

Chapter 18

Highlights of Foreign Investment Survey 2013

Introduction The liberalisation of the economy has led to large inflows of private capital into the country. These flows have significant macroeconomic effects on the economy that require urgent policy responses. Information on the level and composition of private capital flows are important for appropriate and timely decisions by policy makers. Before 1993, all foreign exchange transactions were controlled by the Central Bank of Kenya (CBK), and therefore, all data on foreign exchange transactions were available. However, after liberalisation, some of the data pertaining to the same was not readily available. The first Foreign Investment Survey (FIS 2010) therefore aimed at addressing the data gaps. FIS 2010 collected data for the period 2007 and 2008 on a sample of 900 enterprises with foreign transactions/positions. The second Foreign Investment Survey (FIS 2013) captured data on foreign private capital flows and stocks for the period 2009, 2010 and 2011; and targeted a sample of 500 enterprises, which were selected on the basis of FIS 2010. The sampled enterprises are those that were found to have foreign transactions during FIS 2010 and jointly contributed about 90.0 per cent of the total foreign transactions.

18.2. The specific objectives of the survey were to collect data necessary to: improve the quality of Balance of Payments (BOP) and International Investment Position (IIP) statistics with a view to enhancing compliance with international standards of their compilation and reporting; and assess investors' perceptions of the investment climate in the country.

18.3. Besides FIS 2013, additional information on flows was sought from the Export Processing Zones Authority (EPZA), CBK, Capital Markets Authority (CMA) and Kenya Investment Authority (KenInvest).

Foreign Liabilities 18.4. The stock of foreign liabilities increased by 16.9 per cent from KSh 526,262 million in 2009 to KSh 615,088 million in 2010 as shown in Table 18.1 and Figure 18.1. The stock of Foreign Direct Investment (FDI), Other Investment (OI) and Portfolio Investment (PI) accounted for 65.2, 19.3 and 15.5 per cent of the total liabilities, respectively, in 2010. The stock of foreign liabilities increased by 14.0 per cent from KSh 615,088 million in 2010 to KSh 701,479 million in 2011. The stock of FDI had the largest share of 65.9 per cent, followed by other investment with a share of 19.0 per cent and portfolio investment accounting for 15.1 per cent of the total liabilities in 2011.

18.5. Europe, in particular, the European Union (EU) remained the major source of investment to Kenya accounting for 47.4, 42.6 and 44.0 per cent of the total liability stocks in 2009, 2010 and 2011, respectively. During the survey reference period, Asia, America and Africa accounted for a significant share of total stock of foreign liabilities. In 2011, the stock of external liabilities attributable to Europe, Africa and America increased by 17.9, 26.2 and 28.8 per cent, respectively. The growth in stocks from Europe and Africa were mainly driven by increases in stocks from EU and Common Market of Eastern and Southern Africa (COMESA). The United Kingdom remained the leading source of foreign investment stock accounting for 23.3, 24.4 and 27.2 per cent of total liabilities in 2009, 2010 and 2011,

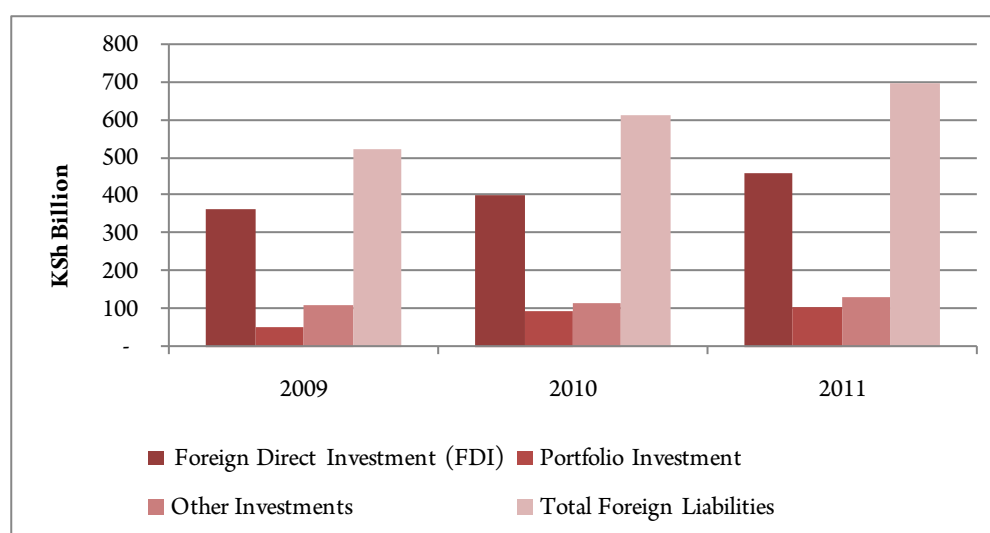
respectively. This could be partly explained by the long standing trade relationship between the two countries over the years. Mauritius, Japan, Netherlands, United States of America (USA) and France were the other major sources, during the survey period. The stock of foreign liabilities from Belgium increased from KSh 4,190 million in 2010 to KSh 19,417 million in 2011.

18.6. The manufacturing sector was the biggest beneficiary of foreign investment accounting for 19.3, 21.5 and 21.4 per cent of the total external liabilities in 2009, 2010 and 2011, respectively. Financial and insurance activities; and electricity, gas, steam and air conditioning supply sectors came second and third with human health and social work sector accounting for the least share to total liabilities.

