



Business Focus East Africa: Focus Ethiopia and Kenya

3 June 2020
Promos Italia
Webinar

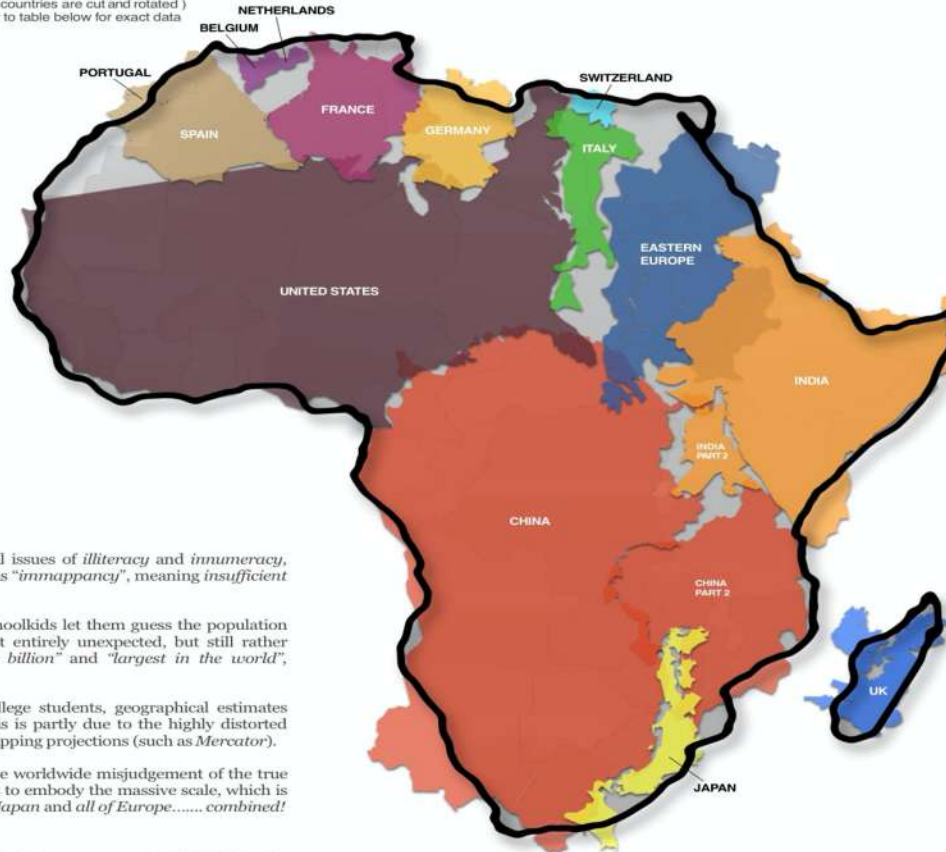
The True Size of Africa

The True Size of Africa

A small contribution in the fight against rampant *Immappancy*, by Kai Krause

Graphic layout for visualization only (some countries are cut and rotated)
But the conclusions are very accurate: refer to table below for exact data

COUNTRY	AREA x 1000 km ²
China	9.597
USA	9.629
India	3.287
Mexico	1.964
Peru	1.285
France	633
Spain	506
Papua New Guinea	462
Sweden	441
Japan	378
Germany	357
Norway	324
Italy	301
New Zealand	270
United Kingdom	243
Nepal	147
Bangladesh	144
Greece	132
TOTAL	30.102
AFRICA	30.221



Top 100 Countries

Area in square kilometers, Percentage of World Total
Sources: Britannica, Wikipedia, Almanac 2010

	AREA km ²	%	
1	Russia	17.098.242	11,50
2	Canada	9.884.670	6,70
3	China	9.596.361	6,40
4	United States	9.629.391	6,40
5	Brazil	8.514.877	5,70
6	India	7.682.524	5,20
7	Australia	3.287.293	2,30
8	Argentina	2.780.400	2,00
9	Kazakhstan	2.724.500	1,80
10	Sudan	2.505.813	1,70
11	Algeria	2.381.741	1,60
12	Congo	2.344.898	1,60
13	Greenland	2.166.086	1,50
14	South Africa	2.149.900	1,40
15	Mexico	1.964.375	1,30
16	Indonesia	1.900.360	1,30
17	Libya	1.759.540	1,20
18	Iran	1.628.750	1,10
19	Mongolia	1.564.100	1,10
20	Peru	1.285.216	0,86
21	Chad	1.284.000	0,86
22	Niger	1.267.000	0,86
23	Angola	1.246.700	0,85
24	Mali	1.240.190	0,83
25	South Africa	1.221.537	0,82
26	Colombia	1.141.748	0,76
27	Ethiopia	1.104.309	0,74
28	Bolivia	1.098.581	0,74
29	Mauritania	1.020.500	0,69
30	Egypt	1.002.000	0,67
31	Tanzania	945.987	0,63
32	Nigeria	929.768	0,62
33	Venezuela	912.050	0,61
34	Hambia	824.116	0,55
35	Mozambique	801.590	0,54
36	Pakistan	796.090	0,53
37	Turkey	780.562	0,53
38	Chile	756.160	0,51
39	Zambia	752.412	0,51
40	Myanmar	676.578	0,45
41	Alghanistan	652.090	0,44
42	Somalia	637.657	0,43
43	France	632.834	0,43
44	C. African Rep	622.984	0,42
45	Ukraine	600.500	0,41
46	Madagascar	587.041	0,39
47	Botswana	582.000	0,39
48	Kenya	580.367	0,39
49	Yemen	527.968	0,35
50	Thailand	513.120	0,34
51	Spain	505.992	0,34
52	Turkmenistan	488.100	0,33
53	Cameroon	475.442	0,32
54	Papua New Guinea	462.840	0,31
55	Uzbekistan	447.400	0,30
56	Morocco	446.560	0,30
57	Sweden	441.370	0,30
58	Iraq	438.317	0,29
59	Paraguay	406.752	0,27
60	Zimbabwe	390.757	0,26
61	Japan	377.930	0,25
62	Germany	357.114	0,24
63	Rep + s Congo	340.000	0,23
64	Finland	338.419	0,23
65	Vietnam	331.212	0,22
66	Malaysia	330.803	0,22
67	Norway	320.802	0,22
68	Cote d'Ivoire	320.463	0,22
69	Poland	312.685	0,21
70	Oman	309.500	0,21
71	Italy	301.336	0,20
72	Philippines	300.000	0,20
73	Burkina Faso	274.202	0,18
74	New Zealand	270.467	0,18
75	Gabon	267.668	0,18
76	Western Sahara	266.000	0,18
77	Ecuador	266.369	0,20
78	Guinea	246.000	0,17
79	United Kingdom	242.900	0,16
80	Uganda	241.008	0,16
81	Ghana	236.539	0,16
82	Romania	236.381	0,16
83	Laos	236.800	0,16
84	Guyana	214.969	0,14
85	Betarus	207.600	0,14
86	Kyrgyzstan	199.951	0,13
87	Senegal	196.722	0,13
88	Syria	185.180	0,12
89	Cambodia	181.036	0,12
90	Uruguay	178.215	0,12
91	Suriname	163.820	0,11
92	Tunisia	163.610	0,11
93	Nepal	147.181	0,10
94	Bangladesh	143.396	0,10
95	Tajikistan	143.100	0,10
96	Greece	131.997	0,09
97	Nicaragua	130.373	0,08
98	North Korea	120.538	0,08
99	Malawi	119.484	0,08
100	Eritrea	117.600	0,08
TOP 100 TOTAL	132.632.524	88,34	



In addition to the well known social issues of *illiteracy* and *innumercy*, there also should be such a concept as "*immappancy*", meaning *insufficient geographical knowledge*.

A survey with random American schoolkids let them guess the population and land area of their country. Not entirely unexpected, but still rather unsettling, the majority chose "*1-2 billion*" and "*largest in the world*", respectively.

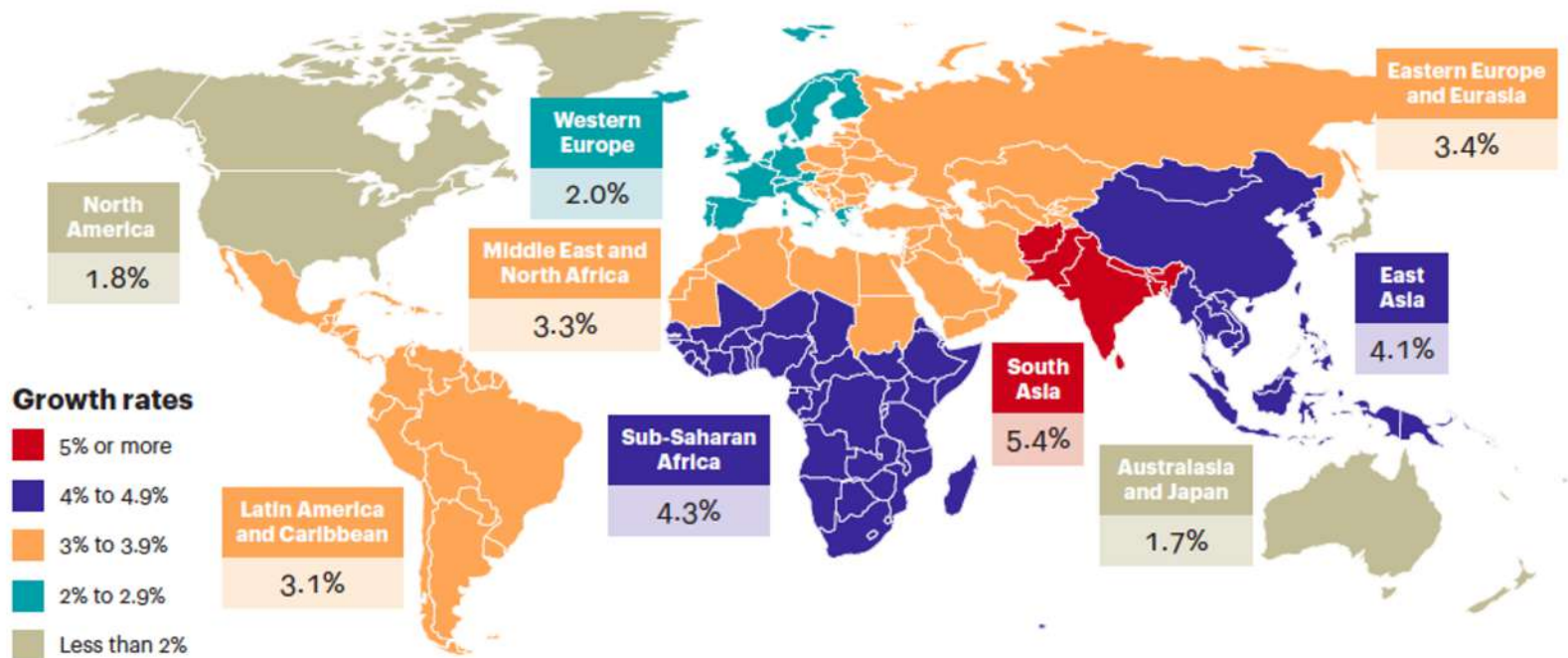
Even with Asian and European college students, geographical estimates were often off by factors of 2-3. This is partly due to the highly distorted nature of the predominantly used mapping projections (such as *Merccator*).

A particularly extreme example is the worldwide misjudgement of the true size of *Africa*. This single image tries to embody the massive scale, which is larger than the *USA*, *China*, *India*, *Japan* and *all of Europe..... combined!*

Economic Trends Pre-Covid 19

Real GDP growth, 2019–2023

(%)



Notes: GDP growth is measured at constant prices. GDP figures are the 2019–2023 simple average of the annual average growth rate projections of the economies within each region.

