www.austria-ist-ueberall.at)

erstellt durch

AMENA Trade and Investment Ltd.

[www.amena-invest.de](http://www.amena-invest.de)

Dieser Branchenreport wurde im Rahmen der Internationalisierungsoffensive **go-international**, einer Förderinitiative des Bundesministeriums für Digitalisierung und Wirtschaftsstandort und der Wirtschaftskammer Österreich erstellt.

Das Werk ist urheberrechtlich geschützt. Alle Rechte, insbesondere die Rechte der Verbreitung, der Vervielfältigung, der Übersetzung, des Nachdrucks und die Wiedergabe auf fotomechanischem oder ähnlichem Wege durch Fotokopie, Mikrofilm oder andere elektronische Verfahren sowie der Speicherung in Datenverarbeitungsanlagen bleiben, auch bei nur auszugsweiser Verwertung, der Wirtschaftskammer Österreich – AUSSENWIRTSCHAFT AUSTRIA vorbehalten. Die Wiedergabe mit Quellenangabe ist vorbehaltlich anders lautender Bestimmungen gestattet.

Es wird darauf hingewiesen, dass alle Angaben trotz sorgfältiger Bearbeitung ohne Gewähr erfolgen und eine Haftung der Wirtschaftskammer Österreich – AUSSENWIRTSCHAFT AUSTRIA ausgeschlossen ist. Darüber hinaus ist jede gewerbliche Nutzung dieses Werkes der Wirtschaftskammer Österreich – AUSSENWIRTSCHAFT AUSTRIA vorbehalten.

© AUSSENWIRTSCHAFT AUSTRIA DER WKÖ

Offenlegung nach § 25 Mediengesetz i.d.g.F.

Herausgeber, Medieninhaber (Verleger) und Hersteller:  
WIRTSCHAFTSKAMMER ÖSTERREICH / AUSSENWIRTSCHAFT AUSTRIA  
Wiedner Hauptstraße 63, 1045 Wien

Redaktion: AUSSENWIRTSCHAFTSCENTER NAIROBI  
T +254 20 776 2390, E [nairobi@wko.at](mailto:nairobi@wko.at), W [wko.at/aussenwirtschaft/ke](http://wko.at/aussenwirtschaft/ke)

Executive Summary .....	- 3 -
1 Industry and market situation .....	- 4 -
2 Building construction market – General overview .....	- 5 -
2.1 Sector focus building construction.....	- 5 -
2.1.1 Residential building construction .....	- 5 -
2.1.2 Commercial & retail building construction .....	- 6 -
2.1.3 Hospitality building construction .....	- 6 -
2.1.4 Health sector .....	- 7 -
3 Voice of the Industry – Challenges & Opportunities .....	- 8 -
3.1 General motivating factors .....	- 8 -
3.1.1 Political Stability .....	- 8 -
3.1.2 Availability of Natural Resources.....	- 8 -
3.1.3 Ease of Communication .....	- 8 -
3.1.4 Infrastructure Development.....	- 8 -
3.2 Building design trends .....	- 9 -
3.2.1 Green Buildings.....	- 9 -
3.2.2 Information Systems.....	- 9 -
3.2.3 Security and Safety .....	- 9 -
3.2.4 Space and Ventilation .....	- 9 -
3.3 Is there a bubble in the market – Will it burst? .....	- 9 -
3.4 Market Segment Challenges .....	- 9 -
3.4.1 Alternatives: The impact of the Chinese in Kenya’s Building Construction Market .....	- 9 -
3.4.2 General market challenges.....	- 10 -
4 Mapping Kenya’s Construction Ecosystem .....	- 12 -
4.1 General overview of roles within the Purchasing Decision Making Process .....	- 12 -
5 Infrastructure .....	- 14 -
5.1 General Overview.....	- 14 -
5.2 Infrastructure Development .....	- 14 -
5.2.1 Ports and Airports.....	- 14 -
5.2.2 Railways.....	- 15 -
5.2.3 Energy.....	- 15 -
5.3 Procurement process for infrastructure projects.....	- 16 -
5.4 Key opportunities in Kenya’s infrastructure sector .....	- 16 -
6 Recommendations for Austrian companies.....	- 18 -
6.1 Target regions: Building construction ‘hotspots’ .....	- 18 -
6.2 Trade Fairs in Kenya.....	- 18 -
6.3 Vocational training in Kenya .....	- 20 -
6.4 Relevant stakeholders in the Kenyan building construction .....	- 21 -
6.4.1 Private sector companies .....	- 21 -
7 Doing Business in Kenya: A practical understanding.....	- 24 -
7.1 Market Entry Strategies and Tactics .....	- 24 -
7.1.1 Sales via Importers and Distributors .....	- 24 -
7.2 Factors Austrian companies need to consider .....	- 26 -
7.3 Next steps and recommendations.....	- 28 -

## Executive Summary

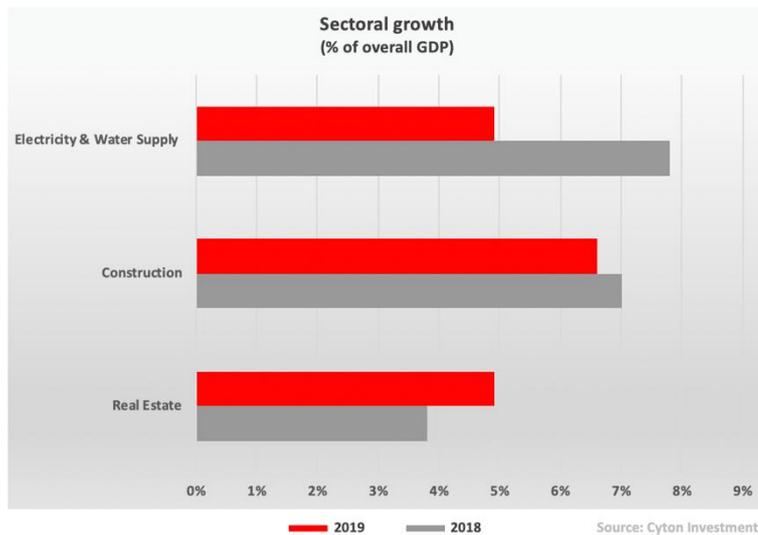
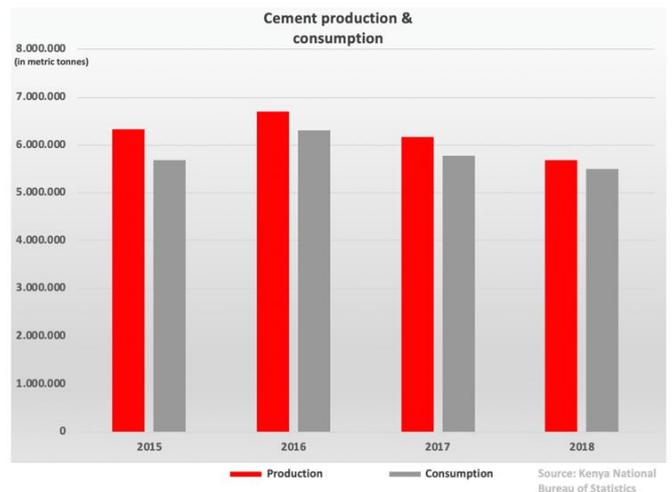
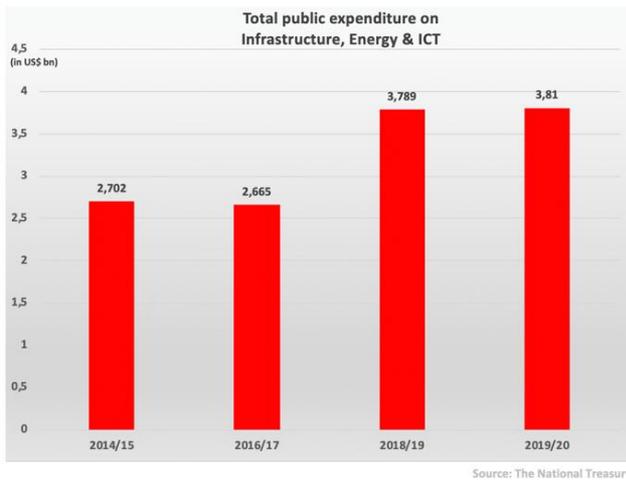
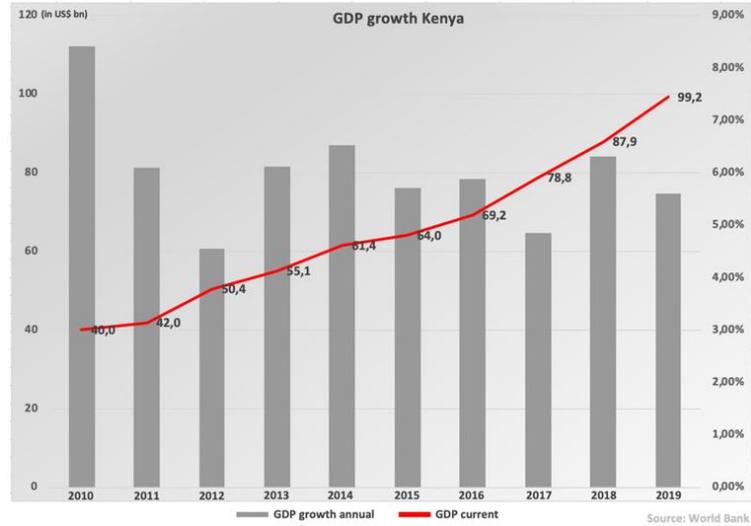
The construction sector in Kenya is currently the 6th largest contributor to the country's GDP. Increasing demand for affordable housing, expected growth Compound Annual Growth Rate 9.1% (CAGR) of the commercial building segment, and an ever-growing middle class, makes Kenya the most promising building construction destination in East Africa.