Table 18.1: Stock of External Liabilities, 2009 - 2011

Components	2009		2010		2011	
	KSh Million	% Share	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment (FDI)	366,792.3	69.7	401,100.8	65.2	462,490.4	65.9
Total Equity and Investment Fund Shares	256,993.7	48.8	248,702.0	40.4	285,848.8	40.7
Equity and Investment Fund Shares	205,234.2	39.0	190,153.1	30.9	213,923.5	30.5
Accumulated Retained Earnings	51,759.5	9.8	58,549.0	9.5	71,925.3	10.3
Debt Instruments	109,798.6	20.9	152,398.8	24.8	176,641.6	25.2
Portfolio Investment	50,567.8	9.6	95,438.5	15.5	105,777.9	15.1
Equity and Investment Fund Shares	49,345.7	9.4	94,265.8	15.3	104,526.7	14.9
Debt Securities	1,222.1	0.2	1,172.7	0.2	1,251.2	0.2
Other Investments	108,902.1	20.7	118,549.1	19.3	133,210.8	19.0
Other Equity	23.7	0.0	35.3	0.0	45.5	0.0
Currency and Deposits	296.8	0.1	478.9	0.1	408.7	0.1
Trade Credits and Advances	4,669.7	0.9	6,824.6	1.1	6,548.1	0.9
Loans	99,652.7	18.9	108,429.3	17.6	123,859.8	17.7
Insurance, Pension and Standardised Guarantees ..	-	-	128.8	0.0	159.1	0.0
Other Accounts Payables / Receivables	4,259.3	0.8	2,652.3	0.4	2,189.6	0.3
Total Foreign Liabilities	526,262.2	100.0	615,088.5	100.0	701,479.0	100.0

Figure 18.1: Stock of External Liabilities, 2009 - 2011



18.7. Total foreign liability inflows increased by 16.9 per cent to KSh 201,704 million in 2010 compared to KSh 172,518 million 2009 as presented in Table 18.2. Total outflows increased by 52.6 to KSh 89,664 million in 2010 compared to KSh 58,767 million in 2009. This resulted to a decline of 1.5 per cent in the total net inflows in 2010. However, the net inflows increased

by 18.0 per cent to stand at KSh 132,261 million compared to KSh 112,040 million recorded in 2010. FDI inflows contributed the largest component of total inflows in 2010 accounting for 73.9 per cent. Although foreign direct investments increased by 33.0 per cent to KSh 198,398 million, the share to the total inflows decline to 71.8 per cent. Inflows were mainly in the form of equity and investment fund shares and short term debt instruments. In 2011, inflows of portfolio investment increased by 39.0 per cent to KSh 44,434 million from KSh 31,974 million in 2010. Other investment inflows increased by 63.2 per cent in 2011 on account of long term loans which more than tripled compared to a growth of 52.4 per cent in 2010 when they were mainly driven by short term trade credits and advances.

18.8. Africa had the highest share of inflows in 2010 and was the second leading source of the total inflows after Europe in 2009 and 2011. Asia contributed 5.6 per cent and 8.1 per cent of the total inflows in 2009 and 2011 in that order, mainly from the Far East countries. In 2010, the inflows from Africa, Europe and Asia accounted for 40.0, 27.8 and 26.5 per cent of the total inflows, respectively. America accounted for 11.7, 3.4 and 3.6 per cent of the total inflows in 2009, 2010 and 2011, respectively. Inflows from Asia increased fivefold with those from Africa increasing by 43.6 per cent. Significant declines of 66.2 per cent and 33.7 per cent in inflows from America and Europe were recorded in 2010.