Sources: International Monetary Fund World Economic Outlook October 2018; A.T. Kearney analysis



GDP Contraction in 2020

Sub-Saharan Africa's gross domestic product is expected to contract 1.6% in 2020, compared to 3.1% growth in 2019 (IMF):

- South Africa: 0.2% in 2019 to -5.8% in 2020 to 4% in 2021
- Nigeria: 2.2% in 2019 to -3.4 % in 2020 to 2.4% in 2021
- Ghana: 6.1% in 2019 to 1.5% in 2020 to 5.9% in 2021
- Kenya: 5.6% in 2019 to 1% in 2020 to 6.1% in 2021
- Ethiopia: 9% in 2019 to 3.2% in 2020 to 4.3% in 2021
- Tanzania: 6.3% in 2019 to 2% in 2020 to 4.6% in 2021



Main Growth Drivers

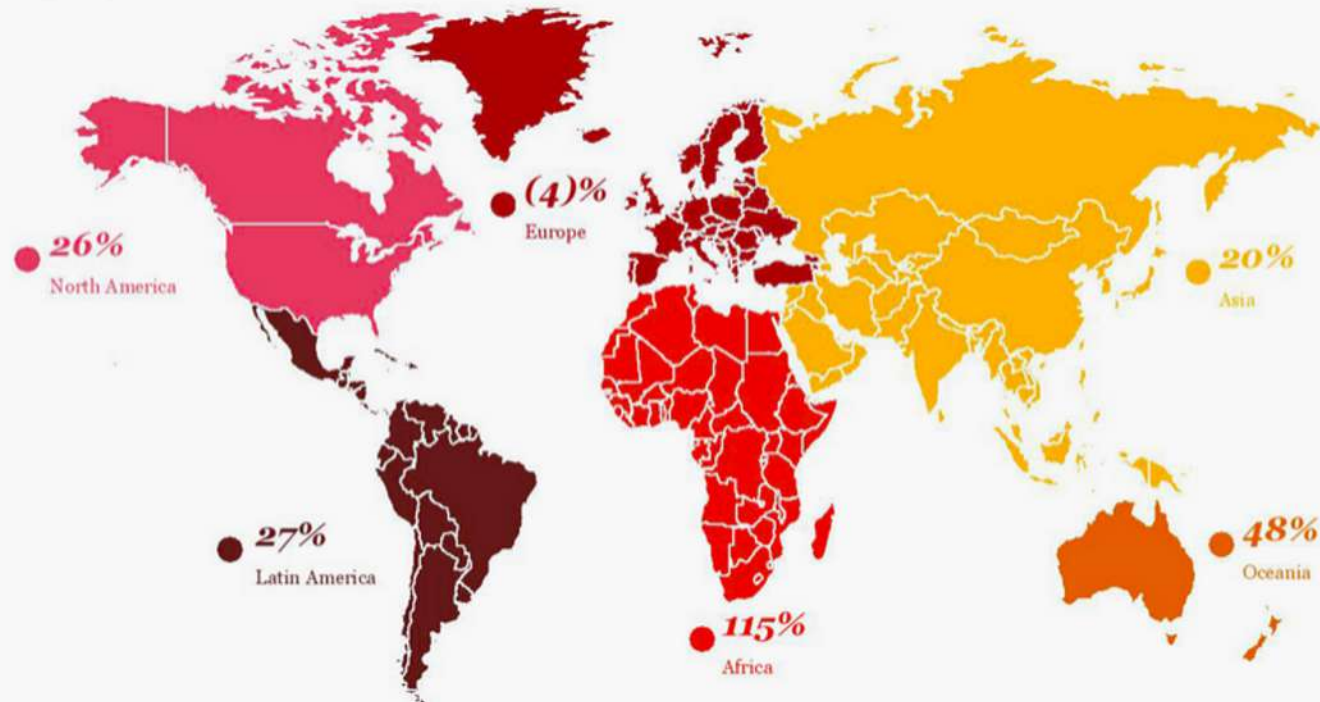
- Increased political and macroeconomic stability.
- Improved regulatory and business environments.
- Industrialization drive.
- Untapped mineral wealth, oil and gas supplies and uncultivated arable land on a vast landmass.
- Demographic growth, urbanization, young population, fast-growing middle class.
- Infrastructure development.
- Innovation, technology, and leapfrogging.



Demographic Trends – Population

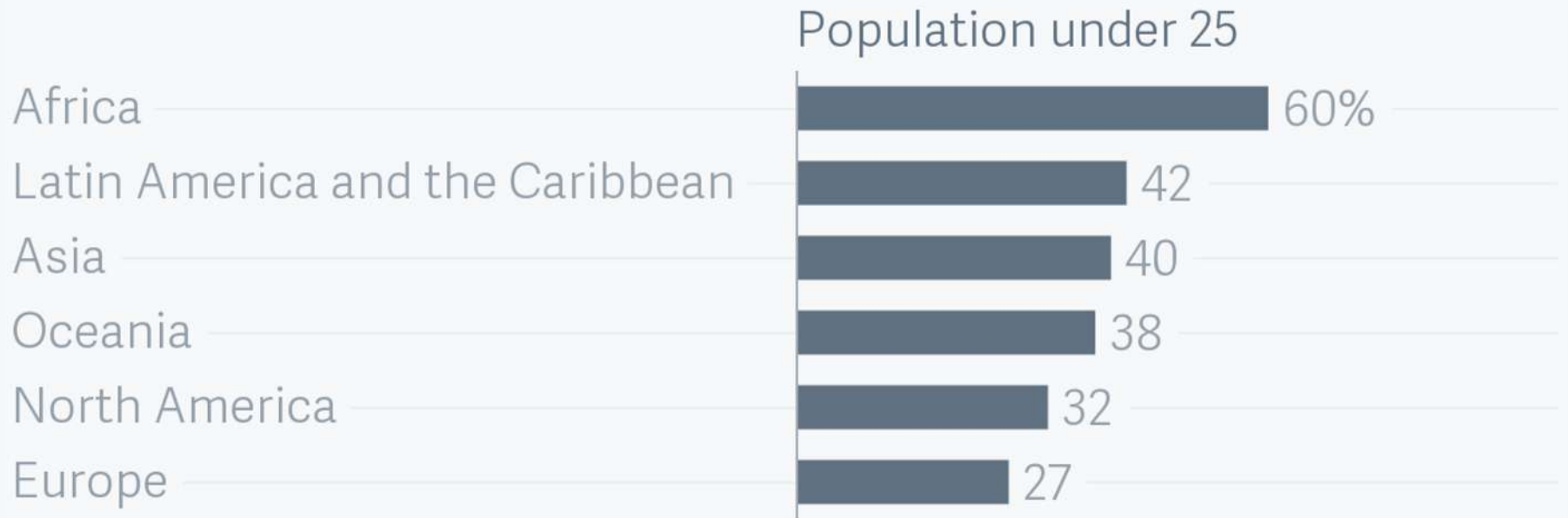
The number of people living in sub-Saharan Africa is likely to double to 2 billion by 2050 (map for change to 2050)

By year 2100, 40% of the world's population will be African.



Demographic Trends – Youth

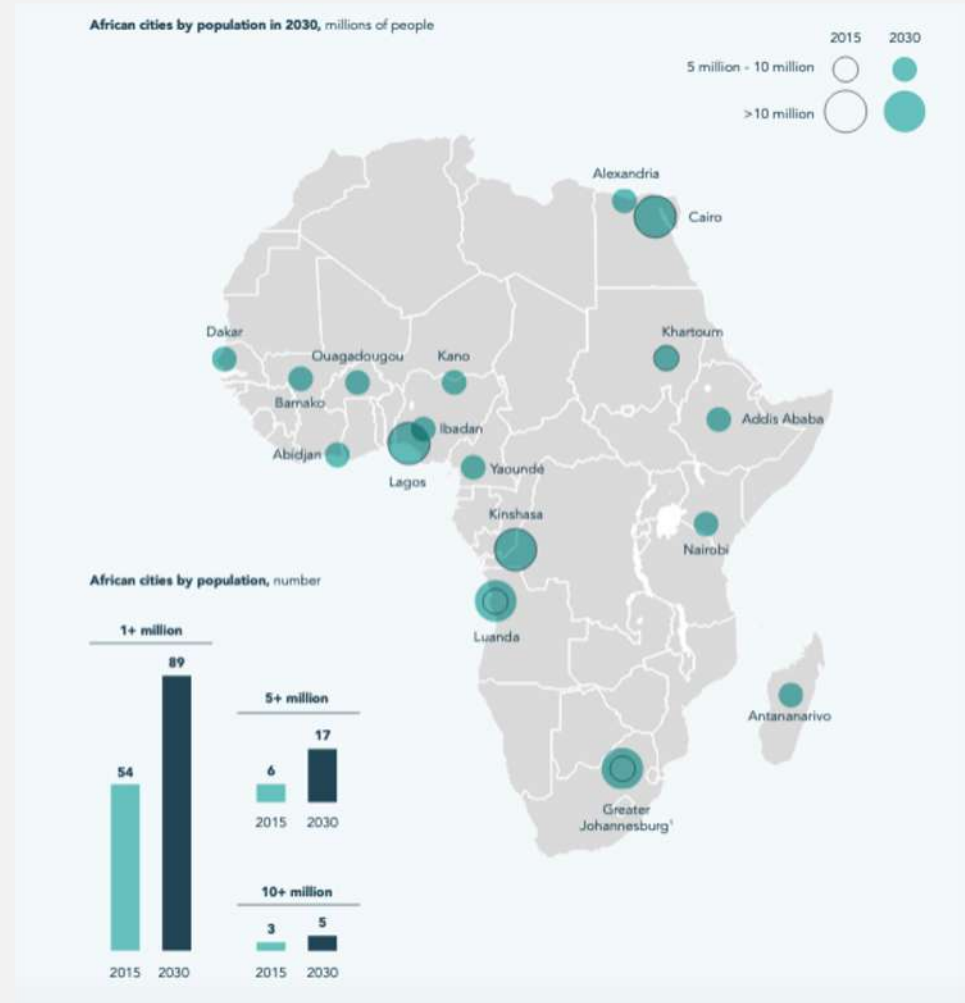
Africa is the youngest continent in the world (2017)



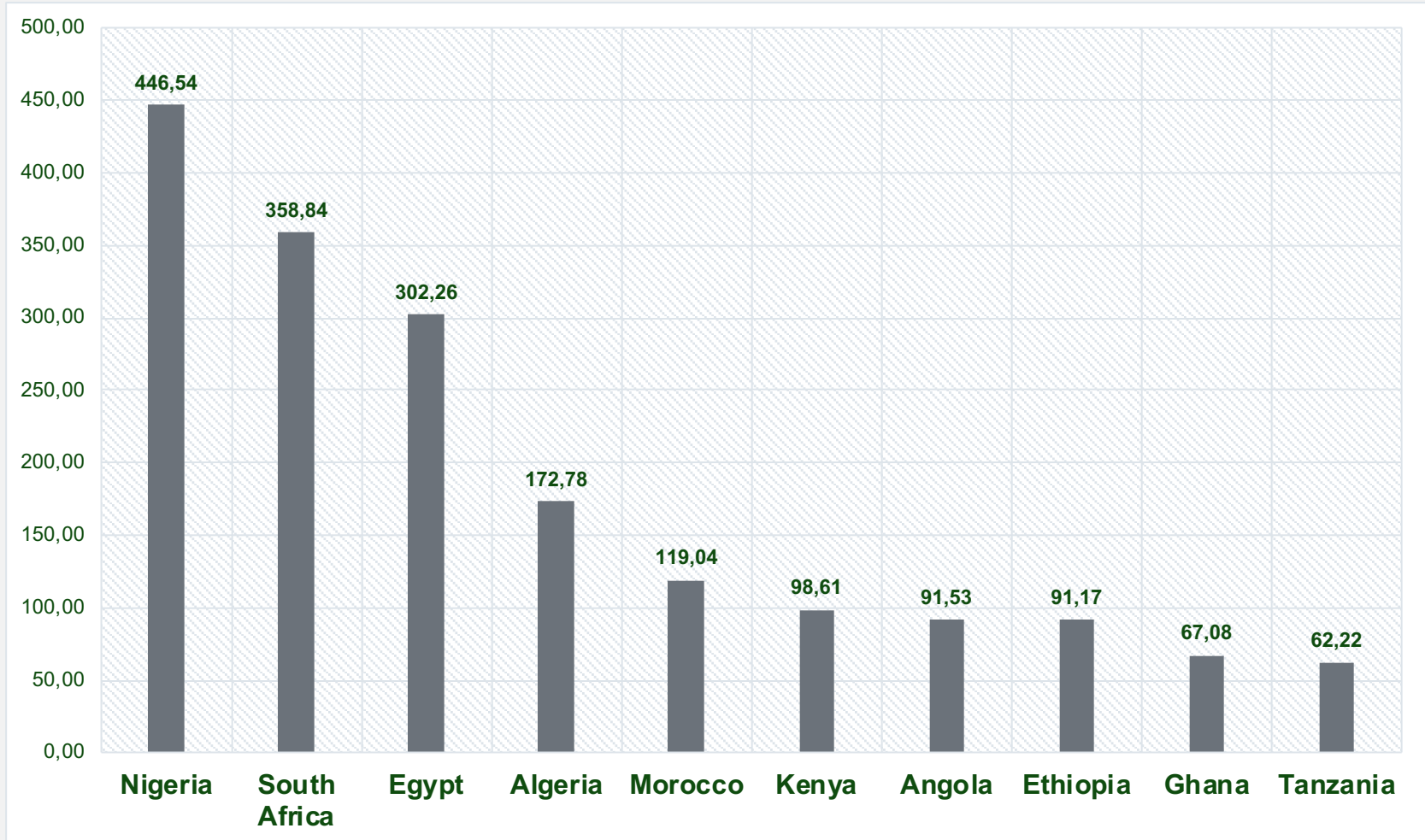
Demographic Trends – Urbanization

By 2030, Africa will have:

