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Kenya:

Country Private Sector Diagnostic



SEPTEMBER 2026

About the Country Private Sector Diagnostic

The private sector is an engine of long-term economic growth and a catalyst for global social and economic development. When functioning well, it promotes innovation and entrepreneurship, improves access to and the quality of economic opportunities, and supports the sustainable use of natural resources. In developing economies, the private sector creates the vast majority of jobs, generates tax revenue, and accounts for significant investment.

The Country Private Sector Diagnostic (CPSD) reports seek to unlock private investment and job creation through policy action to remove impediments to private investment. Prepared jointly by the institutions of the World Bank Group, each report analyzes specific sectors of the economy in which increased private investment could accelerate growth if appropriate policy and regulatory issues are addressed.

Designed from the perspective of an investor or entrepreneur, CPSDs seek to identify untapped private investment opportunities and the barriers that stand in their way (earlier reports can be found [here](#)). Subsectors of the economy are chosen based on their potential to attract private investment, create more and better jobs, generate domestic revenue, and foster sustainable, inclusive growth in response to targeted policy action. The report aims to help policy makers prioritize impactful actions that can be taken in the near term to remove disincentives to private investment, while delivering on broader development goals.

The CPSD is a core country diagnostic of the World Bank Group produced to guide the design and implementation of country strategies, public and private investment projects, budget support operations, advisory services, and other analytical work. It is intended to be of interest to domestic and foreign investors, government officials, Bank Group staff and management, civil society, and other development partners.

CPSDs are a central instrument of the World Bank Group's jobs agenda as articulated in the 2025 Development Committee (DC) Paper on *Jobs: The Path to Prosperity*, which emphasizes translating private sector development into large-scale employment opportunities. CPSDs support this agenda by providing country-level, sector-specific diagnostics that help identify systemic barriers to private investment critical to job creation. They also align with the DC's three-part approach to private sector development and job creation: investing in human capital and infrastructure to establish the basic preconditions for job, supporting business-enabling policies, and mobilizing private capital at scale to help firms create more and better jobs.

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Executive Summary

The Country Private Sector Diagnostic (CPSD) identifies sectors of the economy that could attract significant private investment over the medium term if well-identified constraints can feasibly be addressed by public policy action in the near term. It takes an investor's perspective in identifying constraints that discourage private investment. Sector selection follows a rigorous, systematic process based on quantitative and qualitative indicators and stakeholder consultations, including interviews with private investors, companies, technical experts, policy makers, and development partners. Because the process involves judgment, the selection is not exhaustive; it is intended to facilitate focused analysis and concrete recommendations.

Kenya's strategic location, international connectivity, and natural resources position it as an economic gateway to East Africa with strong potential to compete in global markets. Targeted reforms that address sector-specific constraints to private investment can yield tangible results while deeper structural reforms advance.

Country Context

Kenya, one of Sub-Saharan Africa's largest and most diversified economies, has strong fundamentals for private sector-led growth. The country has a population of over 50 million, a diversified economic base, strong regional connectivity through the Port of Mombasa, a relatively skilled workforce, and significant agricultural, renewable energy, and tourism assets. Over the past decade, Kenya recorded steady economic growth, driven largely by public investment. However, this growth has not produced sufficient private investment, productivity gains, export growth, or formal job creation. Private investment remains low, foreign direct investment (FDI) inflows lag those of peer countries, exports have declined as a share of gross domestic product (GDP), and only a small fraction of the 1 million annual labor market entrants find formal employment.

Infrastructure and access to inputs are among the factors that discourage private investment in potentially productive sectors. Although Kenya has made progress in transport infrastructure through expressways, port modernization, and the development of Lamu Port, firms continue to face high utility costs and unreliable services. Electricity tariffs, at around US\$0.26 per kilowatt-hour, are among the highest in the region, and 75 percent of firms report frequent outages. Water access is also a significant constraint: more than 37 percent of firms reported insufficient water in the 2025 World Bank Enterprise Survey, compared with 17.2 percent for lower-middle-income countries. Insecure land tenure and outdated land records further raise transaction costs and deter investment, particularly in land-intensive sectors.

The business-enabling environment is constrained by regulatory uncertainty, high compliance costs, and governance weaknesses. While corporate income tax rates are broadly aligned with regional peers, investors face multiple national and county-level levies, frequent tax changes, cumbersome administration, and perceptions of unequal treatment. Business licensing also remains a concern, with 25.3 percent of firms identifying licensing and permits as a major or very severe constraint in the 2025 World Bank Enterprise Survey. Governance weaknesses further undermine investor confidence: Kenya ranks in the bottom third of the Transparency International Index, and one-third of firms report that they received requests to pay bribes.

Devolution has created opportunities to strengthen local economic development but has introduced complexity for firms operating across counties. County governments have an expanded mandate in licensing, taxation, investment promotion, spatial planning, and service delivery, but this mandate is not always matched by adequate resources or enforcement capacity. County-level taxes, fees, and regulatory requirements are also often applied inconsistently, creating an uneven business environment and increasing compliance costs.

Access to finance is a major constraint despite a relatively sophisticated financial system. Government borrowing has crowded out private sector credit, reducing the capital available for productive investment. Credit to the private sector declined from 36.7 percent of GDP in 2015 to 29.1 percent in 2024, while micro, small, and medium enterprises face an estimated financing gap of over K Sh 2.5 trillion (more than US\$19 billion). The limited availability of long-term finance further constrains private sector expansion across sectors, especially for firms requiring patient capital for investment, modernization, and scale-up.

Climate change is a growing risk. Recurring droughts and floods disrupt agricultural production, supply chains, transport networks, and critical infrastructure, resulting in substantial economic losses and increased costs for businesses across sectors.

Addressing these foundational constraints requires a long-term economywide reform agenda. In parallel, sector-specific policy action can generate medium-term gains. This CPSD focuses on these sector-specific actions. Together, sector-specific actions and structural reforms would help reduce the cost and uncertainty of doing business and strengthen the country's ability to attract private investment and create jobs as envisioned in Kenya Vision 2030.

Sector Deep Dives

The Kenya CPSD focuses on three sectors: avocado and mango, medical consumables manufacturing, and coastal tourism. The sectors were selected based on their private investment potential if existing constraints are removed (assessed based on the scale of unmet demand, Kenya's competitive advantage, commercial viability, and scope for private participation), development impact, and the feasibility of unlocking investment through policy actions in the near to medium term. The selected sectors align with the tourism, agriculture, and manufacturing priorities under Vision 2030, and the recommendations illustrate how sector-specific actions can help accelerate progress while deeper structural reforms advance.

The analysis identifies significant untapped potential across the three sectors. With complementary public investment and reforms, the recommendations could help unlock up to US\$1.5 billion in incremental private investment and create 80,000 more and better-paid direct jobs over the medium term, relative to a business-as-usual scenario. The employment estimate captures the combined gains from additional jobs and higher earnings associated with increased private sector activity.

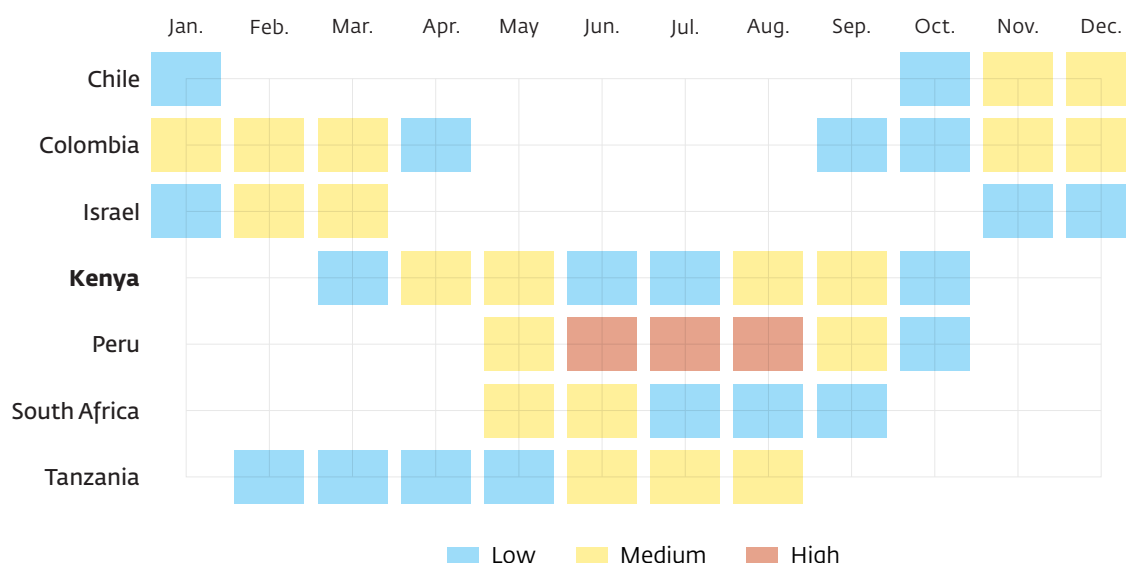
Avocado and Mango

Kenya is Africa's largest avocado producer and fourth-largest mango producer. Kenya has a well-established export market for avocados, but its mango exports are limited. Output and export earnings from fresh avocados roughly tripled over the past decade, reaching 585,000 metric tons (MT) and US\$162 million, respectively, in 2024. Mango production reached 783,000 MT in 2024, produced by nearly 800,000 farmers. However, only 10 percent of mango production is processed, while 3 percent is exported.

Potential investment opportunities in fresh avocado production and exports are significant. Fresh avocado exports to Europe could grow because Kenya's counterseasonal harvest windows (figure ES.1), high per fruit values, and low production costs allow

Figure ES.1

Kenya's Counterseasonal Harvest Windows Support Expanded Avocado Exports to the EU-27



Source: Calculations based on UN Comtrade for market structure and CBI (2025) for seasonality calendar.

Note: EU = European Union.

exporters to fill market gaps before major competitors such as Peru enter peak harvest periods. Avocado oil processing, the main processing channel for avocado, has substantial excess capacity, limiting near-term investment opportunities.

Mango pulp processing for sale to domestic and regional juice manufacturers also has investment potential. Kenyan processors can offer buyers shorter lead times, more flexible order fulfillment without bulk minimums, and taste profiles better suited to African markets than those of global competitors such as India.

Kenya has not realized its investment potential in either commodity due to constraints related to quality, pest management, and value added tax (VAT) refund delays on imported processing equipment. The country's inspection and enforcement systems fail to ensure market-ready export quality and standards, damaging Kenya's reputation and creating incentives to export substandard fruit. Inadequate pest management undermines fruit quality and compliance with phytosanitary requirements in export markets. Although Kenya's export zero-rating regime allows exporters to claim VAT refunds for export value chains, delays in processing refunds create cash-flow constraints for processors.

Targeted reforms have the potential to remove impediments to private investment (table ES.1). Mandating robust export consignment-level inspections at packhouses,

as a first step toward full farm-to-port traceability and inspections in the long run, and establishing sequential export clearance controls for the relevant authorities on the current digital platform would align incentives for quality across the value chain and improve perceptions of Kenyan exports. Clarifying responsibilities for pest management and aligning emergency response plans by passing an improved Plant Protection Bill, enacting implementing regulations, and prioritizing proven location-based approaches to pest management would reduce harvest losses and market access risks and increase per-unit earnings. Deferring import VAT on processing equipment would improve cash flow for investors. These measures build on the government's Bottom-Up Economic Transformation Agenda and the value chain strategies of the Ministry of Agriculture.

As part of a broader package of public investments and reforms, the recommendations could help unlock up to US\$167 million in incremental investment and 36,000 more and better-paid jobs over 10 years, relative to a business-as-usual scenario.

The estimate of more and better-paid jobs captures the combined gains accruing from both an increase in the number of jobs and higher wages earned from participation in export value chains.

Coastal Tourism

Supported by large demand pools, established visitor flows, and distinctive natural and cultural assets, Kenya's coastal tourism has significant untapped private investment potential. Stretching more than 600 kilometers along the Indian Ocean, the coast combines white-sand beaches, marine assets, golf, cultural heritage, and proximity to wildlife parks for integrated bush-and-beach itineraries. Yet Mombasa receives only about 134,000 European arrivals, compared with 2 million from the same markets at comparable long-haul beach destinations, highlighting a substantial untapped market.¹ Kenya also attracts around 1 million international visitors who participate in wildlife viewing annually, but fewer than one in five visitors from high-spending safari source markets visit the beach, and fewer than one in ten of the 644,000 meetings, incentives, conferences, and exhibitions (MICE) travelers add a beach stay.² Converting even a modest share of these segments, supported by annual growth of 4 to 5 percent in regional and domestic travel and rising demand for business and leisure ("bleisure") and experiential travel, could materially increase coastal arrivals and visitor spending.

Recent performance suggests Kenya's coastal tourism potential is translating into real market momentum. International arrivals through Mombasa have rebounded strongly since the COVID-19 pandemic (figure ES.2), coastal bed-nights in 2024 exceeded prepandemic levels by about 25 percent, and peak season occupancies are nearing

capacity, supported by the return of package tourism, new European markets, and growing domestic and MICE demand. Yet this recovery has not produced a comparable increase in supply: investment remains concentrated in Nairobi and safari circuits, coastal hotel development is limited, much of the existing stock is outdated, and Zanzibar's lead in international arrivals continues to widen.

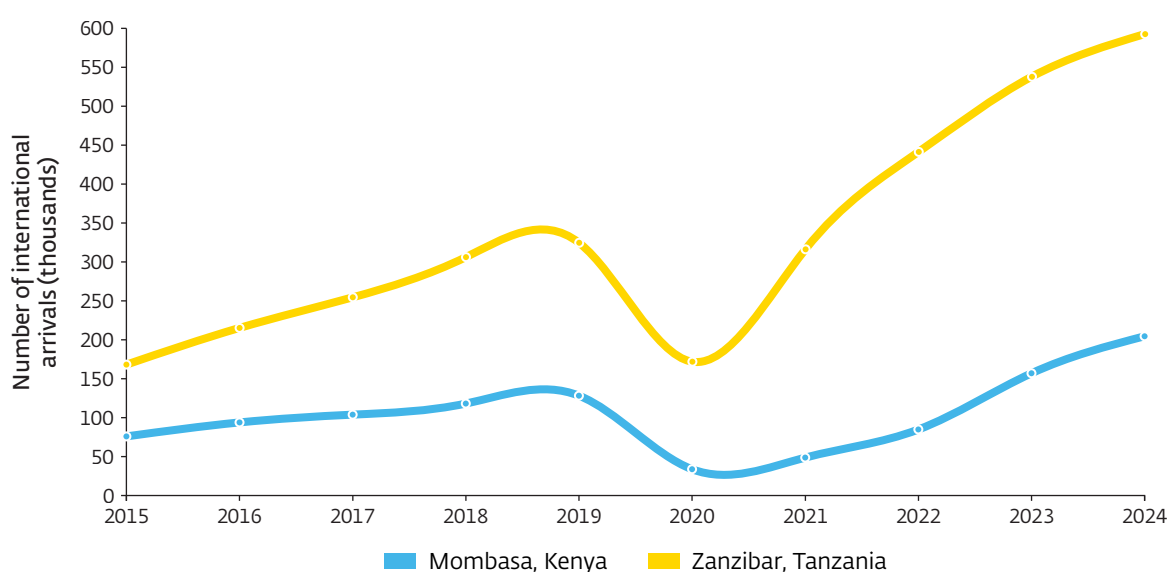
Private investment in coastal tourism accommodation is discouraged by insufficient spatial planning and fragmented destination governance. Investors cannot be certain that land adjacent to tourism assets will remain compatible with tourism, and weak management of beach and marine assets erodes the quality of the tourism product and potential returns. Investment is further constrained by land market dysfunction in beachfront properties that limits land availability in select high-value areas, limited direct international flights that restrict access for some traveler segments, and tax complexity and policy unpredictability that affect cash flow and commercial viability.

Attracting private investment in coastal tourism would require reducing uncertainty for investors. Kenya can build on ongoing efforts to revise the national tourism strategy

Figure ES.2

Coastal Kenya Is Recovering but Still Lags Main Competitor Zanzibar

International visitor arrivals by airport



Source: Calculations based on OCGS Zanzibar Statistical Abstracts and annual tourism releases; CBK (2017, 2018); and Kenya Tourism Research Institute tourism sector performance reports for 2018–24.

Note: Figures show direct international visitor arrivals through Zanzibar (ZNZ, Abeid Amani Karume International) and Mombasa (MBA, Moi International) airports.

and prepare new marine and national spatial plans. Priority reforms include establishing clear coastal tourism zones and designated beach parks, coordinating management of those zones, strengthening incentives to develop leasehold land, expanding digitization of title registries, and increasing transparency in international air access decisions. These reforms will require closer coordination among sector entities and greater authority for the affected counties.

As part of a broader package of public investments and reforms, the recommendations could help unlock US\$380 million to US\$560 million in private investment in coastal hotels and related services over the medium term, relative to a business-as-usual scenario. This additional investment could support up to 14,000 more and better-paid job equivalents. The estimate captures the combined gains that may accrue through additional employment and higher earnings as the sector expands and shifts toward higher-value tourism products. Given tourism's extensive linkages to local suppliers and service providers, the broader employment impact could be substantially larger once indirect effects through supply chains are included.

Medical Consumables Manufacturing

Kenya has potential to attract private investment and expand its medical consumables industry as demand grows domestically, regionally, and globally.

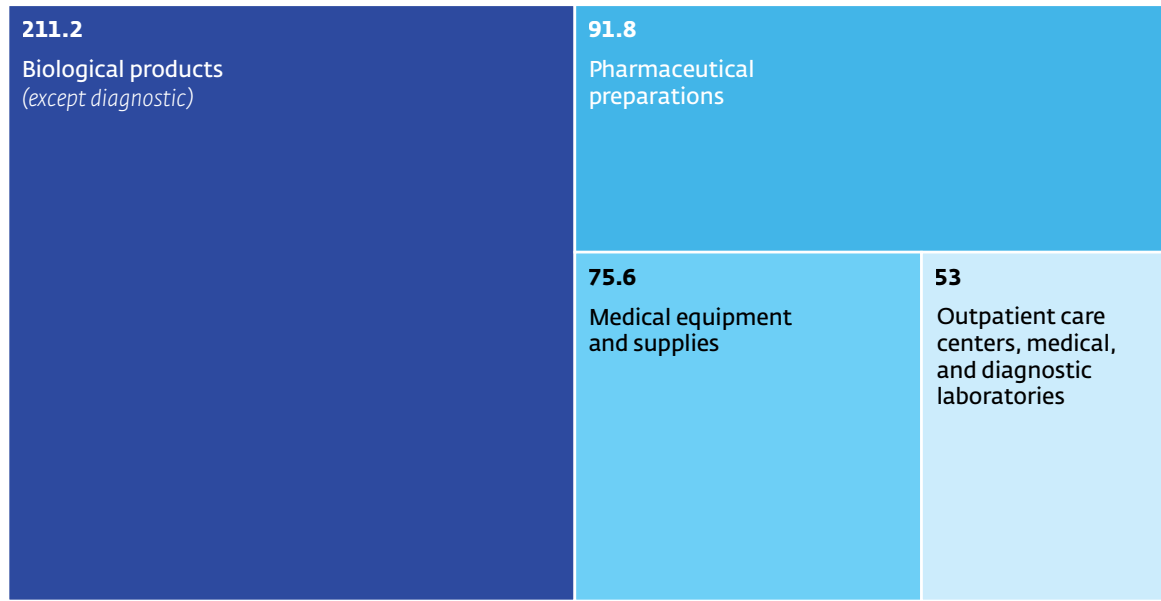
Demand for medical consumables is rising due to population growth, increasing disease burden (driven by noncommunicable diseases alongside persistent infectious diseases), expanded health coverage, and growing demand for private health care. In Kenya, the market reached US\$430 million in 2025 and is projected to grow at a compound annual growth rate of 4 percent to US\$540 million by 2030. Kenya's market is part of a much larger African market, estimated at US\$4.8 billion and projected to grow by around 10 percent annually over the medium term, similar to projected global growth. Demand is concentrated in high-volume disposable products, such as gloves, intravenous kits, gauze, and syringes, that health care facilities use frequently and the region largely imports. Kenya could serve larger markets by expanding sales in Ethiopia, Somalia, South Sudan, Tanzania, and Uganda while tapping into the broader regional and global market.

Kenya has attracted investment in medical consumables manufacturing for exports to developed markets such as the European Union (EU) and the United States. While local procurement preferences seek to strengthen domestic production and reduce the supply chain vulnerability of Kenya's health care system, the country also attracts investors seeking to serve external markets. Kenya is among Africa's top recipients of health-related FDI announcements (figure ES.3). Its competitive advantages include a workforce with

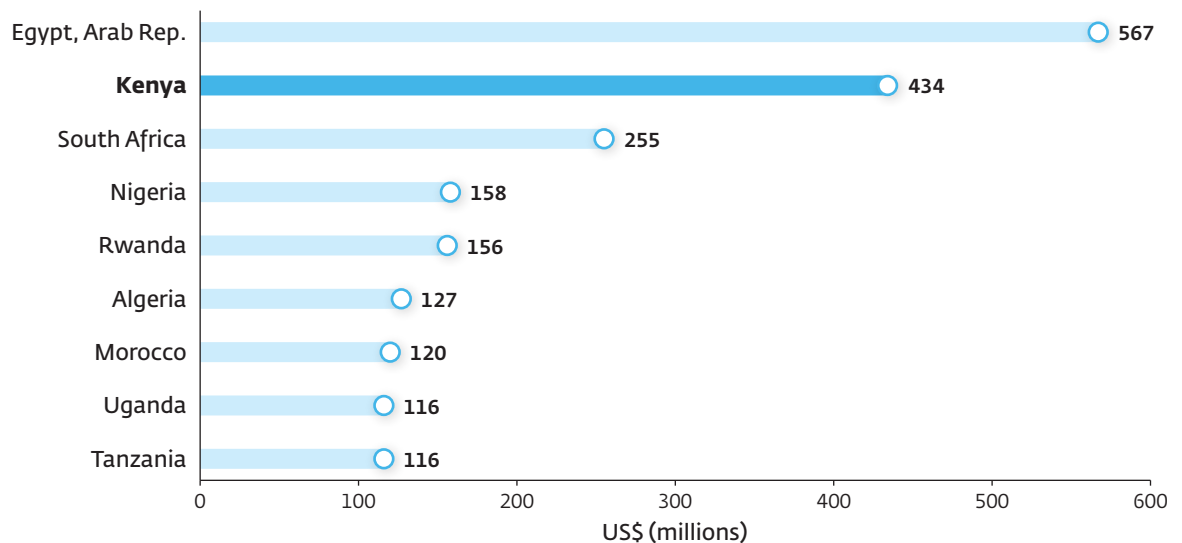
Figure ES.3

Kenya Is a Top Recipient of Health-Related FDI in the Region, with 40 Percent in Medical Consumables Manufacturing

a. Health-related greenfield investments into Kenya by sector, 2020–25 (US\$, millions)



b. Top 10 African destinations of health-related FDI announcements, 2020–25



Source: fDi Markets 2025.

Note: FDI = foreign direct investment. Values represent announced capital expenditure and may not reflect actual expenditure. Capital expenditure is aggregated by destination country and sector or subsector.

strong foundational skills, relatively low wages, proximity to key African markets, strong logistics, and preferential access to major export markets such as the EU and the United States. These strengths could help Kenya become a regional hub for medical consumables.

Regulatory complexity and uncertainty reduce the commercial attractiveness of private investment in the sector. Worldwide, the medical consumables industry is highly regulated. In Kenya, the regulatory burden is greater than in comparator markets because requirements overlap, approvals are slow, and processes for obtaining authorization to manufacture products subject to more stringent standards are unclear. Poor harmonization with standards in export markets beyond the East African Community also limits opportunities for export growth.