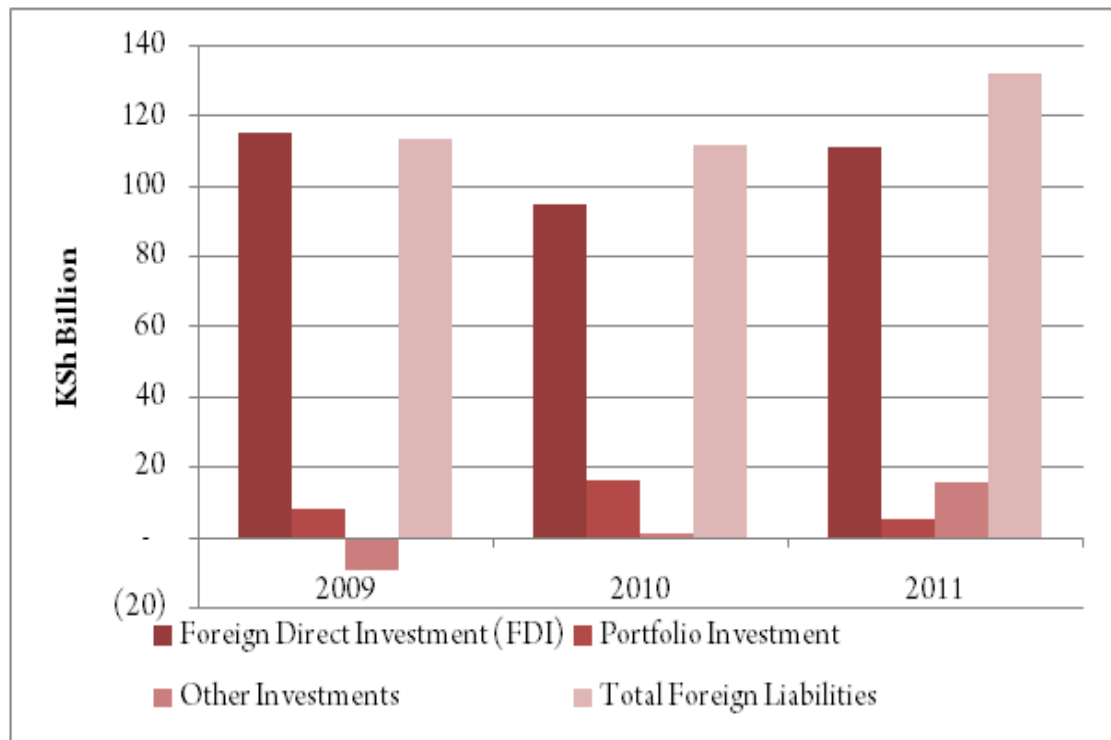
18.9. Total outflows of external liabilities increased by 52.6 per cent in 2009 to KSh 89,664 million in 2010 and by 60.8 per cent in 2010 to KSh 144,204 million in 2011. FDI outflows increased substantially by 92.7 per cent in 2010 due to an increase in short term outflows of debt instruments, which more than doubled during the same period. Outflows of FDI in 2011 increased by 60.3 per cent to KSh 86,933 million accounting for 60.3 per cent of the total outflows. In 2010, portfolio investment outflows more than doubled while other investment contracted by 14.5 per cent to KSh 19,849 million. The decline in other investment outflows was mainly in short term accounts payables/receivables. In 2011, outflows of other investment followed a similar trend decreasing by 9.3 per cent mainly on account of decline in long term loans. Total net foreign inflow liabilities in 2009, 2010 and 2011 have been on a steady rise since 2009, as depicted in Figure 18.2.

Table 18.2: Flows of External Liabilities, 2009 – 2011

Components	2009			2010			2011		
	Inflows	Outflows	Net	Inflows	Outflows	Net	Inflows	Outflows	Net
Foreign Direct Investment (FDI)	143,503.0	28,149.8	115,353.3	149,122.2	54,236.2	94,886.0	198,397.8	86,932.6	111,465.2
Total Equity and Investment Fund Shares ..	92,734.9	90.3	92,644.6	66,381.0	304.6	66,076.4	95,410.8	742.5	94,668.4
Equity and Investment Fund Shares									
other than Reinvested Earnings	83,764.4	90.3	83,674.1	52,336.9	304.6	52,032.3	75,370.7	742.5	74,628.2
Retained Earnings	8,970.5	-	8,970.5	14,044.1	-	14,044.1	20,040.2	-	20,040.2
Debt Instruments	50,768.2	28,059.5	22,708.7	82,741.2	53,931.5	28,809.6	102,987.0	86,190.1	16,796.9
Portfolio Investment	15,493.3	7,397.0	8,096.3	31,973.6	15,579.0	16,394.6	44,433.8	39,272.0	5,161.8
Equity and Investment Fund Shares	15,723.0	7,397.0	8,326.0	30,706.0	15,579.0	15,127.0	39,492.0	39,272.0	220.0
Debt Securities	-	229.7	-229.7	1,267.6	-	1,267.6	4,941.8	-	4,941.8
Other Investments	13,521.4	23,220.1	-9,698.7	20,608.0	19,848.9	759.1	33,634.3	17,999.9	15,634.4
Other Equity	-	-	-	-	-	-	-	-	-
Currency and Deposits	-	-	-	-	-	-	-	-	-
Trade Credits and Advances	9,000.1	11,139.6	-2,139.5	14,315.2	12,346.6	1,968.7	11,954.7	11,821.8	132.9
Loans	3,482.3	4,863.8	-1,381.6	5,417.0	6,037.2	-620.1	20,696.4	5,004.4	15,692.1
Insurance, Pension and	-	-	-	128.8	-	128.8	30.3	-	30.3
Standardised Guarantees	-	-	-	-	-	-	-	-	-
Other Accounts Payables / Receivables ...	1,033.2	412.6	620.6	746.9	572.1	174.9	952.9	1,173.7	-220.9
Total Foreign Liabilities	172,517.8	58,766.9	113,750.9	201,703.8	89,664.1	112,039.7	276,465.9	144,204.4	132,261.4

KSh Million

Figure 18.2: Net Inflows of External Liabilities, 2009 – 2011



Flows of External Liabilities by Country 18.10. Mauritius and United Kingdom were the leading sources of inflows accounting for 36.2 per cent and 20.4 per cent in 2010; and 31.7 per cent and 34.8 per cent in 2011 of the total inflows, respectively. Inflows from China accounted for 20.3 per cent of the total inflows in 2010 and 4.7 per cent in 2011, as reflected in Table 18.3. South Africa's share of total inflows in 2010 was 2.0 per cent while in 2011 it rose to 5.1 per cent.

18.11. Mauritius was the leading destination of outflows during the review period accounting for 28.4, 49.2 and 50.8 per cent of total outflows in 2009, 2010 and 2011, respectively. Over the same period, United Kingdom outflows accounted for 25.4, 23.8 and 34.7 per cent of the total outflows.