- 5 cities with more than 10m people
- 17 cities with more than 5m people
- 89 cities with more than 1m people



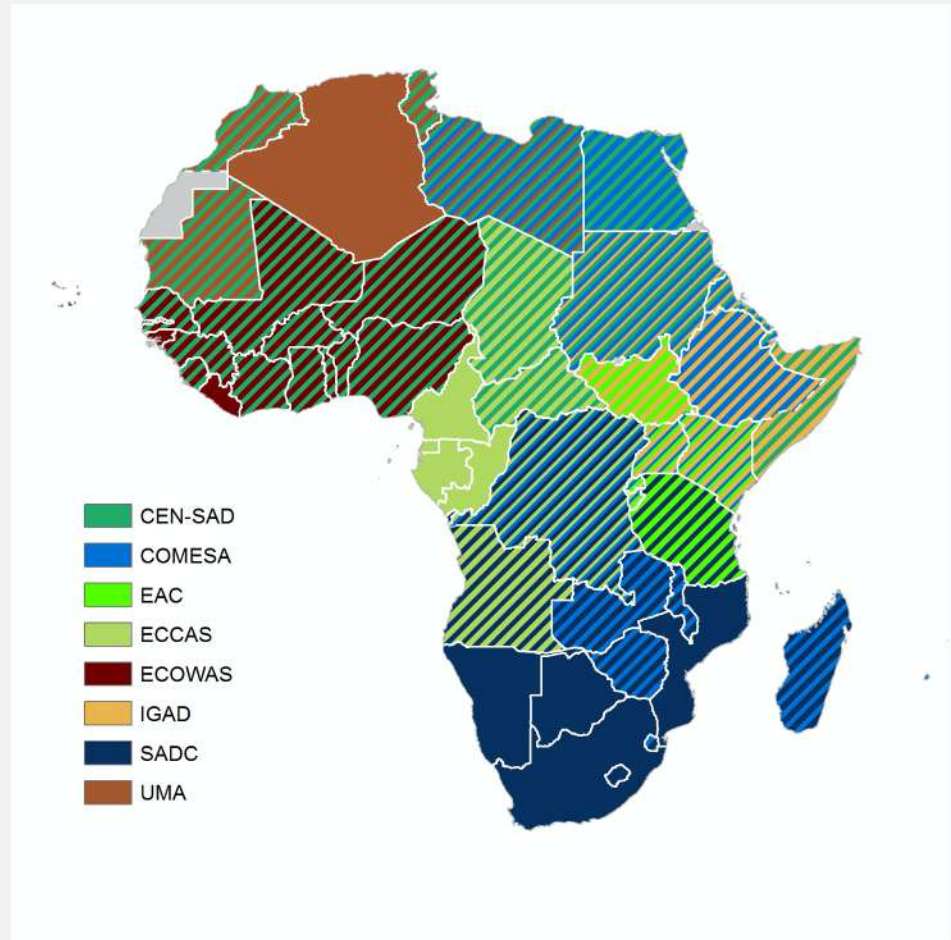
Africa's Largest Economies (GDP, \$ bn)



Current Trade and Regional Integration

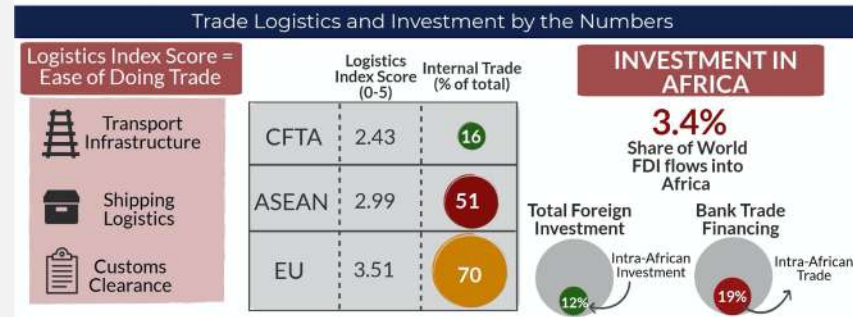
Africa's current integration landscape contains an array of regional economic communities, including eight recognized as the building blocks of the African Union.

1. **AMU** - Arab Maghreb Union
2. **CEN-SAD** - The Community of Sahel-Saharan States
3. **COMESA** - Common Market for Eastern and Southern Africa
4. **EAC** – East African Community
5. **ECCAS** - Economic Community of Central African States
6. **ECOWAS** - Economic Community of West African States
7. **IGAD** - Intergovernmental Authority on Development
8. **SADC** - Southern African Development Community



Planned Trade and Regional Integration

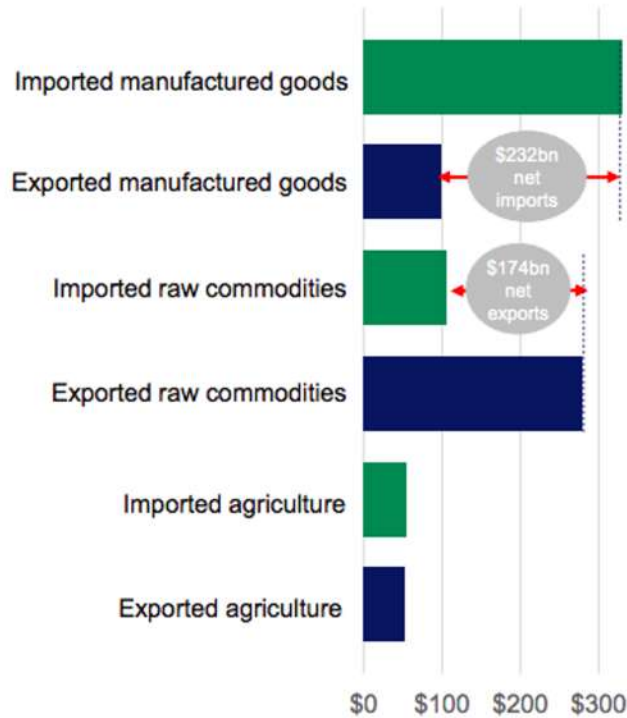
- Africa is moving towards a much stronger economic integration with the African Continental Free Trade Area (AfCFTA).
- Investing and manufacturing in Africa will allow duty-free access to markets all over the continent
- The formal launch of trading under AfCFTA, due to start on July 1, 2020 has been postponed due to the coronavirus.



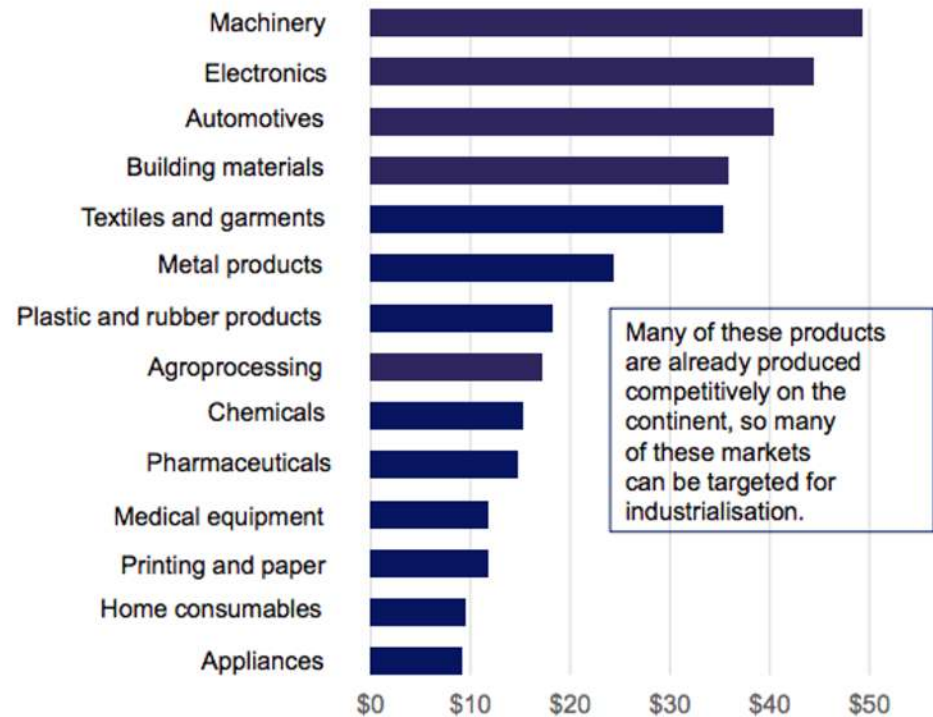
Opportunities for Africa Manufacturing

Africa imports \$330bn worth of manufactured goods every year.

Africa imports and exports, \$ billion 2019



Africa's manufacturing imports by product, \$ billion 2019



Sources: trademap.org

Opportunities for Africa Manufacturing

Subsectors with potential

Agroprocessing

Automotives and machinery

Chemicals

Electronics

Home consumables

Medical equipment and pharmaceuticals

Metal fabrication and building materials

Plastics and packaging

Textiles and garments

Africa's strengths

- ✓ Governments increasingly focused on a business-enabling environment
- ✓ Market size and growing middle class
- ✓ Scope for backward linkages on inputs, especially in agroprocessing and textiles
- ✓ Strength of emerging tech sector
- ✓ Cheap, increasingly productive and growing labour force

Africa's weaknesses

- ⚠ SME base still limited
- ⚠ Suitable energy still an issue in major countries (e.g. Nigeria)
- ⚠ Skills shortages remain
- ⚠ Infrastructure gap remains, but improving
- ⚠ Smart industrial policy in infancy

Africa's opportunities

- ✓ Covid-19 opening up new product lines
- ✓ Higher transport cost advantage vs Asia
- ✓ Emerging industrial hubs, e.g. garments in Ethiopia and auto in Kenya.
- ✓ Cloud and automation processes can support pharma and agroprocessing
- ✓ Scope to accelerate ACFTA

Africa's threats

- ⚠ Push for reshoring in advanced countries
- ⚠ Failure to address infrastructure constraints
- ⚠ Domestic manufacturers not becoming export oriented
- ⚠ Failure to align on standards
- ⚠ Misaligned trade policy, especially by advanced countries

Source: TBI, Global African Network, WEF





Business Focus East Africa: Focus Ethiopia

Economy Profile (1)