The report explores the commonly asked question: Is Kenya on the brink of experiencing a real estate bubble? It concludes that this cannot be confirmed for the entire market sector. This is due to the fact that although market segments such as the high-end, luxury developments tend to be oversaturated, there is still a huge demand for residential property, commercial space and hospitality facilities. Current market trends such as; the shift to more environmentally friendly building structures, increased emphasis on security and safety features, and a revised building code, are indicators of a growing demand for specialized, quality building materials and products.

Following several qualitative interviews with key market experts, this report finds that Austrian companies do have great opportunities in Kenya. More than 90% of the materials and products used in the building construction sector are imported, whilst the remaining 10% are sourced locally. In sourcing these materials, architects play a crucial role in the procurement decision-making process and tend to trust brands that are available in the Kenyan market. In exploring various market entry strategies that can be adopted by Austrian companies, the report finds the key to successful market entry being locally present which can be achieved via a local representative, distributor or independent facilities.

# 1 Industry and market situation

The following key figures describe the industry and market situation:



## 2 Building construction market – General overview

### 2.1 Sector focus building construction

Kenya's Vision 2030 – the country's long-term development blueprint – incorporates infrastructure development at its central pillar. Recent surveys show that out of 2.7m formally employed Kenyan workers 148,000 are employed in the domestic building and construction industry, and this number is projected to grow. Similarly, the current government has introduced a short-term economic blueprint geared at achieving Vision 2030 goals by fostering economic development. This short-term blueprint is named the **Big 4 Agenda** and sets targets as: Food Security, Affordable Universal Healthcare, Affordable Housing and enhancing Manufacturing.

East Africa is currently home to 43 major infrastructure projects, with Kenya in particular reported to be on the cusp of an unprecedented boom. The Kenyan construction industry is set to grow steadily for the next decade with an annual growth of 6.2%, which will see Kenya outperforming all sub-Saharan countries. Research shows the local industry will grow by 8.7% this year and remain steady up until 2026. The construction industry is a major contributor to GDP in Kenya and is a key stimulus for the country's economic growth. The infrastructure sector is larger than the building construction sector, however due to the rapidly expanding population, the sector is expected to grow. The expansion of the construction industry will be triggered by investors' rush to meet the increasing demand for affordable housing, and by the significant deficit in infrastructure. The commercial building construction market is expected to record a CAGR of 9.1% over the forecast period.

Generally, the market is ripe for investment with reports indicating that Kenya remains the leading country in East Africa with the highest number of development projects for four consecutive years. Projects increased by 78% from 23 projects in 2017 to 41 projects in 2018, worth around US\$38.2 billion. Majority of these projects lie within the real estate, energy and power sectors. Kenya's real estate sector is currently the sixth largest contributor to the country's GDP.

The county governments and the National Construction Authority (NCA) regulate the construction industry in Kenya. The county governments issue construction permits; however, the projects are to be registered with the NCA. The NCA will then issue compliance certificates to enable a developer to commence construction works. The market accommodates a host of developers ranging from indigenous micro-enterprises to foreign multinationals operating in the sector. A significant number of unregistered contracts operate in the informal sector.

Within the Kenyan building construction sector, this report identifies key market segment opportunities most relevant to Austrian companies from the construction industry.

#### 2.1.1 Residential building construction

The residential sector can be categorized into three key segments based on the example of Nairobi below:

1. **High End** – Consists of prime suburbs in Nairobi, such as Karen, Runda and Kitisuru. Most of these zones house low-rise residential developments and are characterized by palatial villas and bungalows on half-acre parcels.
2. **Upper Middle** – Consists of suburbs such as Kilimani, Lavington, Kileleshwa, Loresho and Ridgeways. The population in these zones are middle class but with higher incomes than the average characterization of middle class. They are zones for both high-rise and low-density houses.
3. **Lower Middle** – Consists of suburbs in Nairobi inhabited by lower-income earners, such as Donholm, Komarock and Imara Daima as well as Satellite Towns such as Ngong, Rongai and Juja.

Within the residential sector of the construction market, an increasingly visible trend has been the development of out-of-town integrated communities. These developments mainly target the

middle class, which is the fastest growing demographic in the country. Houses in gated communities and apartments are in greater demand than single, stand-alone homes. Demand for housing, overall, continues to grow with an estimated 210,000 new residential units that need to be built to keep up with the growing population.

Procurement of supplies for residential projects tends to be outsourced to designers in the Kenyan market, whilst some developers choose to manage procurement independently. Those that opt for the latter tend to be micro-enterprises or family-run firms. Procurement for larger projects tends to be outsourced to procuring agents/officers. Real estate companies in the market, notably HassConsult, have seen success in offering a service that pays attention to detail by adding a quality touch to commercial spaces. Architects in this sector play an important role in creating the design concept, and thus become an important link when it comes to procurement.

### 2.1.2 Commercial & retail building construction

Nairobi's ever changing skyline is proof of the vibrant and dynamic nature of the attractive economy. Nairobi is home to more than 25 multinationals, who have chosen the city as the headquarters of their Africa operations. These include: BASF, Coca-Cola, Toyota and VISA.

Nairobi is famous for having the largest retail space available in malls across Africa. There are 32 malls in Nairobi and 83 across the country. This brings the current total to 115 malls. Investors in the retail construction space are increasingly building malls with the **'all under one roof'** concept, which presents a range of variety and convenience. Nairobi is home to the seventh largest mall in Africa, The Two Rivers Mall, which occupies 65,000 sqm of sales area on 158,000 sqm of land, which also hosts residential properties, hotels and a 3600-seat amphitheater. The Two Rivers Mall is the largest mall in Central and East Africa and is equivalent to the **„Gewerbepark Stadlau"** in Vienna, which offers 66,000 sqm of sales area. The current trend is to develop malls that incorporate shopping, residential and office space into a joint development ingeniously blending work, home and leisure activities.

As formal retail continues to grow steadily in East Africa in recent years, occupation in some of the larger malls has reached the saturation point. Malls housing flagship supermarkets (i.e. Carrefour, Naivas) tend to be frequented more often by customers and have higher occupation rates. The estimated average occupation rate in Nairobi is 69%. Carrefour Group (French Multinational Corporation) entered the market in 2016 and has established nine stores in Nairobi to date, in an aggressive expansion plan. This expansion resulted in an increase in annual sales by approximately 70% yearly since it entered the Kenyan market.

### 2.1.3 Hospitality building construction

Kenya is among a number of African nations where the hospitality industry is projected to experience a sustained growth trajectory over the next five years, amid economic uncertainty, tempered foreign direct investment and threats of terrorism.

A host of different international hospitality brands is flocking to East Africa in a bid to open new facilities with the aim of capitalizing on the projected tourism growth. These brands include: Radisson, Marriott, Sheraton, Ramada, Hilton and Mövenpick. Kenya is currently estimated to have 68 global branded hotels, with 27 new hotels expected to open in the country. The number of available rooms is expected to increase in the country from 20,100 in 2018 to 23,800 in 2023, a 3.4% rise.

International hospitality chains understand that, to develop in Africa, one must have direct presence in the region. As a result, the top four hotel chains in terms of rooms, i.e. Marriott, Hilton, Accor and Radisson that represent almost 70% of the total pipeline, all have development offices on the continent.