Table 18.3: Flows of External Liabilities by Country, 2009 - 2011

KSh Million

Country	2009			2010			2011		
	Inflows	Outflows	Net	Inflows	Outflows	Net	Inflows	Outflows	Net
United Kingdom	42,191.0	14,941.1	27,249.9	41,129.4	21,345.9	19,783.6	87,674.1	50,010.8	37,663.2
Mauritius	44,573.9	16,701.5	27,872.4	73,063.2	44,313.0	28,750.2	96,081.8	73,213.7	22,868.1
Belgium	1,140.4	179.4	961.0	723.7	151.4	572.4	15,358.2	8.3	15,349.9
China	1,455.9	327.8	1,128.1	40,998.0	414.8	40,583.2	12,956.6	361.6	12,594.9
South Africa	3,295.3	1,810.1	1,485.2	4,020.7	1,811.2	2,209.5	13,989.2	2,183.4	11,805.8
US	17,209.4	777.0	16,432.4	4,343.9	1,014.7	3,329.2	6,540.0	338.0	6,202.0
Yemen	-	-	-	-	-	-	5,043.0	-	5,043.0
Switzerland	2,393.2	6,928.5	(4,535.3)	1,110.1	1,250.5	(140.5)	2,523.6	9.1	2,514.5
Germany	5,815.1	7,331.9	(1,516.8)	8,790.1	7,588.3	1,201.9	10,908.3	8,926.0	1,982.3
Finland	524.4	-	524.4	918.4	135.6	782.8	1,698.5	106.4	1,592.0
Canada	994.3	3.2	991.1	240.2	4.6	235.6	1,350.9	2.3	1,348.7
Netherlands	29,651.5	949.4	28,702.1	3,304.8	1,023.0	2,281.8	1,562.9	281.9	1,281.0
India	4,084.5	11.8	4,072.7	2,058.4	54.7	2,003.7	1,266.1	77.9	1,188.2
Luxembourg	190.0	-	190.0	405.1	64.5	340.6	1,241.1	274.0	967.2
Egypt	1,549.7	1,440.4	109.4	2,290.7	1,809.6	481.1	2,981.3	2,328.0	653.2
Isle of Man	500.6	24.0	476.6	103.3	27.7	75.6	612.8	24.3	588.4
Panama	-	6.4	(6.4)	427.8	-	427.8	497.7	-	497.7
Norway	421.0	-	421.0	447.9	-	447.9	495.1	-	495.1
Saudi Arabia	461.0	345.0	116.0	596.5	529.8	66.8	351.9	-	351.9
Korea - South	29.5	-	29.5	1,011.0	-	1,011.0	303.9	-	303.9
Qatar	385.6	-	385.6	(66.1)	-	(66.1)	241.9	-	241.9
Russia Federation	236.1	-	236.1	7.3	-	7.3	225.0	-	225.0
Lebanon	117.0	-	117.0	119.0	-	119.0	211.7	-	211.7
United Arab Emirates	241.4	75.6	165.8	854.7	413.7	441.0	211.3	5.7	205.6
Togo	-	723.1	(723.1)	113.3	-	113.3	183.4	-	183.4
Sweden	712.7	40.0	672.7	144.0	68.7	75.4	166.0	34.5	131.5
Turkey	-	-	-	110.0	-	110.0	122.4	-	122.4
British Virgin Island	88.2	-	88.2	155.2	-	155.2	102.7	-	102.7
International Financial Institution/Organization	1,785.0	310.9	1,474.2	1,800.9	295.3	1,505.6	8,732.2	253.9	8,478.4
Country Not Stated	50.2	650.6	(600.4)	2,813.7	658.5	2,155.2	7,393.1	362.2	7,030.9
Others	13,150.3	5,918.7	7,231.6	9,668.5	6,688.6	2,979.8	(4,560.5)	5,402.5	(9,963.0)
Grand Total	172,517.8	58,766.9	113,750.9	201,703.8	89,664.1	112,039.7	276,465.9	144,204.4	132,261.4