Investors face demand uncertainty from procurement practices and VAT treatment that disadvantage local manufacturers relative to importers. Although the public sector is not the main source of demand for medical consumables, public procurement remains the most important policy-controlled demand channel and a key lever for competitiveness and market development. The domestic public market could serve as an anchor customer for new entrants and provide a pathway for the larger private sector, donor-funded, and export markets that collectively account for most demand. Public procurement can also influence market outcomes through local preference policies, tender design, quality standards, and payment practices. Public procurement is fragmented, demand forecasting is weak, payments are delayed, county practices vary, and procurement is uncertain. These problems make demand difficult to predict, while payment delays create cash-flow pressures that smaller firms have limited capacity to absorb. Importers of medical consumables do not pay VAT, but domestic manufacturers must pay it on some inputs, increasing their costs and placing them at a disadvantage.

Kenya can unlock additional investment in medical consumables by streamlining compliance processes, improving the visibility of domestic demand, and correcting policies that weaken manufacturers' cash flow. Priority regulatory reforms include adopting a simplified, tiered, reliance-oriented framework aligned with models from the International Medical Device Regulators Forum and the World Health Organization. Under this framework, the Pharmacy and Poisons Board (PPB) would require market authorization from only *one* reference regulatory authority. Kenya should also enact subsidiary legislation to accelerate PPB's attainment of WHO Maturity Level 3 for pharmaceuticals and medical consumables and pursue bilateral agreements for standards harmonization in the short term while working toward longer-term harmonization within the Common Market for Eastern and Southern Africa and elsewhere in Africa.

To improve demand visibility and payment predictability, national and subnational entities should consolidate domestic public demand and ensure timely payment for

supplies sold to the government. This would include linking the e-procurement system to the Integrated Financial Management System to facilitate automatic digital recognition of liabilities and payment, and amending the Public Financial Management Act to redirect the flow of funds within the health financing system to the Kenya Medical Supplies Authority. Kenya should also amend the applicable VAT legislation to zero-rate a defined list of locally produced medical consumables, restoring input VAT recoverability.

Because medical consumables manufacturing presents relatively manageable environmental risks—primarily related to waste, chemicals, water, and energy use—embedding strong environmental standards and circular-economy principles from the outset will help Kenya build a competitive and sustainable industry.

As part of a broader package of reforms, the recommendations could help unlock up to US\$780 million in incremental private investment and 33,200 more and better-paid direct jobs over 10 years, relative to a business-as-usual scenario. This estimate captures the combined gains accruing from both an increase in the number of jobs and higher wages earned from participation in export value chains as Kenya closes the export gap with peer exporters. Compared with many other light industries, medical consumables offer higher margins, better-paid jobs, and greater health security benefits. Strong linkages to other sectors could create additional indirect jobs.

Table ES.1

Summary of Constraints and Recommendations

Constraints	Recommended actions
Avocado and mango	
<i>Rationale</i> • High yields, counterseasonal harvest windows relative to competitors, and low production costs. • Major employer, especially in rural areas.	
1. Inadequate inspection and enforcement systems of quality standards permit the export of immature fruit, damaging the reputation of Kenyan fruit and reducing demand.	1a. Replace sporadic inspections that use exporter-selected fruit samples with universal, consignment-level inspections at packhouses using independent, risk-based sampling, as directed by the Horticultural Crops Directorate (HCD). <i>Responsible public sector entity:</i> HCD 1b. Establish sequential enforcement of control points for avocado export clearance under a single digital platform, the National Horticulture Traceability System. <i>Responsible public sector entities:</i> HCD, Kenya Plant Health Inspectorate Service (KEPHIS), and Kenya Revenue Authority
2. Fragmented institutional responsibilities for pest detection and management leave outbreaks unmanaged and expose investors to production losses.	2a. Amend and pass the draft Plant Protection Bill 2025 to provide a statutory cofinancing mechanism for pest detection and emergency response. <i>Responsible public sector entity:</i> Ministry of Agriculture and Livestock Development (MoALD) 2b. Publish implementing regulations under the Plant Protection Bill in the government gazette, establishing a codified protocol for emergency pest response. <i>Responsible public sector entities:</i> MoALD, in consultation with KEPHIS and county governments
3. Public spending on pest management remains dispersed across individual farm-level interventions rather than concentrated in proven, areawide approaches.	3. Establish additional areas of low pest prevalence in priority mango- and avocado-production counties. <i>Responsible public sector entities:</i> MoALD and county governments
4. Delays in value added tax (VAT) refunds for imported processing equipment tie up mango processors' working capital and discourage investment in value addition.	4. Establish a VAT deferment regime for fruit processing equipment through an amendment of the Finance Act. <i>Responsible public sector entity:</i> National Treasury

(Table continues next page)

Table ES.1

Summary of Constraints and Recommendations (*continued*)

Constraints	Recommended actions
Coastal tourism	
<i>Rationale</i> • Diverse coastal tourism assets with significant untapped investment potential. • Opportunity for hotel upgrading and new investment as travel preferences evolve.	
1. Kenya's coastal tourism areas lack adequate spatial and beach management plans, leaving investors uncertain about surrounding land use and the preservation of tourism assets.	1a. The State Department for Lands and Physical Planning (SDLPP) should recognize tourism as a distinct land-use category in the Kenya National Spatial Plan and the Physical and Land Use Planning Handbook. <i>Responsible public sector entity:</i> SDLPP 1b. County governments, in coordination with the national government, should designate coastal tourism zones for beach-adjacent land in Diani, Mombasa, Kilifi, Watamu, and Lamu that define preferred land uses and establish subdivision controls to prevent further fragmentation. <i>Responsible public sector entities:</i> SDLPP, Ministry of Tourism and Wildlife, and coastal county governments 1c. The Ministry of Tourism and Wildlife (MoTW), together with the relevant county government and Kenya Wildlife Service (KWS), should formally designate selected high-value beaches as "beach parks," guided by the International Union for Conservation of Nature classification framework and Kenyan legislation on protected areas. <i>Responsible public sector entities:</i> KWS, MoTW, and coastal county governments
2. Coastal tourism destinations lack coordinated management to enforce rules and implement planning decisions.	2. For each designated coastal tourism zone, the relevant county should establish a management entity. <i>Responsible public sector entities:</i> SDLPP, MoTW, KWS, and coastal county governments
3. Existing requirements that leasehold land be developed within two years or revert to the government are not enforced, undermining incentives to develop or transfer land to more productive users.	3. The SDLPP should amend the Land Act to authorize an idle-land rent premium of at least 5 percent on leasehold public land where development conditions have not been met within the stipulated period to incentivize the leaseholder to develop, release, or sell the land. <i>Responsible public sector entities:</i> SDLPP and coastal county governments
4. Incomplete digitization of coastal freehold and leasehold land records makes it difficult for investors to distinguish parcels with clear title from those requiring administrative rectification or judicial resolution.	4. To reduce title insecurity along the coast, the SDLPP, supported by the National Land Commission and the relevant counties, should extend Ardhisa coverage into Kwale and Kilifi counties. <i>Responsible public sector entities:</i> SDLPP

(Table continues next page)

Table ES.1

Summary of Constraints and Recommendations (*continued*)

Constraints	Recommended actions
5. Lack of transparency around the criteria for granting airline access to the airport in Mombasa and the content of bilateral service agreements reduces the predictability of future connectivity for prospective carriers and tourism investors.	5a. The State Department for Aviation and Aerospace Development (SDAAD), in coordination with the Kenya Civil Aviation Authority (KCAA), should publish clear and objective decision-making criteria used by the Technical Evaluation Committee for granting airline access to applicants. <i>Responsible public sector entities:</i> SDAAD and KCAA 5b. The SDAAD should publish Kenya's bilateral air service agreements. <i>Responsible public sector entity:</i> SDAAD
Manufacturing of medical consumables	
<i>Rationale</i> • Strong and growing domestic, regional, and global demand for medical consumables. • Competitive advantage due to strong skill base, geographical proximity to an expanding market, and low wages. • Strong likelihood for reforms to meet the government's objective of creating a regional hub for medical manufacturing.	
1. An uncoordinated public procurement process undermines demand predictability, discouraging investors.	1. The Kenya Medical Supplies Authority (KEMSA) should consolidate and publish government procurement data for medical consumables to use public purchasing power more effectively and enhance demand predictability for investors. <i>Responsible public sector entities:</i> KEMSA and NT
2. Local manufacturers are not paid on time for supplies to the government, negatively affecting cash flow and business viability.	2a. The National Treasury (NT) should link the e-government procurement system to the Integrated Financial Management Information System to facilitate digitalized, real-time processing of payments. <i>Responsible public sector entities:</i> NT, counties, and KEMSA 2b. Amend the Public Financial Management Act to redirect funds within existing health financing channels to KEMSA and enable automatic, timely payments to domestic manufacturers. <i>Responsible public sector entities:</i> KEMSA, MoH, and NT
3. Firms face overly stringent requirements for reliance-based regulatory approvals for products already marketed internationally.	3a. The Pharmacy and Poisons Board (PPB) should require approval from only one reference regulatory authority before granting reliance-based marketing authorization, consistent with World Health Organization (WHO) good practice. <i>Responsible public sector entity:</i> PPB 3b. PPB should include China's National Medical Products Administration and WHO-listed African national regulatory authorities in its reliance framework. <i>Responsible public sector entity:</i> PPB

(Table continues next page)

Table ES.1

Summary of Constraints and Recommendations (*continued*)

Constraints	Recommended actions
4. PPB's Maturity Level 2 status limits export market access for products manufactured locally.	4. The Ministry of Health (MoH) should gazette subsidiary regulations under the Kenya Health Products and Technology Regulatory Authority Bill to establish adverse event reporting, postmarket surveillance, and enforceable registration timelines required to progress toward Maturity Level 3 status for both pharmaceuticals and medical consumables. <i>Responsible public sector entities:</i> MoH and PPB
5. Dual regulatory gatekeeping by PPB and Kenya Bureau of Standards (KEBS) inflates the compliance burden for local manufacturers and deters investment.	5. The MoH and Ministry of Investment, Trade, and Industry (MITI) should issue a cross-ministerial directive to suspend the KEBS certificate of conformity requirement for PPB-registered medical devices. <i>Responsible public sector entities:</i> PPB, MoH, KEBS, and MITI
6. Certain medical consumables are VAT exempt, preventing local manufacturers from claiming VAT refunds on their inputs.	6. Amend the VAT system to zero-rate a clearly defined list of locally manufactured consumables. <i>Responsible public sector entity:</i> NT

Note: HCD = Horticultural Crops Directorate; KCAA = Kenya Civil Aviation Authority; KEBS = Kenya Bureau of Standards; KEMSA = Kenya Medical Supplies Authority; KEPHIS = Kenya Plant Health Inspectorate Service; KWS = Kenya Wildlife Service; MITI = Ministry of Investment, Trade, and Industry; MoALD = Ministry of Agriculture and Livestock Development; MoH = Ministry of Health; MoTW = Ministry of Tourism and Wildlife; NT = National Treasury; PPB = Pharmacy and Poisons Board; SDAAD = State Department for Aviation and Aerospace Development; VAT = value added tax; WHO = World Health Organization.

1

Country Context and Business Environment



As one of the largest economies in Sub-Saharan Africa, with a large, well-educated workforce and a significant domestic market of 56 million people, Kenya offers compelling investment opportunities to bolster its economy and create jobs.

Its strategic location in East Africa and regional connectivity through the Port of Mombasa make it a gateway economy for goods and services in the region. In addition, the country is endowed with attractive assets such as fertile land, renewable energy resources, and nature-based tourist attractions.

Kenya recorded sustained economic growth over the past decade, powered in part by an ambitious infrastructure development agenda that spurred growth in construction and public consumption. The construction sector grew by 60 percent during this period, contributing 7 percent of total gross domestic product (GDP) growth. Services contributed over two-thirds of total GDP growth. Agriculture, accounting for about 20 percent of GDP, grew at only 2.5 percent annually between 2015 and 2024. Manufacturing grew by 2.6 percent, but the sector's share of GDP declined.³

The growth model driven by public investment yielded only modest improvements in productivity, and private investment and exports are lagging. Total factor productivity grew by only 0.3 percent annually between 2001 and 2010 and not at all between 2011 and 2019.⁴ Private investment declined over much of the decade and was at about 13 percent of GDP in 2024, a level comparable to that of two decades ago. Net foreign direct investment (FDI) inflows were less than 0.2 percent of GDP in the 2021–24 period, lower than peers. The export share of GDP declined from 21.5 percent in 2011 to 17.1 percent in 2024, remaining well below peer countries.

Growth has not resulted in sufficient job creation. While around 1 million people enter Kenya's labor market each year, only about 100,000 are absorbed into formal employment, leaving most workers in informal and often low-productivity activities.⁵

Public investment without a commensurate increase in the tax base led to widening fiscal imbalances, with knock-on effects on the private sector. Public debt rose sharply from 35.7 percent of GDP in 2011 to 73.2 percent in 2023, while total expenditures increased without commensurate revenue growth. Government support to state-owned enterprises (SOEs) was sizable, and over time SOEs' financial performance weakened. Government debt started crowding out the private sector's access to capital, with the share of private credit to GDP reaching 29.1 percent in 2024.

As discussed in a recent World Bank Group report,⁶ private sector growth is unlocked through foundational infrastructure, a business enabling environment, and access to capital.

Table 1.1

Steady Growth Despite Rising Fiscal Pressures

	2010–19 average	2020	2021	2022	2023	2024
GDP (US\$, billions)	69.8	100.6	110.0	114.4	107.5	120.3
Real GDP growth (%)	5.0	–0.3	7.6	4.9	5.7	4.7
PPP GDP per capita (constant 2021 international US\$)	4,639.5	5,057.4	5,338.9	5,491.7	5,691.8	5,845.2
Investment (% GDP)	20.6	20.4	21.0	19.9	19.2	19.4
Inflation (% , period average)	7.1	5.3	6.1	7.6	7.7	4.5
Fiscal balance (% of GDP)	–6.6	–7.7	–6.8	–6.1	–5.7	–5.8
Public debt (% of GDP)	51.1	67.2	67.9	67.8	73.4	67.3
Current account balance (% of GDP)	–6.7	–3.7	–5.1	–5.1	–3.6	–2.3
Gross reserves (US\$, billions)	6.9	8.3	9.5	7.3	7.3	10.1
Total reserves (in months of imports)	4.5	5.2	4.7	3.2	3.4	4.4
FDI, net inflows (% of GDP)	1.2	–0.4	–0.3	0.2	0.2	0.3

Source: Based on World Bank MPO and WDI databases.

Note: FDI = foreign direct investment; GDP = gross domestic product; PPP = purchasing power parity. Kenya's population in 2024 was 56 million.

1.1 Foundational Infrastructure: Access to Human Capital, Connectivity, and Utilities

In terms of human capital, a Kenyan strength is the skills of its workforce. Learning-adjusted years of schooling exceed those of regional, income-group, and aspirational comparators, and relatively few firms identify an inadequately educated workforce as a major or severe constraint. There are, however, specific skills gaps in certain sectors (see, for example, the discussions on this topic in chapters 4 and 5), indicating a need for closer collaboration between the private sector and educational institutions.

Connectivity and transport infrastructure play a central role in reinforcing Kenya's position as a regional economic hub, but logistics costs are high and competition is limited. The country leads in digital connectivity, with near-universal mobile broadband coverage (98 percent).⁷ Transport connectivity is also relatively advanced. The country has almost 240,000 kilometers of roads, linking major economic zones and neighboring

countries.⁸ The standard-gauge railway has reduced cargo transit time between Mombasa and Nairobi from over 24 hours by road to about eight hours by rail. The Port of Mombasa handles over 45 million tons of cargo annually and serves multiple countries, while Jomo Kenyatta International Airport is among the busiest in Africa, serving over 8.9 million passengers annually.⁸ That said, transport and logistics gaps do manifest themselves at the sectoral level, as discussed in chapter 3 of this report, and, regarding air access, chapter 4. Manufacturers generally also lament the cost and unpredictability of shipping times, highlighting weaknesses in the logistics services offer.⁹ The product market regulation score for transport (particularly air and rail) is high compared to other middle-income countries, suggesting room for opening these markets.¹⁰

Unreliable utilities and service delivery gaps continue to raise costs for firms.

Electricity access exceeds that of most regional peers. Nevertheless, almost 75 percent of firms surveyed in 2025 reported outages and about 60 percent own or share a generator, with both indicators above lower-middle-income countries (LMICs) and Sub-Saharan Africa on average.¹¹ Electricity costs were identified as the most deteriorating factor in a 2023 survey of foreign investors, followed by the cost of credit and taxes.¹² On the supply side, uncertainty created by a moratorium on power purchase agreements for new independent power producers from 2021 to November 2025 discouraged investment in generation and contributed to the reemergence of blackouts. Water and sanitation services also lag; over 37 percent of firms report water insufficiencies, compared to 17 percent for LMICs, indicating a significant need for reform.¹² The sectoral implications of gaps in energy and water are discussed in each of the sector-specific chapters.

1.2

Business Enabling Environment

Uncertainty and frequent changes in the tax system are consistently cited as major constraints to private investment. Among Kenyan firms, 64 percent identify tax rates as a major or very severe constraint in the 2025 WBG Enterprise Survey, and 38.6 percent identify tax administration as a major or very severe constraint.¹³ While corporate income tax rates are broadly in line with regional peers (World Bank 2025), multiple levies at national and county levels, frequent tax changes, cumbersome administration, and perceptions of unequal treatment across firms introduce regulatory unpredictability and increase the compliance burden (World Bank 2025). The National Tax Policy (Sessional Paper No. 02 of 2023) was introduced to provide a predictable, long-term framework, but its nonbinding nature allows for frequent, piecemeal legislative amendments through annual Finance Bills.¹³

Land governance is a constraint to private investment, particularly in land-intensive sectors such as agriculture, real estate (including hotel accommodation), manufacturing, and infrastructure. Persistent challenges related to tenure insecurity, overlapping titles, and incomplete or outdated land records continue to increase transaction costs and reduce the predictability of property rights. The World Bank's Land Governance Assessment highlights weaknesses in land administration systems, including limited transparency, slow registration processes, and constrained dispute resolution mechanisms, all of which affect the ability of firms to access and secure land efficiently (World Bank 2016). These constraints are further compounded by governance risks, as corruption in land allocation and administration increases both the cost and uncertainty of doing business (Transparency International 2015). Under these conditions, private investment, particularly in agriculture and infrastructure, can inadvertently deepen existing grievances, with direct consequences for investment security.

Trading across borders is relatively efficient, but firms in Kenya face above-average trade costs. Kenya outperforms both Sub-Saharan Africa and averages for LMICs in trade efficiency, with only 5.8 days to clear direct exports and 6.7 days to clear imports through customs (2025 World Bank Enterprise Surveys). That said, Kenyan firms face multiple export¹⁴ and import¹⁵ taxes and levies that hinder the tradable sector's performance. In general, the average tariff in Kenya—around 15.8 percent in 2022—is higher than for upper-middle-income countries and the world.

Although Kenya has reduced regulatory barriers to entry, they continue to weigh on investor sentiment. For example, the time spent by senior management dealing with government regulation stood at 6.7 percent in 2025, below the 8.6 percent recorded in 2018 and slightly better than the global average. However, 25 percent of firms in the 2025 Enterprise Survey identified business licensing and permits as a major or very severe constraint, higher than for LMICs (15.9) and Sub-Saharan Africa (16). Anecdotal evidence suggests that, even if laws and regulations are in place, their implementation faces severe lags.

At the subnational level, county governments play an increasingly important role in shaping the business environment through a combination of investment promotion, licensing, taxation, and sector-specific regulation. Following devolution under the 2010 Constitution, counties were mandated to facilitate local economic development. Many have since established county investment promotion units and streamlined business registration through one-stop shops. Counties also derive own-source revenue from businesses through instruments such as business permits, property rates, market fees, and various user charges. While these measures are often intended to mobilize revenue and support local service delivery, they can be applied inconsistently and vary widely across counties, creating an uneven regulatory landscape for firms operating in multiple

jurisdictions and raising the cost of doing business. This subnational regulatory framework is not always well aligned with national policies and reforms, further impacting policy unpredictability. The County Licensing (Uniform Procedures) Act of 2024 and the County Licensing (Uniform Procedures) Regulations of 2025 seek to standardize processes, promote clear and consistent conditions, reduce multiplicity of licenses and fees, and support harmonized and progressively digitalized licensing across counties.

Governance and corruption are key concerns among investors. The Transparency International Index ranks Kenya in the bottom third in terms of governance. One-third of firms experienced at least one bribe payment request, according to the latest World Bank Enterprise Survey; 60 percent of the population in 2024 believed corruption had worsened, according to Afrobarometer. There is broad dissatisfaction with the government's management of the economy, evidenced by the 2024 Finance Bill protests, where youth-led demonstrations called for better governance and accountability of public officials (World Bank 2025).

1.3

Access to Capital

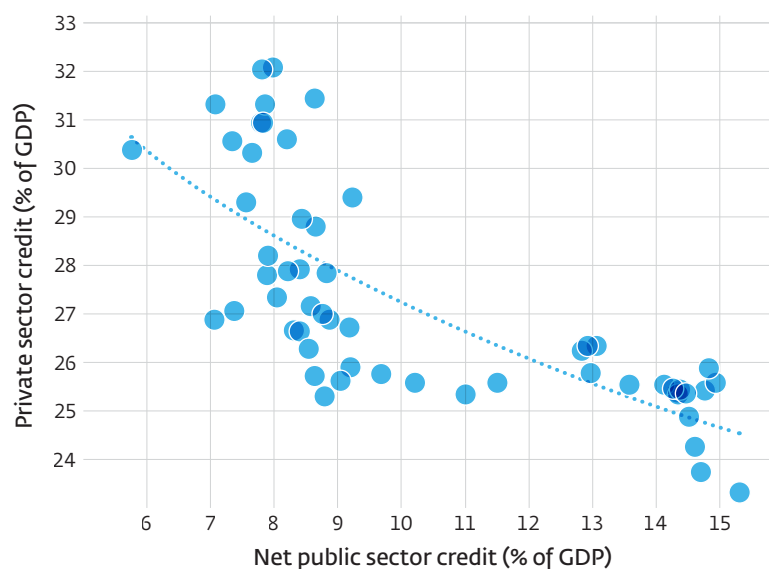
While Kenya has a relatively sophisticated financial system, the government's reliance on domestic financing to fund the fiscal deficit has reduced the funds available to the private sector. The financial system is among the most developed in Sub-Saharan Africa, with commercial banks at its core and mobile money playing a significant role in financial intermediation. The banking sector is predominantly privately owned and domestically led, with limited state participation. The sector is generally well capitalized and profitable by regional standards. However, high lending rates and collateral requirements—in part driven by government borrowing—continue to limit access to credit for the private sector, contributing to an estimated micro, small, and medium enterprises (MSMEs) financing gap equivalent to roughly 30 percent of total banking sector credit outstanding.¹⁶

Kenya's capital markets are the largest in East Africa and the third largest in Sub-Saharan Africa by market capitalization but remain shallow as a source of financing for private investment. The market is concentrated in public bonds and listed equities, while the corporate bond market remains very small. Pension funds and other institutional investors invest primarily in government securities rather than productive sectors. As a result, firms continue to rely heavily on bank financing.¹⁷ This limits the availability of market-based long-term finance and reinforces firms' dependence on short- and medium-term bank credit.

Figure 1.1

Higher Government Credit Is Associated with Lower Private Sector Credit

Public and private credit, first quarter of 2010 to fourth quarter of 2023



Sources: Calculations based on data from National Treasury of Kenya, Kenya National Bureau of Statistics, Central Bank of Kenya, and International Monetary Fund.