On the tails of Nigeria, Tanzania and Kenya are projected to be the next fastest growing markets in Africa with projected compound annual increases of 8.2% and 7.4% respectively. Kenya is set to benefit from growing demand for experience and adventure-driven activities. Although mid-

scale hotels are expected to be the main driver of the market, Airbnb and shared economy are also projected to cut into the hotel market.

#### **2.1.4 Health sector**

Since 2012, the healthcare sector has seen a major expansion with the government and private sector investing over US\$1 bn. These investments have significantly increased the construction of new hospitals, health centers as well as in the purchase of equipment used to diagnose, treat and manage diseases.

Furthermore, investment into systems used in the management and administration of hospitals have been made.

### 3 Voice of the Industry – Challenges & Opportunities

In an attempt to better understand the building construction industry in Kenya, several interviews with professional bodies were carried out. This report considers the summary of the findings as **‘the voice of the industry’**.

#### 3.1 General motivating factors

##### 3.1.1 Political Stability

Kenya is widely regarded as a stable macroeconomic and political environment in comparison to many of its neighboring states. It is no secret that there have been major political crises, markedly the post-election violence of 2007/2008, however Kenya has survived and thrived in the face of these crises. The political stability of the nation is considered one of its main economic assets.

##### 3.1.2 Availability of Natural Resources

Kenya boasts a wide range of natural resources spread across the country. These include limestone, gypsum, gemstones, fluorspar, hydropower, oil and gas among others. These resources have traditionally attracted foreign investment to the country, boosting the Kenyan economy. Because of this interest in Kenya’s natural resources, more capital is available for urban development.

##### 3.1.3 Ease of Communication

A resounding motivator for investors in Kenya is the ease of communication given the high literacy rates in the country. Kenya has the third-highest literacy rate on the continent. Communication is crucial for the execution of a successful business, and English is widely spoken in commerce, schooling and government.

##### 3.1.4 Infrastructure Development

Since the year 2006, Kenya has built over 10,000 new kilometers of road. Furthermore, over 10,000 kilometers have been refurbished and/or expanded within the same period.

The country has expanded other transport channels including the construction and completion of a higher speed railway that has been constructed between Mombasa, Nairobi and Naivasha. This railway is planned to extend to eventually terminate in Kisumu, a city in Kenya’s west.

This kind of infrastructure growth has greatly improved the ease of access to new areas for construction development across the country. These new areas of development are on the outskirts of Kenya’s largest cities, which include Nairobi, Mombasa, Kisumu, Nakuru and Eldoret.

It is in these cities that most construction has taken place in Kenya although this growth is also happening across a majority of the towns in the country.

## 3.2 Building design trends

### 3.2.1 Green Buildings

Designers are moving towards creating environmentally friendly structures. These designs signal a movement towards energy-efficient designs, with solar power increasingly used as a replacement for other sources of energy.

### 3.2.2 Information Systems

Increased demand for bandwidth in Kenya has led developers to implementing fiber optics connectivity, high-tech heating and cooling systems as well as increased electrical capacity in their plans.

### 3.2.3 Security and Safety

Developers in the sector are taking into consideration the risk of international terror, crime and natural catastrophes. Demand for security-conscious materials, such as fire doors, continues to rise.

### 3.2.4 Space and Ventilation

The modern tenant in search of spacious, well-ventilated rooms bolsters this trend. Materials for the development of quality ductwork continues to rise, as a result.

Given these building trends in the country, it can be confidently concluded that there exists great market opportunity in the supply of quality materials in the realization of these trends. The new **building code** lays emphasis to these trends; it is expected to come into force later in the year 2020. The new code will accommodate new technology such as precast, and focuses on sustainable use of material, green buildings, safety and accessibility.

## 3.3 Is there a bubble in the market – Will it burst?

This question has been addressed by looking into the different segments in the construction market. This report finds the answer to this widely held question to be two-fold.

There is a bubble in the high-end building market which exists as a result of over-supply and oversaturation of high-end, luxury developments in the market. Contributing factors such as location negatively affect price-points and designs which have resulted in a glut of high-end and upper-middle income housing units in particular areas e.g. Westlands and Kilimani. Likewise, hearsay has been attributed as a contributing factor to the oversupply of high-end residential and commercial developments. Hearsay has particularly led to the oversupply of serviced apartments in the housing market. This bubble is underpinned by the fact that there are few new entrants into the high-end development sector, rendering it a closed market essentially.

In the same vein, low-cost housing is considered the largest opportunity in the housing sector now. This therefore negates the idea that there is a bubble in the entire market sector. There is significant demand for low-cost, affordable housing in the market. Similarly, hospitality-building projects continue to flourish and are on the rise.

## 3.4 Market Segment Challenges

### 3.4.1 Alternatives: The impact of the Chinese in Kenya's Building Construction Market

Chinese companies have dominated the Kenyan construction market sector, particularly due to their attractive financial offers. These companies are contracted privately, and some often win lucrative government tenders due to prevalent perceptions of their skilled workmanship and competitively priced machinery. Timely execution of projects and convincing negotiation tactics have won the Chinese companies their preferred position in the construction market in Kenya.

Furthermore, Chinese companies identified a gap in the market given the low standards of local supplies. They set up local showrooms for their products (and services), however they mostly

provide what they assume would suit the Kenyan 'palette'. This unfortunately leaves out more quality supplies, making them unavailable to the market locally.

The impact of Chinese is however felt more so in the mid-range level of the market sector as they do not feature much in the high-end residential construction sector. Leading market suppliers such as Tile and Carpet Centre (TACC) source some of their supplies from China, mainly because the market demands cheaper options. Chinese companies are generally considered to be after volume and not quality in the Kenyan market, as a result they have started to fail in certain market segments. Findings suggest that if Chinese lost their competitive edge of financing, they would be regular market players.

Some European companies have however managed to work together with Chinese companies. An example is visible in one of the most prominent building constructions in Kenya now. The GTC construction project in Westlands, Nairobi, is a US\$400m multi-purpose complex financed by the Chinese Export Bank and designed by a German Architectural firm. It is worth noting though that most of the materials for the project were sourced from China and majority of the labor force is Kenyan.

### 3.4.2 General market challenges

There exist certain challenges in the construction market in Kenya, which are identified in this report. More generally, factors such as; the frequent use of substandard materials, long procurement procedures, low completion rates of projects and infant technological knowledge impede growth in the market.