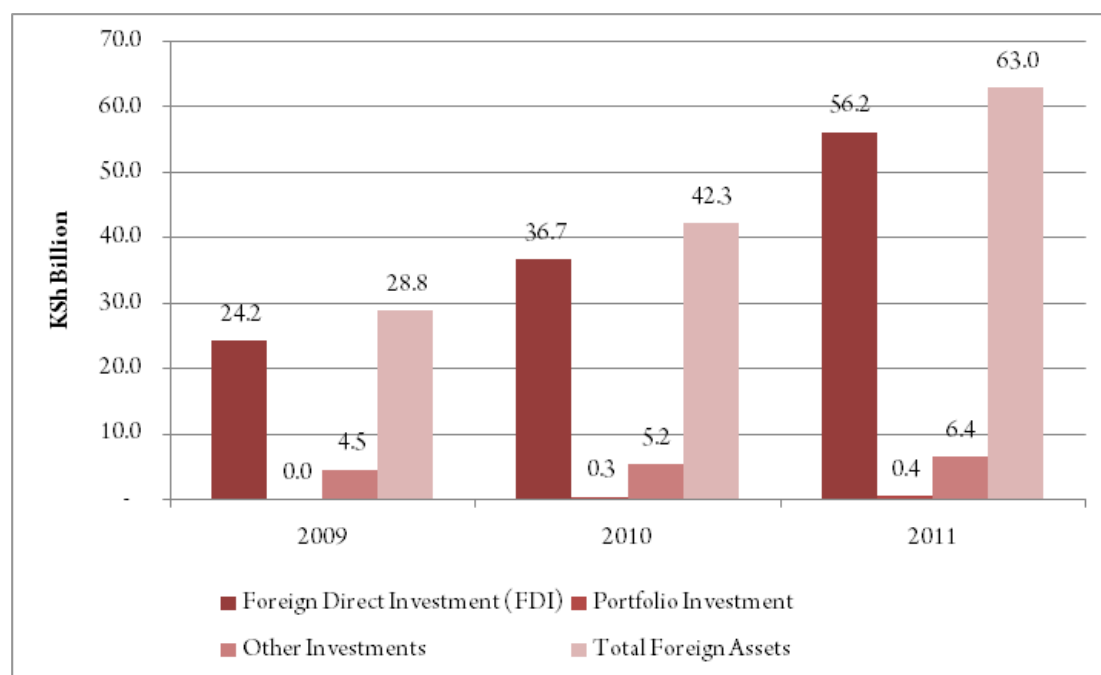
Foreign Assets

18.12. The total stock of Kenya's foreign assets have been increasing, rising from KSh 28,767 million in 2009 to KSh 63,005 million in 2011 as shown in Table 18.4 and Figure 18.3. Generally, all categories of investment registered an upward trend in the three years. The increase in FDI was mainly driven by equity and investment fund shares. Debt instruments, comprising mainly of short term instruments, increased by 63.2 per cent in 2010 but declined by 6.2 per cent in 2011. Portfolio investment, which mainly comprised of long term debt securities increased from KSh 43.2 million to KSh 325 million and to KSh 408 million over the period. Under other investments, long term trade credits and advances increased by 19.1 per cent in 2010 and 56.2 per cent in 2011. The country's external assets were pre-dominantly held in Africa, with the least assets being held in Australia and Oceanic. Total external assets held in Africa were on an upward trend over the three year period accounting for 55.5, 45.2 and 68.1 per cent of the total stock of external assets, respectively.

Table 18.4: Stock of External Assets, 2009 - 2011

Components	2009		2010		2011	
	KSh Million	% Share	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment (FDI)	24,219.6	84.2	36,738.3	86.9	56,177.1	89.2
Total Equity and Investment Fund Shares	10,604.3	36.9	14,513.3	34.3	35,321.3	56.1
Equity and Investment Fund Share	9,278.7	32.3	11,731.4	27.8	27,140.8	43.1
Retained Earnings	1,325.5	4.6	2,781.9	6.6	8,180.5	13.0
Debt Instruments	13,615.3	47.3	22,225.0	52.6	20,855.8	33.1
Portfolio Investment	43.2	0.2	324.8	0.8	407.9	0.6
Other Investments	4,504.3	15.7	5,208.7	12.3	6,420.2	10.2
Currency and Deposits	41.1	0.1	39.8	0.1	40.5	0.1
Trade Credits and Advances	2,696.9	9.4	3,266.9	7.7	4,545.9	7.2
Loans	1,210.5	4.2	1,273.0	3.0	1,319.1	2.1
Other Accounts Payables / Receivables	555.8	1.9	629.0	1.5	514.7	0.8
Total Foreign Assets	28,767.1	100.0	42,271.8	100.0	63,005.3	100.0

Figure 18.3: Stock of External Assets, 2009 - 2011



18.13. The outgoing private investments have been on the rise for the three year period as reflected in Table 18.5. During the period, FDI dominated the external foreign assets mainly comprising of short term debt instruments. Debt instruments increased from KSh 4,849 million in 2009 to KSh 5,879 million in 2010 and to KSh 9,499 million in 2011. Reinvested earnings increased from KSh 2,713 million in 2010 to KSh 4,252 million in 2011. Outgoing portfolio investments increased from KSh 282 million in 2010 to KSh 368 million in 2011. Other investments abroad which comprised mainly trade credits and advances increased by 68.2 per cent from KSh 556 million in 2009 to KSh 935 million in 2010 and more than doubled to KSh 2,282 million in 2011.

18.14. Total disinvestments from abroad declined by 13.5 per cent from KSh 7,235 million in 2009 to KSh 6,255 million in 2010 and almost doubled to KSh 11,347 million in 2011. Disinvestments were mainly in short term debt instruments which increased by 90.6 per cent in 2011.