Selected contextual indicators

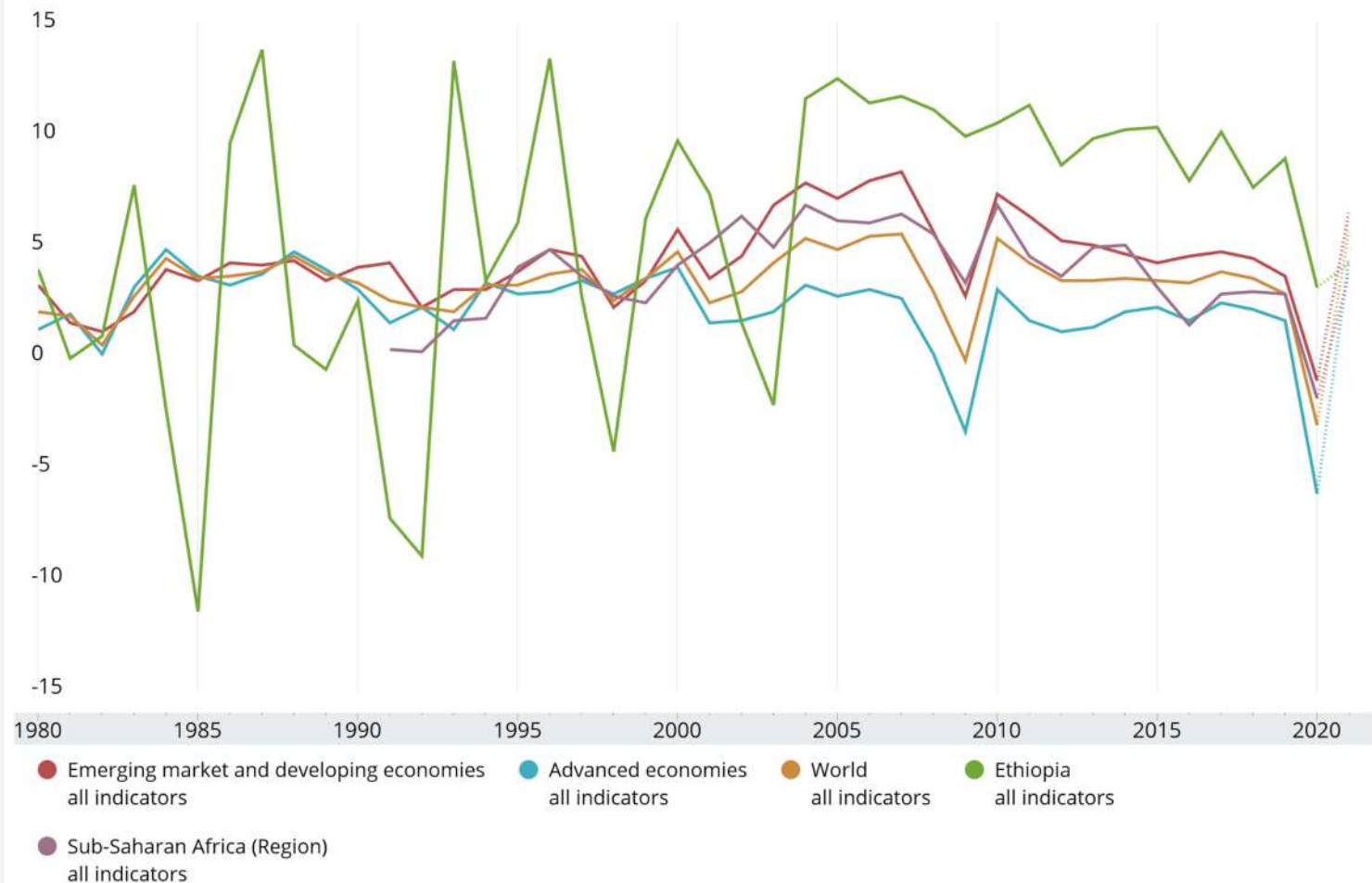
Population millions	107	GDP (PPP) % world GDP	0.16
GDP per capita US\$	852.8	5-year average FDI inward flow % GDP	4.5
10-year average annual GDP growth %	8.3	Global Competitiveness Index	126/141



Economic Overview (1)

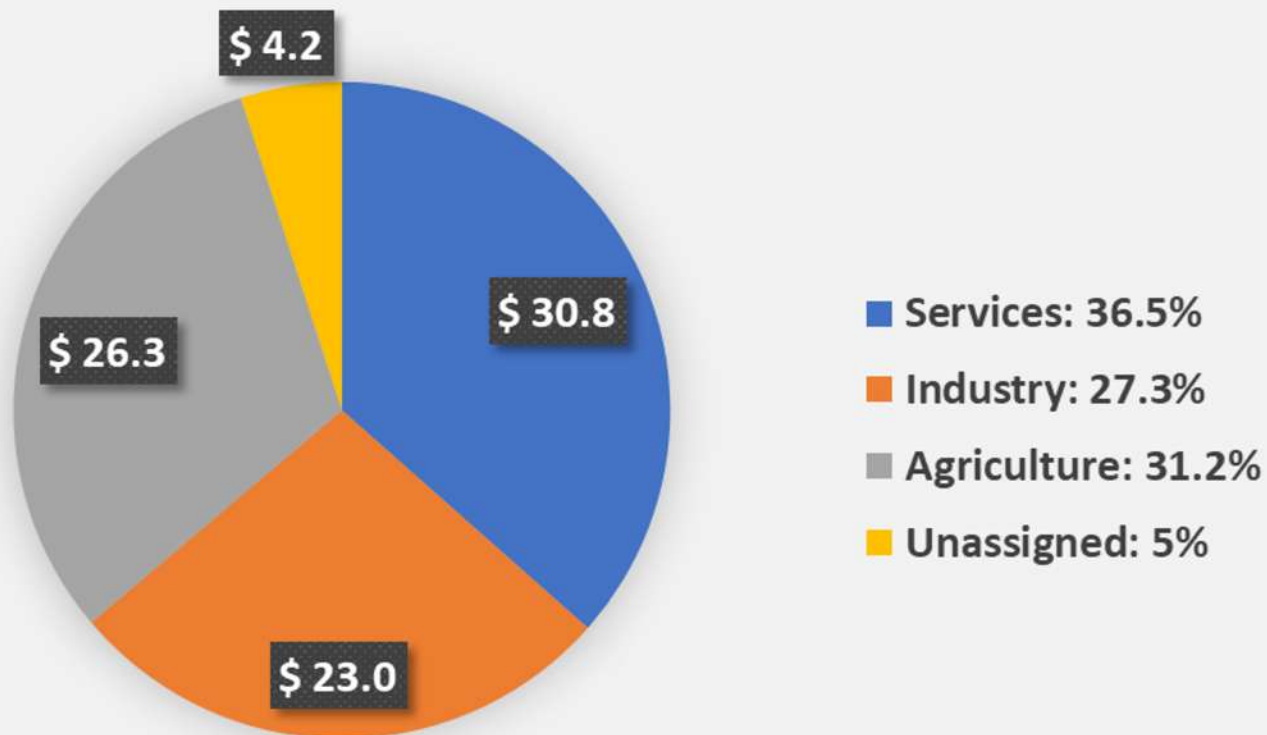
IMF DataMapper

Real GDP growth (Annual percent change)



Economic Overview (2)

Ethiopia 2018 GDP composition (USD billion)



Italian export to Ethiopia

96°

Market for Italian export in the world

7°

Market for Italian export in sub-Saharan Africa

€204m

Value of Italian export to Ethiopia in 2019

+6.9%

Growth of Italian goods exported to Ethiopia in 2019 (vs 2018)

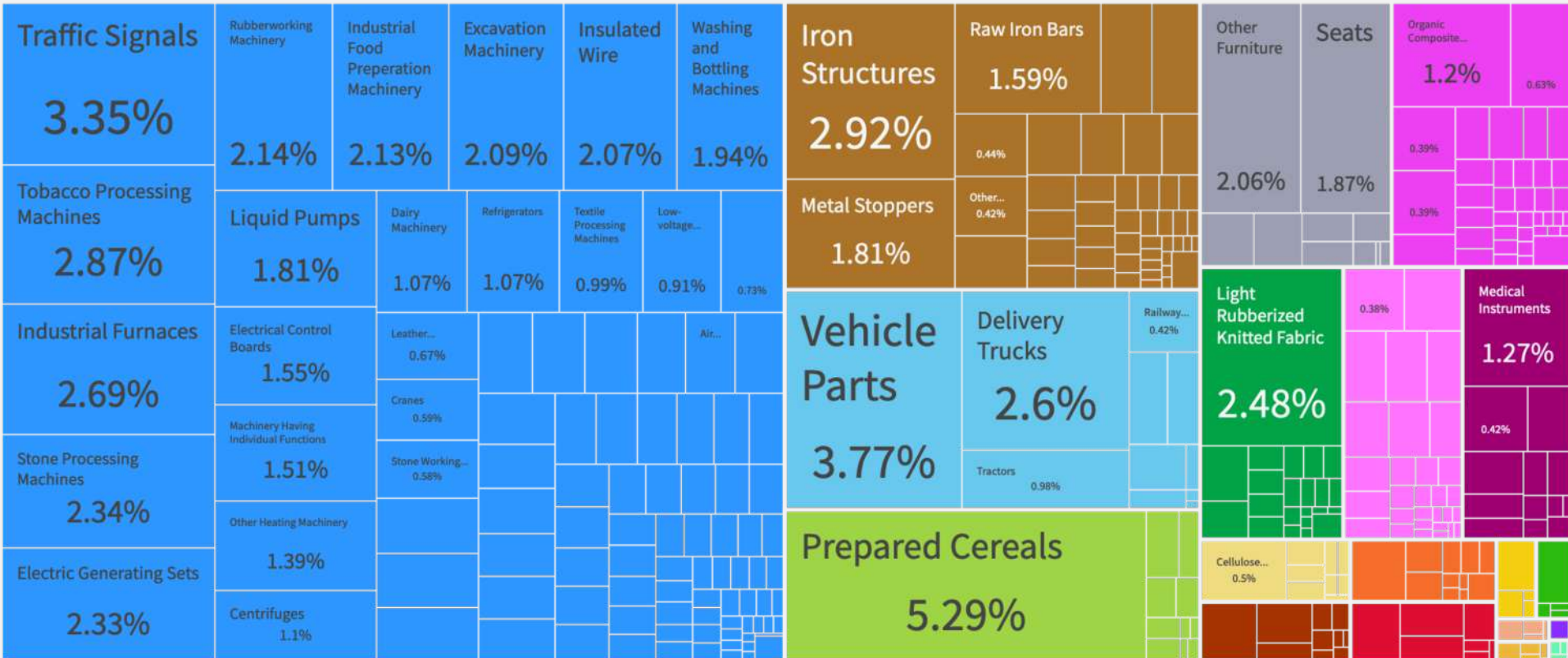


Trend of import from Italy to Ethiopia

US DOLLARS



Products imported from Italy to Ethiopia





**Focus Ethiopia:
manufacturing, agro-processing, healthcare,
renewable energy**

Why Ethiopia? (1)

- Stable democratic climate - oldest independent country in Africa.
- One of the fastest growing economy in sub-Saharan Africa and in the world – averaged near 8.3% over the past 10 years.
- 46% growth in FDI inflow and largest FDI recipients in Africa.
- “Star Reformer Award” by the World Bank for outstanding performance on investment policy reform and promotion.
- Access to the Common Market for Eastern and Southern Africa (COMESA) (21-member countries and over 400m people).
- 2nd largest population in Africa with rapidly growing middle-class.
- The industries sector is set to become Ethiopia’s largest GDP (47%) contributor by 2025.
- Low electricity prices and labor costs.



Why Ethiopia? (2)

- Implemented the Growth Transformation Plan II (GTP II): national plan for economic and structural transformation (accomplish 2025 vision through a sustainable average real GDP growth of 11%)
- Sweeping political, economic and structural reforms.
- Economic Reforms:
 - ✓ Full and partial privatization of State-Owned Enterprises.
 - ✓ Liberalization of the aviation, logistics, and telecom industries.
 - ✓ Introduction and implementation of Home Grown Economic Reform.
- Structural reforms have been introduced through industrial sector development and have been boosted by government investment programmes.
- Further opening up of the market through public-private partnerships (PPP), particularly for infrastructural projects: spent 39% of GDP on land improvements, machinery and equipment purchases and construction of roads and railways in 2018.
- A regional hub and is home to key international organizations such as the African Union (AU) and the United Nations Economic Commission for Africa.



Manufacturing: Opportunities (1)

- Africa will be the world's next "great manufacturing center", getting part of the 100m labor-intensive manufacturing jobs that will leave China by 2030.
- The AfCFTA provides opportunity for local and international firms to leverage broader continental market while increased competition will force companies to innovate and improve.
- *Ethiopia's Vision 2025* aims to make Ethiopia the leading manufacturing hub in Africa, requires an annual manufacturing growth rate of 25% and an increase in manufacturing's share of GDP to 20% by 2025.
- Government's industrialization focus:
 - ✓ Small and medium enterprises and in priority sectors such as food manufacturing, textile, garments and leather industry, light manufacturing, automotive.
 - ✓ Import substitution policies.
 - ✓ Industrial Parks: Comprehensive industrial hubs strategy, with the aim of developing 25 industrial parks. Specialized parks with a plug-and-play model.