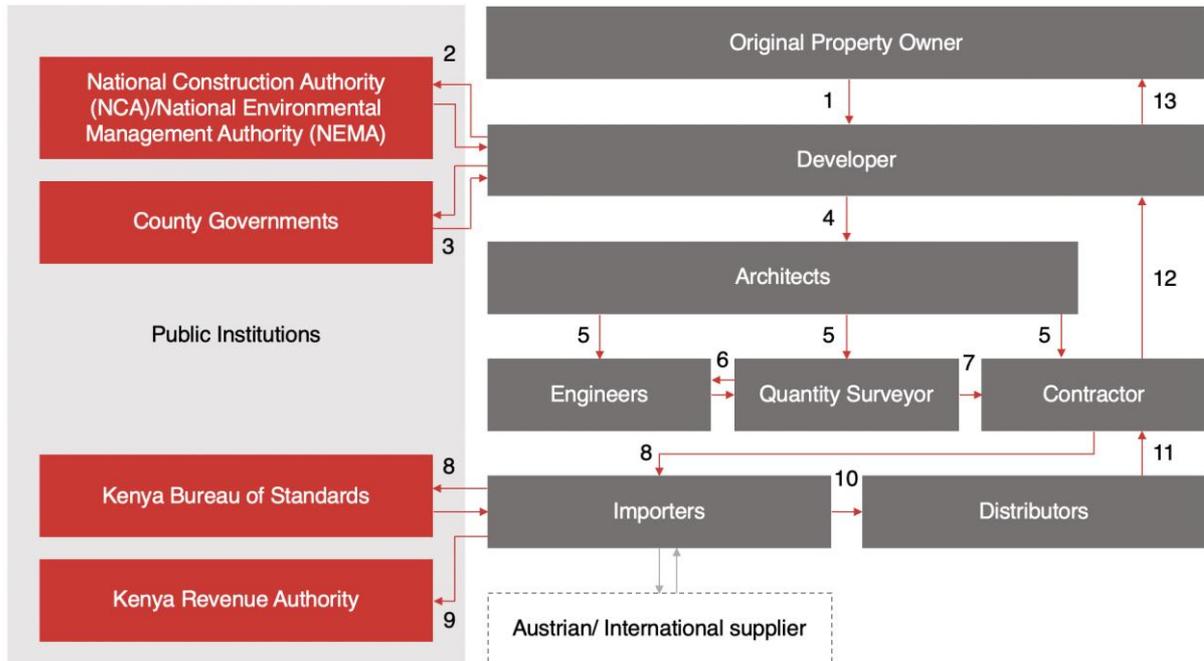
- **Capital**  
Capital has been outlined as one of the major challenges faced in the construction sector. This challenge features a two-fold effect where on one end, capital for actual construction is lacking, which incentivizes Chinese investors who are able to provide full-fledged finance for their projects. On the other end, private individuals struggle in accessing capital locally. Kenya is a rental market, with 84% of the population currently renting houses. A reason for this being the exceptionally high mortgage rates of 12%-20%. The major sources of finance in Kenya are banks, Savings and Credit Cooperative Unions (SACCOs), foreign investors, personal savings and collective group buying/building arrangements.
- **Quality Assurance**  
Majority of the local authorities in Kenya mandated to facilitate the implementation of quality control lack the capacity to do so. As a result, local studies have been carried out, and it has been found that the participation of contractors as quality assurance providers in the construction process is greatly lacking. A study sampling sixty-four construction projects in Busia County, Kenya, found the participation among contractors to be 43%. These findings are widely representative of the fact that projects in the country tend to be constructed with inadequate checks on building projects.
- **Red Tape Construction**  
Unfortunately, corruption and illegitimate distribution of construction projects is a common feature in the market. Bribes are routinely paid for permits, with figures running into the tens of millions (KSH). A facilitator of corruption in this sector is often the lengthy procurement processes, which involve significant bureaucracy.
- **Unskilled Labor Force**  
An estimated 30% of the Kenyan working population is unskilled, presenting a significant challenge to the realization of Vision 2030 and more widely, economic growth. For developers it is a huge risk to employ unskilled labor due to the increased potential for building faults or collapses. The Kenyan government, in response to the risk posed by this challenge, has mandated the NCA to accredit skilled construction companies. Additionally, the Board of Registration of Architects and Quantity Surveyors (QS) and the Engineering Board of Kenya are tasked with ensuring the standards in the respective professions are raised.

Despite the challenges identified in this report, the construction market sector continues to experience continuous growth, attracting investors from Turkey, India, and other countries. The government has announced plans to build 500,000 houses by 2022 and is incentivizing investors by reducing corporate tax for developers who construct 400 units at the minimum, per year.

## 4 Mapping Kenya's Construction Ecosystem

As indicated, there are various players in the Kenyan construction sector. In this regard, the following pictogram provides an overview of the most common decision-making process in relation to the purchasing of building materials during construction.

The graph also shows the role of the government in the process including during the importation of the materials from the International Supplier.



### Key to Each Step

1. Original owner seeks developer to construct property
2. Property developer seeks project approvals from NCA and NEMA
3. Developer seeks building permit from County government
4. Developer engages Architect to design and build a team of professionals to work with
5. Architect seeks professionals such as quantity surveyor, contractor and engineers
6. Quantity Surveyor seeks recommendations of Engineers on specifications of fittings and fixtures
7. Quantity Surveyor recommends to the contractor on what fittings and fixtures to buy
8. Importer brings in the fixtures and fittings and first gets a Certificate of Conformity which is to be approved by the Kenya Bureau of Standards
9. Importer submits documents and pays required import duties to Kenya Revenue Authority
10. Importer supplies products to distributor
11. Distributor supplies the materials, fittings and fixtures to contractor
12. On completion of project contractor hands over project to developer
13. Developer hands over project back to property owner

### 4.1 General overview of roles within the Purchasing Decision Making Process

**Property Owner:** Responsible for finding the finance for the process. Usually they rely on the Developer, Architect and Contractor when seeking recommendations and quotes for all building materials, fixtures and fittings.

**Developer:** Responsible for putting together the whole team of consultants with the guidance of the Architect. They may or may not be contractors and where they are not a contractor, they have to work with a contractor approved by the National Construction Authority. They are also responsible for ensuring the construction project is within the set budget based on the owner's budget.

**Architect:** They are responsible for designing the project to the owner's desire. They work hand in hand with the Quantity Surveyor in costing all elements of the project.

**Quantity Surveyor:** They are responsible for costing the project and ensuring that all building materials, fixtures and fittings are appropriately covered in the budget. Before construction projects begin, they play a key role in advising the Architect and Developer on the project costs.

**Contractor:** The Contractor is responsible for building the project. In the event that he is also the developer, he is responsible for making purchasing decisions with the approval of the project owner.

**Engineer:** All Engineers in any project are responsible for making project specifications for building materials, fixtures and fittings. They also make recommendations of the appropriate quality of items. In this category, they include electrical, mechanical, civil and other engineers.

**Importers:** They are responsible for bringing in demanded products and may play a role in advising engineers, quantity surveyors architects and developers/contractors on what is available based on the specifications needed and the budgets. They may or may not have distribution centers and in cases where they do not have centers, they should have a distribution network.

**Distributors:** They are directly in contact with the contractors/developers and are responsible for actual sales. They may or may not be importers. Good distributors will have professionals who will be able to provide quality after sales services.

## 5 Infrastructure

### 5.1 General Overview

Kenya is commonly referred to as the key economic and logistical hub in Eastern/Central Africa and its infrastructural development is largely to thank for this. Working towards achieving Vision 2030, the country is modernizing railways, seaports, airports, and developing geothermal power stations. Kenya's infrastructural growth seeks to accelerate the opportunities within the region, as the country is a member of both the EAC and COMESA regional blocs, which presents a combined market population of over 400 million. The regional, and intra-Africa trade opportunities are therefore a key driver for infrastructure development, including; urbanization and a growing Kenyan population (2.5% p.a.)

Despite concerted efforts to achieve infrastructure development goals, Kenya faces a significant infrastructure-financing deficit (around US\$2.1 billion annually). To meet the country's infrastructure needs, a sustained US\$4 billion is required. Public resources cannot meet this deficit as the country's public debt stands at around 57% of GDP. In a bid to address this, the Kenyan government is developing public-private partnership (PPP) programs to foster private sector participation in infrastructure investments to help address the funding gap in the sector. These programs take on the user-payer approach where revenues can be used to service the debt raised by the private sector to undertake the projects.

### 5.2 Infrastructure Development

#### 5.2.1 Ports and Airports

The Kilindini Harbour is the main part of the port of Mombasa. The port of Mombasa is the only international seaport in Kenya, and the biggest port in East Africa. In 2019, the port of Mombasa handled 1.425 million twenty-foot equivalent units (TEUs), a 7.3% increase over the previous year. This improved efficiency has been attributed to the construction of the second Container terminal, which improved handling services and facilitated faster transfer of cargo to Nairobi and other destinations. The port of Mombasa is projected to handle over 2 million TEUs by 2022, after construction of the second Container terminal is completed. The port of Mombasa is currently ranked the second-best port in sub-Saharan Africa, after the port of Durban in South Africa.

The Lamu Port Project is one of the Kenyan governments' flagship infrastructure projects. This project is the development of a new transport corridor; the Lamu Port- Southern Sudan- Ethiopia Transport (LAPSSET). This corridor will link a new and modern Port of Lamu with the cities of Garissa, Isiolo, Maralal, Lodwar and Lokichogio and branching at Isiolo to Moyale at the border with Ethiopia and proceeding to the border with Southern Sudan. The corridor is set to comprise of:

- 1720 km standard gauge railway line
- Road network
- Oil pipeline (crude and product)
- Oil refinery (Isiolo/ Lamu)- this decision is still pending
- Upgrade of airports
- Port at Lamu (Manda Bay)
- Resort cities (Lamu, Isiolo and Lake Turkana)

The Lamu Port is set to be operational by the end of 2020 and the traffic is expected to reach 23.9 million tons by 2030. Currently underway is the US\$64 million construction of the Naivasha Dry Port, an inland port that will speed up the flow of cargo between ships and major land transportation networks. The inland port creates a more central distribution point and improves the movement of imports and exports by relocating time-consuming clearing processes away from the congested Mombasa Port.