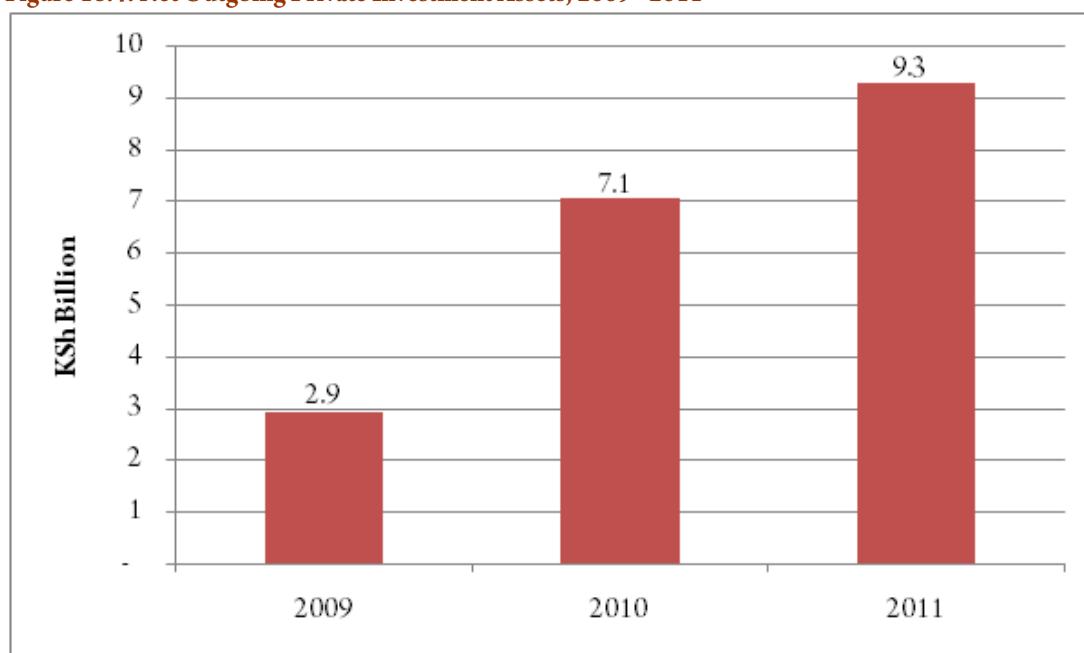
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18.15. Kenya's net outgoing private investment assets abroad increased from KSh 2,923 million in 2009 to KSh 7,072 million in 2010 and further to KSh 9,315 million in 2011 attributed to growth in retained earnings, as depicted in Figure 18.4. Retained earnings increased by 26.0 per cent from KSh 2,154 million in 2009 to KSh 2,713 million in 2010 and grew by 56.7 per cent to KSh 4,252 million in 2011.

Table 18.5: Flows of External Assets, 2009 - 2011

Components	KSh Million								
	2009			2010			2011		
	Inflows	Outflows	Net	Inflows	Outflows	Net	Inflows	Outflows	Net
Foreign Direct Investment (FDI)	9,558.4	6,544.8	3,013.6	12,110.9	5,689.4	6,421.5	18,011.8	10,375.0	7,636.8
Total Equity and Investment Fund Shares ...	2,732.1	-	2,732.1	4,034.0	6.8	4,027.2	6,112.9	-	6,112.9
Equity and Investment Fund Shares ...	577.9	-	577.9	1,321.5	6.8	1,314.7	1,860.4	-	1,860.4
Retained Earnings ...	2,154.2	-	2,154.2	2,712.5	-	2,712.5	4,252.5	-	4,252.5
Debt Instruments ...	6,826.3	6,544.8	281.5	8,076.9	5,682.7	2,394.2	11,898.9	10,375.0	1,523.9
Portfolio Investment ...	43.2	-	43.2	281.6	-	281.6	368.2	285.0	83.2
Equity and Investment Fund Shares ...	-	-	-	-	-	-	-	-	-
Debt Securities ...	43.2	-	43.2	281.6	-	281.6	368.2	285.0	83.2
Other Investments ...	556.1	690.2	(134.1)	934.5	565.6	369.0	2,282.1	687.4	1,594.6
Currency and Deposits ...	75.4	75.4	0.0	19.1	18.6	0.6	-	-	-
Trade Credits and Advances ...	400.0	484.3	(84.3)	634.8	296.1	338.6	2,059.0	479.5	1,579.5
Loans ...	19.6	71.7	(52.1)	12.3	12.9	(0.6)	-	-	-
Other Accounts Payables / Receivables ...	61.2	58.9	2.3	268.4	238.0	30.4	223.1	207.9	15.1
Total Foreign Assets	10,157.7	7,235.0	2,922.7	13,327.0	6,255.0	7,072.0	20,662.0	11,347.5	9,314.6

Figure 18.4: Net Outgoing Private Investment Assets, 2009 - 2011



Private Sector Debt 18.16. The stock of Private Sector External Debt (PSED) liabilities increased by 23.7 per cent to KSh 272,085 million in 2010, as shown in Table 18.6 and further expanded by 14.3 per cent in 2011 to KSh 311,058 million. The stock of non-equity liabilities were mainly held by enterprises in FDI relationships accounting for 49.9, 56.0 and 56.8 per cent in 2009, 2010 and 2011, respectively, of the total stock of PSED. The largest contributors under this category were the direct investors/parent companies to the enterprise. Stock of other investment liabilities attributed to unrelated enterprises were significant, accounting for 49.5, 43.6 and 42.8 per cent of the total stock of PSED liabilities in 2009, 2010 and 2011, respectively. These were mainly in the form of long term loans, which accounted for the highest proportion in the survey period.