Manufacturing: Opportunities (2)

Ethiopia's Special Economic Zones, 2019



Source: Ethiopian Investment Commission, 2019

1 Adama Industrial Park

Cluster: Textiles

Status: In operation

2 Bole Lemi Phase II

Cluster: Textiles & apparel, Leather

Status: Upcoming

3 Debre-Birhan Industry Park

Cluster: Textiles & garments, agro-processing

Status: Upcoming

4 Dire Dawa Industrial Park

Cluster: Multiple sectors (heavy industries, textiles, vehicle assembly, food & processing, chemicals)

Status: Upcoming

5 Hawassa Industrial Park

Cluster: Textiles & garments

Status: In operation

6 Kilinto Industrial Park

Cluster: Pharmaceuticals

Status: Upcoming



Manufacturing: Opportunities (3)



Calzedonia Mekelle

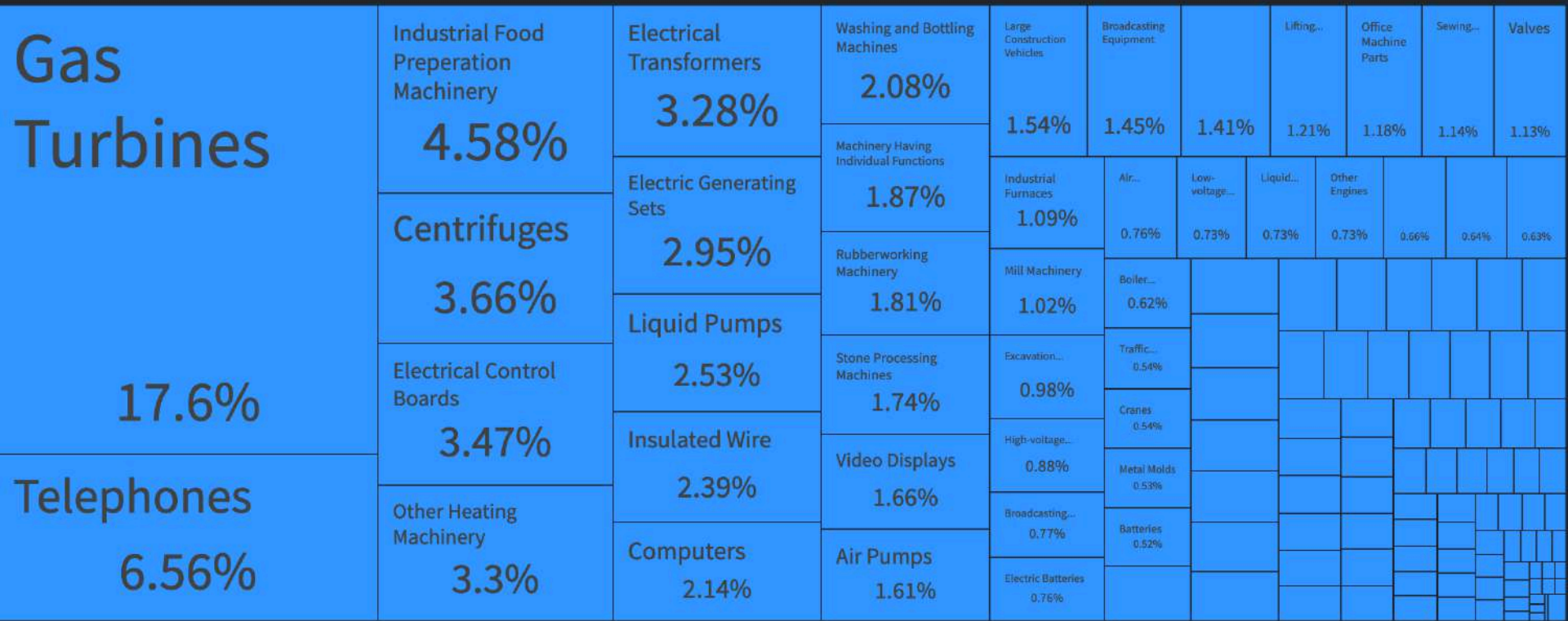
Photo : EBC

In October 2018 Calzedonia opened a factory in Mekelle Industrial Park, its first business venture in Africa. The factory has created 1,500 jobs and exports \$789,569 worth of clothing to Europe per month. Total investment, €22m.



Industrial and mechanical imports

Total: \$2.37B



Industrial and mechanical imports from Italy

Total: \$137M

Traffic Signals 6.72%	Stone Processing Machines 4.7%	Excavation Machinery 4.2%	Electrical Control Boards 3.11%	Refrigerators 2.15%	Textile Processing Machines 1.98%	Low-voltage Protection Equipment 1.83%	Sewing Machines 1.47%	Leather Machinery 1.34%		
	Tobacco Processing Machines 5.76%	Electric Generating Sets 4.67%	Insulated Wire 4.15%	Machinery Having Individual Functions 3.02%	Cranes 1.18%	Lifting... 0.84%	Scales 0.81%	Air... 0.78%	Other... 0.77%	Metal Molds 0.76%
Other Heating Machinery 2.8%				Stone Working... 1.17%	Electric... 0.67%	Knitting... 0.66%	Fork-Lifts 0.65%	Soil... 0.63%		
Industrial Furnaces 5.4%	Rubberworking Machinery 4.29%	Washing and Bottling Machines 3.89%	Centrifuges 2.21%	Valves 1.06%	Electric Motors 1.1%					
	Industrial Food Preparation Machinery 4.28%	Liquid Pumps 3.64%	Dairy Machinery 2.16%	Air Pumps 1.04%	Forging Machines 0.85%					



Agro-Processing: Opportunities

- Agriculture: employs over 65% of the population and contributes 1/3 of the GDP.
- Special Economic Zones and Agro-Economic Zones are expected to support agricultural growth and agro-processing through investment and incentives.
- Urbanisation and economic growth have resulted in rising income levels, which in turn is resulting in changing consumer tastes.
- Strong drive: modernize the sector and process locally to achieve food security.
- Opportunities for investments and provision of machinery and equipment include:
 1. Agricultural production
 2. Food processing
 3. Packaging
 4. Refrigeration
 5. Logistics and transport



Healthcare: Opportunities (1)

- A raising middle class and urbanization are increasing the demand for quality healthcare services.
- Shortage of qualified human resources, highly specialized health and diagnostic laboratory and imaging services, health commodities, as well as financing.
- Specialized hospitals face shortage of highly skilled professionals, pharmaceutical products and medical technology (such as: medical instruments, equipment, advanced labs/diagnosis, tele-medicine, e-learning)
- Shortage of facilities in the value chain to deliver quality high-end tertiary health care services.
- Cost of annual outflow for medical tourism from Ethiopia exceeds \$100m.
- Rising demand for specialty services.
- Incidence of chronic and infectious diseases and increase in the rate of non-communicable diseases.



Healthcare: Opportunities (2)

- Health Sector Transformation Plan (HSTP), GTP-II and 2030 Agenda, look at partnerships with foreign investors to achieve quality healthcare delivery.
- Full scale implementation of community based health insurance and introduction of social health insurance will lead to growing demand.
- Untapped Pharmaceutical Market and Industry: the annual pharmaceutical market in Ethiopia is estimated to be worth from \$400m – 500m and growing at an impressive rate of 25% per annum.
- There are approximately 200 importers of pharmaceutical products and medical consumables in Ethiopia. The local industry comprises 22 pharmaceutical and medical suppliers and manufacturers.
- Ethiopia aims to raise the share of domestic pharmaceuticals industry market to 50% and 60% of the national medicines demand and export of medicines worth of \$80m by end 2025.
- Opportunities as well to manufacture medical equipment.



Renewable Energy: Opportunities (1)

- Ethiopia is rich in renewable energy sources and has a well developed transmission infrastructure.
- Ethiopia has the second highest electricity generation capacity in SSA after South Africa, at 4,206MW.
- Approximately 89% (3,743MW) of the installed generation capacity comes from hydropower, while 8% (337MW) and 3% (126MW) come from wind and geothermal, respectively.
- Despite the large energy potential, Ethiopia struggles to meet the growing electricity demand of the country's large population.
- About 60% of the country's population has no access to electricity and where there is grid coverage, only 60% of households are connected.
- About 85% of the urban population has access to electricity while only 29% of the rural population has access.



Renewable Energy: Opportunities (2)

- Ethiopia continues to experience energy shortages due to a drop in water levels in hydroelectric dams.
- The GTP-II provides for the construction of 13.7GW of new renewable capacity from sources other than hydroelectric in the coming years, in order to diversify the Ethiopian energy generation mix.
- The World Bank has approved a \$200m Renewable Energy Guarantees Programme (REGREP) to support the development of over 1,000MW of greenfield solar and wind energy Independent Power Producer (IPP) projects in Ethiopia.
- Ethiopia is transitioning from continued public-financing towards private sector led, competitively tendered procurement of new renewable generation capacity.
- Since 2017, Enel Green Power has been working alongside the Ethiopian government to support sustainable development and the energy transition.
- Opportunities in the renewable energy value chain.



Covid-19 Update

- Current situation: 1,344 cases, 14 official deaths (June 2).
- No national lockdown, it has encouraged production and other economic activities to continue during the crisis.
- Initiated measures in January: introduced strict passenger screening in Addis Ababa's international airport; house-to-house screenings of more than 11m households; and diagnostic testing was scaled up to over 5,000 tests per day by May.
- Economic stimulus: National Bank of Ethiopia has availed \$450m liquidity for private banks.
- Additional measures: availability of extra funding for health care facilities, foreign currency available for imports of products related to curbing the coronavirus outbreak, increased mobile transfer limits.





Business Focus East Africa: Focus Kenya

Economy Profile (1)



Selected contextual indicators

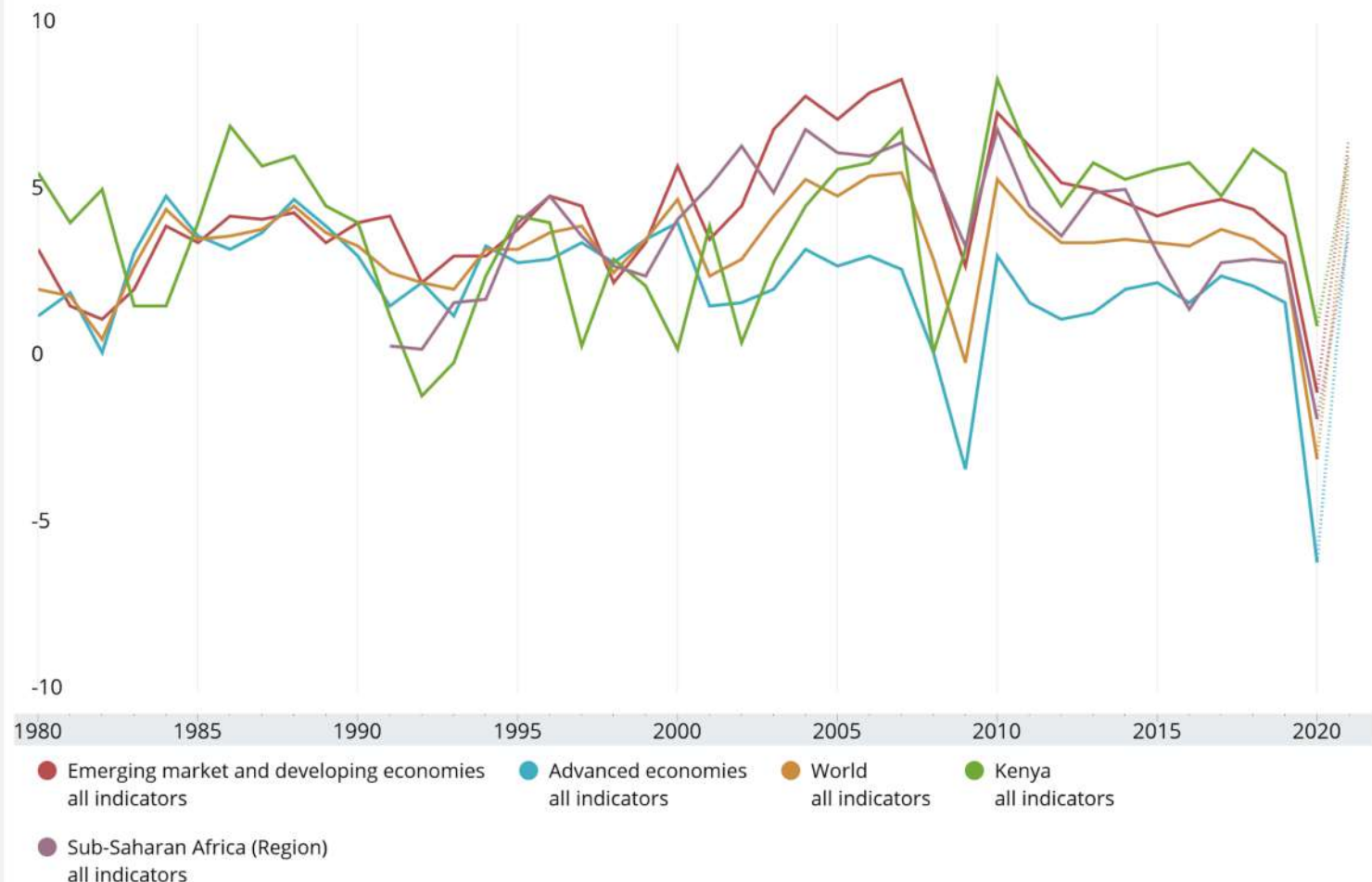
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GDP per capita US\$	1,857.2	5-year average FDI inward flow % GDP	1.4
10-year average annual GDP growth %	5.1	Global Competitiveness Index	95/141