Kenya currently has four international airports: Jomo Kenyatta International Airport (JKIA), Moi International Airport, Eldoret International Airport, Isiolo International Airport. These airports and the numerous airstrips in the country are owned and managed by the Kenya Airports Authority. According to KAA, Kenya is positioning itself to be the region's aviation hub. With 11.9 million passengers traveling through Kenya's airports every year, developments such as the remodeling of departure and arrivals terminals at JKIA have been imperative. In terms of domestic travel, Kenya's domestic capacity has increased from 1.95 million seats in 2010 to 5.18 seats in 2019. The International Airport Transport Association (IATA) projects that over the next 20 years the Kenyan aviation market could more than double in size, resulting in an additional 11.3 million passenger journeys. This growth would provide over 449,000 more jobs and a boost to the GDP of US\$11.3 billion by 2037. These projections are however dependent on government action, particularly in improving infrastructure, safety and implementing a single African air transport market.

### 5.2.2 Railways

Rail transport in Kenya consists of an old metric-gauge railway that is in poor condition and a new standard-gauge railway (SGR). These two rail networks connect the port city, Mombasa with the interior, passing through Nairobi. The first phase of the SGR connecting Mombasa to Nairobi was completed and launched in 2017 and was financed by China Exim Bank. The SGR freight operations are credited for decongesting the port of Mombasa; boosting cargo transportation and enhancing efficiency at the port by redirecting cargo handling processes to the Naivasha Dry Port. The second phase of the SGR was launched in October 2019, connecting Nairobi to Naivasha in Nakuru County. This phase has four terminals and will be open for passenger services only. Phase 1 and 2 are not the end of the railway project. The railway lines are expected to expand in the coming years to connect six other East African countries.

### 5.2.3 Energy

Kenya has over 40 operating and planned power plants in all areas including hydroelectric, geothermal, wind, solar and fossil fuels. From this mix of power plants, 90% of installed power generation capacity is from clean and renewable sources of energy with hydroelectric power taking up over 40% of installed capacity. Kenya's installed power capacity is approximately 2400MW, yet it remains one of the most developed energy sectors in sub-Saharan Africa.

- **Hydroelectric** power in Kenya has the highest generation capacity at 36%. The hydro resources in Kenya lie in areas of high domestic energy demand. Majority of hydro power plants are owned and managed by the government, however there is a strong push to other alternative resources of electricity generation. Hydropower is expected to account for only 5% of total capacity by 2030.
- **Thermal** power has a total generation capacity of 7%. Following urges from the International Finance Corporation (IFC) and other interested organizations, Kenya is reducing its reliance on thermal power by closing plants and investing in renewable resources.
- **Geothermal** energy accounts for 29% of the country's total installed capacity. Geothermal plants have a prominent place in Kenya's infrastructure development plans, as the government continues to promote rapid development of geothermal resources through surface exploration and drilling for steam. By 2030, Kenya aims to have geothermal power contributing 51% (5530MW) of its total generation capacity-, which will make it the largest source of clean energy.
- **Wind** energy in Kenya is on the rise, with a current installed capacity of 336MW. The country recently launched Africa's largest wind power project; The Lake Turkana Wind Farm. The power farm consists of 365 wind turbines with a capacity to dispense 310MW of reliable, low-cost energy.

### 5.3 Procurement process for infrastructure projects

The procurement process for infrastructure projects in Kenya is highly government related; therefore, companies seeking to supply infrastructure projects are advised to establish strong connections. This procurement process is a 9-step procedure explained below:

1. Government entity commissions consultants to conduct Feasibility Studies.
2. Consultants hand back project to government entity after giving feasibility study results including project specifications.
3. Government entity seeks all necessary permits from other government agencies including the county government.
4. Government seeks prequalification applications and then later tenders out the project to professionals and/or contractors. Depending on the various projects the professionals could include architects, quantity surveyors, engineers etc. For most projects the government will seek one contractor who is responsible for assembling this whole team together.
5. Importer brings in the fixtures and fittings and gets a Certificate of Conformity which is to be approved by the Kenya Bureau of Standards (KEBS).
6. Importer submits documents and pays required import duties to Kenya Revenue Authority (KRA).
7. Importer supplies products to distributor.
8. Distributor supplies the materials, fittings and fixtures to Contractor.
9. On completion of project the contractor hands over project back to the government who is the project owner.

Each professional in the purchasing decision-making process plays a specific role that is integral to the entire procurement process. Below is a general overview of the roles played by each of these professionals:

1. **Property Owner i.e. Government** → responsible for finding the finance for the process. Usually they rely on the Developer, Architect and Contractor when seeking recommendations and quotes for all building materials, fixtures and fittings.
2. **Contractor** → responsible for constructing the project. In the event that he is also the developer, he is responsible for making purchasing decisions with the approval of the project owner.
3. **Architect** → responsible for designing the project to the owner's desire. They work hand in hand with the Quantity Surveyor in costing all elements of the project.
4. **Quantity Surveyor** → responsible for costing the project and ensuring that all building materials, fixtures and fittings are appropriately covered in the budget. Before construction projects begin, they play a key role in advising the Architect and Developer on project costs.
5. **Engineer** → responsible for making project specifications for building materials, fixtures and fittings. They also make recommendations of the appropriate quality of terms. In this category, they include electrical, mechanical, civil and other engineers.
6. **Importers** → responsible for bringing in demanded products and may play a role in advising engineers, quantity surveyors, architects and developers/contractors on what is available based on the specifications needed and the budgets. They may or may not have distribution centres, and in cases where they do not have centres they should have a distribution network.
7. **Distributors** → they are in direct contact with the contractors/developers and are responsible for actual sales. They may or may not be importers. Good distributors will have professionals who would also be able to provide quality after sales services.

### 5.4 Key opportunities in Kenya's infrastructure sector

The country's infrastructure investment presents lucrative opportunities for investors in the sector. These are most visible in:

- *Construction materials & equipment*- There exist vast opportunities for the supply of equipment and materials in Kenya following the commission of various infrastructure development projects.

- *Port infrastructure-* The Lamu Port, in particular, is a development which will see the regional port providing a cross-sector abundance of opportunities.
- *Power and Energy-* There are currently over 40 operating and planned power plants in Kenya. With plans to phase thermal power out, there are opportunities for production of clean energy.
- *Road networks-* Between 2010 and 2020 Kenya's road network increased to 160,000km from less than 60,000km. An estimated US\$5.4 billion has been dedicated to road project investment in Kenya.

## 6 Recommendations for Austrian companies

### 6.1 Target regions: Building construction 'hotspots'

In Kenya, Nairobi is regarded as the center of commerce and the easiest point of entry for investors and distributors alike. It is worth noting that the more prominent developers, construction companies, architects and interior designers are either based in Nairobi or have a branch in the city. Furthermore, Nairobi continues to be listed as a development hotspot in the region with increasing demand in the city for hotels, affordable housing, and hospitals.

Nakuru, Kenya's fourth-largest town with a population of 307,990 is on the rise in urban development. Only 160 kilometers away from Nairobi, it is experiencing rapid economic growth as a result of an influx of mega industries into the city. On December 23, 2019 a bill was passed by the Nakuru County Government authorizing the expenditure of Ksh2.7 billion for development expenditure. Kisumu, another fast-growing city in Kenya is becoming an increasingly investment-friendly environment, having announced plans to build 2,000 low-cost units in the next five years.

Tourism is a cornerstone of the Kenyan economy and continues to present significant opportunities for growth. Kenya's tourism sector is regarded as a bright investment hub for both local and foreign investors. Major hotspots for the development of tourism and hospitality projects include; Malindi, Watamu and Mombasa at the coast.

### 6.2 Trade Fairs in Kenya

The key difference between East African and European trade fairs is the sheer size of event and the number of participating exhibitors. The largest trade fair in East Africa is the *'Nairobi International Trade Fair'* which takes place annually at the International Trade Fair grounds in the south west of Nairobi. The multipurpose expo hall has capacity for approximately 250 exhibitors on 3,500sqm. In comparison, Vienna Fairgrounds occupy 55,000sqm. Most of the trade fairs in Kenya however take place at the Kenyatta International Convention Centre (KICC) which can host up to 5,000 visitors at a time.

Kenyan trade fair culture is not entirely different to that in Austria. Advance contact establishment with exhibitors and prospective business partners is always advised. It is common knowledge that decision makers tend to attend the exhibition on the first day. Exhibitor lists on the official trade fair website are usually incomplete or lacking information. Therefore, we advise companies to contact their network prior to the date of the trade fair they are attending.

A further difference in East Africa is that trade fairs tend to be organized by private companies. Our advice would be for a client to attend a trade fair before deciding to exhibit. Furthermore, we advise companies to only exhibit if they have an existing customer base or have carried out sufficient preparational work to ensure their exhibition space receives enough traffic to justify the expenses.