Table 18.6: Stock of Private Sector External Debt (PSED) Liabilities, 2009 - 2011

Components	2009		2010		2011	
	KSh Million	% Share	KSh Million	% Share	KSh Million	% Share
Foreign Direct Investment (FDI)	109,798.6	49.9	152,398.8	56.0	176,641.6	56.8
Debt Instruments	109,798.6	49.9	152,398.8	56.0	176,641.6	56.8
Long Term	52,444.8	23.8	63,625.0	23.4	61,964.5	19.9
Short Term	57,353.8	26.1	88,773.8	32.6	114,677.1	36.9
Portfolio Investment	1,222.1	0.6	1,172.7	0.4	1,251.2	0.4
Debt Securities	1,222.1	0.6	1,172.7	0.4	1,251.2	0.4
Long Term	1,222.1	0.6	1,172.7	0.4	1,251.2	0.4
Short Term	-	-	-	-	-	-
Other Investments	108,878.4	49.5	118,513.8	43.6	133,165.3	42.8
Currency and Deposits	296.8	0.1	478.9	0.2	408.7	0.1
Long Term	-	-	-	-	-	-
Short Term	296.8	0.1	478.9	0.2	408.7	0.1
Trade Credits and Advances	4,669.7	2.1	6,824.6	2.5	6,548.1	2.1
Long Term	540.7	0.2	1,997.7	0.7	1,642.5	0.5
Short Term	4,128.9	1.9	4,826.9	1.8	4,905.6	1.6
Loans	99,652.7	45.3	108,429.3	39.9	123,859.8	39.8
Long Term	88,241.6	40.1	98,729.7	36.3	113,940.0	36.6
Short Term	11,411.1	5.2	9,699.6	3.6	9,919.8	3.2
Insurance, Pension and Standardised Guarantees	-	-	128.8	0.0	159.1	0.1
Other Accounts Payables / Receivables	4,259.3	1.9	2,652.3	1.0	2,189.6	0.7
Long Term	1,586.4	0.7	979.5	0.4	767.1	0.2
Short Term	2,672.9	1.2	1,672.7	0.6	1,422.5	0.5
Total Non-Equity Liabilities	219,899.1	100.0	272,085.3	100.0	311,058.0	100.0

18.17. PSED inflows increased by 60.8 per cent from KSh 64,060 million in 2009 to KSh 104,617 million in 2010 and further to KSh 141,563 million in 2011 as presented in Table 18.7. Increased non-equity inflows were largely reflected in enterprises in direct investment relationships accounting for 79.1 per cent in 2010 and 72.7 per cent in 2011. Loans and trade credits and advances from unrelated enterprises within the category of other investments also contributed to the increase in inflows. Inflows attributed to enterprises in foreign direct investment relationship increased by 63.0 per cent and 24.5 per cent in 2010 and 2011, respectively. Non-equity inflows attributed to portfolio investment increased from KSh 1,268 million in 2010 to KSh 4,942 million in 2011. Non-equity outflows increased by 43.9 per cent from KSh 51,280 million in 2009 to KSh 73,780 million in 2010 and further by 41.2 per cent to KSh 104,190 million in 2011. The expansions were mainly attributed to enterprise in FDI relationship accounting for 54.7 per cent in 2010 and 73.1 per cent in 2011.

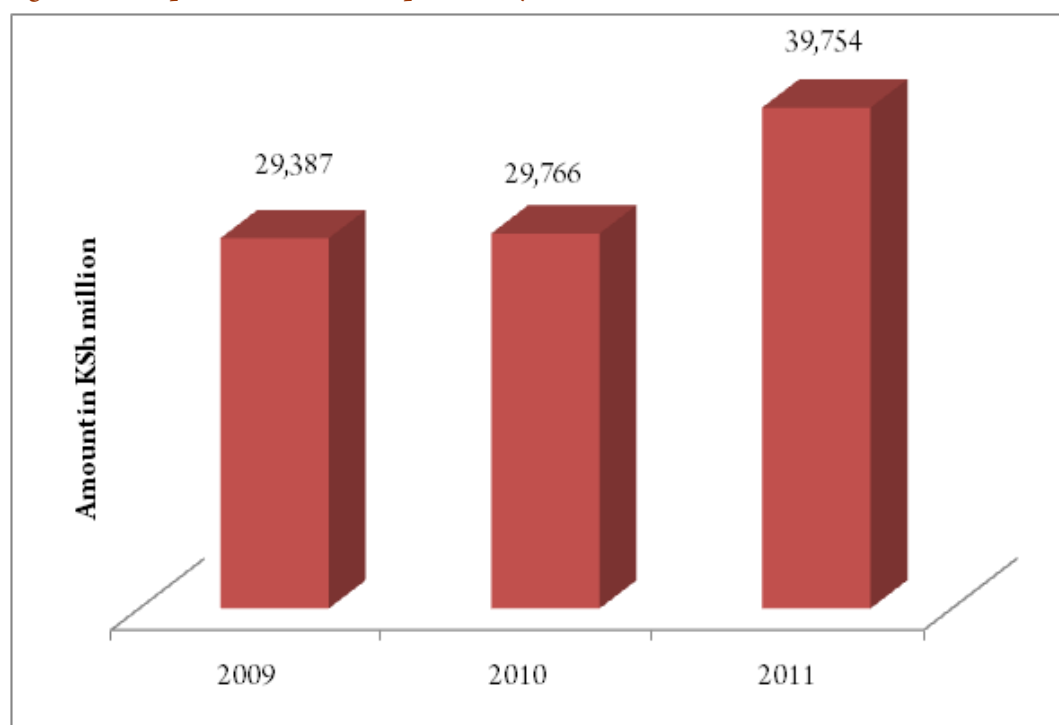
Table 18.7: Flows of Private Sector External Debt Liabilities, 2009 - 2011