Note: GDP = gross domestic product. Each point on the chart indicates one-quarterly data point for Kenya. R-squared is 0.5411.

1.4

Climate Risks

Climate disruptions are directly affecting businesses across multiple sectors, with measurable economic losses. Climate-related shocks such as droughts and floods cost Kenya an estimated 2–2.8 percent of GDP annually, according to the Country Climate and Development Report (World Bank 2024). The country faced at least four major droughts between 2008 and 2023, with the 2020–23 drought alone affecting over 6.5 million people and causing widespread livestock deaths, which severely affected agribusinesses and pastoral economies. At the same time, intense flooding events—such as those during the 2018 and 2023 long rains, and more recently in 2024 and 2026—have disrupted transport networks, supply chains, and urban businesses, particularly in Nairobi and Mombasa. Infrastructure damage—such as washed-out roads, destroyed bridges, and power outages—disrupts logistics and increases the cost of doing business.

The Path Forward

Kenya has set a clear vision for private-sector-led growth. The country's long-term development blueprint, Vision 2030, guides its effort to become a middle-income economy through structural transformation, while more recent policy priorities are outlined in the Bottom-Up Economic Transformation Agenda, which emphasizes inclusive growth, job creation, and private sector-led investment.

The country is making steady progress on reform. Recent advances span economic management, SOE reform, licensing harmonization, digital service delivery (including digital procurement), trade integration, tax adjustments, and energy reform—together signaling a broad effort to address binding constraints. The enactment of the Conflict-of-Interest Regulations 2026 further illustrates the government's commitment to curbing corruption.

While this report highlights sector-level measures to unlock private investment potential in the near term, sustained effort is also needed to address persistent constraints across the economy. Priority economy-wide reforms to unlock private investment include enabling access to affordable and reliable water and energy; improving the predictability and transparency of applicable rules, regulations, taxes, levies, and fees, with particular attention to reducing duplication among central government agencies and between central and county administrations; aligning the capacity of county administrations with their expanded mandate; ensuring follow-through on regulations and directives enacted; and advancing land title security. These constraints and recommendations are discussed in depth in the World Bank's *Prosperous Kenya* and the *Kenya Country Growth and Jobs Report*, both forthcoming.



2

Sector Selection

The Kenya Country Private Sector Diagnostic identifies three sectors of the economy where concrete policy actions can generate commercially viable opportunities for private investors.

These opportunities could, in turn, contribute to economic growth and job creation and catalyze broader systemic reform.

Sectors were selected for analysis using the following criteria:

- 1 Potential to attract significant private capital if reforms to alleviate constraints are undertaken.
- 2 Potential development impact, with a particular focus on creating more and better-paid jobs.
- 3 Feasibility of removing key constraints through government action in the near term.

Sectors were identified based on both quantitative and qualitative analysis. The quantitative analysis assessed revealed comparative advantage, global demand growth, export gaps, value added and production growth, economic endowments, foreign direct investment (FDI) inflows, and profitability by sector. The selection process also drew on qualitative analysis and consultations. Sector selection was informed by consultations with private and public sector stakeholders.

Sector selection is not intended to be exhaustive. Entrepreneurs may identify additional profitable opportunities in other sectors. The focus here is on sectors where an identified constraint to private investment can feasibly be alleviated by public policy actions. The recommended actions are not necessarily sufficient on their own. Rather, these actions are highlighted as concrete and observable steps that would represent meaningful progress along the results chain from action to impact, and that can be taken in the near term. The ultimate impacts on investment and job creation would be enhanced by complementary, longer-term reforms and capacity-building efforts.

1. Avocado and mango

Kenya's tropical fruit sector offers private investment potential in fresh avocado exports to Europe, based on high yields, counter-seasonal harvest windows, high value per fruit, and low production costs. Mango pulp processing for domestic and regional juice manufacturers also offers potential because of shorter lead times, flexible order fulfillment without bulk minimums, and taste profiles suited to African markets relative to competitors such as India. All the constraints holding back private investment—inadequate quality inspection, pest management, and value added tax treatment of processing equipment—are addressable through near-term action by national agencies.

With these reforms, both value chains offer significant development impact, generating more and better-paid jobs, especially in rural areas, while extending reliable commercial offtake to smallholders outside formal supply chains.

2. Coastal tourism

Kenya's 600-kilometer Indian Ocean coastline, combined with proximity to established safari circuits and one of Africa's strongest meetings, incentives, conferences, and exhibitions markets, gives it a differentiated tourism proposition that few competing destinations can replicate. Yet coastal tourism is significantly underperforming relative to its asset base: prime beachfront parcels sit vacant, accommodation stock has aged without reinvestment, and arrivals trail comparable destinations such as Zanzibar. The constraints holding back private investment—insufficient spatial planning, fragmented destination governance, weak beach and marine asset management, land market dysfunction, and airline connectivity—are addressable through near-term action by national and county governments. With targeted reforms, the sector offers strong employment returns, with tourism's job multiplier among the highest in the Kenyan economy and above the Sub-Saharan African average, with women accounting for a disproportionately high share of direct employment in accommodation and related services.

3. Manufacturing medical consumables

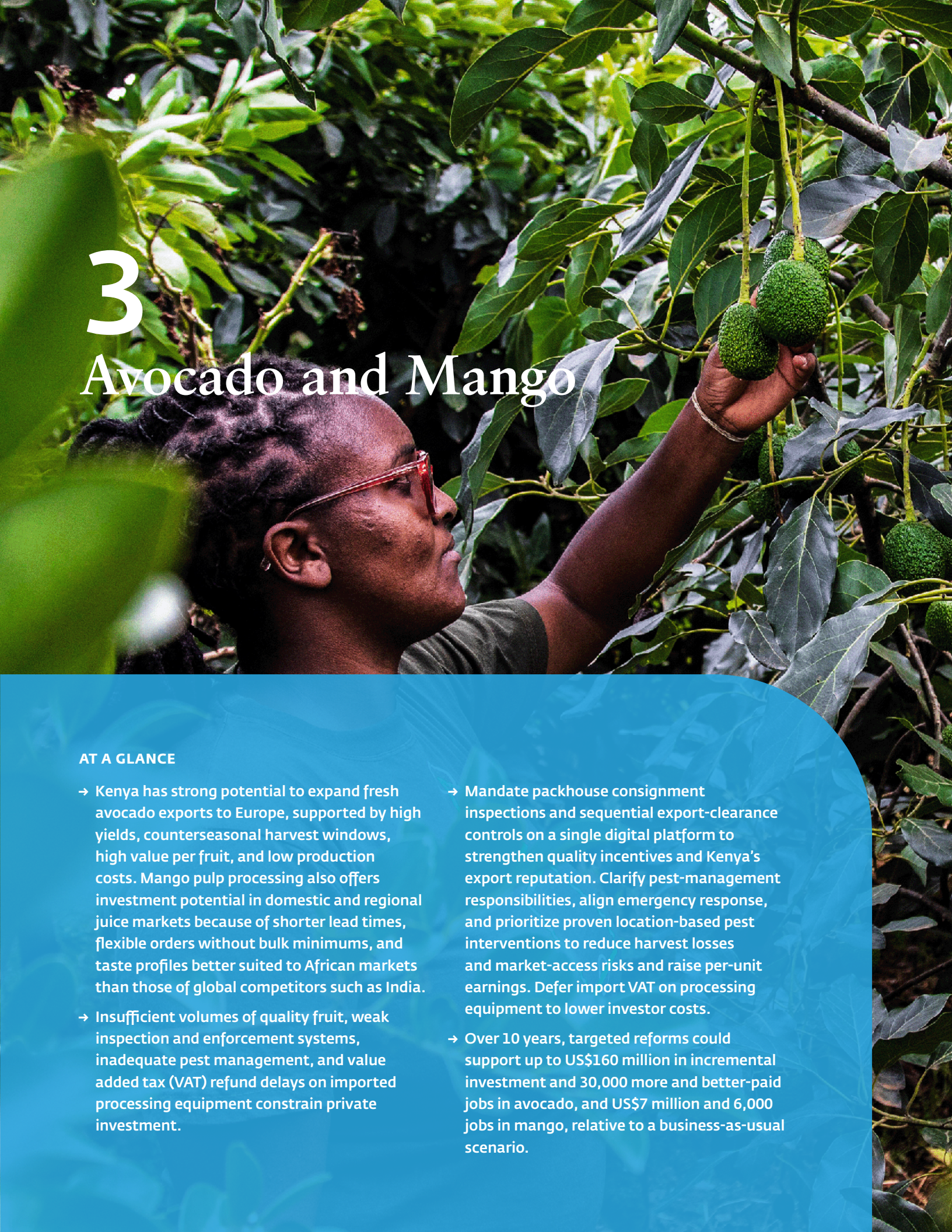
While several manufacturing activities were considered, the medical consumables industry stood out because of existing investor confidence, Kenya's position to meet fast-growing domestic, regional, and global demand for health-related products, the sector's higher productivity, and its potential to create better-quality jobs. Kenya already hosts anchor investors in export-oriented medical consumables production and ranks among the top five developing-country recipients of health-related FDI as a share of gross domestic product. This reflects genuine investor confidence in a sector where the African market is projected to grow at around 10 percent annually, and global supply-chain diversification is generating new opportunities for nearshore producers. Medical consumables manufacturing has higher margins and better-paid jobs compared to other light manufacturing activities. Yet local production of consumables across the region is minimal, with demand met mostly through importation from outside the region. This partly reflects policy-induced cost disadvantages and regulatory barriers. Resolving these constraints through near-term administrative and legislative action would support export diversification, strengthen health security, and generate skill-intensive formal employment. Strong government commitment to developing the sector and positioning the country as a regional hub for medical manufacturing supports the feasibility of these reforms.

Table 2.1

Summary of Selected Sectors

Sectors	Private investment potential	Development impact on job creation	Other development impact	Feasibility of removing constraints in the near term
Avocado and mango	HIGH	HIGH	MEDIUM	HIGH
Coastal tourism	MEDIUM	HIGH	HIGH	MEDIUM
Manufacturing of medical consumables	HIGH	HIGH	HIGH	HIGH

Note: Other development impacts include climate-friendly gross domestic product growth, export diversification, health security, and economic spillovers.

A woman with dark skin and glasses is shown in profile, reaching up to pick avocados from a tree. She is wearing a green shirt. The background is filled with green leaves and branches of the tree.

3

Avocado and Mango

AT A GLANCE

- Kenya has strong potential to expand fresh avocado exports to Europe, supported by high yields, counterseasonal harvest windows, high value per fruit, and low production costs. Mango pulp processing also offers investment potential in domestic and regional juice markets because of shorter lead times, flexible orders without bulk minimums, and taste profiles better suited to African markets than those of global competitors such as India.
- Insufficient volumes of quality fruit, weak inspection and enforcement systems, inadequate pest management, and value added tax (VAT) refund delays on imported processing equipment constrain private investment.
- Mandate packhouse consignment inspections and sequential export-clearance controls on a single digital platform to strengthen quality incentives and Kenya's export reputation. Clarify pest-management responsibilities, align emergency response, and prioritize proven location-based pest interventions to reduce harvest losses and market-access risks and raise per-unit earnings. Defer import VAT on processing equipment to lower investor costs.
- Over 10 years, targeted reforms could support up to US\$160 million in incremental investment and 30,000 more and better-paid jobs in avocado, and US\$7 million and 6,000 jobs in mango, relative to a business-as-usual scenario.

Sector Context and Private Investment Potential

The global market for tropical fruits¹⁸ is large and growing, driven by health and wellness trends. Avocado and mango account for 80 percent of global tropical fruit trade.¹⁹ Global avocado trade exceeded US\$8.6 billion in 2024, up 209 percent in real terms from a decade earlier, driven by sustained demand growth in Europe, North America, and emerging Asian markets.²⁰ Global mango trade was smaller at US\$4 billion in 2024, but had increased 103 percent in real terms from a decade earlier. Despite much larger production volumes, most mangoes are consumed domestically in producing countries. Global exports of avocado and mango are projected to grow annually through 2030 at 6.1 and 7.9 percent, respectively,²¹ reflecting rising demand for health-oriented foods and improvements in logistics infrastructure and global supplier networks.

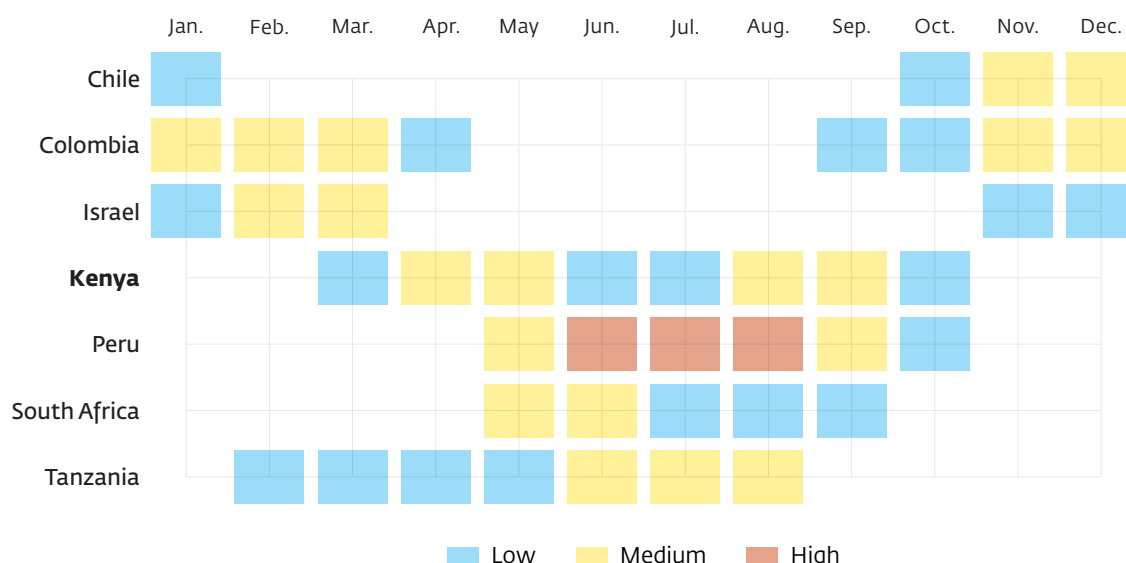
Differences in trade intensity shape the investment opportunity for each fruit. Fresh avocado benefits from a large, liquid, and well-established export market, while fresh mango has a growing but lower-volume trade channel characterized by perishability risks and more fragmented buyer relationships. Processed products, including mango pulp, dried mango, and avocado oil, generate lower returns per kilogram of fresh fruit input than fresh exports but can absorb lower-grade and surplus fruit that would otherwise spoil or fail phytosanitary inspection. Markets for processed mangoes are also projected to grow robustly, although they remain smaller than fresh-fruit volumes.²²

Kenya is the world's sixth-largest avocado producer and Africa's largest avocado exporter. Output and export earnings roughly tripled over the past decade, reaching 585,000 metric tons and US\$162 million, respectively, in 2024.²³ The area harvested grew by 15 percent between 2023 and 2024 alone, reflecting favorable agroecological conditions to diversify production from the central to western regions and strong price signals from export markets.²⁴ About 25 percent of avocado production is lost postharvest²⁵ due to poor handling practices and inadequate cold-chain and transport infrastructure, indicating the need for foundational investments. Of the remaining production, 70 percent is consumed domestically, 22 percent is exported fresh, and 8 percent, mostly export rejects and substandard fruit, is absorbed by processors, mostly for avocado oil production.²⁶

Avocado accounts for 80 percent of Kenya's total fruit export value.²⁷ Europe, Kenya's primary market, accounts for 70 percent of avocado export proceeds,²⁸ where Kenyan firms compete with producers from Latin America, Africa, and the Middle East, most notably Peru (figure 3.1). A further 29 percent of export proceeds comes from the Middle East,²⁹ where unit values are lower and Kenya is the leading supplier, followed by several eastern and southern African countries. China and India are not commercially comparable alternatives to Europe in the short to medium term: both are smaller-volume, lower-priced

Figure 3.1

Kenya's Counterseasonal Harvest Windows Support Expanded Avocado Exports to the EU-27



Source: Calculations based on UN Comtrade for market structure and CBI (2025) for seasonality calendar.
Note: EU = European Union.

markets, and India still applies a 30 percent tariff, even as China extended duty-free access in May 2026. Domestic demand is also rising, with per capita consumption of around 6 kilograms per year, among the highest in Africa, although price sensitivity means most consumers continue to treat avocados as a luxury product.³⁰ Domestic unit prices are low relative to export prices, meaning commercial returns generally depend on exports and oil processing despite their lower volumes.³¹

Avocado production is dominated by smallholder farmers. More than 770,000 small-scale farmers, each with fewer than 20 trees, account for roughly 70 percent of output, while around 145,000 medium-scale farmers, with 20–1,000 trees, contribute 20 percent and 48,000 large-scale farmers, with more than 1,000 trees, account for the remaining 10 percent.³² Although practices vary significantly, smaller farms generally have weaker agronomic practices, limited access to extension services and irrigation, and heavily intermediated routes to market that depend on a fragmented network of informal brokers and traders. By contrast, large farms often have closer relationships with off-takers and more sophisticated agronomic practices. Indeed, the largest farms are fully vertically integrated across production, processing, and export. Vertical integration helps commercial companies ensure that harvested fruits meet quality and sanitary and phytosanitary requirements for export and provides a reliable supply of fruit for processing—both of which remain challenges for smallholder and medium-scale farmers.

Investment potential for avocado is concentrated in fresh fruit production and exports, while oil processing—the dominant processing channel—operates with significant excess capacity. About 50 of the 300 registered exporters are consistently active, with many opening and closing operations opportunistically to move fruit into the avocado oil channel when prices allow. These exporters operate via 55 packhouses equipped with export-grade cold-chain capacity. As of March 2026, there are an estimated 65 active processors, mostly producing avocado oil. Although Kenya is rapidly emerging as a major avocado oil exporter, excess installed capacity limits opportunities for further profitable investment, pending industry consolidation or expansion of fruit production. Installed oil processing capacity is roughly twice the volume of avocado that domestic production can supply sustainably.³³ This excess capacity reflects the rapid entry of domestic investors with relatively little experience in the sector, as well as fresh fruit exporters investing in oil production as a hedge against logistical risks, rather than as a true source of commercial profits.

High yields, counterseasonal harvest seasons, and low production costs underpin Kenya's competitiveness and investment potential in avocado production. First, avocado yields are high: the national average of 18 metric tons per hectare is roughly 60 percent above the global average of 11 metric tons per hectare. This advantage reflects favorable agroclimatic conditions: well-distributed rainfall above 1,000 millimeters and mid- to high-altitude growing zones keep temperatures within the crop's optimal range and allow largely rain-fed production. Larger commercial farms report yields above 22 metric tons per hectare,³⁴ driven by higher-quality planting materials, supplementary irrigation, and improved orchard management. Second, production in mid- and high-altitude production zones generates counterseasonal harvest windows from March through October relative to major competitors. This enables Kenyan firms to fill premium-price gaps in European Union (EU) markets before competitors such as Peru enter peak harvest periods (figure 3.1). Third, low farmgate prices translate into significant unit-cost advantages for export. In 2024, Kenya's average landed unit values for avocado imports into the EU-27 were approximately 15 percent below those of Peru, despite higher transit costs (figure 3.1). Kenya's lower export unit value partly reflects quality discounts applied by European importers to consignments that arrive below optimal maturity, meaning Kenya's apparent cost advantage partly masks a price penalty that better quality enforcement could narrow. Nevertheless, Kenyan exporters report achieving profitability at lower import purchase prices than competitors in core European markets, even at similar quality levels.³⁵ Provided that constraints related to the supply of quality fruit can be addressed, these advantages underpin the private investment potential in avocado: expanding commercial fresh fruit exports to Europe.

Kenya's mango sector is large in production but marginal in trade. Production reached 783,000 metric tons in 2024, making Kenya the fourth-largest producer in Africa; close

to 800,000 farmers participate in the value chain.³⁶ Production is concentrated among smallholders growing multiple crops across geographically dispersed eastern and coastal regions, with minimal capital investment in plantations and limited technical assistance on varietal selection or postharvest handling.³⁷ Domestically oriented varieties (Apple and Ngowe) account for 66 percent of production, while the varieties preferred in premium European export markets (Kent, Tommy Atkins, and Keitt) are grown in Kenya but represent less than 15 percent of national production.³⁸ Roughly 80 percent of output flows through informal brokers and aggregators, where poor harvesting and storage practices result in postharvest losses of up to 35 percent along the value chain, far higher than in most competing mango-producing countries.³⁹ Of surviving production, 87 percent is sold on low-value domestic fresh markets. Processors absorb 10 percent: pulp for domestic and regional juice makers, and dried mango for premium EU and US markets. Only 3 percent of production is exported fresh, worth US\$14 million, an order of magnitude below avocado, predominantly to the Middle East, where phytosanitary requirements are less stringent than in the EU.⁴⁰

Similar to avocados, favorable yields and a counterseasonal harvest window underpin Kenya's competitiveness in mango production. Average mango yields of 12 metric tons per hectare exceed the global average of 10 metric tons per hectare and those of key competitors, including India, Mexico, and Peru.⁴¹ Kenya's main harvest window, from October through March, with a shorter coastal season from April through June, coincides with the offseason in India and Pakistan, its main competitors for fresh fruit exports to the Middle East.⁴² Favorable growing conditions across agroecological zones in eastern and coastal Kenya provide scope to expand production, especially of export-oriented varieties. Estimated average profits for mature commercial mango farms range from US\$1,200 to US\$3,000 per hectare,⁴³ compared with roughly US\$1,200 per hectare for bananas, Kenya's largest fruit crop by production volume and harvest area.⁴⁴

However, these advantages have not translated into fresh mango exports at scale. Even when the Red Sea shipping route is open, phytosanitary risks and extended sea freight times have kept export volumes negligible. Repeated fruit fly interceptions at EU borders prompted Kenya to suspend fresh mango exports to the EU in 2014. During 2014–18, mangoes from all source countries were the second-most frequently intercepted crop for plant health noncompliance at EU borders.⁴⁵ Kenya resumed exports to the EU only in 2021, after area-wide pest management programs had substantially reduced fruit fly populations. However, confidence among regulators and buyers has been slow to recover, while gaps in traceability and phytosanitary compliance limit access to premium markets.⁴⁶ More recently, disruptions to Red Sea shipping have further constrained the fresh segment: transit time from Mombasa to Rotterdam has increased from roughly 25 days to 45 days, exceeding the shelf-life tolerance of fresh mangoes and leaving premium air freight as the main viable option, at volumes too small to attract investment.

Processed mango—principally pulp for domestic juice manufacturers and regional buyers in East Africa—exhibits stronger investment potential than fresh mango exports. Although processed products such as pulp and dried mango generate lower margins than fresh fruit,⁴⁷ they offer offsetting advantages: longer shelf life without refrigeration eliminates cold-chain costs and enables standard container shipment;⁴⁸ lower phytosanitary requirements allow processors to use smaller and lower-grade fruit, broadening the smallholder supplier base; and the use of fruit that might otherwise spoil reduces postharvest losses. Pulp offers a particularly compelling case given its higher conversion efficiency and lower capital requirements relative to dried mango.⁴⁹ Six active commercial processors, with combined installed capacity of around 166,000 metric tons per year, supply mango pulp to domestic juice manufacturers⁵⁰ and regional markets in Tanzania, Uganda, and Zambia. Demand is expanding: regional exports of mango pulp and juice grew from US\$8.3 million in 2015 to US\$16.4 million in 2024, while the Middle East and Africa processed market is projected to grow by 6.1 percent annually through 2030,⁵¹ driven by rising per capita consumption and demand for products with higher fruit content. Although Kenya has higher production costs than India,⁵² its main competitor and the global leader in mango pulp production, proximity to domestic and regional buyers gives Kenyan processors several advantages over imports, including shorter lead times, the ability to fulfill smaller and more frequent orders without requiring bulk container minimums, and taste profiles suited to regional preferences.