#### Relevant regional trade fairs in the building construction sector:

##### The Big 5 Construct Kenya

About:	This trade fair is an initiative by the Kenyan government to develop the construction industry. It provides a networking base for local construction professionals.
Location:	KICC
Date:	04.-06. November 2020 (annually)
Website:	<a href="http://www.thebig5constructkenya.com">www.thebig5constructkenya.com</a>

### **Homes Expo Kenya**

About: The Kenya Homes Expo, a platform that converges real estate stakeholders with potential and existing homeowners under one roof to explore real estate deals, gain insights and pursue worthy investments.

Location: Sarit Centre, Nairobi

Date: 16.-19 April 2020 (annually)

Website: [www.kenyahomesexpo.com](http://www.kenyahomesexpo.com)

### **23rd BUILDEXPO Kenya**

About: This exhibition boasts the widest range of the latest technology in building material, construction machinery and heavy equipment. It is also held in Ethiopia, Tanzania & Rwanda.

Location: KICC

Date: 10.-12. June 2020 (annually)

Website: [www.buildexpo.expogr.com](http://www.buildexpo.expogr.com)

### **CIBEX East Africa**

About: This international trade fair focuses on construction, infrastructure, building and energy. This exhibition also features discussion panels to allow participants to gather new market information.

Location: KICC

Date: September 2020 (annually but was recently postponed).

Website: [www.cibexeastafrica.com](http://www.cibexeastafrica.com)

### 6.3 Vocational training in Kenya

Kenya has a huge informal labor market which means that the quantity of skilled labour is not as high as in the European market.

Vocational training is often of great concern and interest to investors and foreign companies with Kenyan vocational training being steps behind the Austrian dual system. Most families view vocational training as a last resort for children that do not qualify for university placement.

Since 2013 the Government of Kenya has increased investment into the Technical, Vocational and Educational Training (TVET) for Kenya’s young people. There has been a very steady increase in the number of Technical Colleges across Kenya.

This is in addition to the increased funding by the government towards the expansion of capacity of public universities that provide undergraduate and graduate engineering degree programmers.

Kenya has multiple vocational training institutes as well as universities that train the professionals within the industry. These include the architects, engineers, contractors, quantity surveyors, electricians and plumbers.

However, this is not enough as majority of companies still need to conduct internal trainings of their old and new staff. Unfortunately for many companies this type of internal training is irregular and many times insufficient.

Furthermore, workers trained in the TVET colleges often lack practical experience, further stunting their capabilities. As indicated above unlike in Austria, dual vocational training is not traditionally a part of the Kenyan education system. Stated educations institutions in Kenya provide purely school-based training. There are however efforts to introduce the Dual Vocational Training mainly supported by the German Government via their local Chamber of Commerce (AHK) office.

For Austrian companies, it is important to understand the local capabilities of the labour force that is responsible for the installation of their products.

#### Official training facilities

Key Universities Training Construction Industry Professionals		
Name	Relevant Courses Offered	Contact Details
University of Nairobi	<ul style="list-style-type: none"> <li>• Bachelor of Architecture</li> <li>• Bachelor of Architectural Technology</li> <li>• Bachelor of Science in Mechanical Engineering</li> <li>• Bachelor of Science in Electrical and Electrical Engineering</li> </ul>	P.O. Box 30197-00100, Nairobi, Kenya Tel: +254 20-4910000 <a href="mailto:pr@uonbi.ac.ke">pr@uonbi.ac.ke</a>
Kenyatta University	<ul style="list-style-type: none"> <li>• Bachelor of Science in Electrical and Electronics Engineering</li> <li>• Bachelor of Science in Civil Engineering</li> <li>• Bachelor of Science in Mechanical Engineering</li> <li>• Bachelor of Architecture/Architecture Studies</li> <li>• Bachelor of Science in Spatial Planning</li> <li>• Bachelor of Science in Construction Management</li> <li>• Bachelor of Science in Real Estate</li> <li>• BSc. Energy Technology</li> </ul>	Tel: +254 20 8703000 <a href="mailto:info@ku.ac.ke">info@ku.ac.ke</a>

<b>Jomo Kenyatta University of Agriculture and Technology</b>	<ul style="list-style-type: none"> <li>• Bachelor of Architectural Technology</li> <li>• Bachelor of Architecture</li> <li>• Bachelor of Science in Mechanical Engineering</li> <li>• Bachelor of Science in Electrical and Electrical Engineering</li> </ul>	P.O. Box 62 000 – 00200 NAIROBI, KENYA, Tel: +254 67-5870001-5,
<b>Kenya Industrial Training Institute</b>	<ul style="list-style-type: none"> <li>• Craft Certificate in Mechanical Engineering</li> <li>• Plumbing Technology Certificate</li> <li>• Welding &amp; Fabrication Certificate</li> <li>• Diploma in Electrical Engineering(power)</li> <li>• Certificate in electrical and electronics technology</li> <li>• Basic Domestic and Industrial Electrical Installation</li> <li>• Building and Construction Certificate</li> </ul>	P.O. Box 280-20100 Nakuru - Kenya. Tel +254 51 2216755/51 Email: <a href="mailto:directorkiti@yahoo.com">directorkiti@yahoo.com</a>

## 6.4 Relevant stakeholders in the Kenyan building construction

The Kenyan building construction market is fairly straightforward. The building construction sector procures majority of raw materials such as cement, stones and wood locally. All other products are imported from abroad due to a non-existing local manufacturing facility. International suppliers tend to have a local partnership or presence in order to be closer to the market. The following will provide a brief overview of the market landscape.

### 6.4.1 Private sector companies

<b>Leading building construction companies</b>		
<b>Name</b>	<b>About</b>	<b>Contact details</b>
<b>Laxmanbhai Construction Ltd.</b>	The company is Kenya’s leading firm when it comes to building and general contracting and has developed a number of flagship projects in retail, residential and commercial spaces. The most notable of their developments being; Hilton Garden Inn, The Hub (Karen), Dusit D2, EnglishPoint Marina.	First Floor Laxcon House P.O. Box 44706 Nairobi  <a href="http://www.laxconke.com">www.laxconke.com</a>
<b>Seyani Brothers &amp; Company Ltd.</b>	This company has developed a significant number of large-scale projects in the construction of residential, retail and commercial buildings. Most notably, the refurbishment of Unga House in Westlands and the famed Village Market Phase III.	P.O. Box 600700 00200 Nairobi  <a href="http://www.seyanibrosk.com">www.seyanibrosk.com</a>
<b>Epc Builders Ltd.</b>	The company has worked on numerous large-scale development projects in Kenya, including housing projects for Kenya Railways Corporation, Kenya Airways, and the National Housing Corporation. They are sector professionals in steel fabrication, purchase and supplies, joinery and timber, rebar, pre-cast concrete and batching.	Falcon Road Along Kuguru Road, Industrial Area P.O. Box 55628 00200 Nairobi  <a href="http://www.epcobuildersltd.com">www.epcobuildersltd.com</a>

### Leading architectural firms

Name	About	Contact details
<b>Triad Architects Ltd.</b>	This leading architectural firm has operated within the market for over 50 years, handling thousands of projects. Most notably they designed the Coca-Cola East Africa regional headquarters in Kenya, and the Nairobi Business Park.	Triad House 83 Muthaiga Rd P.O. Box 30725-00100 Nairobi  <a href="http://www.com">www.com</a>
<b>Bowman Associates Architects Ltd.</b>	This company This firm has extensive experience in design, documentation and contract management of large-scale projects. Most notably they have designed; One Africa Place, Riverside Square, Montave Upper Hill.	Mitini Estate, Ngecha Road P.O. Box 63756-00619 00100 Nairobi  <a href="http://www.com">www.com</a>
<b>Waweru &amp; Associates Ltd.</b>	They are sector leaders in architectural consultancy with a dynamic portfolio. They have vast experience working on low-end residential projects to high-end retail and commercial projects.	Futuretech House No. 10 Chiromo Lane, Westlands P.O. Box 43642 00100 Nairobi  <a href="http://www.com">www.com</a>

Leading building interior design firms		
Name	About	Contact details
<b>Prime House Interiors Ltd.</b>	They are a leading provider of interior design services for both residential and commercial projects in Kenya and the East Africa region at wide.	Mountain Mall (3 <sup>rd</sup> floor) Thika superhighway Exit 7 Roasters Nairobi  <a href="http://www.com">www.com</a>
<b>Elway Group Interior Design Ltd.</b>	They are a dynamic firm famed for their use of quality finishings. They offer a variety of residential, commercial and corporate design solutions.	Mitsumi Business Park Muthithi Road, Westlands 00200 Nairobi  <a href="http://www.com">www.com</a>
<b>Planning Interiors Ltd.</b>	The company is the most established interior design firm in East Africa. They specialized in corporate, retail, hospitality and residential interior design & project management.	2 <sup>nd</sup> Floor; Roshanmaer Place Lenana Road 00100 Nairobi  <a href="http://www.com">www.com</a>

