



# Promoting Kenya competitiveness in the region

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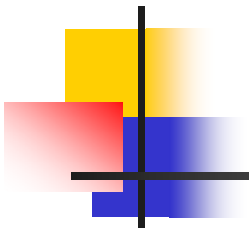
- There are opportunities to exploit but we cannot do it if we are not competitive
- How can Kenya gain competitiveness and timely take advantage of the opportunities?

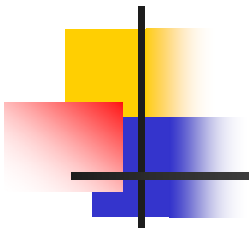


# Why competitiveness?

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- Nation's living standards are dependent on the productivity and ability to exchange products with others in the international market.

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- Competitiveness is about being able to compete technologically, offer competitive prices and have capacity to meet the market demand.
  - It compasses the institutional set up, policies and factors that determine productivity.

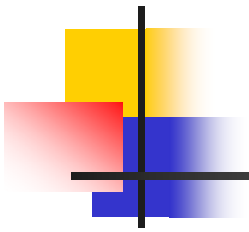
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- It means therefore that a favorable investment climate will boost the level of competitiveness.
  - How well is Kenya performing vs its competitors?
  - What can we do to enhance competitiveness?



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- GCI

- Overall in 2003 ranking 83 as compared to SA 42
- Public institutions 92 vs 43
- Macroeconomic environment 77 vs 40
- Technologically 74 vs 40

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- Kenya is loosing in industrial competitiveness
    - Overall index 0.134 vs 0.299
    - Manufacturing value added 0.003 vs 0.059
    - Manufactured exports per capita 0.001 vs .012
    - Industrialization intensity 0.254 vs 0.528



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- BCI

- Overall 63 vs 25
- Company operations and strategy ranking 56 vs 24
- Quality of national business environment 63 vs 25



# Factors

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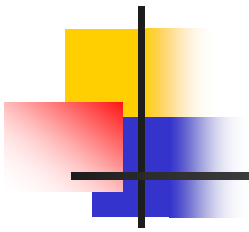
- Using the various pillars of competitiveness we are doing well with the basic requirements (enabling environment)
  - Institutions 63 vs 27
  - Physical infrastructure 92 vs 27
  - Macro stability 85 vs 45
  - Security 103 vs 82
  - Basic human capital 89 vs 86



# Access to credit

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- Private sector credit 55% vs 95%
- 52% using internal funding
- 17% using banks loans
- 12% of investment using overdrafts
- Loan process 11 weeks to 104 weeks
- 24 weeks to 52 weeks to reject a loan application

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- Interest spread 13.4 vs 5.2
  - Ranking 90 vs 49



# Human capital

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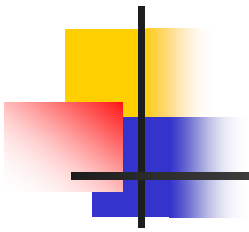
- HDI 0.488 vs 0.666
- Life expectancy 45.2 vs 48.8 and 72 Mauritius
- Impact of HIV/AIDS on business 91 vs 100 and 33 for Mauritius
- Labour is educated but productivity is low



# Security

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- 78% of businesses and 56% of households were victims in 2003/04
- 52% customers victims
- 41% theft in transit
- 1% of sales to replace damaged
- 2% to replace the stolen

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- 9% lost market share
  - 1.63 hours
  - 5 productive days
  - 44% of investment



# Governance

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- 48% indicate a bribe was requested
- 55% telephone connection (5,000)
- 38% in construction permit (30,000)
- 7.5% of government contracts value
- 4% of the sales on bribery



# infrastructure

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- 124 days to get connections of telephone
- 9% lose due to outages
- Cost of electricity 10 to 30% greater than competitors
- Water 40 us cents as compared to Ghana 27 cents



# Conclusions/recommendations

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- Improve access to financial services
- Enhance human capital development
- Enhance governance
- Tighten security of persons and property
- Enhance technology