The government has prioritized both the avocado and mango value chains as critical to its development objectives. The Bottom-Up Economic Transformation Agenda 2022–27 identifies avocado and mango as priority value chains for increasing export earnings, with phytosanitary reform and agroprocessing identified as specific areas for public action.⁵³ Both fruits are also among the eight priority value chains in Kenya's AgriConnect Compact, a World Bank Group initiative to transform smallholder farming, create jobs, and strengthen global food security. In Kenya, the compact targets 238,000 new jobs in the avocado value chain and 200,000 in mango by 2030, while highlighting supply chain gaps that need to be addressed to support value chain development. The Ministry of Agriculture has also developed dedicated National Value Chain Development Strategies for 2024–28 for both fruits. The World Bank–funded National Agricultural Value Chain Development Project is supporting implementation measures to promote certified seedlings, improve postharvest handling, and link smallholders with processors and exporters.

Avocado and mango face cross-cutting constraints similar to Kenya's other agricultural value chains, including logistics, access to finance, electricity, clean planting materials, and climate risks. Two logistics bottlenecks narrow the window for reaching importers within the fruits' shelf life: underdeveloped feeder roads slow aggregation and damage fruit in transit, while disruptions to Red Sea shipping have nearly doubled Mombasa–Rotterdam transit times from 25 to 45 days, raising the risk of

buyer rejection and price discounts relative to competitors using shorter routes. Access to finance is also constrained: exporters and processors borrow at commercial rates of about 18 percent to finance seasonal fruit purchases while competing for bank lending with lower-risk government borrowing. Unreliable electricity supply forces dried-mango processors, for which power accounts for roughly 35 percent of production costs, to halt production or invest in backup generation, further eroding already-thin margins. Access to clean planting material is another constraint. Farmers often rely on cheaper uncertified seedlings because quality cannot readily be assessed at purchase and certification records are not easily accessible, undermining yields, pest resilience, and varietal conformity with export buyer specifications. In addition, rising rainfall variability is increasing the reliance on irrigation for avocado production, particularly in nontraditional production areas where planting is expanding. For commercial farms, this increases water and capital costs, while the resilience of rain-fed smallholder farms will depend on the government's longer-term irrigation expansion agenda. Achieving the full investment and jobs potential of avocado and mango—and of agriculture in general—will therefore require resolving these structural constraints over the longer term.

Nevertheless, short-term opportunities exist to boost investment by addressing sector-specific constraints, especially those that restrict farmers' ability and incentives to supply sufficient volumes of quality fruit. Both value chains are characterized by fragmented and weakly organized farmers, resulting in heavy intermediation to manage sourcing-related transaction costs. This structure makes it difficult to establish and sustain contractual relationships through which offtakers invest in farmers in exchange for reliable, traceable, and high-quality supply of fruit, thereby dampening investment by processors, exporters, and farms. In light of this structure, two key constraints are particularly important to addressing quality in both value chains: inadequate enforcement of export quality standards and weaknesses in pest detection and management. Each issue necessitates public action because it reflects a coordination or public-goods failure that individual investors cannot profitably resolve on their own.

The inspection and enforcement system for export quality and standards is inadequate. Access to EU markets for fresh avocado requires compliance with statutory requirements related to quarantine pests and maximum pesticide residue levels, as well as commercial requirements for fruit maturity.⁵⁴ Despite Kenya's structural advantages in avocado production, only a limited share of output meets these specifications. The most significant gap relates to fruit maturity, as weaknesses in inspection and enforcement allow immature fruit to be harvested and exported. Immature fruit shipped to EU markets does not ripen properly, contributing to retailer delisting of Kenyan suppliers, elevated border inspection rates on Kenyan consignments, downward price adjustments by importers, and the loss of contracts to competing origins. In 2025, rejection rates for immature Kenyan fruit in premium export markets such as the EU reached as high as

30 percent.⁵⁵ These costs affect compliant and noncompliant exporters alike and have contributed to perceptions of Kenya as a supplier of last resort among some European buyers. Immature fruit also reduces yields in avocado oil processing. In 2022, Kenya's sector regulator, the Horticultural Crops Directorate (HCD), established a minimum dry matter threshold of 24 percent for export avocados through an administrative circular.⁵⁶ Nevertheless, large-scale harvesting of immature avocado persists because of a combination of market incentives and weaknesses in inspection and enforcement.

Some small exporters can profit from exporting immature avocados because of minimum-price contracts and high preseason prices. Farmer liquidity constraints and the risk of theft when fruit remains on trees can also encourage early sales at lower farm-gate prices. Exporters of lower-quality fruit can limit the reputational consequences of noncompliance by closing and reopening under new business names across seasons, with negative consequences for the wider Kenyan avocado industry. Avocado oil processors reinforce these problems by purchasing rejected fruit at dry matter levels as low as 18 percent, effectively setting a price floor for premature harvest. Stakeholder interviews suggest that many avocado oil processors incur losses when processing low-dry-matter fruit because of lower oil yields. Nevertheless, some continue to purchase and process immature fruit in anticipation of outlasting local competitors as expected consolidation comes to the avocado oil segment in the next few years. This dynamic can intensify competition for fruit early in the season, as processors risk losing access to supply if they wait for fruit to reach maturity.

The inspection and enforcement regime has several points of failure. Kenya's Horticultural Crops Regulations (LN 118/2020) establish a formal regime of farm inspections, export licensing, and compliance certification. HCD is mandated to conduct maturity inspections of mango and avocado consignments before granting export clearance, which is a prerequisite for subsequent clearance from the Kenya Plant Health Inspectorate Service (KEPHIS), the phytosanitary authority, and the Kenya Revenue Authority (KRA), the customs authority. In practice, however, the process can be circumvented in several ways:

- *Exporters can often obtain HCD clearance without quality inspections.*
HCD relies on blanket seasonal opening and closure of avocado exports, with minimal inspections while the season is open and exports prohibited when it is closed. This second-best mechanism compensates for weak enforcement but creates significant planning uncertainty for growers and exporters and does not accommodate the different seasonal profiles of Kenya's growing areas. During the closed season, exemptions are granted case by case based on inspections of the orchards from which exporters claim to source. However, there is no statutory inspection at the packhouse or point of export, and traceability between inspected orchards and the fruit ultimately

exported is difficult in a heavily intermediated, smallholder-led value chain. This creates opportunities to export uninspected, immature fruit.⁵⁷ For example, in April 2026, HCD approved for export roughly one-third of normal annual production before the season opened, largely without farm inspections, deepening supply shortages for compliant exporters and further damaging Kenya's reputation.⁵⁸

- *When HCD conducts consignment-level inspections, they are often not sufficiently robust.* Exporters commonly prepare samples in advance for HCD inspectors, rather than inspectors selecting samples randomly to prevent cherry-picking.
- *Exporters can also bypass HCD approval because the shared digital platform used by HCD, KEPHIS, and KRA does not require regulatory steps to be completed sequentially.* As a result, exporters can obtain a phytosanitary certificate from KEPHIS, the main document recognized by importers, without first obtaining HCD quality inspection or export clearance.

Pest-related losses constrain the profitability of investment by farmers, exporters, and processors. Pests cause preharvest and postharvest losses and compromise market access for both fruits. The recently identified quarantine pest *Persea mite* is projected to reduce avocado harvest in Murang'a County by an estimated 50 percent in 2026; the county accounts for 42 percent of Kenya's avocado exports. Similarly, the fruit fly and mango seed weevil are estimated to cause combined yield and postharvest losses of 35 percent in mango production and have resulted in repeated export interceptions, including a self-imposed suspension of fresh mango exports to the EU. Inadequate pest control in Kenya reflects weak institutional accountability, limited use of integrated location-based pest management approaches, and market failures related to pesticide products.

Weak institutional accountability in pest detection and management exposes private investors to production and market-access risks. Clear mandates across relevant government bodies are critical for effective interventions, especially for early detection and eradication before pests become widespread. In Kenya, however, statutory mandates for these functions are unclear and fragmented across agencies. KEPHIS, the designated National Plant Protection Organization (NPPO), detected *Persea mite* early but lacked the mandate and resources for eradication. The Plant Protection and Food Safety Directorate holds the closest statutory mandate for pest management but does not operate an extension network; extension services are devolved to county governments, which have uneven capacity and lack technical guidance on novel pests. The pending Plant Protection Bill 2025 seeks to address these gaps by designating KEPHIS as the NPPO with authority to declare new pests and prescribe mandatory emergency control measures, while assigning county governments explicit responsibilities for surveillance and pest management, enforcement of KEPHIS-prescribed measures, and farmer-level extension services.

Public spending on pest management is not sufficiently oriented toward location-based approaches with demonstrated impact. Effective pest control for avocado and mango requires synchronized action across contiguous farms because pests can spread between neighboring farms, creating an externality that individual farmers cannot address alone. No institution is clearly accountable for coordinating the full response from pest detection through farmer action. Coordinated area-wide pest eradication programs, particularly low pest prevalence areas (LPPAs),⁵⁹ reduced fruit fly populations by over 85 percent in Makueni County and raised mango processing yields from 8 percent to 14 percent,⁶⁰ at an estimated moderate cost of approximately US\$33 per hectare.⁶¹ Yet national agricultural productivity programs allocate relatively limited resources to LPPAs. The AgriConnect Compact targets only two additional LPPAs against an estimated budget of K Sh 160 million, which has not yet been formally incorporated into the government budget. This is modest relative to the K Sh 10 billion allocated to input subsidies in the government's fiscal 2025 budget, which did not provide comparable support for integrated pest management approaches and often did not cover pest-control products.

Regulatory approval of pesticides has not translated into reliable availability for farmers. The Pest Control Products Board, Kenya's input regulator, provisionally approved pesticide products for *Persea* mite under emergency provisions, consistent with international best practice.⁶² However, agrochemical importers lack commercial incentives to supply approved products for a relatively small crop grown by a fragmented smallholder base with uncertain demand. As a result, few agrodealers stock the approved active ingredients consistently, with products introduced temporarily and later withdrawn because of low demand.

Kenya's value added tax (VAT) refund process on imported processing equipment locks up working capital for mango processors and places them at a disadvantage relative to competitors in countries that waive or defer VAT at the border. Because processing equipment is not manufactured domestically, Kenyan firms must import the machinery needed to produce pulp and dried mango. While Kenya applies a zero percent import duty to this machinery under the East African Community Common External Tariff, firms must pay 16 percent import VAT on equipment such as pulpers and creamers for pulp production and commercial dehydrators for dried mango.⁶³ In theory, processors can recover the import VAT against output VAT collected on monthly sales. For zero-rated exports, processors instead claim a refund from the KRA because no output VAT is collected. In practice, however, KRA refund delays, often stretching 12 to 24 months, tie up working capital and intensify liquidity pressures when capital is most needed during a new investment cycle. The burden is greatest for exporters, whose zero-rated sales leave them in a permanent refund position rather than allowing them to offset import VAT against output VAT.⁶⁴ By contrast, major processed-fruit exporters and regional peers like Rwanda, Tanzania, or Uganda operate schemes that eliminate or defer the upfront VAT cash

outflow on imported capital goods through zone-based exemptions, investment-project waivers, or VAT deferment.⁶⁵ The government has recognized this constraint under the AgriConnect Compact, which calls for VAT waivers on postharvest equipment and import duty exemptions for manufacturing machinery through annual Finance Acts beginning 2026/27.

3.2 Constraints to Private Investment and Recommendations

The government could undertake concrete policy actions in the near term to alleviate factors that discourage private investment in fresh avocado exports and mango processing. While the focus is on avocado and mango, several of the recommendations, if adopted, would have implications for other tropical fruits in Kenya.

CONSTRAINT 1. Inspection and enforcement systems are inadequate for export quality and standards. Inspection failures permit the harvesting and export of immature fruit, which undermines the reputation and demand for Kenyan products.

RECOMMENDATION 1A. Replace the practice of sporadic inspections utilizing exporter-selected samples of exported fruit with universal consignment-level inspections at packhouses utilizing independent, risk-based sampling through an HCD administrative directive and changes to relevant standard operating procedures and protocols. A new system would incorporate mandatory inspector-drawn random sampling at the point of packing, with sample sizes determined via risk-based approaches accounting for exporter compliance history. Successful implementation would require HCD to procure and deploy sufficient dry matter testing equipment and inspection staff to cover registered packhouses, replacing the reliance on a single HCD-owned machine nationwide and dependence on borrowed equipment from exporters it regulates. This concentrates scarce inspection resources where risk is highest, eliminates blanket clearance letters that authorize future volumes without consignment-level verification, and rewards compliant exporters with reduced inspection burden. Given government financial and staffing constraints and producer fragmentation, private and public sector stakeholders highlighted packhouses as the most feasible chokepoint at which robust inspections could be performed in the near term. This should be seen as a first step toward a comprehensive farm-to-export traceability and inspection system longer term.⁶⁶

RECOMMENDATION 1B. Establish sequential enforcement of control points for avocado export clearance under a single digital platform, the National Horticulture Traceability System (NHTS). One integrated system ensures no consignment advances to phytosanitary certification or customs release without a logged result indicating a passing

quality inspection. This requires three agencies to link their workflows to the NHTS, which is under development. HCD would record all consignment-level dry matter test results at the point of packing; KEPHIS would condition phytosanitary certificate issuance on a verified result in the system; and KRA would accept only NHTS-generated documentation for avocado consignments, prohibiting exporters from obtaining customs releases without completing quality inspection.

CONSTRAINT 2. Fragmented institutional responsibilities for pest detection and management leave outbreaks unmanaged, expose investors to yield (that is, preharvest) and postharvest losses, and compromise market access. Institutional mandates are dispersed across KEPHIS, Plant Protection and Food Safety Directorate, county governments, and the Kenya Agricultural and Livestock Research Organization (KALRO), with no statute assigning responsibility for pest emergency declaration or response, and no statutory mechanism to fund emergency pest response.

RECOMMENDATION 2A. Amend and pass the draft Plant Protection Bill 2025 to provide for a statutory cofinancing mechanism for pest detection and emergency response, in line with global good practice.⁶⁷ This amendment would give the government legal authority to mobilize additional resources during emergencies, including from industry, reducing dependency on annual Treasury release cycles, which are too slow for rapid response and subject to fluctuations from annual budget negotiations.

RECOMMENDATION 2B. Publish in the government gazette implementing regulations under the Plant Protection Bill establishing a codified protocol for pest emergency response. The protocol should specify trigger criteria for emergency declaration; sequenced responsibilities of KEPHIS, county governments, and KALRO at each stage of detection, confirmation, containment, and eradication; and maximum response timeframes at each stage. A codified protocol specifying who declares, who acts, who pays, and within what timeframes reduces the risk that pest outbreaks escalate into unmanaged shocks to orchard productivity and export market access, which is the central concern private investors cite when evaluating long-horizon commitments in Kenya's tropical fruits sector.

CONSTRAINT 3. Public spending for pest management is dispersed across individual farm-level interventions rather than concentrated in proven area-wide approaches. Pests spread across farm boundaries, creating an externality that no individual farmer can resolve alone, yet no institution is accountable for coordinating area-wide eradication end-to-end, from detection through farmer action.

RECOMMENDATION 3. Establish additional low pest prevalence areas (LPPAs) in priority mango and avocado production counties. This would entail adjusting existing

programs that target farm productivity—which focus relatively more on fertilizer on a nationwide basis—to cover integrated location-specific solutions that adequately cover pest management products and practices. While broad budget reallocation is not feasible given current program structures, resources can be refocused toward geographically targeted interventions that address coordination failures in pest control and improve the availability of export quality fruit.

CONSTRAINT 4. VAT refund delays on imported processing equipment lock up working capital for mango processors and discourage investments in value addition.

Since this equipment is not manufactured domestically, firms must import it and pay 16 percent VAT at the border, which they recover only after an extended refund cycle at KRA, compounding liquidity pressure at the moment capital is most needed during a new investment cycle.

RECOMMENDATION 4. Establish a VAT deferment regime for fruit processing equipment through a Finance Act amendment. Eligible equipment could be defined more specifically for fruit or more broadly for capital goods and should be referenced to specific codes in the Harmonized System. Under deferment, the VAT liability should be assessed at the border but not collected in cash; the importer instead accounts for it on the next VAT return as offsetting output and input entries. This removes the upfront cash outflow for mango processors at the border, preserves the VAT chain, and generates no permanent revenue loss since only the timing of customs revenue is shifted rather than the revenue itself, addressing fiscal feasibility concerns. The approach would narrow the competitive disadvantage Kenyan processors face relative to competitors and encourage productive investment in processing for value addition.

3.3

Risks to Be Managed

Climate change is increasing rainfall variability across Kenya's highlands. Shorter but more severe dry spells are projected to intensify, posing a particular risk to avocado.⁶⁸ Avocado requires at least 1,000 millimeters of well-distributed annual rainfall, roughly double what mango requires, and is concentrated in the Mount Kenya highlands where erratic precipitation is raising water costs and yield variability.⁶⁹ Mango is more drought-tolerant but faces disrupted flowering cycles and intensifying pest pressure as temperatures and rainfall patterns shift in its eastern and coastal production zones.⁷⁰ For private investors, profitability projections must price in rising water and crop protection costs for both fruits.

Expanding fruit production for export and processing may exacerbate community tensions over land and inclusion risks. Additional cultivated area could intersect with disputes over land ownership. In addition, scale-up of stricter quality, sanitary, and phytosanitary protocols to enable market access may favor larger, more organized farmers over smallholders. Efforts to increase investment in these value chains should be accompanied by advances in land reform and administration, as well as efforts to increase agglomeration and aggregation of smallholders (for example, cooperative capacity-building).

Reliance on smallholder sourcing exposes investors to agrochemical and labor practices they cannot fully control. Both avocado and mango value chains rely on fragmented smallholder production, which limits visibility over pesticide use, residue compliance, and on-farm labor conditions. Weak traceability makes residue and labor risks difficult to verify across suppliers, and securing access to higher-value markets requires investment in risk-based supplier management and good agricultural practice systems, a voluntary certification program.

3.4

Impact

Targeted reforms have the potential to remove impediments to private investment.

As part of a broader package of public investments and reforms, the recommendations could help unlock up to US\$160 million in incremental investment and 30,000 more and better-paid jobs in the avocado value chain over 10 years, relative to a business-as-usual scenario. The estimate of more and better-paid jobs combines gains from additional jobs and higher wages in avocado production. Similarly, the recommendations could help unlock up to US\$7 million in incremental investment and 6,000 more and better-paid jobs in the mango value chain.

Table 3.1

Summary of Constraints and Recommendations for Avocado and Mango

Constraints	Recommended actions
1. Inadequate inspection and enforcement systems of quality standards permit the export of immature fruit, damaging the reputation of Kenyan fruit and reducing demand.	1a. Replace sporadic inspections that use exporter-selected fruit samples with universal, consignment-level inspections at packhouses using independent, risk-based sampling, as directed by the Horticultural Crops Directorate (HCD). <i>Responsible public sector entity:</i> HCD 1b. Establish sequential enforcement of control points for avocado export clearance under a single digital platform, the National Horticulture Traceability System. <i>Responsible public sector entities:</i> HCD, Kenya Plant Health Inspectorate Service (KEPHIS), and Kenya Revenue Authority
2. Fragmented institutional responsibilities for pest detection and management leave outbreaks unmanaged and expose investors to production losses.	2a. Amend and pass the draft Plant Protection Bill 2025 to provide a statutory cofinancing mechanism for pest detection and emergency response. <i>Responsible public sector entity:</i> Ministry of Agriculture and Livestock Development (MoALD) 2b. Publish implementing regulations under the Plant Protection Bill in the government gazette, establishing a codified protocol for emergency pest response. <i>Responsible public sector entities:</i> MoALD, in consultation with KEPHIS and county governments
3. Public spending on pest management remains dispersed across individual farm-level interventions rather than concentrated in proven, areawide approaches.	3. Establish additional areas of low pest prevalence in priority mango- and avocado-production counties. <i>Responsible public sector entities:</i> MoALD and county governments
4. Delays in value added tax (VAT) refunds for imported processing equipment tie up mango processors' working capital and discourage investment in value addition.	4. Establish a VAT deferment regime for fruit processing equipment through an amendment of the Finance Act. <i>Responsible public sector entity:</i> National Treasury

Note: HCD = Horticultural Crops Directorate; KEPHIS = Kenya Plant Health Inspectorate Service; MoALD = Ministry of Agriculture and Livestock Development; VAT = value added tax.

4

Coastal Tourism

AT A GLANCE

- Global travel is shifting from mass tourism toward multi-destination, experience-led, and blended business-leisure (“bleisure”) travel. Kenya’s 600-kilometer coastline, proximity to safari circuits, and strong meetings, incentives, conferences, events market position it to capture more beach tourism, both as a distinct market and as an extension of business travel.
- Kenya’s coastal tourism has not kept pace with changing demand or competition. Investment is constrained by weak spatial planning and destination governance, poor management of beach and marine assets, beachfront land-market dysfunctions, limited direct international air access, and regulatory unpredictability.
- Private investors seek improved predictability, clear government commitment to tourism growth, access to adequately sized and competitively priced land, and reliable international air connectivity. Targeted reforms include coastal tourism zoning and designated beach parks, coordinated zone management, stronger land market regulation, and greater transparency in international air-access decisions.
- As part of a broader package of public investments and reforms, the recommendations could contribute to unlocking an estimated US\$380 million–US\$560 million in incremental private investment over the medium term and generate up to 14,000 more and better-paid jobs, relative to the business-as-usual scenario.

Sector Context and Private Investment Potential

Coastal tourism offers significant untapped potential for additional private sector investment and job creation. Tourism has recorded strong growth in recent years, with arrivals exceeding pre-pandemic levels and the sector's economic contribution reaching an estimated US\$9.2 billion in 2024, around 24 percent above 2019 levels.⁷¹ By the end of 2025, tourism was estimated to contribute more than 7 percent of gross domestic product and support more than 8 percent of total employment.⁷² Despite the sector's overall strength, coastal tourism remains underdeveloped relative to its underlying assets, particularly its proximity to established safari and meetings, incentives, conferences, and events (MICE) markets and emerging growth in coastal travel demand, including from domestic and Eastern European travelers. Private investment potential is particularly promising in repositioning the coast toward a more competitive, higher-quality visitor offer that can attract new demand, raise spending, and extend stays.

Kenya has strong coastal tourism assets. The coast stretches approximately 600 kilometers along the Indian Ocean and offers multiple distinct experiences, from premium white-sand tourism in Diani and MICE-linked leisure stays in Mombasa to golf and lifestyle tourism in Kilifi, boutique and water-sports tourism in Watamu, and heritage visits in Lamu, including its United Nations Educational, Scientific and Cultural Organization–designated Old Town. National parks with abundant wildlife are also accessible within a few hours of the coast, creating opportunities to combine safari-and-beach experiences. Kenya's National Tourism Strategy 2025–30 recognizes that the coast is not a single tourism product and classifies its beaches into four categories, each requiring tailored positioning and management.

Kenya's coastal visitor offer compares favorably with those of its main regional competitors across several dimensions.⁷³ Kenya and South Africa's KwaZulu-Natal coast stand out for the proximity and integration of Big Five safari experiences with beach tourism, while in Zanzibar and Mozambique, safari offers are less directly integrated with island or coastal stays. Kenya also holds a stronger MICE market position than most beach competitors, ranking third in Africa for international association meetings in 2023 (ICCA 2024), behind South Africa but well ahead of Tanzania and Mozambique. Kenya further benefits from a sizable domestic and regional middle-class market, an advantage shared with South Africa among this peer group. By contrast, The Gambia and Cabo Verde compete primarily as sun-and-sand destinations, with narrower all-inclusive resort offerings focused on price and without Kenya's combination of safari experiences, MICE demand, domestic market depth, and cultural and heritage assets.