Economic Overview (1)

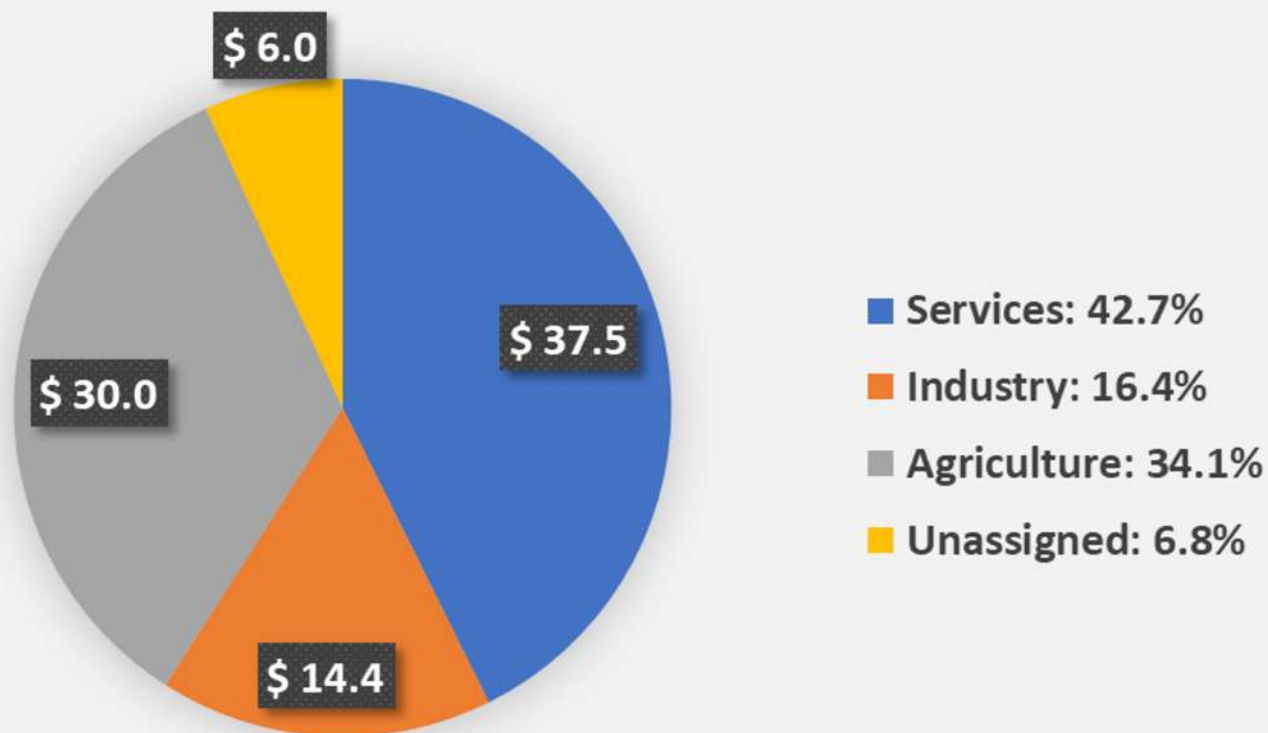
IMF DataMapper

Real GDP growth (Annual percent change)



Economic Overview (2)

Kenya 2018 GDP composition (USD billion)



Italian export to Kenya

94°

Market for Italian export in the world

5°

Market for Italian export in sub-Saharan Africa

€209m

Value of Italian export to Kenya in 2019

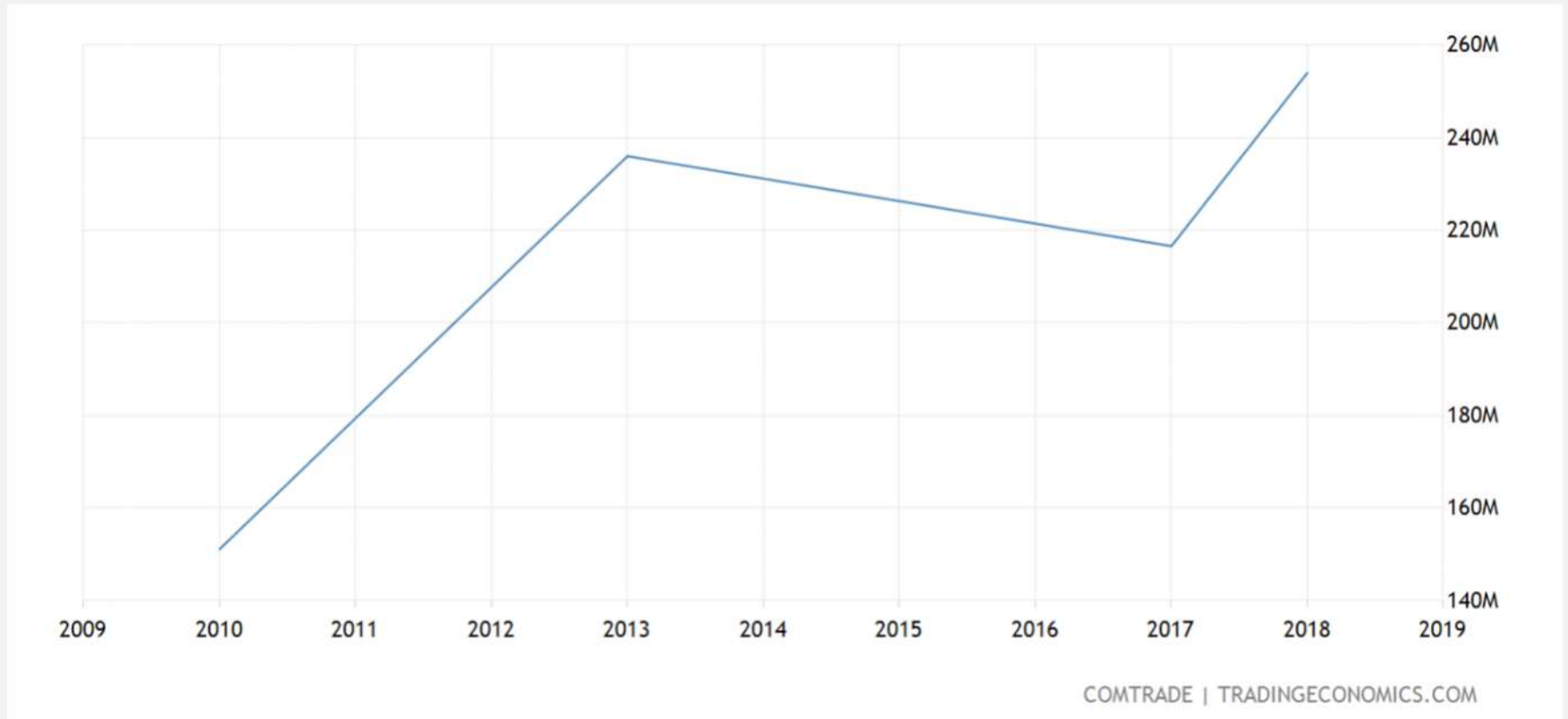
+6.6%

Growth of Italian goods exported to Kenya in 2019 (vs 2018)

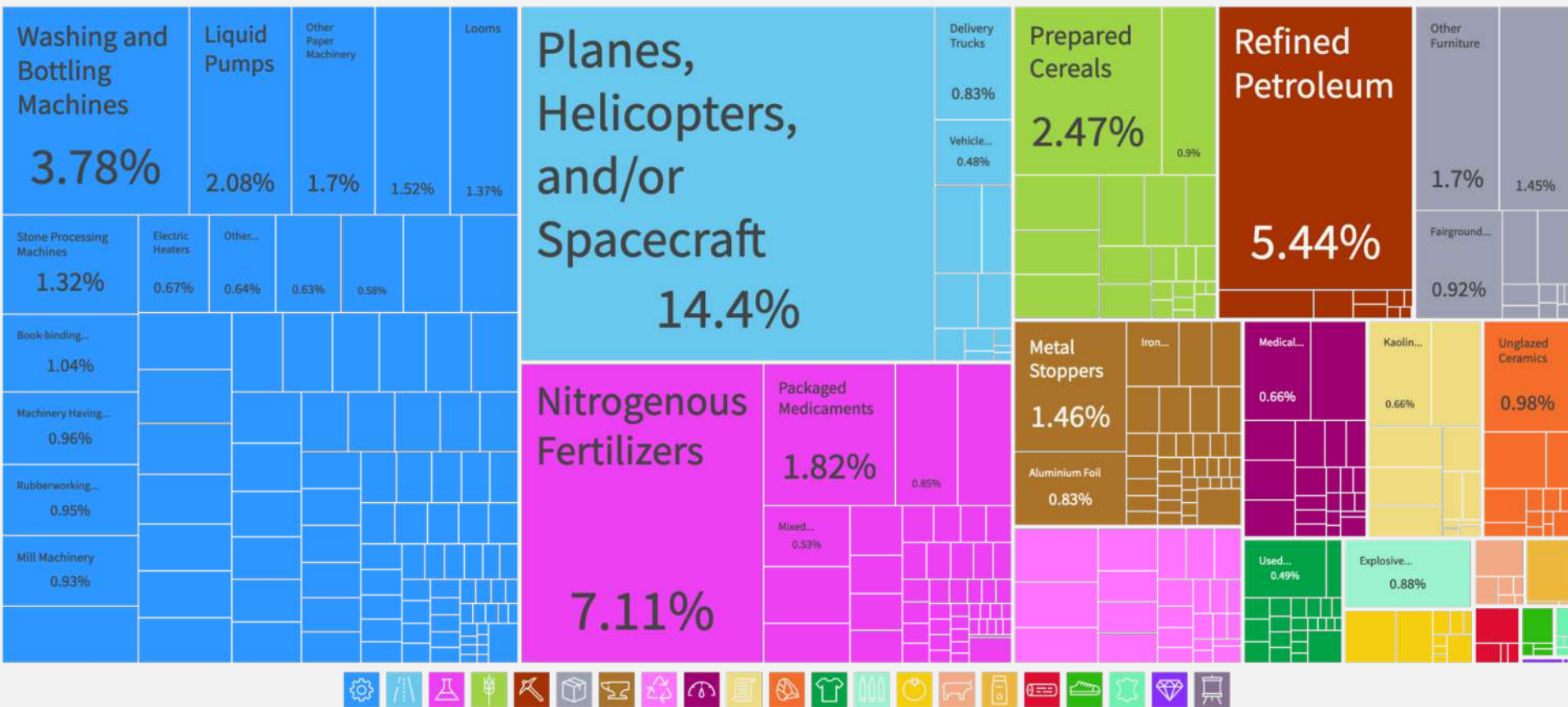


Trend of import from Italy to Kenya

US DOLLARS



Products imported from Italy to Kenya





**Focus Kenya:
manufacturing, agro-processing,
renewable energy,
construction, healthcare**

Why Kenya?