Leading distributors of building & interior products		
Name	About	Contact details
<b>T&amp;C Ltd.</b>	One of Kenya's premier suppliers of building & interior finishing products. The company has been serving the industry for over 30 years and is an accredited distributor of some of the world's leading interior and building brands such as Duravit, HansGrohe, Pamesa & Armstrong Ceiling. T&C ventured into manufacturing of tiles and roofing products in recent years.	Parkside Towers Mombasa Road P.O. Box 3115 00200 Nairobi  <a href="http://www.com">www.com</a>
<b>Saj Ceramics Ltd.</b>	Saj Ceramics was the first company to manufacture ceramic tiles in Kenya and is currently one of the leading tile suppliers in East Africa. The company today supplies bathroom and kitchen equipment, faucets and mixers as well as tailored building solutions for specific projects.	A109 Mombasa Road 00100 Nairobi  <a href="http://www.com">www.com</a>

<b>ASL Ltd.</b>	The company's trading division is part of Ramco Ekon, a group of companies supplying the construction sector. The company supplies building supplies, sanitary ware, brassware, tiles, wood and steel products. Brands include Laufen, Ariston, Knauf, B Meter	Lusaka Road 00100 Nairobi  <a href="http://www.ramco-group.com">www.ramco-group.com</a>
-----------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------

Leading distributors of doors/ gates		
Name	About	Contact details
<b>ASSA ABLOY Kenya Ltd.</b>	Assa Abloy is the largest global supplier of intelligent lock and security solutions. The company has been in the market for several years and is a key supplier of its own products as well as selected international products such as Valli & Valli, Union & Prometal. One.	Dunga Close Off Dunga Road-Industrial Area P.O. Box 42837- 00100 Nairobi  <a href="http://www.assaabloy.co.ke">www.assaabloy.co.ke</a>
<b>Interior Revolution Ltd.</b>	The company serves the architectural and interior design industry. It specialized in supplying sliding doors, blinds, flooring, carpeting and curtain rails	General Mathenge Road 00100 Nairobi  <a href="http://www.interior-evolution.com">www.interior-evolution.com</a>
<b>Architectural Supplies Ltd.</b>	The company is a supplier of doors, handles, hinges and other door fixtures	Bamburi Road 00100 Nairobi  No website

Leading distributors of energy solutions		
Name	About	Contact details
<b>Power Technics Ltd.</b>	The French based manufacturer of electrical products bought Schneider Electric's power Technics. The company provides a full project range, from design implementation to after sales services.	Imara Daima Mombasa Road 00100 Nairobi  <a href="http://www.assaabloy.co.ke">www.assaabloy.co.ke</a>
<b>Doshi Group of companies</b>	Doshi Group is one of the largest manufacturing companies in Kenya. The company, established in 1930, manufactures, builds and trades solutions in the building and construction industry.	Mombasa Road 00100 Nairobi  <a href="http://www.doshi-group.com">www.doshi-group.com</a>

## 7 Doing Business in Kenya: A practical understanding

This chapter explores the various market entry strategies adopted by companies across the world when entering the Kenyan market. It will also explore various factors to consider when supplying to the Kenyan market. The findings of this chapter will be partly illustrated by a case study detailing the market entry strategies adopted by a European company.

This chapter will therefore inform Austrian companies on best practices to use as they seek opportunities in Kenya's construction sector. Additionally, it shall enable Austrian companies to identify and find ways to overcome obstacles they may face in Kenya.

It is worth noting that Kenya, and the African continent at large, is not a major producer of construction material components. Majority of the components utilised in these markets are sourced from Europe and Asia, with the most notable source markets being Germany, Italy, China, Turkey, Thailand and Japan.

### 7.1 Market Entry Strategies and Tactics

Global companies seeking to do business in Kenya have used several market entry strategies and tactics previously. Below is an overview of some of these strategies and tactics that Austrian companies may apply.

#### 7.1.1 Sales via Importers and Distributors

Kenya has a stable network of major importers and distributors of various fittings and fixtures who have been highlighted in previous chapters.

Typically, the importers source directly from the various source markets based on various factors including: price, demand in the market, quality or specific orders from their customers. Some importers have local distribution centers from which they directly sell to the market. Others will have a distribution network across the country, and in some instances, across the East Africa region.

A key strategy would be to identify the top importers and establish agreements to supply them as they supply the market.

##### 1. Direct Sales to Property Developers

Property developers with multiple large projects, both in the residential and the commercial sub-sector, would have the ability to influence and make purchase decisions of the fixtures and fittings.

A key strategy would be to identify and establish relationships with these developers and sell directly in the market through them.

## **2. Working with Industry professionals i.e. Architects, Quantity Surveyors, Mechanical and Electrical Engineers**

Property owners and property developers tend to rely on the counsel of professionals in the construction industry. Identifying and collaborating with key professionals tasked with recommending and handling your products has been indicated as a keyway to educate the market. This would require earnest commitment in identifying the key professionals responsible for all major projects.

## **3. Sponsoring and Participating in Industry Body and Association Events (including those that give members Continuous Professional Development (CPD) Points)**

Professionals in the construction industry are required to continuously attend industry events and training sessions. In order to develop market knowledge of your products, companies can sponsor, host and/or participate in events aimed at educating these professionals.

## **4. Setting up shop via sales stores or web**

Depending on the size of your products, companies can establish direct stores. Alternatively, companies can collaborate with local well-established storeowners to stock up their products in the stores, potentially through purchasing or renting store space.

## **5. Manufacturing in Kenya**

The Kenya government has developed a Big 4 Agenda encompassing its four top priorities. These include Affordable Manufacturing, Food Security, Universal Healthcare and Affordable Housing. Under the manufacturing pillar, the government is using incentives to encourage both local and international companies to establish manufacturing and value addition facilities across the country. Austrian companies can take advantage of these incentive programs to establish manufacturing plants that would be used to supply not only Kenya but also the region.

## **6. Regular Business Trips (2 to 3 annually) to the market to develop relationships and further understand the market**

Establishing relationships is very important in the context of doing business in Kenya. Therefore, Austrian executives should routinely visit their local partners, professionals, importers, key distributors, developers at least twice a year. This is a well-established and proven market entry strategy and is highlighted in the case study below.

## **7. Partnering and working with universities and TVET schools**

Companies seeking to do business in Africa should take into consideration the young population and that interaction with newer industrial technologies is still low. Therefore, depending on the complexity of products, it may be useful for Austrian companies to consider collaborating with local learning institutions such as universities and vocational training colleges. These institutions can then train students in the use of the advanced technologies produced by foreign companies. This strategy improves the quality and competence of the local professionals but also develops long-term brand positioning with the young and upcoming professionals.

## **8. Having a multi-country strategy**

In comparison to European and Asian countries, Kenya is a smaller market and therefore calls for a multi-country or a regional strategy of market entry. The regional strategy would potentially cover Kenya, Uganda, Tanzania, Ethiopia, Democratic Republic of Congo, South Sudan, Rwanda and/or Burundi. Such a strategy would also enable increased efficiency in the use of resources.

## **9. Sampling and having demo units**

With newer and more advanced technologies from Europe, companies should consider finding reliable, trustworthy local partners whom they can send their products for sampling and demonstration. This is a strategy that would enable the education of the market in the use of the products as well as their quality. It is also proof of their superior quality in comparison to competitive products from China.

## **7.2 Factors Austrian companies need to consider**

For Austrian companies, there are various key factors they need to consider when coming into the Kenyan market. These factors are usually overlooked by global companies, and when not taken into account they would hamper the market entry and potentially also increase the cost of doing business in Kenya.

On the other hand, when seriously considered, these factors are likely to ensure significantly higher success of the Austrian companies while reducing the time it takes for their products to reach the market.

Some of these highlighted factors include:

### **1. Size of partner business in Kenya and in the region**

The size and/or network of your local partner's business is a key consideration. In the construction industry, finding local partners that have a verifiable network of professionals and contractors whom they supply is key.

### **2. Projects previously done**

Local partners, professionals, and property developers are usually able to present projects they have previously worked on. This would inform Austrian companies on the possibility of providing to quality clients. Additionally, the previous experience would also provide insights to Austrian companies on how best to approach the Kenyan market as well as what the markets desire.