Infrastructure improvements are beginning to reduce access constraints that have historically weakened the coast's competitiveness. The Mombasa–Nairobi Standard

Gauge Railway provides a lower-carbon, affordable link between Nairobi, wildlife areas, and the coast, creating opportunities for a more sustainable rail-based safari-beach product. The opening of the Dongo Kundu Bypass in August 2024 also reduced travel times from Mombasa's Moi International Airport to the southern coast from two to four hours to about 45 minutes, significantly easing a long-standing bottleneck.⁷⁴

Recent efforts signal government commitment to enable accelerated growth of the sector. The draft Tourism Strategy 2025–30 positions Mombasa as a regional MICE hub and identifies coastal beach tourism as a priority. The Coast Tourism Circuit initiative⁷⁵ and the Mombasa Coastal Tourism Investment Conference⁷⁶ further demonstrate the government's commitment to unlock private investment in the sector. A government task force has also been established to propose a new approach to marketing Kenya's tourism offer, which could help address the coast's long-standing branding challenge. Additionally, the Kenya Coast Tourism and Cultural Heritage Blueprint 2030, developed by the six coastal counties, represents an important effort to articulate a shared county-level vision.

Domestic and international demand for sun-and-sand tourism is expected to grow, while Kenya's established safari and MICE markets provide a built-in source of demand for coastal extensions. Kenya captures only a small share of annual European travel to selected comparable long-haul beach destinations, suggesting significant untapped demand potential.⁷⁷ Domestic and regional middle-class travel is also expanding.⁷⁸ Kenya already attracts around 1 million safari visitors annually, yet fewer than one in five visitors from top-spending safari source markets also visit the coast, indicating a potentially large extension opportunity if the coastal product improves. Similarly, fewer than one in 10 of Kenya's 644,000 annual MICE visitors currently combine business travel with a beach stay,⁷⁹ creating an opportunity to convert a larger share of this market as African MICE demand grows.⁸⁰

Recent indicators of coastal tourism suggest that these opportunities are beginning to translate into market momentum. International arrivals through Mombasa have grown rapidly over the past five years, exceeding pre-pandemic levels and approaching those recorded in the mid-2000s. Hotel operators report the return of package tours over the past year, growing interest from new Eastern European source markets, higher occupancy,⁸¹ and some improvement in airline access. RwandAir's return to Mombasa in December 2025 after a six-year absence, for example, supports multi-destination "bleisure" itineraries linking Kigali, Zanzibar, and Mombasa. Domestic demand and MICE travel are also helping sustain shoulder-season occupancy on the coast.⁸² Investor interest appears to be returning, with large-scale investors from Europe and Asia showing interest, incumbent investors exploring expansion along the coast, and regional hotel brands announcing new developments.

The Kenyan coast can compete across four market segments: sun and sand, bleisure, safari and beach, and experiential and cultural tourism (figure 4.1). Global travel trends increasingly favor multi-destination itineraries and experience-led travel over traditional mass tourism.⁸³ Kenya can respond by repositioning its sun-and-sand offer, linking coastal stays with safari itineraries, and converting MICE demand in Nairobi and Mombasa with coastal leisure stays. The bleisure opportunity is particularly relevant given growing demand among travelers from China and India, Kenya's two largest business source markets. The coast also offers opportunities for experiential tourism centered on golf, kitesurfing, and fishing, with golf already supporting mixed-use resort models.⁸⁴

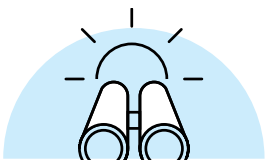
These four market segments point to two potential accommodation investment opportunities, both linked to gaps in the existing tourism product. The first is modernized mid- to large-scale beach accommodation, through refurbishment of existing hotels and selective greenfield development, to serve higher-value sun-and-sand, safari-extension, and MICE demand. The second is differentiated boutique hotels and ecolodges offering distinctive, sustainable, experience-led stays for higher-end post safari and cultural or experiential travelers. These properties can operate on smaller parcels and compete on design, location, and visitor experience.

Kenya's coast remains underutilized as a tourism destination. Recent private investment in tourism has been concentrated in Nairobi, supported by the MICE subsector, and in flagship safari circuits, where overcrowding and environmental pressures constrain opportunities for further sustainable investment. The coast has significantly fewer licensed hotel beds and international visitors per kilometer of coastline than Zanzibar,⁸⁵ a relevant bush-and-beach competitor that also captures a significant share of safari extensions,⁸⁶ and has seen limited recent hotel development. Much of the existing resort stock has aged without significant reinvestment, while prime beachfront parcels remain idle or are occupied by closed or deteriorating properties.

This underperformance reflects the extent to which Kenya's coastal tourism offer has failed to keep pace with shifting demand trends and growing competition. Beginning in the late 1960s, the coast developed primarily around charter-based, all-inclusive resorts serving price-sensitive European sun-and-sand tourists. Although this model once supported substantial demand, the segment entered a prolonged decline following a series of security shocks, including the 2002 Mombasa attacks, the 2007–08 postelection violence, insecurity and negative travel advisories during the 2010s, and the COVID-19 pandemic. As figure 4.2 shows, international arrivals through both Mombasa and Zanzibar have recovered since the pandemic, but Zanzibar has grown faster since 2015, widening the gap between the two destinations.

Figure 4.1

Segments Where Kenya Is Best Positioned to Develop Investment Potential

				
	Sun and sand	MICE and bleisure	Safari and beach	Experiential, cultural, and lifestyle
Global trend	Global beach travel projected to grow from US\$153.2 billion in 2025 to US\$244.2 billion by 2033, equivalent to 6 percent annual growth.	African MICE market projected to grow about 17 percent annually during 2022–32; bleisure is also growing globally, led by India and China.	Safari tourism to grow from US\$37.8 billion in 2025 to US\$66.9 billion in 2033 (7.7 percent annually); interest in combined beach-and-safari travel increased 20 percent during 2022–23.	Millennials and Gen Z increasingly favor experience-led travel centered on culture, food, events, and wellness.
Comparative advantage	Ability to differentiate from pure beach destinations through wildlife and safari extensions.	Largest conferencing capacity on the East African coast, with strong potential for leisure extensions.	Strong bush-and-beach proposition anchored by the Great Migration and convenient access from safari destinations.	Authentic and relatively less commercialized than competitors; East Africa's only PGA-accredited golf course; strong kitesurfing conditions; nearby wildlife; Lamu UNESCO heritage.
Kenya's market	320,000–440,000 international visitors participate in beach activities.	644,000 MICE visitors in 2024; only about 10,000 arrived through Mombasa, and less than one in 10 combined business and beach stays.	Around 1 million international visitors participate in wildlife viewing.	420,000–570,000 international visitors participate in cultural activities.
Key markets	Europe; regional; and domestic	Asia; regional; and domestic	United States; United Kingdom; Europe; and India	Domestic; regional; and Millennials and Gen Z
Growth potential	Capture a larger share of 2 million European long-haul beach travelers and tap growing demand from India and the Middle East .	Convert business travel from India and China into coastal bleisure extensions.	Among key high-spending safari source markets, 70–90 percent participate in wildlife viewing but only about 10–20 percent in beach activities indicating extension opportunity.	Leverage coastal assets in golf, kitesurfing, wellness, culture, and heritage.
Product gap	Insufficient supply of modern, branded mid-to upper-upscale beach resorts.	Limited beach products, branding, and distribution to capture bleisure demand.	Limited supply of distinctive boutique properties and internationally branded hotels.	Limited boutique and lifestyle accommodation and underdeveloped food, beverage, and events ecosystems.

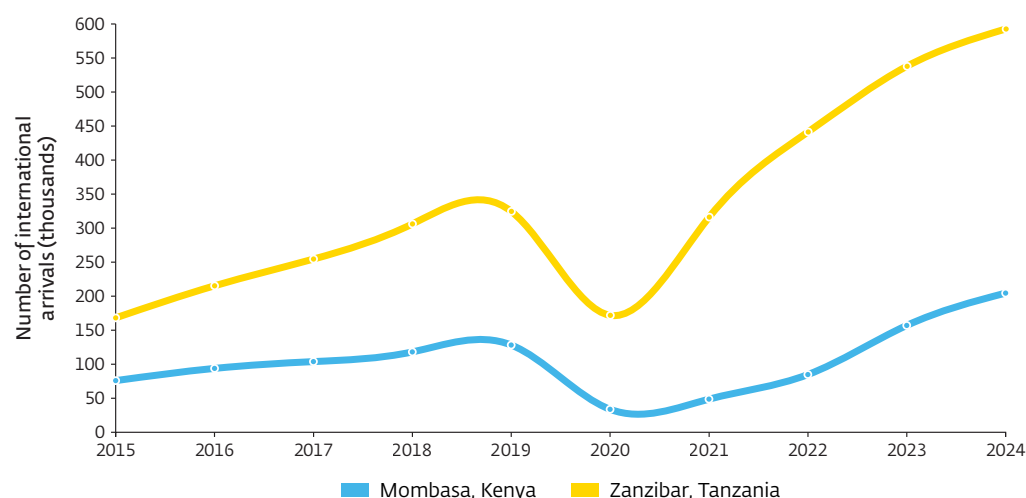
Source: World Travel and Tourism Council; UN Tourism; TRI (2025); KNBS (2019; 2024); stakeholder interviews; Cognitive Market Research (2026); Allied Market Research (2022); Grand View Research (2023); Go2Africa (2023).

Note: bleisure = business and leisure; MICE = meetings, incentives, conferences, and exhibitions; PGA = Professional Golfers' Association of America; UNESCO = United Nations Educational, Scientific and Cultural Organization. Kenya market figures are indicative and nonadditive. They represent approximate numbers of international visitors engaging in each activity or segment, based on 2024 international arrivals and 2019 exit survey data. Because visitors may participate in multiple activities during a single trip, the figures should not be summed to estimate total market size.

Figure 4.2

Coastal Kenya Is Recovering but Still Lags Main Competitor Zanzibar

International visitor arrivals by airport



Source: Calculations based on Zanzibar Office of the Chief Government Statistician Zanzibar Statistical Abstracts and annual tourism releases; CBK (2017, 2018); and Kenya Tourism Research Institute tourism sector performance reports for 2018–24. Note: Figures show direct international visitor arrivals through Zanzibar (ZNZ, Abeid Amani Karume International) and Mombasa (MBA, Moi International) airports.

Compared with the early 2000s, the demand mix has shifted toward lower-spending segments, with domestic and regional visitors and emerging Eastern European markets replacing traditional European markets that remain significantly below earlier peaks.⁸⁷ As a result, occupancy rates that are healthy by international standards may not generate the room rates, margins, or investor confidence needed to support major upgrading or reinvestment.⁸⁸

Basic infrastructure gaps reduce investment readiness in priority coastal destinations. Accommodation providers report water shortages and power disruptions, particularly in areas north of Mombasa with greenfield potential, consistent with the 2025 World Bank Enterprise Survey evidence showing weaker access to water and electricity on the coast than in the rest of Kenya and, in some cases, Sub-Saharan Africa.⁸⁹ Regional water demand significantly exceeds supply,⁹⁰ and many commercial users rely on boreholes or water tankers to supplement supply. One hotel reported incurring over US\$2,000 per day in tanker costs during water outages, with five such outages occurring between October and March, materially impacting margins. The Mwache Dam and associated transmission pipelines under construction are expected to substantially increase bulk water supply to Mombasa, Kwale, and Kilifi counties. However, these investments are still

being implemented, and broader, economywide reforms are likely necessary to ensure adequate water and energy supply over the longer term.

New investment to reposition the coast from lower-value beach tourism toward mid-market, upscale, boutique, and MICE segments is constrained by weak spatial planning. Hotel investors, especially foreign corporate entities managing brand reputation, require serviced land at appropriate prices and of sufficient size, as well as a guarantee that incompatible uses on adjacent land will be restricted. Continued subdivision of first-row beachfront land reduces the availability of sites suitable for larger hotel developments, while uncertainty over nearby land uses that can weaken destination positioning.⁹¹ These constraints reflect gaps in spatial planning and zoning. Under the Physical and Land Use Planning Act (2019), coastal counties are required to prepare 10-year spatial plans followed by specific zoning designations. In practice, however, existing spatial plans lack sufficient detail, and more specific zoning plans have not been prepared or passed. A review of the Kilifi, Kwale, and Mombasa county spatial plans suggests that they provide limited guidance for tourism development.⁹² By contrast, competing African destinations provide investors with a clearer destination framework through geographically defined tourism zones. Cabo Verde has designated integrated tourism development zones that concentrate resort development within bounded coastal sites; Morocco has established dedicated coastal tourism zones with individual master plans and clearly communicated investor incentives; and Mozambique is developing a tourism-focused special economic zone in Inhambane province.

In the absence of clear rules governing beach vendors, unregulated access and solicitation can become sufficiently pervasive that guests effectively remain within hotel setbacks.⁹³ Tour operators report that unmanaged beach activity makes them reluctant to market Kenya's coastal hotels because of the risk of guest complaints and weaker repeat business. Although responsibility for beach management was devolved to county governments in 2013, and some counties have drafted beach management reforms, no coastal county has enacted legislation regulating commercial activity or standards along its shoreline.⁹⁴ The Tourism Regulatory Authority (TRA) has a national mandate under the Tourism Act (2011) to license formal beach operators, but this framework does not extend to the informal vendors who account for most commercial activity on the beaches, leaving a gap in enforceable regulation.

Erosion and marine degradation are weakening the natural assets on which beach tourism depends. Underregulated coastal development, including construction too close to the shoreline and offshore sea-sand harvesting, has contributed to shoreline erosion and beach narrowing documented over the past three decades.⁹⁵ This reduces usable beachfront and increases exposure to wave damage, prompting some hotels to construct protective barriers that can further exacerbate erosion.⁹⁶ Marine ecosystems face

additional pressures from untreated sewage discharged into the ocean—Mombasa County lacks a functional wastewater treatment plant—as well as solid waste, overfishing, rising sea temperatures, and ocean acidification. These pressures contribute to Kenya's coral reefs being classified as endangered in 2024.⁹⁷

Although environmental implementation functions have been devolved to counties, responsibilities remain fragmented across national and county institutions, with roles and accountability often unclear. Responsibilities are divided among county governments, the National Environment Management Authority (NEMA), Kenya Wildlife Service (KWS), and the State Department of Blue Economy and Fisheries, without effective coordination to safeguard beach quality or marine tourism outcomes.⁹⁸ Capacity constraints at both county and national levels compound the problem. NEMA's enforcement of coastal construction setbacks is undermined by chronic understaffing and documented irregularities in environmental impact assessment licensing.⁹⁹ Within marine parks, hoteliers report KWS enforcement is more visible in relation to fee compliance, including armed officers approaching snorkeling tourists, than ecosystem management priorities.¹⁰⁰

The supply of viable beachfront land for hotel development is constrained by weak enforcement of leasehold development conditions and title insecurity. Although land speculation and title insecurity affect Kenya more broadly,¹⁰¹ these problems are especially acute along the coast, where beachfront land is finite, historical land grievances and absentee ownership are significant, and many titles remain outside fully digitized systems.¹⁰² Real estate and hotel developers report that the risk of title disputes materially raises perceived investment risk;¹⁰³ consistent with this, hotel and restaurant firms are nearly twice as likely as manufacturing firms to identify access to land as a severe constraint.¹⁰⁴ Investors report greater confidence in titles available through the digitized “ArdhiSasa” land registry, but coverage remains stronger in Mombasa than along the north and south coasts. Title-security concerns are compounded by weak incentives to bring underutilized beachfront land into productive use. First-row coastal parcels include both private freehold and 99-year leasehold land. For leasehold parcels, development conditions requiring land to be developed within a specified period are not consistently enforced. This contrasts with Zanzibar, where investor leaseholders face stronger pressure to meet development obligations.¹⁰⁵ Land rents are also low relative to property values,¹⁰⁶ further weakening incentives for leaseholders to develop or sell.

Limited direct, scheduled air service to Mombasa constrains the coast's ability to convert demand from priority source markets into higher-value tourism investment. Mombasa lacks direct service from several important source markets and gateways served by competing destinations, including London, Paris, Amsterdam, and Qatar (figure 4.3). Among international visitors arriving in Mombasa, the share traveling on direct flights is lower than for several comparators: 34 percent for Mombasa, compared with 42 percent

Figure 4.3

Comparator Destinations Attract Scheduled Air Service from a Wider Range of Source Markets Than Mombasa

a. Scheduled and charter flights from Europe

	Mombasa, Kenya		Zanzibar, Tanzania		Sal Island, Cape Verde		Yundum, Gambia, The	
	Scheduled flights	Charter flights	Scheduled flights	Charter flights	Scheduled flights	Charter flights	Scheduled flights	Charter flights
Austria						0.2		
Belgium							1.6	
Czech Republic						1.7		
Denmark						0.7		
Finland						0.2		
France			2.8		2.6			
Germany	6.4		0.8			0.7		
Italy	2.2		3.7		1.2			
Luxembourg					1.5			
Netherlands			2.3		0.9		1.7	1.2
Norway						0.9		
Poland			0.2		0.9	1		
Portugal					15.2	0.7	1.2	
Romania			0.2					
Spain			0.2		1.5		1.4	
Sweden						1.8		
Switzerland					1.3			
Türkiye	0.3		5.1				2	
United Kingdom					13.9	0.4		1.9

b. Scheduled flights from Asia and the Middle East

	Mombasa, Kenya	Zanzibar, Tanzania
China	0.2	2.6
Israel	0.2	0.3
Oman	0.2	2.3
Qatar	0.2	7.9
United Arab Emirates	6.2	17.2

Source: Calculations based on OAG Schedule Direct data.

Note: Includes direct flights from listed origin markets to Mombasa and comparator destinations. Cells are shown where average weekly flight frequency is at least 0.2 flights; gray cells indicate no service or service below threshold. OAG schedule data capture scheduled air service, including passenger charter services in the schedules database. Ad hoc and other nonscheduled charter operations may not be fully captured; the data therefore should not be interpreted as representing total charter capacity. Destination airports are Mombasa (MBA, Moi International); Zanzibar (ZNZ, Abeid Amani Karume International); Cabo Verde (SID, Amílcar Cabral International, Sal); and The Gambia (BJL, Banjul International Airport).

investment shortfall can itself reinforce fragility by constraining livelihoods and narrowing the fiscal base available for basic service delivery, conditions that are well-documented precursors to deeper instability. Although these risks are most acute in and around Lamu County, the investment opportunities identified in this chapter are concentrated primarily farther south, in Kilifi, Mombasa, and Kwale.

Capitalizing on latent opportunities in coastal tourism could generate significant development benefits in Kenya. Outside of agriculture, tourism has one of the strongest employment effects in the economy, reflecting both its labor intensity and spillovers to other sectors such as transport, food services, events, crafts, and construction. Kenya's tourism employment multiplier of 2.7 implies that every direct tourism job supports an estimated 2.7 additional jobs elsewhere in the economy, above global and Sub-Saharan African averages.¹¹⁵ Coastal tourism can also support greater geographic diversification of employment and spending, including in Mombasa, where unemployment exceeds the national average, and in more fragile northern coastal counties where alternative formal employment opportunities are limited.¹¹⁶ Because women account for a higher share of employment in accommodation than the cross-sector average, additional private investment in coastal hotels could also generate disproportionate employment benefits for women.

4.2

Constraints to Private Investment and Recommendations¹¹⁷

CONSTRAINT 1. Kenya's coastal tourism areas lack adequate spatial and beach management planning, leaving investors uncertain about surrounding land use and preservation of the coastal tourism assets. Current county-level spatial plans lack consistent and clear demarcated zones where tourism is identified as the primary land use, and detailed zoning plans and beach management bills have not been drafted or passed. The lack of detailed zoning enables continued subdivision, while the absence of beach management bills contributes to poorly managed commercial activity on the beach and weak control of coastal erosion and other environmental pressures. As a result, investors face uncertainty over the trajectory of coastal destinations, including surrounding land use, protection of beach and marine resources, and the availability of adequately sized parcels for viable hotel development.

RECOMMENDATION 1A. The State Department for Lands and Physical Planning (SDLPP) should recognize tourism as a distinct land use subcategory in the Kenya National Spatial Plan and the Physical and Land Use Planning Handbook.¹¹⁸ A dedicated tourism land use classification would provide a clearer basis for counties to designate coastal tourism zones and align land use planning with tourism development objectives. Recognition of tourism as a land-use category should be introduced during

for Zanzibar, 84 percent for Cabo Verde, 45 percent for The Gambia, 40 percent for Cape Town, and 16 percent for Durban.¹⁰⁷ Stakeholders argue that the volume of direct international air traffic reflects not only commercial airline decisions but also a restrictive and discretionary air-access environment, including limited transparency in the criteria used to evaluate international airline applications and perceived preferential treatment of Kenya Airways.¹⁰⁸ These concerns have surfaced in Senate hearings on the restriction, suspension, revocation, or denial of direct international services to Mombasa, including cases involving Turkish Airlines, Emirates, KLM, and Qatar Airways.¹⁰⁹

Regulatory unpredictability and complex tax administration are cross-cutting business environment constraints that affect tourism investment and operations.

Because tourism products are often priced and sold one to two years in advance, short-notice changes by agencies such as KRA, KWS, TRA, and Immigration can create unanticipated costs through contract disputes, client complaints, cancellations, and administrative adjustments. Recent changes to Kenya's visitor entry requirements, including the transition from the electronic visa (eVisa) to the electronic travel authorization (eTA) system, as well as changes to KWS park fees, marine park ticketing procedures, and eTIMS (electronic tax invoice management system) compliance requirements, illustrate how limited consultation, short transition periods, and impractical implementation arrangements can disrupt tourism businesses.¹¹⁰ Tax compliance is also burdensome for hotels, which act as withholding agents and must remit withholding tax and withheld VAT within five working days, creating near-continuous filing obligations.¹¹¹ Hotels also report VAT reconciliation challenges because VAT may become payable when advance payments or deposits are received. Although the rules governing the timing of VAT liability apply across sectors, they are particularly complex for hotels because bookings are often made well in advance and may involve deposits, modifications, cancellations, deferrals, or bundled services.¹¹² This complexity can increase discretion in KRA enforcement and firms' exposure to arbitrary fines, lengthy audits, and uneven treatment.¹¹³ Because these issues cut across sectors and tax administration systems, addressing them would require broader business environment reforms beyond the scope of the tourism-specific recommendations in this chapter.

National-level political unrest and local security risks constrain tourism demand and investor confidence, with particularly acute effects along the northern coast. Kenya's coastal tourism has a history of disruption from political unrest and insecurity, while recent national unrest compounds longer-standing concerns around Lamu County near the Somali border. US and UK advisories warn against visiting Lamu County because of the risk of sporadic al-Shabaab attacks, although both explicitly exempt Lamu and Manda islands, which remain accessible by direct flights that avoid overland routes and have strong safety records. Nevertheless, association with the wider county dampens demand and investment in an area with significant potential for low-density, ecoluxury tourism.¹¹⁴ The resulting

the upcoming review of the National Spatial Policy by the government, either as a new planning overlay or as a subcategory defined clearly within the existing land use classification system, with changes reflected in the Planning Handbook.

RECOMMENDATION 1B. County governments, in coordination with the national government, should designate coastal tourism zones for beach-adjacent land in Diani, Mombasa, Kilifi, Watamu, and Lamu that define preferred land uses and establish subdivision controls to prevent further fragmentation.¹¹⁹ Selection of these areas is based on tourism potential, the environmental assets present, and the market segment each area can support realistically. Informed by county-level spatial plans and national-level land use classification, these zones should encompass selected areas, rather than the full coastline, where multiple private operators can colocate and operate within a zone management framework that prioritizes tourism.¹²⁰ By clarifying surrounding land use rules and restricting further first-row subdivision, coastal tourism zones would preserve the availability of viable parcels for hotel development and lower investor risk by protecting destination quality.