- **Economic development:** one of the most developed countries in Africa, largest economy in the East Africa.
- **Growth:** strong economic growth in the last decade.
- **Political situation:** major improvement since tensions and crisis in 2017.
- **Labour force:** competitive and educated labour force.
- **Location:** access to the East African Community and rest of Africa.
- **Hub:** financial, logistics, economic hub for East Africa (and role of Nairobi).
- **Kenya-Italy:** good relations and very large Italian business community in Kenya.
- **Tech and innovation:** dynamic start up, tech, innovation scene.
- **Services:** advanced in the service sector, source of innovations for Africa.
- **Anti-corruption actions:** major in investigations and high-profile arrests.



Main Trends

- **Economic diversification:** industrialization policies to increase manufacturing.
- **Infrastructure development:** major investments in recent years helped transform economy and Kenya's role as regional hub (still big need for infrastructure).
- **Resources:** agriculture; oil (2024 full production); geothermal energy.
- **Growing service economy.**
- **Fintech and financial development.**
- **Increasing attractiveness as a business destination:** record FDI \$2.9bn in 2019.
- **Doing Business:** +80 positions in the World Bank Ease of Doing Business Index in 5 years (now 56th).
- **Strengthening of energy sector:** network and generation improvement.



Mobile Money

- 40m internet users in Kenya according to the latest data from the Communications Authority of Kenya.
- Kenya has 47.5m citizens and 58.4m mobile money subscribers (multiple sims per person).
- M-Pesa (Safaricom) was launched in Kenya in 2007: now huge role in mobile and payment landscapes (88% share mobile money users).
- Around 100 digital lenders in Kenya.
- More and more Kenyans are using digital payment methods for goods and services provided by the government and the private sector.
- Official statistics showed the sum transferred using mobile money and payment services topped \$27.7bn in the period to end-August 2019, up 10.3% on the same period of 2018.
- In 2017 government became first in the world to start selling bonds for retailers via mobile phones (minimum \$30).



Kenya Long Term Plans and Policies

Kenya Vision 2030: development programme 2008-2030 to transform Kenya:

- Industrialization
- Middle income country
- High quality of life for all citizens
- Clean and secure environment

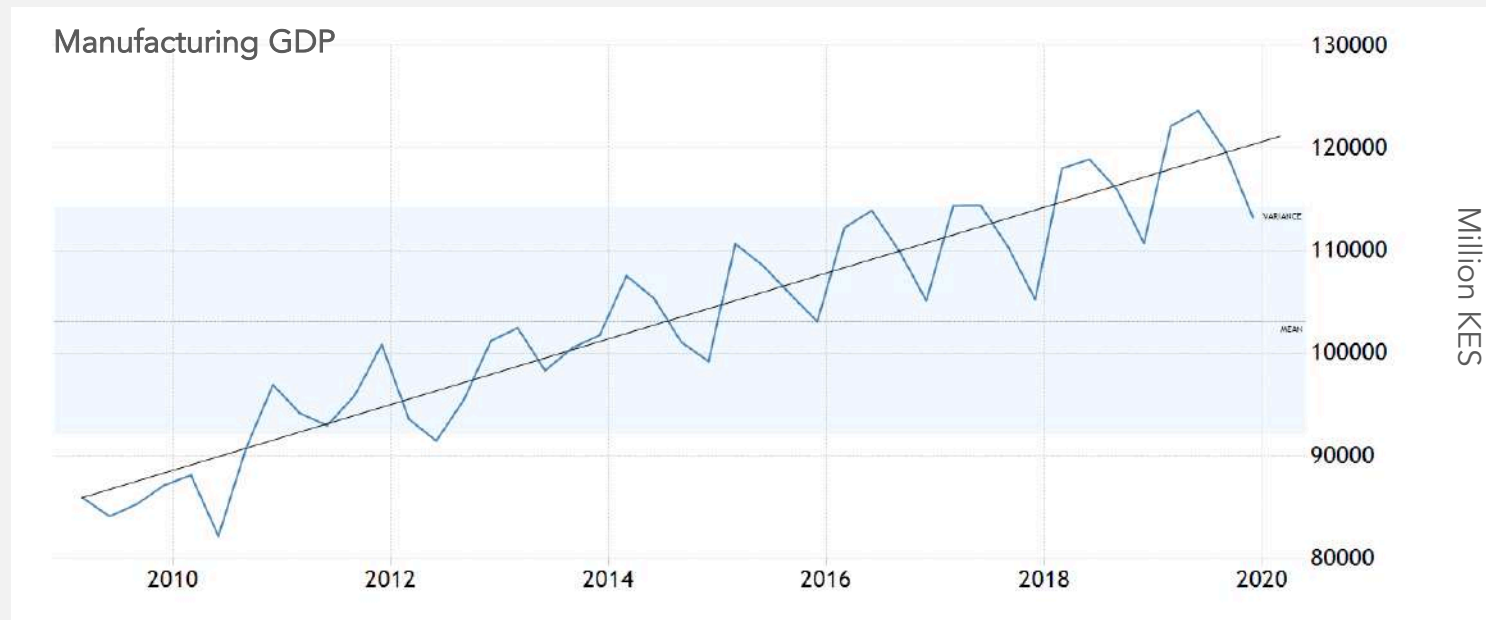
BIG 4 Action Plan (launched by President Kenyatta):

- Affordable housing
- Universal Healthcare
- Enhancing Manufacturing
- Food Security and Nutrition



Manufacturing: Current Situation

- Manufacturing share of to GDP: 7.7% in 2019.
- Machinery and transport equipment import: \$4.5bn in 2018 (\$3.8bn in 2010).
- Italian export: 31% of Italian export in 2019 is machinery and mechanical.
- Private sector: able to attract domestic and foreign investments.
- Government: support with specific programmes + incentives (fiscal and non-fiscal).



Industrial and mechanical imports

Total: \$3.48B

Gas Turbines 6.52%	Large Construction Vehicles 4.13%	Video Displays 3.44%	Stone Processing Machines 1.86%	Semiconductor Devices 1.47%	Office Machine Parts 1.37%	Centrifuges 1.37%	Valves 1.34%				Industrial Printers 1.23%	Mill Machinery 1.08%	Other Paper... 0.99%	
			Electric Generating Sets 1.73%	Electric Batteries 1.47%			Radio Receivers 0.92%	Portable Lighting 0.8%	Spark Ignition... 0.8%	0.78%	0.78%	0.75%	Other... 0.73%	
Telephones 5.42%	Electrical Transformers 3.63%	Refrigerators 2.51%	Liquid Pumps 1.73%	Other Heating Machinery 1.47%	Excavation... 0.9%	Other... 0.67%								
			Washing and Bottling Machines 1.56%	Low-voltage Protection Equipment 1.44%			High-voltage... 0.89%	Engine Parts 0.65%						
Broadcasting Equipment 5.15%	Insulated Wire 3.54%	Cranes 2.05%	Steam Turbines 1.54%	Lifting Machinery 1.42%	Batteries 0.88%	Dairy... 0.63%								
			Electrical Control Boards 1.51%	Machinery Having Individual Functions 1.42%			Electric Motors 0.86%	Air... 0.62%						
	Computers 3.53%	Industrial Food Preparation Machinery 1.99%		Rubberworking Machinery 1.39%	Liquid Dispensing... 0.85%	Navigation... 0.58%								
							Air Pumps 0.84%	Metal Molds 0.56%						



Industrial and mechanical imports from Italy

Total: \$97.1M

Washing and Bottling Machines 11.5%	Refrigerators 4.62%	Machinery Having Individual Functions 2.92%	Other Heating Machinery 1.95%	Cranes 1.47%	Hydraulic Turbines 1.41%	Low-voltage Protection Equipment 1.35%	Air... 1.3%	Forging Machines 1.28%	Glass Working Machines 1.27%	Fork-Lifts 1.21%
	Looms 4.16%	Rubberworking Machinery 2.88%	Electrical Transformers 1.91%	Industrial Printers 1.14%	Stone Working Machines 0.99%	Air Pumps 0.93%	Valves 0.86%	0.85%	0.85%	0.83%
		Mill Machinery 2.82%	Industrial Food Preparation Machinery 1.77%	Insulated Wire 1.11%						
	Liquid Pumps 6.32%	Stone Processing Machines 4.02%	Electric Generating Sets 2.31%	Excavation Machinery 1.71%	Soil Preparation... 1.09%	Other... 0.8%	Electrical... 0.65%	Electric Motor... 0.64%		
Other Paper Machinery 5.15%	Book-binding Machines 3.15%	Electric Heaters 2.02%	Centrifuges 1.63%	Leather Machinery 1.08%	Household... 0.69%	Woodworking... 0.61%				
			Metal Molds 1.57%	Lifting Machinery 1.05%	Large... 0.67%	Dairy... 0.66%				



Manufacturing: Opportunities (1)

- Big 4 Plan: goal to increase contribution top GDP to at least 15% by 2022.
- Export Processing Zones (EPZs): zones promoting and facilitating export-oriented investments (40 zones), with incentives for companies interested in investing and manufacturing in the EPZs.
- A majority of production within EPZs must be exported.
- Industrial parks to create tech and manufacturing clusters.
- Steel and iron production: annual consumption of steel is above 1.6m tonnes and government plans to support steel and iron production to reduce dependency.
- Opportunities in several manufacturing sub-sectors:
 - Agricultural equipment, tractors, food processing, agro processing
 - Leather, shoe manufacturing, textile,
 - Automotive and mechanical components
 - Pharmaceutical
 - Chemical and fertilizers
 - Steel and iron



Automotive: Opportunities

- Long history of automotive assembly: aims at becoming hub for East Africa.
- The new automotive policy will provide incentives to ensure that local vehicles assemblies operate at full capacity by providing preferential treatment to locally produced cars.
- Government intends to discourage import of used cars, to boost made in Kenya.
- Several local and international car assemblers in Kenya.
- Current production is below the installed capacity.
- Japanese automakers have been assembling vehicles in Kenya for more than three decades, no parts are currently made locally. They are imported from Japan and then assembled in Kenyan factories.
- Opportunities to supply components, electronics, spare parts, technology and solutions for automotive industry.



Energy: Current Situation

- Kenya has one of the most developed power sectors in sub-Saharan Africa.
- Current access rate 64.5% (target universal access by 2022).
- Households without power: 3.5m.
- Transmission: one of the main challenges (power losses and grid issues).
- Market open to Independent Power Producers (IPPs) in the mid-1990s.
- Strong private participation: IPPs account for 1,048MW of on-grid capacity.
- Abundant renewable energy resources (geothermal, wind and solar).
- Distribution utility Kenya Power has a credible payments record.
- Installed on-grid capacity: approx. 2,800MW, demand: approx. 1,800MW.
- Supply not adequate for demand (unreliable grid, network losses, variable renewable power).