Components	KSh Million								
	2009			2010			2011		
	Inflows	Outflows	Net	Inflows	Outflows	Net	Inflows	Outflows	Net
Foreign Direct Investment (FDI) ...	50,768.2	28,059.5	22,708.7	82,741.2	53,931.5	28,809.6	102,987.0	86,190.1	16,796.9
Debt Instruments	50,768.2	28,059.5	22,708.7	82,741.2	53,931.5	28,809.6	102,987.0	86,190.1	16,796.9
Long Term	2,591.5	3,999.0	(1,407.5)	4,140.9	4,192.3	(51.4)	1,910.8	6,383.1	(4,472.2)
Short Term	48,176.7	24,060.5	24,116.2	78,600.3	49,739.2	28,861.1	101,076.1	79,807.0	21,269.1
Portfolio Investment	-	229.7	(229.7)	1,267.6	-	1,267.6	4,941.8	-	4,941.8
Debt Securities	-	229.7	(229.7)	1,267.6	-	1,267.6	4,941.8	-	4,941.8
Long Term	-	10.7	(10.7)	379.9	-	379.9	3,744.6	-	3,744.6
Short Term	-	219.0	(219.0)	887.7	-	887.7	1,197.1	-	1,197.1
Other Investments	13,521.4	23,220.1	(9,698.7)	20,608.0	19,848.9	759.1	33,634.3	17,999.9	15,634.4
Currency and Deposits	-	-	-	-	-	-	-	-	-
Long Term	-	-	-	-	-	-	-	-	-
Short Term	-	-	-	-	-	-	-	-	-
Trade Credits and Advances	9,000.1	11,139.6	(2,139.5)	14,315.2	12,346.6	1,968.7	11,954.7	11,821.8	132.9
Long Term	514.5	453.8	60.7	2,285.8	884.6	1,401.2	-	227.0	(227.0)
Short Term	8,485.5	10,685.8	(2,200.3)	12,029.5	11,462.0	567.5	11,954.7	11,594.8	359.9
Loans	3,482.3	4,863.8	(1,381.6)	5,417.0	6,037.2	(620.1)	20,696.4	5,004.4	15,692.1
Long Term	3,131.4	4,605.7	(1,474.3)	5,269.6	5,851.8	(582.2)	20,577.1	4,885.6	15,691.4
Short Term	350.9	258.1	92.8	147.5	185.4	(37.9)	119.4	118.7	0.6
Insurance, Pension and Standardised Guarantees	-	-	-	128.8	-	128.8	30.3	-	30.3
Other Accounts Payables / Receivables	1,039.1	7,216.7	(6,177.6)	746.9	1,465.2	(718.2)	952.9	1,173.7	(220.9)
Long Term	541.2	4.9	536.3	-	32.2	(32.2)	-	186.3	(186.3)
Short Term	497.9	7,211.8	(6,713.9)	746.9	1,432.9	(686.0)	952.9	987.4	(34.5)
Total Non-Equity Liabilities	64,059.9	51,279.6	12,780.3	104,616.8	73,780.5	30,836.3	141,563.1	104,190.0	37,373.1

18.18. During the period, non-equity inflows were mainly channeled to the wholesale and retail trade sector which on average accounted for 70.6 per cent of the total PSED liability inflows. Inflows to the sector increased by 64.9 per cent from KSh 45,773 million in 2009 to KSh 75,483 million in 2010, and further by 28.0 per cent to KSh 96,610 million in 2011. Although the manufacturing sector recorded significant inflows, its share to total flows declined from 21.4 per cent in 2009 to 15.8 per cent in 2010 and further to 12.3 per cent in 2011.

Trade in Services 18.19. The amount paid for services provided by non-residents to Kenyans firms increased from KSh 29,387 million in 2009 to KSh 39,754 million in 2011, representing overall growth of 35.3 per cent, as shown in Figure 18.5. The increase between 2010 and 2011 was attributed to significant growth in amount paid for services provided in the construction sector. Amount paid by firms in construction sector more than tripled while that in telecommunication, computer and information service grew by 36.6 per cent.

Figure 18.5: Expenditure on services provided by non-residents



Investor Perception in 2013

18.20. Both customs and excise duty; and corporate tax were viewed as having a negative effect on business by most enterprises during the survey. Similarly, a large proportion of the respondents indicated that interest rates and exchange rates had a net negative effect on business operations, at the time of the survey (2013). Access to domestic and international markets were however, rated to have a net positive effect on business operations. Domestic sources of finance remained the major sources of project financing, though some firms indicated reliance on regional and international finance to drive their growth agenda.

18.21. Internet services, banking and insurance; access to credit; and water and postal services were found to have had positive impact on business operations. Unreliable electricity supply, however, continued to impact negatively on investment decisions.

18.22. Insecurity and crime; politics/elections and corruption were perceived to impact negatively on business operations. Corruption was cited by 76.4 per cent of the respondents to have had a negative effect on business operations. Similarly, 70.0 per cent and 79.5 per cent of the respondents indicated that insecurity and politics/elections, respectively, negatively affects the smooth running of businesses. The survey takes cognizance of the high advance rating on politics/election, a fact that could be explained by the timing of the survey just prior to the 2013 general elections.