RECOMMENDATION 1C. The Ministry of Tourism and Wildlife, alongside the relevant county and KWS, should formally designate select high-value beaches as “beach parks,” guided by the International Union for Conservation of Nature (IUCN) classification framework for protected areas and in line with Kenyan legislation for the proclamation of protected areas.¹²¹ The IUCN classification, likely Category III (Natural Monument or Feature) or Category V (Protected Landscape or Seascape), would provide a clear framework for managing the public beach area so that commercial activity, public access, environmental protection, and visitor experience are better controlled. The choice of classification would in turn determine the roles and responsibilities of relevant entities and guide the selection of the appropriate managing body, consistent with how IUCN categories are applied across Kenya’s protected area system. Designation criteria for Beach Parks should follow international good practice, encompassing the quality and diversity of natural attractions, reliability of access, existing private sector presence, visitor trends, and alignment with government objectives,¹²² with priority given to beaches within or adjacent to designated coastal tourism zones.¹²³

CONSTRAINT 2. Coastal tourism destinations lack coordinated management to enforce rules and implement planning decisions. Although spatial planning and beach management responsibilities are largely devolved to counties, implementation still depends on coordination and effective enforcement across multiple national and county-level agencies, including NEMA, KWS, TRA, county planning departments, and county enforcement units. In practice, this creates an accountability gap, with rules affecting land use, beachfront activity, and environmental protection enforced inconsistently. The absence of a destination-level management entity means no single body is clearly

responsible for translating plans into action and enforcing agreed standards on which tourism product quality depends.

RECOMMENDATION 2. For each designated coastal tourism zone, the relevant county should initiate a designated management entity.¹²⁴ This should be structured as a public-private management entity that brings together county departments (planning, tourism, trade licensing, and enforcement), the relevant national-level regulatory and land management agencies (TRA, NEMA, KWS, and the National Land Commission [NLC]), and the private tourism firms and associations operating in the area. It should coordinate implementation of the approved zone plan and monitor compliance with the preferred land uses, subdivision controls, and other development conditions established in the zone plan. This would help ensure coastal tourism zones function as enforceable investment areas rather than simply mapped land use designations.¹²⁵

CONSTRAINT 3. Existing requirements that leasehold land be developed within a certain time frame¹²⁶ or revert to the government are not enforced, undermining incentives to develop or transfer land to more productive users.¹²⁷

RECOMMENDATION 3. The State Department of Lands and Physical Planning (SDLPP) should amend the Land Act to authorize an idle-land rent premium of at least 5 percent on leasehold public land where development conditions have not been met within the stipulated period to incentivize the leaseholder to develop, release, or sell the land.¹²⁸ The surcharge should apply to parcels where noncompliance with development conditions has been verified by the county and would be assessed and collected through the existing lease and rent framework.

CONSTRAINT 4. Incomplete digitization of coastal freehold and leasehold land records makes it difficult for investors to distinguish parcels with clear title from those requiring administrative rectification or judicial resolution.

RECOMMENDATION 4. To reduce title insecurity along the coast, the SDLPP, supported by the NLC and the relevant counties, should extend ArdhiSasa coverage into Kwale and Kilifi counties. While ArdhiSasa does not clear titles, it makes due diligence faster, improves visibility over registered records, and helps surface inconsistencies earlier so cases can move toward either registry-led rectification or, where ownership is contested, judicial resolution. The rollout should include digitization of registry files and an exception-reporting process to flag parcels requiring registrar-led rectification or judicial resolution. Stakeholders in coastal tourism generally view titles visible in ArdhiSasa as easier to verify and more reliable than records outside the system; ArdhiSasa therefore plays an important role in boosting investor confidence.

CONSTRAINT 5. Lack of transparency around the criteria for granting airline access to Mombasa airport and the content of bilateral service agreements reduces predictability for prospective carriers and tourism investors regarding future connectivity. Under the Civil Aviation Act and licensing regulations, the Ministry of Roads and Transport, through the state department responsible for aviation, leads the negotiation of bilateral air service agreements (BASAs) that establish the routes, frequencies, and capacity under which foreign airlines may access the Kenyan market. Individual market access decisions are made by the Ministry-led Technical Evaluation Committee (TEC), whose criteria, timelines, decision rules, and grounds for restriction are not available publicly. This means airlines that should qualify under existing BASAs can still be denied or limited without transparent justification or clear grounds for appeal. Moreover, BASAs are not published systematically, undermining perceptions of fair access to routes.

RECOMMENDATION 5A. The State Department for Aviation and Aerospace Development, in coordination with the Kenya Civil Aviation Authority (KCAA), should publish clear and objective decision-making criteria used by the TEC for granting airline access to applicants. Published criteria should cover BASAs and designation requirements (including whether the requested access is permitted under the applicable air services agreement and whether the airline has been designated by its home state under that agreement), safety and security requirements, airport capacity or slot considerations, and reciprocity considerations. Publishing this information would limit the perceived scope for discretionary denials, boost investor confidence, and give applicants a basis on which to challenge unfavorable decisions.

RECOMMENDATION 5B. The State Department for Aviation and Aerospace Development should publish Kenya's BASAs. This would help strengthen accountability in terms of adherence to existing BASAs and help airlines and other tourism stakeholders distinguish between restrictions arising from the terms of BASAs and those resulting from other criteria. The Ministry can allow authoritative BASA summaries where confidentiality or foreign-relations exemptions lawfully apply.¹²⁹

4.3

Risks to Be Managed

In light of potential additional private investment in coastal tourism, environmental and social risks should be managed to ensure growth is sustainable, protects the natural assets on which tourism depends, and generates benefits for local communities and the broader economy.

Environmental risks. Additional hotel development without proper zoning and planning could increase pressure on already fragile coastal assets that are also under growing stress

from climate change. These pressures include further erosion and instability of beaches, as well as increased pollution from wastewater, solid waste, and plastics. Risks are likely to intensify as sea-level rise and more extreme weather events increase coastal flooding, threaten ports and other coastal infrastructure, and exacerbate water-supply constraints through saline intrusion into freshwater aquifers.¹³⁰

Social and economic exclusion risks. Tourism generates significant economic multipliers because of the wide range of goods and services required to support the visitor experience (see box 4.1). However, investment in high-value coastal areas could concentrate economic benefits among larger or nonlocal operators while nearby communities and micro, small, and medium enterprises (MSMEs) capture only limited gains. Without

Box 4.1

Local Benefits from Tourism Investment

Tourism investment can generate benefits for local residents through:

1. Employment of local residents by tourism enterprises.
2. Supply of goods and services to tourism enterprises by local residents or by enterprises that employ local workers.
3. Direct sales of goods and services to visitors by local residents, including through the informal economy, such as beach trading.
4. Establishment and operation of tourism enterprises by local residents, including, micro, small, and medium enterprises (MSMEs) and community-based enterprises in the formal economy.
5. Voluntary contributions and support from tourism enterprises and visitors.
6. Taxes or levies on tourism revenues whose proceeds support local economic development.
7. Tourism-related infrastructure investment that also benefits local residents, directly or through support to other sectors.

Realizing these benefits requires close communication among tourism stakeholders to identify demand for skills, goods, and services; required quality standards; and the capacity of local suppliers to meet that demand. Several accommodation providers along the Kenyan coast already offer hospitality training to local residents, source produce from local farmers and fishers, and provide opportunities for local artisans to exhibit and sell crafts. Efforts are also under way to develop cultural experiences in partnership with local communities.

These initiatives could be scaled up through public-private partnerships, and by addressing barriers in the enabling environment that prevent local MSMEs from entering or expanding within the tourism value chain.

Source: UNWTO (2020).

Note: UNWTO (2020) provides useful frameworks and examples.

deliberate inclusion mechanisms, coastal tourism growth could bypass local suppliers, workers, fishers, transport providers, guides, cultural enterprises, and other small firms that are not yet positioned to meet hotel procurement, quality, certification, or digital-readiness requirements.

Social harm risks. A shift toward higher-value tourism could increase social risks if destination growth is not accompanied by stronger safeguards and enforcement. Child sexual exploitation and sex tourism remain particularly sensitive risks along the coast.¹³¹ Although stronger laws and enforcement may have reduced visible activity in formal hotels, these risks have not been eliminated and may have shifted to less visible parts of the tourism economy, including private villas and transport networks.

4.4

Expected Impact on Private Investment and Jobs

As part of a broader package of public investments and reforms, the recommendations could help unlock US\$380 million to US\$560 million in private investment in coastal hotels and related services over the medium term, relative to a business-as-usual scenario. This additional investment could support up to 14,000 more and better-paid job equivalents. The estimate captures the combined gains that may accrue through additional employment and higher earnings as the sector expands and shifts toward higher-value tourism products. Given tourism's extensive linkages to local suppliers and service providers, the broader employment impact could be substantially larger once indirect effects through supply chains are included. As research on the local benefits of tourism investment indicates (box 4.1), many of these jobs and supplier opportunities could accrue locally.

Table 4.1

Summary of Constraints and Recommendations for Coastal Tourism

Constraints	Recommended actions
1. Kenya's coastal tourism areas lack adequate spatial and beach management plans, leaving investors uncertain about surrounding land use and the preservation of tourism assets.	1a. The State Department for Lands and Physical Planning (SDLPP) should recognize tourism as a distinct land-use category in the Kenya National Spatial Plan and the Physical and Land Use Planning Handbook. <i>Responsible public sector entity:</i> SDLPP 1b. County governments, in coordination with the national government, should designate coastal tourism zones for beach-adjacent land in Diani, Mombasa, Kilifi, Watamu, and Lamu that define preferred land uses and establish subdivision controls to prevent further fragmentation. <i>Responsible public sector entities:</i> SDLPP, Ministry of Tourism and Wildlife, and coastal county governments 1c. The Ministry of Tourism and Wildlife (MoTW), together with the relevant county government and Kenya Wildlife Service (KWS), should formally designate selected high-value beaches as "beach parks," guided by the International Union for Conservation of Nature classification framework and Kenyan legislation on protected areas. <i>Responsible public sector entities:</i> KWS, MoTW, and coastal county governments
2. Coastal tourism destinations lack coordinated management to enforce rules and implement planning decisions.	2. For each designated coastal tourism zone, the relevant county should establish a management entity. <i>Responsible public sector entities:</i> SDLPP, MoTW, KWS, and coastal county governments
3. Existing requirements that leasehold land be developed within two years or revert to the government are not enforced, undermining incentives to develop or transfer land to more productive users.	3. The SDLPP should amend the Land Act to authorize an idle-land rent premium of at least 5 percent on leasehold public land where development conditions have not been met within the stipulated period to incentivize the leaseholder to develop, release, or sell the land. <i>Responsible public sector entities:</i> SDLPP and coastal county governments
4. Incomplete digitization of coastal freehold and leasehold land records makes it difficult for investors to distinguish parcels with clear title from those requiring administrative rectification or judicial resolution.	4. To reduce title insecurity along the coast, the SDLPP, supported by the National Land Commission and the relevant counties, should extend ArdhiSasa coverage into Kwale and Kilifi counties. <i>Responsible public sector entities:</i> SDLPP

(Table continues next page)

Table 4.1

Summary of Constraints and Recommendations for Coastal Tourism *(continued)*

Constraints	Recommended actions
5. Lack of transparency around the criteria for granting airline access to the airport in Mombasa and the content of bilateral service agreements reduces the predictability of future connectivity for prospective carriers and tourism investors.	5a. The State Department for Aviation and Aerospace Development (SDAAD), in coordination with the Kenya Civil Aviation Authority (KCAA), should publish clear and objective decision-making criteria used by the Technical Evaluation Committee for granting airline access to applicants. <i>Responsible public sector entities:</i> SDAAD and KCAA 5b. The SDAAD should publish Kenya's bilateral air service agreements. <i>Responsible public sector entity:</i> SDAAD

Note: KCAA = Kenya Civil Aviation Authority; KWS = Kenya Wildlife Service; MoTW = Ministry of Tourism and Wildlife; SDAAD = State Department for Aviation and Aerospace Development; SDLPP = State Department for Lands and Physical Planning.

A smiling woman with glasses and a striped shirt is working in a warehouse. She is surrounded by shelves filled with boxes of medical supplies, including boxes labeled 'COMFIT'. The background is slightly blurred, focusing on the woman.

5

Manufacturing of Medical Consumables

AT A GLANCE

- Kenya has strong potential to attract investment in medical consumables, supported by rising domestic, regional, and global demand. The domestic market is projected to grow about 4 percent annually in the medium term, while the African market is growing at about 10 percent. Kenya's trainable workforce, proximity to African markets, competitive costs, logistics, and preferential market access support expansion in high-volume products such as syringes, catheters, intravenous consumables, and reproductive health supplies.
- Investment is constrained by fragmented public procurement, weak demand forecasting, procurement uncertainty, county-level variation, and delayed payments, which reduce demand predictability and create cash-flow pressures. Value added tax (VAT) distortions disadvantage domestic manufacturers, while overlapping regulatory requirements, slow approvals, unclear upgrade pathways, and poor standards harmonization beyond the East African Community raise compliance costs and constrain exports.
- Priority reforms include consolidating public procurement, improving payment systems, reforming VAT to support local production, and simplifying regulatory approvals. Kenya should also strengthen standards harmonization through short-term bilateral agreements and longer-term regional and continental alignment to support exports.
- The proposed reforms could strengthen health security and export competitiveness, while mobilizing an estimated US\$780 million in additional investment and 33,200 direct jobs, with further indirect employment gains over the medium term.

Sector Context and Private Investment Potential

Demand for medical consumables is growing globally and in Kenya.¹³² The global market is large and expanding rapidly, driven by rising health care utilization and hospital admissions, a growing burden of chronic disease, stronger infection prevention requirements, and tighter patient safety standards.¹³³ The market was valued at US\$431 billion in 2024 and is projected to reach US\$1.351 trillion by 2033, equivalent to annual growth of 12.1 percent. Demand is concentrated in high-volume disposable products, including gloves, intravenous (IV) kits, gauze and tapes, syringes, sharps containers, and catheters, with gloves accounting for 48.7 percent of total demand. Hospitals account for 56.3 percent of end-user demand, making procurement systems, purchasing power, and regulatory compliance important determinants of market access and scale.¹³⁴ Improved waste management and stronger environmental and social protections in modernizing health systems are also contributing to increased demand.¹³⁵ In Kenya, population growth and a rising disease burden¹³⁶ are increasing demand, with the market estimated at US\$430 million in 2025 and projected to reach US\$540 million by 2030, equivalent to annual growth of 4 percent.

Domestic demand for medical consumables comes from the private, public and nonprofit health sectors. The private sector, including private hospitals, clinics, pharmacies, and their distributors, accounts for more than 70 percent of the market and purchases on commercial terms, balancing price, quality, and brand. The public sector accounts for about 20 percent and procures through formal tenders with prequalification and local-content considerations, primarily through the Kenya Medical Supplies Authority (KEMSA), county governments, and public referral and teaching hospitals. A third channel comprises nonprofit actors, including faith-based organizations that largely procure through the Mission for Essential Drugs and Supplies, often subject to donor-financed quality requirements such as World Health Organization (WHO) prequalification. Although universal health coverage (UHC) and population growth are increasing demand, expansion of the public sector market for medical consumables is likely to remain constrained by tight budgets and price sensitivity. Private sector demand, supported by hospital expansion, growing care for noncommunicable diseases, increased insurance coverage, and declining donor procurement, is therefore likely to grow fastest.

Health sector reforms are expanding effective demand for medical consumables by shifting financing from out-of-pocket spending toward broader risk pooling and public purchasing. Kenya's transition toward UHC, including reforms to social health insurance through the Social Health Authority and Social Health Insurance Fund, the Primary Health Care Fund, and expanded essential service packages, reduces financial barriers to care, widens population coverage, and strengthens pooled financing mechanisms. These reforms increase service utilization by making care more

affordable at the point of use and by expanding the range of covered services. At the same time, devolution has expanded service capacity across counties, including through Level 4 and Level 5 hospitals, increasing the health system's capacity to serve larger patient volumes. Together, broader financing coverage and expanded service delivery are structurally increasing demand for medical consumables, essential medicines, diagnostics, personal protective equipment, syringes, and other routine supplies.¹³⁷ This effect is particularly pronounced in primary care, where high-frequency, low-cost interventions generate steady, recurrent consumption. As UHC reforms deepen, demand growth is likely to become more predictable, broad-based, and increasingly anchored in public financing.

Growing demand in export markets and regional initiatives create opportunities for Kenyan manufacturers to expand and strengthen the country's position as a regional hub for medical products manufacturing. North America accounted for 41 percent of the US\$431 billion global market in 2024, while demand is also growing fast in emerging markets such as India, where rising incomes and aging populations are increasing health care expenditures. Similarly, the African market, estimated at US\$4.8 billion, is projected to grow by around 10 percent over the medium term, with the Arab Republic of Egypt and Ethiopia together expected to represent a US\$1.7 billion market by 2030.¹³⁸ African demand also includes procurement by international and bilateral agencies, including UNICEF (United Nations Children's Fund), the Global Fund to Fight AIDS, Tuberculosis and Malaria, the US President's Emergency Plan For AIDS Relief, the Foreign, Commonwealth and Development Office, and the European Union (EU). Kenya's domestic market represents only 0.1 percent of the global market. Kenya mainly produces IV consumables, syringes, catheters, wound care products, and reproductive health products (panel a, figure 5.1), which are also exported to markets including Somalia, Uganda, Tanzania, South Sudan, and Ethiopia (panel b, figure 5.1). Kenya therefore has an opportunity to position itself as a regional manufacturing hub serving fast-growing African demand that is currently met largely through imports (figure 5.2).

Kenyan manufacturers are also competitive in the donor-financed procurement channels. African firms can participate in global competitive tenders based on quality, price, reliability, and scale rather than origin-based trade preferences. UNICEF, for example, already sources 40 percent of its syringes from African suppliers, with a large and growing share coming from Kenya. A partnership between the Africa Centres for Disease Control and Prevention (Africa CDC) and UNICEF explicitly seeks to increase procurement of medical devices from African producers,¹³⁹ benefiting Kenya, which hosts Africa's only WHO-prequalified 0.5 millimeter auto-disable syringes.¹⁴⁰ Kenya is thus well positioned to contribute to the continental target of meeting 60 percent of Africa's health product needs through local manufacturing by 2040.¹⁴¹ Enabling initiatives include the Africa Pooled Procurement Mechanism, which seeks to aggregate demand, and the African Medicines

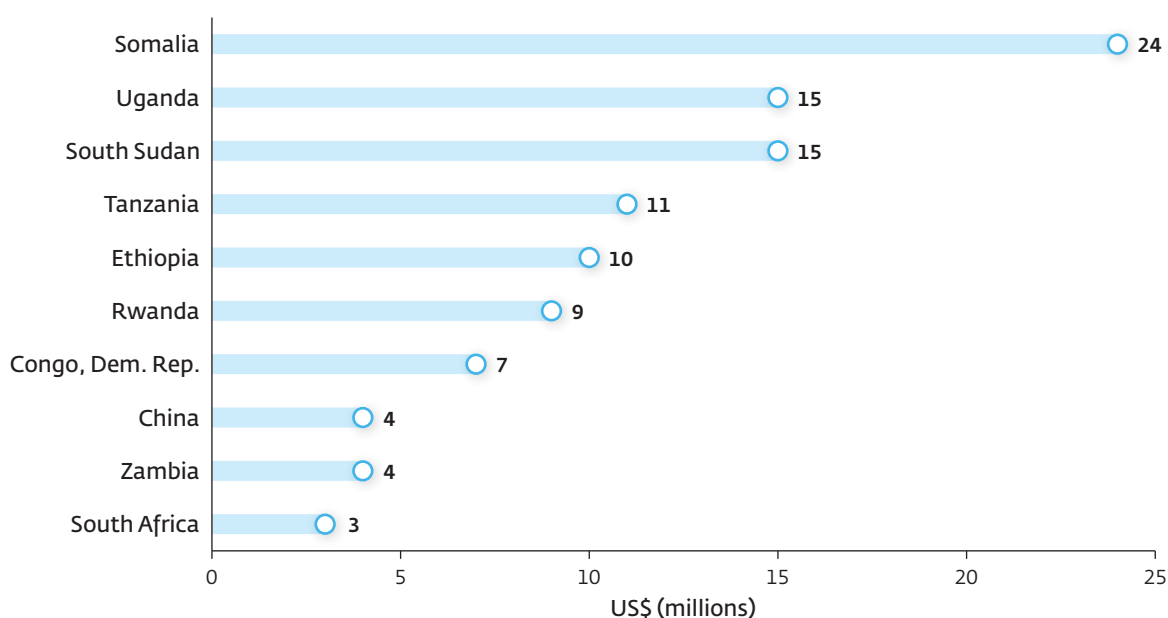
Figure 5.1

Kenya Produces a Range of Medical Consumables and Exports Primarily within the Region

a. Kenya's medical consumables market by product category, 2024 (%)



b. Top 10 export destinations for Kenyan medical consumables products, 2019–24



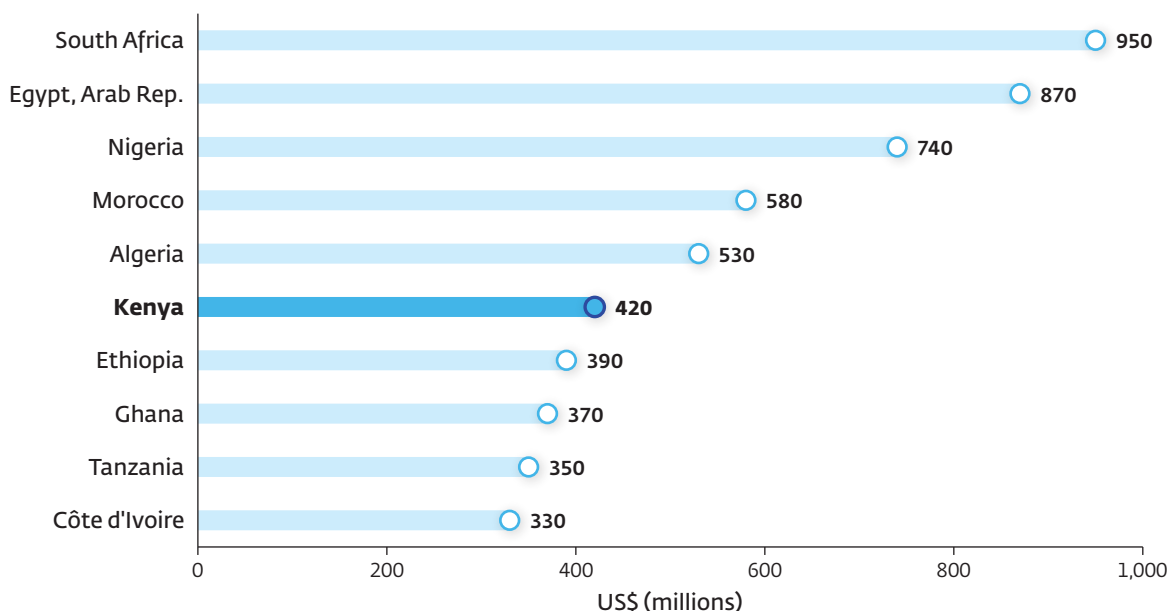
Source: UN Comtrade; BACI.

Note: IV = intravenous; PPE = personal protective equipment.

Figure 5.2

Kenya Can Be a Regional Hub to Meet Fast-Growing African Demand

Top 10 importers of medical consumables in Africa, 2024



Source: UN Comtrade.