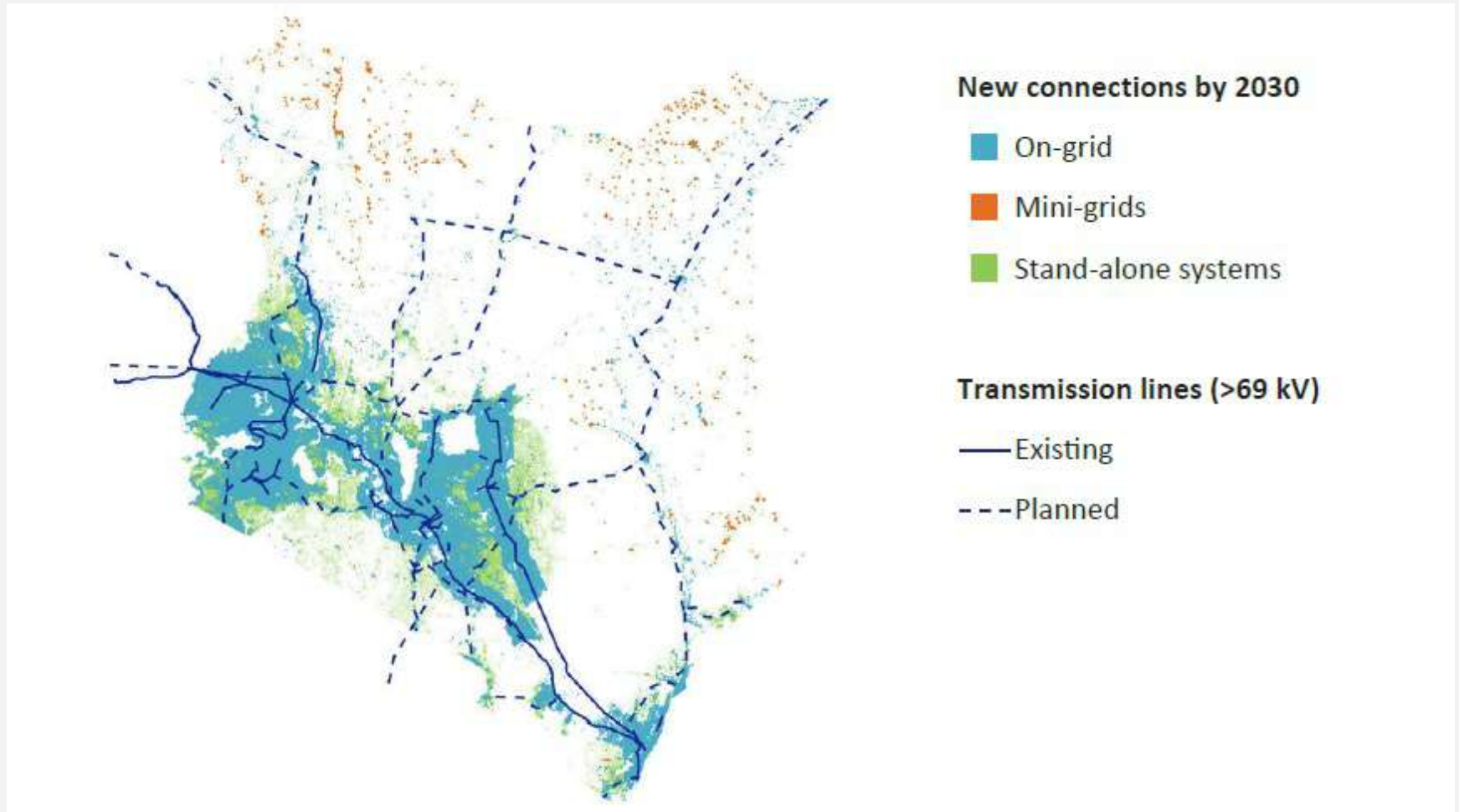
Energy: Generation Mix

Generation capacity of electricity in Kenya, 2019

Source (As of October 2019)	Capacity (MW)	Capacity %
Geothermal	828	29.4%
Hydro	826	29.3%
Fossil Fuels (incl. gas, diesel and emergency power)	720	25.54%
Wind	335	11.88%
Solar	50	1.77%
Others	32	1.14%
Bagasse Cogeneration	28	0.99%
Total	2819	100.0%



Energy: Electrification Forecast



Energy: Future Trends

- Ambitious targets for universal electricity access: challenging.
- Strengthen transmission and network reliability.
- East African Power Pool (EAPP)'s connection with the Southern African Power Pool (SAPP) through Zambia-Tanzania-Kenya (ZTK) interconnection (in progress).
- Geothermal generation: crucial for capacity additions (656MW of geothermal generation is expected to come online by 2024).
- Low-cost generation expansion: off-grid, renewable hybrid mini-grid, solar home systems.
- Rural: focus on solar mini-grids and on retrofitting diesel-powered mini-grids.
- Small and mini hydroelectric systems (less than 10MW): great potential.
- Industrial sector is not energy-efficient: food, beverage, paper, chemicals, petroleum, plastic products are among the major consumers of energy. Energy savings of up to 25% possible in steam systems, by improving the efficiency of steam boilers, better steam distribution, use and recovery of waste heat and condensate.



Energy: Opportunities (1)

Opportunities for suppliers for the following electrical services and materials:

- Generation systems and plants
- Transmission
- Distribution
- Energy saving and energy efficiency solutions
- Industrial sector energy efficiency
- Mini-grid solutions
- Off-grid solutions
- Small, mini and micro hydroelectric systems
- UPS systems
- Transformers
- Stabilizers



Agro-Food: Current Situation

- Agriculture is the most important sector in Kenya: 32% of GDP in 2019, 65% of total exports, and 18% formal and 60% total total employment respectively.
- The Agriculture Sector Development Strategy (ASDS) targets to sustain a strong sector annual growth rate in order to address poverty and food insecurity and contribute to the development of a modern and competitive sector.
- Food security is a pillar of Big 4 plan (priority value chains: maize, potatoes, rice, leather, and fish).
- Strong flowers, tea, fruit export (2018 export \$625m of flowers: 76% to the EU).
- Kenya is one of the African countries that stands to be most affected by a reduction in agricultural exports, particularly as fresh-cut flower exports to Europe contribute significantly to GDP.
- Current crises: coronavirus and a locust invasion. However, the ongoing uptake of digital solutions is helping to strengthen resilience in the agriculture sector and ensure that fresh produce can still reach consumers.



Agro-Food and Agri-Tech

- Hundreds of Kenya's smallholders are now selling their produce online, both as individuals and as part of collectives. At the moment 6 marketplace platforms for fresh food active in the country.
- 40m internet users in Kenya according to the latest data from the Communications Authority of Kenya: potentially huge market for producers.
- Alongside this, many digital start-ups are investing in agricultural data management.
- Post-Covid-19, it is likely that this shift towards digital processes will continue as more producers and consumers will have grown accustomed to online transactions facilitated by Kenya's strong mobile money and cashless technology ecosystem.



Agro-Food: Opportunities (1)

Opportunities for investments and provision of machinery and equipment include:

1. Agricultural production
2. Irrigation
3. Sugar refinery facilities
4. Grain milling
5. Food processing of dairy, fruit, poultry, other meat, oil crops
6. Packaging
7. Refrigeration
8. Logistics and transport

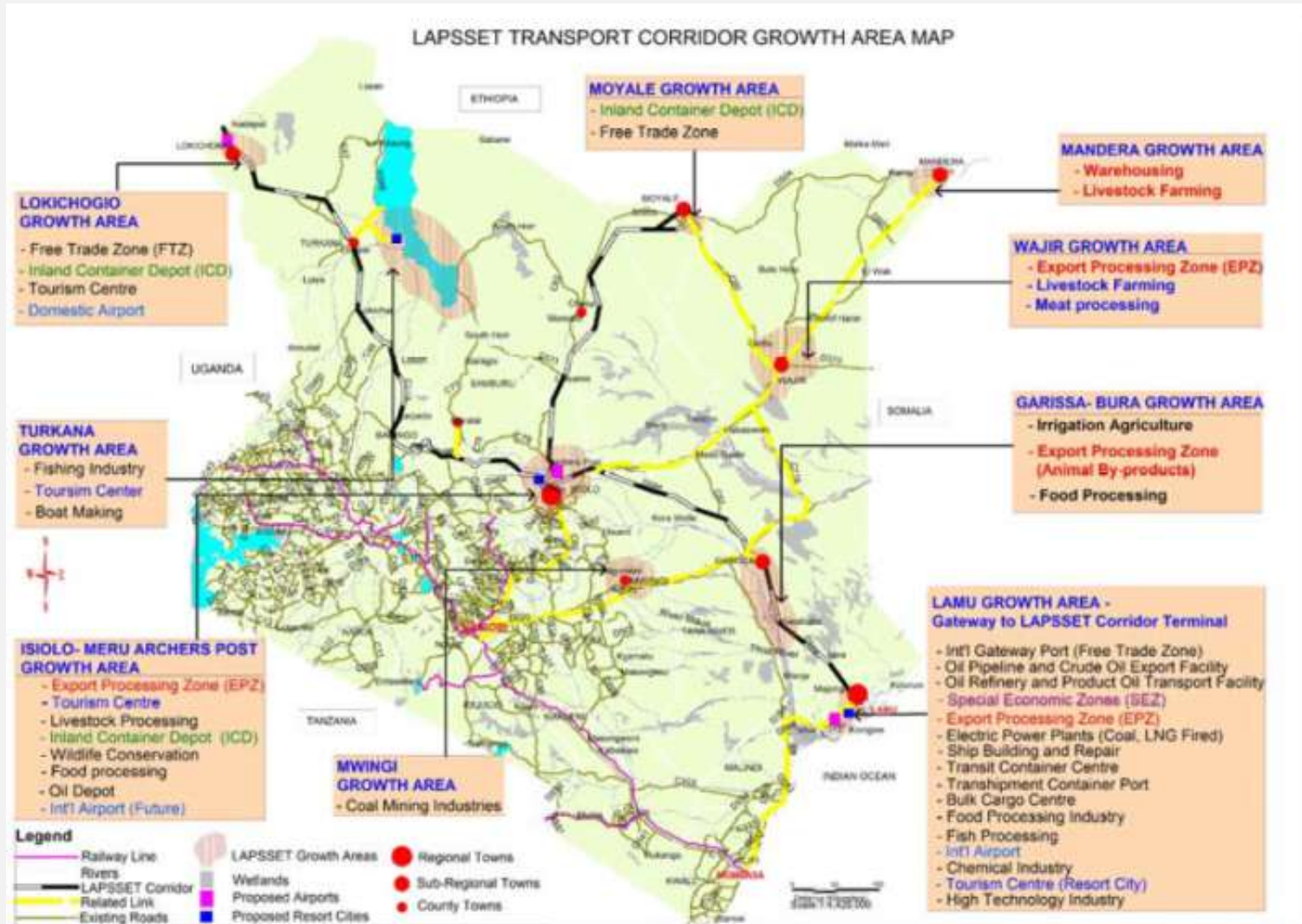


Construction Industry: Opportunities

- Construction has been the fastest-growing sector in Kenya, fuelled by mega infrastructure projects.
- Heavy investments in infrastructure in recent years: critical role in transforming the economy and becoming regional hub.
- Yet: Kenya facing serious infrastructure deficits (investment gap at \$5 bn a year).
- With fast population growth, housing deficit is expected to be 1.6m by 2030.
- LAPSSET Corridor project (Lamu Port – South Sudan – Ethiopia-Transport): link to Ethiopia and South Sudan and to Cameroon and Central African Republic.
- LAPSSET comprises several investments along the corridor in industrial parks and special economic zones, resort cities, and power.
- Opportunities:
 - Construction machinery and technologies with good value for money.
 - Low-cost housing supply chain opportunities, as well as for roofing materials, windows, doors, kitchens, bathrooms and finishing materials.
 - Construction materials and technologies.



Construction Industry: LAPSSET Corridor



Healthcare: Current Situation

- Key pharmaceutical market and largest producer in East Africa.
- Universal access to health care is one of the pillars of Big 4 Plan.
- High quality private health care: major hospitals in Nairobi have level of care comparable to Europe.
- Many visit Nairobi for healthcare from other countries: healthcare hub.
- Private hospitals in Kenya have rolled out multi-billion shilling expansion projects in order to meet the current and expected growth in demand for quality healthcare services as the country's middle class population grows.
- Major growth of medical device market in the next few years.
- The market will remain heavily reliant on imports due to domestic manufacturers focusing on basic consumables.
- Both the government and private sector have been looking at ways of using mobile technology to improve access to health care services for Kenyans.



Healthcare: Opportunities

Opportunities for suppliers:

- Quality and affordable medical devices.
- Laboratories, testing machines and technologies.
- Health and ICT integration: telemedicine, health management information systems, hospital information systems, eLearning.
- Hospital buildings: specific construction solutions for hospitals.
- Specific pharmaceutical products.



Covid-19 Update

- Current situation: 2,021 cases, 69 deaths (June 2).
- Partial lockdown and curfew in evening and night.
- Heavy impact on export of agricultural products, flowers, tourism, constructions, manufacturing.
- Disruption in supply chain.
- Intervention of the Central Bank and government: deduction of VAT from 16% to 14%; a reduction in both income tax and corporation tax from 30% to 25%; and 100% tax relief for individuals with low monthly income.
- Where possible, companies are exploring ways to adapt existing manufacturing capacity towards medical supplies.
- Digital solutions are also helping the manufacturing and distribution sector respond to the crisis.



Thank you

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