### **3. Importation procedures and Import duties**

Importation procedures and duties differ between countries globally. Kenya, Uganda, Tanzania, Rwanda and Burundi share a common market that applies a common market tariff. However, documentation and procedures required for various products differ between countries.

Austrian companies need to ensure that their local partners are clear on the local procedures and duties so as not to affect the importation of their products. Foreign companies have faced challenges in accessing the market when the correct procedures are not followed. This has unfortunately led the global companies to only receiving the first order and never receiving future orders due to delays faced by the local companies.

### **4. Keep learning, keep researching**

In addition to having local partners and professionals, it is important for Austrian companies to keep tabs with the local market as a way to support the local partners.

Typically, foreign companies may receive information in Europe with regards to major companies moving into the African continent. This information may not reach the local partners in time; therefore, it is important to keep the communication lines open with the team on the ground.

### **5. Competence of the supplier/distributor's team**

It is important to evaluate how competent the local supplier/distributor is in the servicing and installation of your product. Foreign companies need to implement training programs for their local installation partners, especially each time they introduce new products into the market.

## **6. Product delivery time to market**

It is very important for Austrian companies to be aware of the lead times their products take to arrive in the Kenyan market. It is worth noting that Kenyan customers are time-sensitive and hence may end up opting for products from other markets that have a shorter delivery time frame.

## **7. Competition from cheaper Asian specifically Chinese products**

Chinese products even though they may be of lower quality are prevalent in the market due to lower prices. Austrian companies are still able to compete depending on the type of project, the local developer's budget, source market preferences and the product quality. One key differentiator of product quality is the length of the product's lifetime use. Another differentiator is whether the project is high end, middle of the market or low end. For example, high end projects such as 4- or 5-star hotels would demand that the developer uses high end fixtures and fittings.

## **8. After Sales Service**

The availability of after sales services is important to local companies in the Kenyan market. This also applies to the construction market. Companies that provide this kind of service are usually able to develop long term relationships in the market and generate repeat business.

## **9. Kenyan Specifications vs. Austrian/European Specifications.**

Different countries have different installation specifications for fixtures and fittings. This particularly applies to water and electrical fixtures. African countries also have different standards, for example, Kenya, Uganda and Tanzania use United Kingdom electrical specifications which differ from European Union specifications.

Other countries in the region use different specifications in their facilities, therefore it is important for Austrian companies to consider this when supplying their products to the market.

## **10. Differentiation and Market Positioning**

Austrian companies need to consider how to set themselves apart when conducting local marketing for their products to potential local partners. This is due to the fact that as Africa 'rises', companies from North America, Western and Eastern Europe, China, Japan, India, and the Far East also seek business opportunities on the continent.

Therefore, companies should be innovative in their marketing and presentation in order to enhance their market positioning. One suggestion would be to research key decision makers with the aim of sending hand delivered letters, and another would be to present brochures in well wrapped packages. These are small gestures that could enhance a company's positioning in the minds of decision makers.

## **11. Avoiding corrupt situations**

Africa is a continent that has experienced a lot of corruption and Austrian companies need to be aware and actively seek ways to avoid ending up in corrupt situations.

Two simple ways of avoiding corruption would be:

- 1) to ensure that one has conducted thorough due diligence with their local partners ensuring that they are not implicated in corrupt scandals;
- 2) When conducting international transactions, ensuring that the local partners and customers have ALL the necessary documentation required in order to ensure the importation process is completed immediately.

## **a. Case Study**

### **Developing a German company's business in East Africa**

In 2014, a German company conducted a market research study to establish if there is a market for their machines in Kenya.

The German firm is a manufacturer of equipment used in the production of Paints, Printing Inks, Pharmaceuticals, Food & Confectioneries, Agrochemicals, Minerals, Ceramics and more. This is done through the process of Mixing, Dispersion and Grinding.

The study covered Kenya's agrochemical and paint industries with the aim of identifying potential customers, understanding the market landscape establishing market size and identifying potential local partners to support the company on the ground.

This project was executed over a period of 4 months achieving the following results

- Identified over 20 potential customers
- Established the market's needs and potential, as well as the competitive and legal landscape in the two industries
- Identified several key potential distributors
- Sized the potential of the East African market

In 2018, the company decided to contract a local firm to establish their sales structure in the Kenyan and East African market. This has seen the company grow their sales year on year by over 100% with a higher growth expected in 2020.

## **7.3 Next steps and recommendations**

1. In-depth identification of the local players including property developers, industry professionals, importers, and distributors
2. Establishing relationships with these players potentially using a group by group approach
3. Schedule and organizing a 5-day business visit as soon as practically possible to meet with these companies
4. Identifying local partners for purposes of sending samples or demonstration units to these companies
5. Identifying a local implementation partner in the identification and relationship building process with these companies

## Abbreviations

CAGR	-	Compound Annual Growth Rate
CPD	-	Continuous Professional Development
GDP	-	Gross Domestic Product
GTC	-	Global Trade Centre
KICC	-	Kenyatta International Convention Centre
KITIT	-	Kenya Industrial Training Institute
KRA	-	Kenya Revenue Authority
KSH	-	Kenyan Shilling
NCA	-	National Construction Authority
NEMA	-	National Environmental Management Authority
NITA	-	National Industrial Training Authority
SACCO	-	Savings and Credit Cooperative Unions
TACC	-	Tile and Carpet Centre
TVET	-	Technical, Vocational and Educational Training
QS	-	Quantity Surveyors

## Bibliography

- Architectural Association of Kenya. *Status of the Built Environment* July-December 2019.
- Association of Construction Managers of Kenya. <https://acmk.co.ke/>
- Construction Kenya. *Top Building Design Trends for 2020. Contribution of quality assurance practices by contractors on quality of public building projects in Kenya by devolved units: A case of Busia County in Western region, Kenya.* 2018
- Construction Review. *Kenya's Construction Industry and its Challenges.* 2016
- Council on Tall Buildings and Urban Habitat. <http://www.ctbuh.org/>
- Centre for Affordable Housing Finance in Africa. <http://housingfinanceafrica.org/>
- Cytonn Investments. *Cytonn Monthly* January 2020
- Deloitte, *Africa Construction Trends Report 2019*
- ExpoGroup. *Kenya on the Cusp of An Unprecedented Construction Boom.* 2019
- HassConsult. *Hass Property Sales and Rental Index Q3 2019.*
- HassConsult Ltd. <https://hassconsult.co.ke/>
- IATA. *Improved Infrastructure, Connectivity, Safety & Technology Needed to Unlock Kenya's Economy.* 2019
- Institution of Construction Project Managers of Kenya. <http://icpmk.co.ke/>
- Embassy of the Republic of Kenya in Japan. *Economic Overview.* [http://www.kenyarep-jp.com/business/economy\\_e.html](http://www.kenyarep-jp.com/business/economy_e.html)
- Kenya Airports Authority. <https://www.kaa.go.ke/>
- Kenya Investment Authority. *Building and Constructing.* <http://www.invest.go.ke/starting-a-business-in-kenya/building-and-constructing/>
- Kenya Vision 2030. *Construction Industry Development Policy.* <http://vision2030.go.ke/project/construction-industry-development-policy/>
- Kenya National Bureau of Statistics. *Population and Housing Census. 2019 / Leading Economic Indicators 2019*
- Kenya Ports Authority. <https://www.kpa.co.ke/Pages/Default.aspx>
- Knight Frank Research. *Prime Global Cities Index-Q3 2019.*
- Knight Frank Kenya. <https://www.knightfrank.co.ke/>
- KPMG International. *Global Construction Survey 2019.*

- Kenyatta University. *Labour Productivity and Performance of Building Projects in Nairobi County, Kenya*. 2017
- National Construction Authority. *Investigation of Construction Failures in Kenya for Enhancement of Development Control*. 2017
- The National Treasury. *Kenya National Budget 2014-2019*
- PWC Africa Hotels Outlook 2019-2023. *Hotel Chain Development Pipelines in Africa*. 2019
- The World Bank. *Kenya: Enabling Private-Sector Participation in Infrastructure and Social Services*. 2018

AUSSENWIRTSCHAFT AUSTRIA

AUSSENWIRTSCHAFTSCENTER NAIROBI

T +254 20 776 2390

E [nairobi@wko.at](mailto:nairobi@wko.at)

W [wko.at/aussenwirtschaft/ke](http://wko.at/aussenwirtschaft/ke)