Agency, which supports regulatory harmonization. As these initiatives are implemented, manufacturers in Kenya could gain greater access to the scale needed to compete across the continent.

In the medium term, preferential access to several key markets also creates opportunities for manufacturers to expand. Kenya has duty-free, quota-free access to the EU under the EU–Kenya Economic Partnership Agreement, which entered into force on July 1, 2024.¹⁴² It also has duty-free, quota-free access to the US market under the African Growth and Opportunity Act (AGOA), covering over 6,400 tariff lines.¹⁴³ However, the reauthorization approved in February 2026 expires in December 2026, limiting policy certainty for export-oriented investment. Exports of medical consumables through these channels remain negligible, constrained less by tariffs than by regulatory compliance, certification, scale, competitiveness, high utility and logistics costs (for example, port dwell times) relative to competitors, and financing constraints. Although recent foreign direct investment (FDI) from China is expected to increase exports, building these markets for emerging Kenyan “origin” producers will take time. Kenya could mitigate risks associated with AGOA uncertainty by expediting bilateral trade arrangements, strengthening quality

and standards infrastructure, diversifying market access to European and regional African markets, and upgrading along the value chain to compete on quality, reliability, and geographic proximity rather than preferential tariff access.

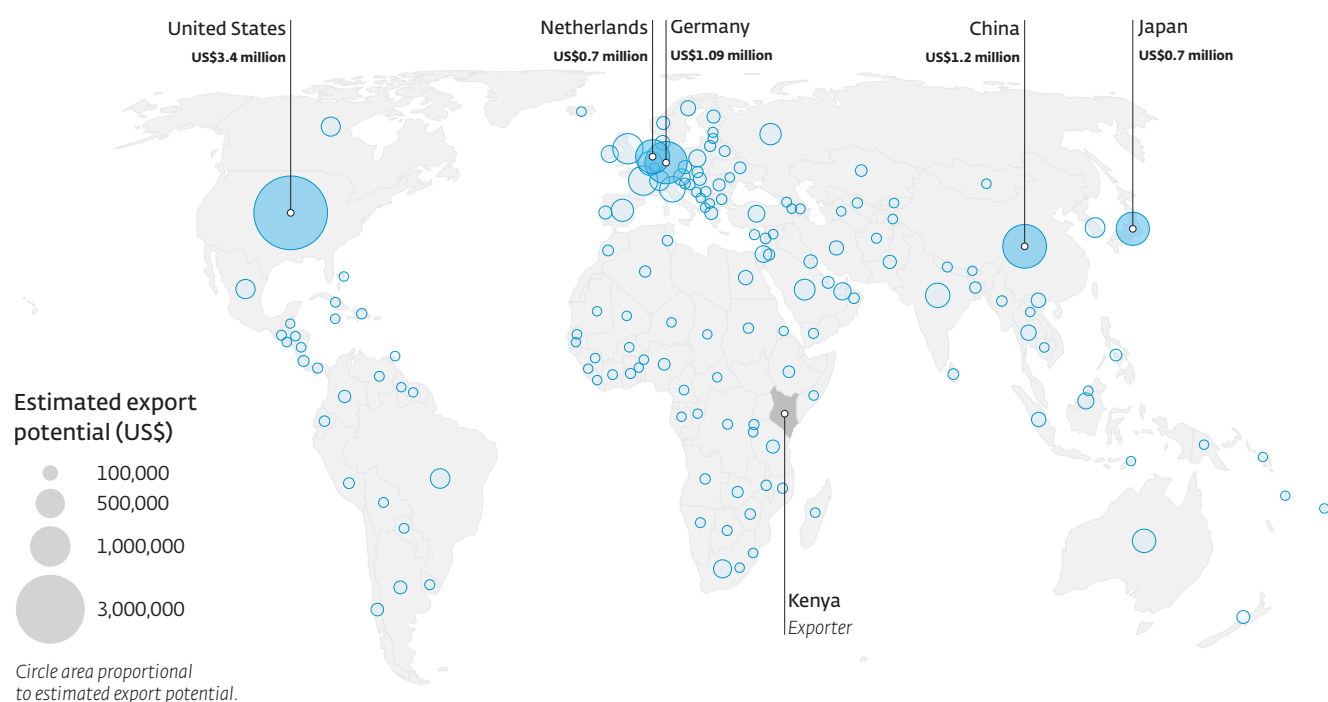
To reach its full potential, Kenya's medical consumables sector will need to serve regional and international markets. Statistical analysis of Kenya's export potential for medical consumables and devices from Kenya supports opportunities not only across Africa but also in larger markets in Europe, the United States, the Middle East, and Asia (figure 5.3).

Competitors in medical consumables manufacturing range from low-cost global exporters to emerging African manufacturing hubs and distributors across market segments. In the low-cost segment, China and India are the largest competitors. Kenya can compete where delivery times matter, regional trade policies favor local supply, and

Figure 5.3

Kenya Has Broad Potential to Export Medical Consumables and Devices

Estimated export potential by destination market



Source: Based on data from CEPII and World Bank's WDI.

Note: The map identifies where Kenya has potential to expand exports of medical consumables, based on a gravity-model econometric analysis estimated using Poisson pseudo-maximum likelihood. The model compares Kenya's predicted exports across destination markets, accounting for exporter characteristics, including gross domestic product (GDP), population, governance, and education levels, as well as destination-market demand and bilateral factors such as GDP, population, education levels, distance from Kenya, language, trade relations, historical ties, and country-pair destination fixed effects.

rising labor costs in these countries narrow cost differentials. In higher-value segments within Africa, South Africa is the most significant competitor given its advanced health manufacturing base, mature regulatory authority, and integration into global pharmaceutical and medical device value chains. Other emerging African manufacturing hubs include the Arab Republic of Egypt and Morocco and, more recently, Ethiopia and Rwanda, which have achieved higher regulatory recognition, including WHO Maturity Level 3. Kenya's comparative advantage in African markets includes geographic proximity, logistics, and a strong skills base.

A relatively well-educated workforce and competitive wages also position Kenya to attract investment. Kenyan children accumulate 8.5 learning-adjusted years by age 18, substantially more than in other African countries attracting investment in health products, including the Arab Republic of Egypt (6.5), South Africa (5.6), Tanzania (4.8), Uganda (4.3), and Ethiopia (4.3).¹⁴⁴ This places Kenya in a similar category as Costa Rica, Mexico, Malaysia, Viet Nam, and Thailand, where trainable workforces supported industrial upgrading. At the same time, wages remain relatively competitive. Earnings data for manufacturing show that average monthly earnings in Kenya are substantially below those in South Africa, broadly comparable to the Arab Republic of Egypt and Tanzania, and above those in Ethiopia.¹⁴⁵

Investor interest in Kenya's medical sector is also increasing, placing the country among the leading developing-country recipients of health-related FDI. Since 2020, greenfield health sector FDI in Africa has been concentrated in a small set of countries, primarily Ethiopia, Kenya, Morocco, South Africa, and Tanzania. Between 2020 and 2025, Kenya attracted US\$167 million in greenfield investment in pharmaceutical and medical equipment and supplies manufacturing, equivalent to about 40 percent of its US\$434 million in total health-related investment (figure 5.4). Relative to gross domestic product (GDP), health-related FDI reached 0.054 percent, placing Kenya among the top five developing-country recipients and 11th globally. Investors included firms from China, Denmark, France, the Netherlands, and the United States.¹⁴⁶ Kenya compares favorably with regional peers after accounting for market size and income level, although project sizes remain modest, generally ranging from US\$1 million to US\$25 million and below those in markets such as South Africa.

These investments have also generated more and better-paid jobs. Medical consumables manufacturing requires specialized personnel in areas such as quality engineering, regulatory affairs, quality assurance, and production supervision, resulting in a more skill-intensive workforce than in commodity manufacturing sectors such as apparel and basic plastics.¹⁴⁷

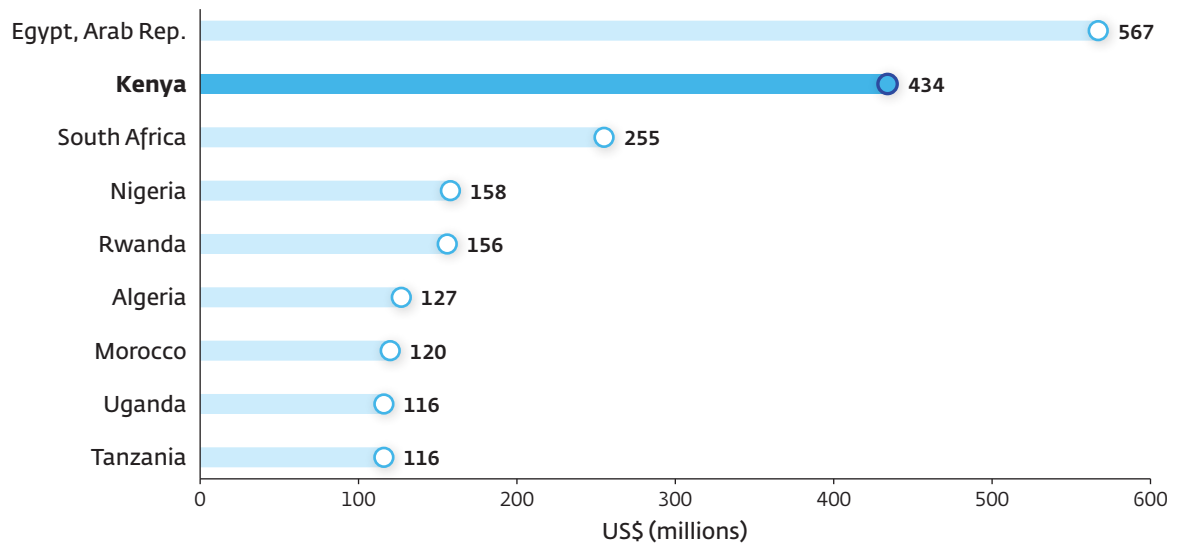
Figure 5.4

Kenya Is a Top Recipient of Health-Related FDI in the Region

a. Health-related greenfield investments into Kenya by sector, 2020–25 (US\$, millions)



b. Top 10 African destinations of health-related FDI announcements, 2020–25



Source: fDi Markets (2025).

Note: Values represent announced capital expenditure and may not reflect actual expenditure. Capital expenditure is aggregated by destination country and sector or subsector.

Kenya's medical consumables manufacturing sector comprises a small number of producers operating alongside a much larger base of small and medium enterprise (SME) distributors and marketers of imported products. Fewer than 20 large firms are active in manufacturing, and the domestic industry is still small. Firms fall into three broad categories:

— ***Domestic entrants serving the local market***

Some medium-size firms interviewed for this report are shifting from trading to local manufacturing, but annual output remains below US\$5 million. These firms accounted for an estimated 10–15 percent of the domestic market and have benefited from government measures to promote local health product manufacturing, including KEMSA's 15 percent price preference for locally produced goods and the “Build Kenya, Buy Kenya” policy, which requires 40 percent of public procurement to be sourced locally.¹⁴⁸ Despite this support, firms face difficulties scaling, including shortages of specialized skills in quality engineering, regulatory affairs, and production supervision.

— ***Regional Kenyan champions***

A small number of domestic firms have developed the capabilities required to serve regional markets, while accounting for about 5 percent of the domestic market in 2024. Regional markets such as Somalia, Uganda, Tanzania, South Sudan, Ethiopia, and Rwanda imported 70 to 80 percent of Kenya's medical consumables (see panel b, figure 5.1). Firms exporting to those markets have developed capabilities in quality control, regulatory affairs, and production sufficient to compete regionally, including through procurement by agencies such as UNICEF.

— ***International firms***

Inbound FDI is supported by efforts among buyers, investors, and insurers to diversify supply chains beyond China under the so-called China+1 strategy, driven by rising Chinese labor costs, tariffs, and broader geopolitical pressures.¹⁴⁹ Foreign investors accounted for less than 2 percent of Kenya's medical consumables market share in 2024, but field interviews suggest this share could more than double following recent FDI in the sector.

Despite its growth potential, domestic manufacturing remains limited. The gap reflects a set of structural constraints related to demand predictability, regulation, production costs, and financing that weaken the case for scaling investment in medical consumables.

Fragmented data on sales, inventories, and payments across public and private health supply systems¹⁵⁰ obscures the size and composition of demand for medical supplies. Data from public buyers, including KEMSA and county governments, and private purchasers are not integrated and are often incomplete, nonstandardized, or unavailable in real time. The absence of common definitions, interoperable systems,

and data-sharing protocols undermines demand visibility and forecasting. This weakens demand predictability and increases commercial risks, which discourages investment in scalable manufacturing—particularly for low-margin medical consumables that depend on predictable, high-volume demand. It also constrains KEMSA's ability to plan procurement and funding requirements.

Digital systems have improved health supply tracking, but fragmentation across counties and institutions undermines the development of a credible national demand signal for investors. Kenya has deployed its Integrated Logistics Management Information System to strengthen facility-level consumption tracking and short-term forecasting to improve stock management, while the Ministry of Health (MoH) conducts periodic quantification exercises for selected health products to inform multiyear budgeting and procurement. These efforts have improved stock availability and operational efficiency in targeted programs, particularly for human immunodeficiency viruses, malaria, family planning, and vaccines. However, they have not yet produced an aggregated national demand signal suitable for medium-term private investment planning. Persistent challenges include fragmented county-level reporting, weak enforcement of reporting requirements, data gaps, and a lack of institutionalized pooled procurement, all of which limit effective demand aggregation.

Although the public sector is not the main source of demand for medical consumables, public procurement remains the most important policy-controlled demand channel and a key lever for competitiveness and market development. Public procurement accounts for about 20 percent of the market and is dispersed across KEMSA, county governments, and referral hospitals. Fragmentation, weak demand forecasting, delayed payments, varying county practices, and procurement uncertainty hamper firms' ability to predict demand, plan production, invest in automation, obtain long-term financing, and ultimately achieve scale. Dependence on donor-funded procurement adds further unpredictability.

KEMSA governance has improved, but weaknesses remain in procurement execution, contract administration, demand forecasting, transparency, and payment practices, particularly at the county level. Counties purchase about 90 percent of the medical supplies distributed by KEMSA, and manufacturers and suppliers continue to face procurement processing delays, late payments, and inconsistent county procurement practices that impact their ability to invest and grow. The government has introduced electronic government procurement (eGP) to streamline processes, but adoption remains limited because of ongoing legal challenges to the system. The eGP system does not yet fully capture KEMSA's role as a supplier to counties, national referral hospitals, and independent public health facilities, nor does it incorporate the product nomenclature and codes used across KEMSA's procurement and stock management systems. Furthermore, eGP is not

linked to the Integrated Financial Management Information System,¹⁵¹ which would help eliminate manual processing of payments for goods and services.

Although public procurement can influence market outcomes through local preference policies, tender design, quality standards, and payment practices, these challenges deter the domestic public market from serving effectively as an anchor customer for new entrants and from providing a pathway into the larger private sector, donor-funded, and export markets that collectively account for most demand.

KEMSA's tender system shifts procurement risk to suppliers through short contract durations and fragmented order volumes. This approach benefits importers and traders while making investment in domestic manufacturing more difficult, especially for low-margin medical suppliers that depend on predictable, large-volume demand to achieve commercial viability.

KEMSA's payment capacity depends on transfers from county governments and the MoH, exposing suppliers to delays and arrears. With more than K Sh 7.6 billion in overdue payments, KEMSA prioritizes payments as funds become available rather than consistently adhering to contractual timelines. Payment delays of six to 24 months create working capital challenges and discourage investment in domestic production. By contrast, international procurement contracts are often larger and backed by letters of credit that provide greater payment certainty once contractual supply conditions have been met. Evidence from bank supervisory sources, rating agencies, and sector reports, particularly in procurement and health supply chains, indicates that persistent payment delays can increase nonperforming loans, prompting banks to restrict credit and view public sector revenue as higher risk despite government backing.¹⁵² This reduces firms' creditworthiness and access to working capital, especially for early-stage and transitioning companies.

Medical consumables manufacturers also face regulatory uncertainty related to product quality requirements. Regulatory requirements vary by product risk classification and quality assurance standards needed to ensure safety and performance (see box 5.1). Kenya's quality-regulation framework includes the Pharmacy and Poisons Board (PPB), the national regulatory authority responsible for granting marketing authorization for health products, and the Kenya Bureau of Standards (KEBS), which sets standards for domestic manufacturers and importers. The MoH provides overall policy direction and oversight, including for UHC. Larger firms report that current medical device regulations¹⁵³ generally do not hinder operations for Class I products, but smaller firms and companies seeking to move into higher-risk product classes face greater uncertainty. For Class II and III products, firms report uncertainty over the applicable evaluation route, the extent to which foreign

Box 5.1

Quality Requirements in the Medical Consumables Industry

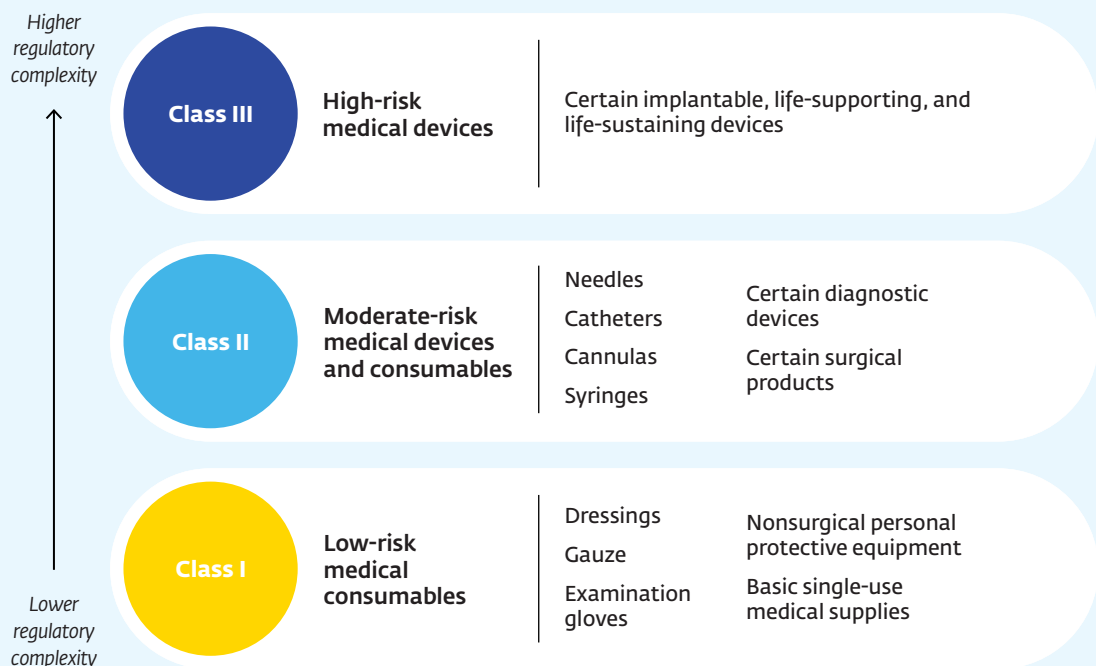
Medical consumables manufacturing requires capabilities beyond those needed for comparable consumer goods because quality standards are stricter and regulatory requirements increase with product class. Even basic products require rigorous processes. For example, Class I products such as surgical gowns must meet fluid-resistance requirements, pass hydrostatic pressure testing, be produced in cleanroom conditions, and be sterilized before shipment. Firms must also comply with ISO 13485, which requires extensive documentation and process control. As a result, firms need capabilities in quality engineering, regulatory compliance, and production supervision in addition to basic line operations.

Medical consumables generally face lower regulatory barriers than many other medical products. Most fall within Class I, covering low-risk, noninvasive products, or Class IIa,

which includes products such as syringes and catheters. Class IIa products require regulatory review but remain subject to less demanding requirements than Class IIb and Class III devices or pharmaceuticals. The sector can generate higher margins than consumer manufacturing industries such as plastics or garments because few firms meet the required standards and buyers are less price-sensitive. Hospitals and procurement agencies also face high switching costs because changing suppliers may require audits, lot testing, and proof of regulatory compliance and liability coverage. As a result, Class I products are more commoditized and generally lower margin than higher-class products, but they also offer a lower barrier to entry, especially in developing markets such as Kenya. As manufacturers move into higher-risk product classes, regulators must correspondingly strengthen capacity and oversight.

Figure B5.1

Medical Consumables Segments Overview



approvals may be relied upon, inspection requirements, and whether additional local evidence will be required.¹⁵⁴

Compliance with both KEBS and PPB requirements can be costly and time-consuming, particularly for smaller firms, because of overlapping standards, accreditation requirements, and regulatory processes. Local manufacturers must complete two separate market-entry processes: PPB registration for product safety and efficacy and KEBS certification for standards compliance. In Australia, the EU, and the United States, standards bodies establish technical benchmarks but do not independently control market entry; that authority rests with the relevant product regulator. In Kenya, by contrast, both KEBS and PPB can independently block market access through separate legal and inspection regimes, creating overlapping requirements without a single authority responsible for resolving inconsistencies. This increases cost and regulatory uncertainty and can make domestic production riskier than importing finished goods.

Domestic firms may also face higher compliance costs than importers, which can rely on good manufacturing practice and other quality certifications issued by authorities recognized by the WHO or the Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme. Evidence from other lower-middle-income countries shows that inspection- and certification-based systems can deliver similar public health outcomes at lower compliance cost. Kenya's dual-track regulatory model discourages investment in scalable production. The Kenya Health Products and Technologies Regulatory Authority (KHPTA) Bill, which remains under consideration in the Senate,¹⁵⁵ aims to modernize the regulatory framework and improve clarity, oversight, and investor confidence. Although the bill would consolidate PPB's mandate under a stronger single authority, it would not address KEBS's parallel role in market access.

PPB's WHO Maturity Level 2 (ML2) status also limits the export potential of locally manufactured products. ML2 is below the WHO Maturity Level 3 (ML3), at which a regulator's decisions carry greater weight in international reliance frameworks. ML3 authorities participate more fully in global regulatory networks that facilitate regulatory reliance and mutual recognition agreements, with approval decisions accepted by other nations to reduce duplication in registration. In practical terms, a medical consumable manufactured in Kenya and approved by PPB does not automatically gain recognition in export markets. This limits the portability of domestic regulatory approval across borders and limits Kenya's potential to develop as a regional manufacturing hub.

Overly burdensome reliance-based approval requirements for Class II and III medical devices constrain market entry and discourage international investment. They are also not fully aligned with WHO good reliance practices, which emphasize flexible, proportionate, and risk-based application of regulatory requirements. PPB allows

reliance-based registration for products approved in other countries, but the available pathways impose relatively stringent conditions. Under the abridged evaluation route, devices must be approved by at least two reference regulatory authorities (RRAs), whereas good reliance practice generally allows reliance on a single trusted authority, with additional evidence required where warranted by product risk. Brazil and the Philippines, for example, permit reliance on a single authority. For Class B devices,¹⁵⁶ the expedited evaluation route requires approval by at least two RRAs, together with three years of market history and no global safety issues, or approval by at least three RRAs. The intermediate evaluation route requires approval by at least three RRAs and four years of market history without global safety issues. For Class C and D, the expedited evaluation route requires approval by at least three RRAs and WHO prequalification. The eight RRAs are Australia, Canada, the EU, Ireland, Japan, Saudi Arabia, Switzerland, and the United States; no African national RRA is currently included. In addition, products exempt from US Food and Drug Administration Class 510(k) requirements do not qualify for the abridged evaluation route. The requirement for multiple RRAs, combined with the limited pool of RRAs, creates a high barrier to registration for products already marketed internationally and deters investment by foreign companies.

The lack of harmonization between domestic standards and those of trading partners constrains export expansion. KEBS is the national standards authority for issuing Kenyan standards, which define technical specifications, testing methods, and quality requirements for products, including medical consumables such as syringes and gloves. KEBS standards are harmonized with those of the East African Community, and bilateral cooperation agreements, such as the agreement with the Uganda National Bureau of Standards (UNBS), have eased market access within the trade bloc. However, alignment with the Common Market for Eastern and Southern Africa and other African trade blocs remains limited. Manufacturers interviewed for this report emphasized that additional technical testing and documentation requirements increase the cost and time needed to access export markets such as the Arab Republic of Egypt and Ethiopia. The July 2025 cooperation agreement between KEBS and UNBS serves as a precedent for similar initiatives that could be extended to larger markets.

Value added tax (VAT) treatment also discourages investment in domestic production. In Kenya, medical consumables are generally VAT exempt, which prevents manufacturers from recovering VAT paid on inputs and directly increases production costs. By contrast, zero rating would allow full recovery of input VAT and therefore reduce production costs for domestic manufacturers. Furthermore, the list of medical manufacturing inputs eligible for exemption is narrowly defined, and approval processes for refunds are discretionary, requiring consent from the Cabinet Secretary for Health. This leads to uncertainty and delays for manufacturers.

Complex customs procedures delay access to critical inputs for local manufacturers of medical consumables. Compared with international good practice, Kenya's import regime for medical inputs is highly front-loaded and consignment based, with overlapping preclearance requirements across regulatory, standards, and customs agencies. Each import consignment of regulated medical consumables requires a permit from PPB, processed through the Kenya National Electronic Single Window (TradeNet), before entry and distribution. Conformity assessment and quality controls carried out by KEBS include the Pre-Export Verification of Conformity program, alongside port health controls and customs procedures that require importers to obtain a certificate of conformity before customs clearance. Peer regulators, including those in Morocco and South Africa, have shifted toward risk-based, reliance-enabled models that focus on licensing manufacturers, periodic inspections, and strong postmarket surveillance, enabling faster access to critical inputs without compromising safety.

New firms, particularly SMEs, are constrained by limited access to specialized expertise. Most domestic manufacturers are small and lack the in-house technical capacity needed to meet regulatory and quality requirements, including ISO 13485 certification and WHO prequalification, required to access domestic and export markets. Some governments address this constraint through targeted, time-bound programs for skills and technological transfer in product development and regulatory compliance. These programs typically provide manufacturers with hands-on technical assistance in areas such as quality management, regulatory compliance, testing, and technical dossier development. Kenya also lacks well-developed research and development ecosystem for medical consumables and devices, limiting firms' ability to draw on institutional partnerships for technical support and product development.

Similarly, the lack of common facilities and equipment raises capital expenditure and operating costs for domestic manufacturers, constraining investment. In established medical device clusters such as Suzhou, China, and the Andhra Pradesh MedTech Zone in India, firms can rely on shared sterilization, testing, and other technical services rather than develop these capabilities in-house. In Kenya, the absence of such infrastructure and services increases capital requirements and operating costs, reducing the attractiveness of sustained investment. Shared facilities could also support applied skills development, which is essential for scaling the industry. Kenya's special economic zone framework is not sector specific, although zones such as Tatu City, Dongo Kundu, and Naivasha have attracted some health products manufacturing investment. As the government develops dedicated health manufacturing hubs, it should consider supporting colocated shared infrastructure, including testing laboratories and sterilization facilities; tailored investment facilitation services, such as one-stop centers for medical manufacturing; and mechanisms to address sector-specific challenges, including skills gaps, regulatory compliance, and oversight capacity.

High energy costs and unreliable supply are key constraints to medical manufacturing, as they are across the broader manufacturing sector. Kenya's electricity prices are among the highest in the region, materially increasing production costs for formal, quality-compliant producers. Alongside taxation, import competition, and regulatory burdens, energy costs weaken the price competitiveness of medical consumables manufacturing. Industrial tariffs average US\$0.18–US\$0.23 per kilowatt-hour, compared with about US\$0.03–US\$0.05 per kilowatt-hour in regional comparators such as the Arab Republic of Egypt, Ethiopia, and Morocco.¹⁵⁷

Limited access to finance further constrains domestic firms' ability to expand or enter medical consumables manufacturing. Firms face difficulty accessing long-tenor financing for capital-intensive equipment and high working capital requirements because of long payment cycles. Perceived regulatory and procurement risks further raise the cost of capital and discourage new investment. Banks may also view firms as high risk because of demand uncertainty and payment delays, limiting access to credit. High borrowing costs therefore constrain firms' ability to finance production, upgrades, and scale-up—particularly for early-stage and transitioning firms.

5.2 Constraints to Private Investment and Recommendations

The following reforms focus on feasible short- to medium-term actions that are crucial to realizing some of the potential impacts and longer-term objectives. Realizing the full investment and job creation potential of Kenya's medical consumables manufacturing industry will also require tackling deeper structural constraints, including limited access to finance, the lack of common medical manufacturing infrastructure facilities, and high energy costs.

CONSTRAINT 1. The lack of coordinated public procurement undermines demand predictability and discourages local manufacturers from investing in medical consumables.

RECOMMENDATION 1. KEMSA should consolidate and publish government procurement data for medical products to better leverage public purchasing power to enhance demand predictability for investors. This could build on KEMSA's Integrated Logistics Management Information System to create a digital platform that requires counties to upload multiyear medical consumables needs, with clear penalties for noncompliance, while KEMSA consolidates and publishes the resulting data. It could also leverage the eGP budgeting and procurement planning platform, which captures detailed product-line plans, to estimate total national demand for medical supplies in

the public health system. Once fully implemented, eGP would facilitate tracking of public procurement plans, implementation, budget absorption, and sourcing patterns across manufacturers, distributors, and imports. Together, these measures would strengthen KEMSA's procurement planning and execution, reduce market uncertainty, and support new investment and firm expansion.

CONSTRAINT 2. Local manufacturers are not paid on a timely basis for products supplied to the public sector, disrupting their cash flow and constraining investment.

RECOMMENDATION 2A. The National Treasury should link the eGP system to the Integrated Financial Management System (IFMIS) to facilitate digital, real-time processing of payments. Integration would allow automatic recognition of liabilities and subsequent payment, drawing lessons from the recently launched pilot of an automated split-payment mechanism for Level 6 referral hospitals. Built-in electronic invoicing and automated payment through IFMIS would reduce disputes, establish time-stamped accountability, make delays visible, and avoid discretionary manual processing of payments.¹⁵⁸

RECOMMENDATION 2B. Amend the Public Finance Management Act to redirect funds within existing health financing channels to guarantee adequate funding for KEMSA and facilitate timely payments to domestic manufacturers. The funds would be structured through an escrow mechanism that enables prompt payment once all delivery conditions are fulfilled, thereby reducing late public payments. This would involve redirecting existing funds to counties rather than requiring new funding and reforming transfers from the national government and the Social Health Authority so that suppliers can be paid on time while adequate supplies of key commodities are maintained.¹⁵⁹ The escrow mechanism would take the form of conditional grants financed by the national government, with complementary county financing to support sustainability, and earmarked for timely payment to manufacturers.

CONSTRAINT 3. Firms face overly burdensome requirements for reliance-based regulatory approvals for Class II and III products already marketed internationally, which constrain market entry and discourage investment. The requirement of at least two RRAs creates unnecessarily high barriers for registration of products already marketed internationally.

RECOMMENDATION 3. PPB should adjust the requirement for approval by RRAs for granting reliance-based marketing authorization from two to one, which would align with global good practice and WHO good reliance practices and promote flexible, proportionate, and risk-based application of rules. Such action would reduce market entry barriers.

CONSTRAINT 4. PPB's ML2 status reduces the extent to which its regulatory decisions are recognized by foreign regulatory authorities. Because ML2 is below ML3, at which a regulator's decisions carry greater weight in international reliance frameworks, Kenyan exporters may need to seek additional approvals in destination markets, increasing the cost and complexity of export market access.

RECOMMENDATION 4. Advance PPB toward ML3 for both pharmaceuticals and medical consumables status by gazetting subsidiary regulations under the KHPTA Bill establishing adverse-event reporting, postmarket surveillance, and enforceable registration timelines. These regulations would address gaps not fully covered by the KHPTA Bill and strengthen the pathway toward ML3. Achieving ML3 would enable greater reliance on PPB approvals by other ML3 countries and support local manufacturers seeking WHO prequalification.

CONSTRAINT 5. Dual regulatory gatekeeping by PPB and KEBS inflates the compliance burden on local manufacturers and deters investment. Both KEBS and PPB have independent legal authority to decide whether medical devices and consumables may enter and be sold in the market and under what conditions. This creates overlapping compliance requirements that diverge from international practice, where standards bodies establish technical benchmarks but generally do not exercise market-entry authority. The result is higher compliance costs and greater regulatory uncertainty for local manufacturers, with no single authority responsible for resolving inconsistencies between the two regimes.

RECOMMENDATION 5. The Ministry of Health and Ministry of Investment, Trade, and Industry should jointly suspend the KEBS Certificate of Conformity requirement for medical devices already registered by PPB. This interim directive could be adopted while Kenya moves toward establishing a single market-entry authority through enactment of the KHPTA Bill and corresponding amendments to the Standards Act as a durable statutory solution.

CONSTRAINT 6. Certain medical consumables are VAT exempt, preventing domestic manufacturers from recovering VAT paid on their inputs. This increases production costs and places domestic manufacturers at a disadvantage relative to importers, which do not bear the same input VAT burden.

RECOMMENDATION 6. Apply zero-rated VAT treatment to a clearly defined list of locally manufactured medical consumables. Zero rating would allow domestic manufacturers to recover input VAT, reducing production costs and enhancing competitiveness. Eligibility should be limited to manufacturers compliant with KEBS and PPB requirements, and refunds should be subject to postaudit verification.

Impact

As part of a broader package of public investment and reforms, the recommendations could help unlock up to US\$780 million in incremental private investment and 33,200 more and better-paid direct jobs over 10 years relative to a business-as-usual scenario. The jobs estimate captures the combined gains accruing from both an increase in the number of jobs and higher wages associated with participation in export value chains as Kenya closes the export gap with peer exporters. Compared with many other light manufacturing industries, medical consumables offer higher margins, better-paid jobs, and stronger health security benefits, while linkages to other sectors could generate additional indirect jobs under the reform scenario.

Risks to Be Managed

Unlike heavy manufacturing sectors, medical consumables production is not highly emissions-intensive, and its main environmental risks relate to waste, chemicals, water, and energy use. As Kenya develops the industry, strengthening oversight of plastic waste, hazardous materials, wastewater, and sterilization processes will be critical. Early adoption of international environmental standards and resource-efficiency measures can help ensure that the sector grows competitively and sustainably.

Table 5.1

Summary of Constraints and Recommendations for Manufacturing of Medical Consumables

Constraints	Recommended actions
1. An uncoordinated public procurement process undermines demand predictability, discouraging investors.	1. The Kenya Medical Supplies Authority (KEMSA) should consolidate and publish government procurement data for medical consumables to use public purchasing power more effectively and enhance demand predictability for investors. <i>Responsible public sector entities:</i> KEMSA and NT
2. Local manufacturers are not paid on time for supplies to the government, negatively affecting cash flow and business viability.	2a. The National Treasury (NT) should link the e-government procurement system to the Integrated Financial Management Information System to facilitate digitalized, real-time processing of payments. <i>Responsible public sector entities:</i> NT, counties, and KEMSA 2b. Amend the Public Financial Management Act to redirect funds within existing health financing channels to KEMSA and enable automatic, timely payments to domestic manufacturers. <i>Responsible public sector entities:</i> KEMSA, Ministry of Health (MoH), and NT
3. Firms face overly stringent requirements for reliance-based regulatory approvals for products already marketed internationally.	3a. The Pharmacy and Poisons Board (PPB) should require approval from only one reference regulatory authority before granting reliance-based marketing authorization, consistent with World Health Organization (WHO) good practice. <i>Responsible public sector entity:</i> PPB 3b. PPB should include China's National Medical Products Administration and WHO-listed African national regulatory authorities in its reliance framework. <i>Responsible public sector entity:</i> PPB
4. PPB's Maturity Level 2 status limits export market access for products manufactured locally.	4. The Ministry of Health (MoH) should gazette subsidiary regulations under the Kenya Health Products and Technology Regulatory Authority Bill to establish adverse event reporting, postmarket surveillance, and enforceable registration timelines required to progress toward Maturity Level 3 status for both pharmaceuticals and medical consumables. <i>Responsible public sector entities:</i> MoH and PPB
5. Dual regulatory gatekeeping by PPB and Kenya Bureau of Standards (KEBS) inflates the compliance burden for local manufacturers and deters investment.	5. The MoH and Ministry of Investment, Trade, and Industry (MITI) should issue a cross-ministerial directive to suspend the KEBS certificate of conformity requirement for PPB-registered medical devices. <i>Responsible public sector entities:</i> PPB, MoH, KEBS, and MITI

(Table continues next page)

Table 5.1

Summary of Constraints and Recommendations for Manufacturing of Medical Consumables (*continued*)

Constraints	Recommended actions
6. Certain medical consumables are value added tax (VAT) exempt, preventing local manufacturers from claiming VAT refunds on their inputs.	6. Amend the VAT system to zero-rate a clearly defined list of locally manufactured consumables. <i>Responsible public sector entity: NT</i>

Note: KEBS = Kenya Bureau of Standards; KEMSA = Kenya Medical Supplies Authority; MITI = Ministry of Investment, Trade, and Industry; MoH = Ministry of Health; NT = National Treasury; PPB = Pharmacy and Poisons Board; VAT = value added tax; WHO = World Health Organization.

Appendixes

Appendix A

Capital Market Development Tables

Table A.1

Kenya's Banking Sector Is Profitable and Well-Capitalized, but Credit to the Private Sector Is Constrained

	Most recent*	Kenya Five-year median	Regional comparator (median)**	LMICs (median)
Domestic credit to the private sector (% of GDP)	29.1	31.1	15.8	25.6
Bank penetration (assets, % of GDP)	29.1	31.1	15.8	23.6
Capital adequacy ratio (% of RWA)	19.4**	19.1	19.5	18.0
NPLs (% of loans)	13.6**	11.9	5.4	5.9
Provisioning rate for NPLs (%)	46.8	51.6	55.7	67.4
Loans in foreign currency (% of total loans)	26.2**	27.9	21.4	20.7
Government debt (% of assets)	21.9**	21.0	19.1	21.1
Share of state-controlled banks (% of assets)	3.5	n/a	n/a	n/a
Share of foreign-owned banks (% of assets)	28.0	n/a	n/a	n/a

Source: IMF - IFS database, LSEG Database, World Federation of Exchanges, Central Bank of Kenya.

Note: GDP = gross domestic product; LMICs = lower-middle-income countries; n/a = not available; NPL = nonperforming loans; RWA = risk-weighted assets.

*End-2024 unless specified otherwise.

**End-2025 data.

Table A.2

Capital Markets Remain Concentrated in Public Debt and Equities, with Limited Long-Term Financing for Private Firms

	Most recent*	Kenya Five-year median	Regional comparator (median)**	LMICs (median)
Public bond market				
Outstanding public bonds (% of GDP)	36.0	33.0	n/a	n/a
Corporate bond market				
Outstanding private bonds (% of GDP)	0.5	0.4	3.88	0.61
No. of listed bonds	5	4	1	5
Public equity market				
Market capitalization (% of GDP)	20.0	13.0	16.7	16.8
No. of listed firms	59	62	46	40
Share turnover velocity (%)	5.5	5.5	4.8	4.1

Source: IMF - IFS database, LSEG Database, World Federation of Exchanges, Central Bank of Kenya

Note: GDP = gross domestic product; LMICs = lower-middle-income countries; n/a = not available.

*End-2025 unless specified otherwise.

Appendix B

Estimates of Potential Increases in Private Investment and Employment

B.1.

Avocado and Mango

Investment potential in avocado production is estimated by multiplying the projected increase in area harvested over the medium term by average capital expenditure per hectare. The per-hectare figure is weighted to reflect Kenya's avocado farm structure, in which smallholders account for roughly 70 percent of output and commercial farms 30 percent. Projected avocado area harvested is assumed to grow at 9 percent annually between 2024 and 2034. This is 2.6 percentage points above Kenya's 2021–24 baseline growth and matches Peru's 2010–24 compound annual growth rate (CAGR) after it formalized its phytosanitary inspection protocols, among other reforms and investments. Peru serves here as a proxy for the volume response to the inspection and enforcement reforms this diagnostic recommends, as well as complementary public investments and reforms in areas such as irrigation.

More and better-paid jobs in avocado production are estimated as a function of baseline sector employment, increases in employment, and increases in average wage, which is itself a function of the wage premium associated with exports (that is, how much more farmers earn when selling into export value chains) and export intensity (that is, the proportion of production that is exported). Baseline employment is 40,600 full-time equivalents (FTEs): the 338,442 on-farm avocado jobs reported in the AgriConnect

Compact, scaled by avocado's 12 percent share of production for the average farmer. This also roughly corresponds with bottom-up labor requirement estimates of 1 FTE per hectare. The estimated increase in employment follows the assumptions for growth in area harvested that were used for the investment modeling, assuming no change in labor requirements per hectare. On the export wage premium, Amare et al. (2019) find that participation in export markets raises Kenyan avocado labor income by 39 percent. Finally, a 20-percentage point increase in export intensity (from a 2024 baseline of 22.2 percent) is assumed. This is a conservative assumption because it is well below the 30-percentage point increase seen in Peru over the 2010s and leaves Kenya's export intensity at 42 percent at the end of the forecast period, well below Peru's export intensity of over 60 percent. Taken together, these assumptions yield approximately 30,000 more and better-paid jobs versus the business-as-usual scenario over 10 years.

Investment potential in mango processing is estimated as the capital intensity of a single reference processing line, scaled by the number of firms expected to expand in the subsector over the medium term. The reference line processes 400 metric tons (MT) of dried mango per year and requires US\$1 million in capital expenditure, based on firm interviews. This is scaled by the seven firms expected to expand capacity over the modeled horizon.

Job creation potential from mango processing is estimated by scaling reference-firm impacts to the sector. A new processing facility is estimated to generate 40 direct jobs at the processing line. Seasonal labor inputs are converted to FTEs assuming 250 working days per year and sector-level employment is then sized by applying this per facility coefficient to 7 firms currently operating or expected to operate in mango processing. Indirect employment across the value chain is estimated assuming an employment intensity of roughly 1 FTE per 3–4 MT processed. This means that a dried mango expansion (3,000 to 4,000 MT fresh at 10:1 conversion) translates into 750 to 1,000 additional indirect jobs per facility across farm labor, transport, aggregation, and input supply.

B.2. Coastal Tourism

B.2.1 *Hotel Investment Estimates*

Coastal tourism investment potential is estimated through a ground-up assessment of additional and refurbished accommodation that could plausibly be supported in priority zones in Watamu, Kilifi, Mombasa, and Diani. The analysis identifies an indicative pipeline of 7–13 hotel projects, equivalent to 1,640–2,280 additional or refurbished rooms, including one large resort redevelopment, 4–8 medium-scale upgrades or new builds, and 2–4 small boutique or eco-lodge projects. The estimates reflect investor consultations,

tourism specialist input, and node-specific market conditions, including land availability, dated hotel stock, and product-market fit.

A top-down demand cross-check is based on Mombasa converging toward Zanzibar's 2024 international arrivals level over time. According to Kenya Tourism Research Institute and Tanzania national statistics, Zanzibar airport received approximately 592,613 international arrivals in 2024, compared with about 205,000 international arrivals through Mombasa International Airport, implying a potential gap of roughly 388,075 arrivals. This is equivalent to demand for an estimated 6,000 additional hotel rooms. The gap illustrates the scale of Mombasa's untapped market potential in this particular year, rather than the volume assumed to be potentially captured within the full medium-term horizon of the report.

To sense-check how much of this potential could plausibly be unlocked over the medium term, two growth scenarios are applied to Mombasa's 2024 arrivals base. Under a continued-growth scenario of 10 percent per year, arrivals would reach approximately 432,000 over eight years. Under a higher-growth reform scenario of 14 percent per year, arrivals would reach approximately 580,000 over the same period, close to the level of Zanzibar arrivals in 2024. The incremental impact is therefore the difference between these two paths, or roughly 150,000 additional arrivals by the end of the period, equivalent to demand for an estimated 2,400 rooms.

Peer benchmarks suggest that a 14 percent reform scenario is ambitious but plausible. Comparable destinations recorded arrival CAGRs of about 10 percent in Cabo Verde over 2015–19, 13 percent in Zanzibar over 2019–24, and 24 percent in Sri Lanka over 2009–16. The 14 percent scenario is therefore best treated as optimistic, above moderate peer growth but below exceptional catch-up cases.

Accommodation capital expenditure is estimated using differentiated cost-per-key assumptions by project type. Applying cost-per-key assumptions of roughly US\$290,000 for medium and large greenfield hotels (from Equate Dataset), US\$390,000 for small boutique or ecolodge projects, and US\$200,000 for brownfield projects implies cumulative private accommodation capital expenditure of about US\$360 million–US\$525 million, increasing to US\$379–US\$560 when including investment in related services (see next sections).

B.2.2 *Hotel Room Revenue Estimate*

The room pipeline is first translated into annual room revenue using revenue per room (RevPAR) assumptions. The 2024 CoSTR Kenya report indicates an upper-upscale national benchmark average daily rate (ADR) of US\$186, equivalent to RevPAR of US\$88

at 47 percent occupancy. However, industry consultations and market research on comparable coastal destinations and products, as well as a standard coastal occupancy, suggest that this national benchmark is conservative for Kenya. A 60 percent occupancy assumption is also consistent with coastal industry benchmarks and broadly comparable with average occupancy rates of 55 percent in Africa, 66 percent in Seychelles, 66 percent in Mauritius, and 64 percent in South Africa (Future Hospital Summit Africa 2025). The analysis therefore applies an ADR of US\$200 and occupancy of 60 percent, equivalent to RevPAR of US\$120. Counting new rooms in full and only the incremental revenue generated by brownfield upgrades, the pipeline could generate approximately US\$55 million–US\$80 million in additional annual room revenue.

B.2.3 *Broader Tourism Ecosystem Revenue and Investment Estimate*

Complementary nonaccommodation investment is estimated from the additional visitor spending generated by the hotel pipeline. Room revenue is converted into total in-country tourism spending, excluding air travel, using expenditure shares from Kenya's 2019 Tourism Satellite Account. A 52 percent room-revenue share implies approximately US\$104 million–US\$150 million in incremental annual tourism revenue. The associated spending outside accommodation and air travel—including food and beverage services, nonair transport, travel agency and reservation services, and recreation—is then converted into indicative investment needs using industry sales-to-invested-capital ratios from the New York University Stern School of Business mapped to the closest available sectors. This adds an estimated US\$25 million–US\$35 million in related private investment. The estimate is indicative because of imperfect category matching, reliance on US-based ratios, and the possibility that some nonair spending, particularly on travel agency services, accrues outside Kenya.

B.2.4 *Convert Additional Tourism Revenue into Direct and Indirect Jobs*

To estimate how the pipeline could translate into more and better-paid jobs in coastal tourism, the analysis applies the World Bank Group More and Better Jobs methodology to direct tourism employment. The approach measures the increase in the tourism wage bill and expresses it as the equivalent number of jobs paid at the current average tourism wage:

$$MBJ_{direct} = L_{2024} \left(\frac{R^*}{R_{tourism, 2024}} - 1 \right)$$

where L_{2024} is direct national tourism employment in 2024; R^* is total national tourism revenue in 2024 plus the additional annual tourism revenue generated by the pipeline; and $R_{tourism, 2024}$ is total domestic and international visitor spending in Kenya in 2024.

The calculation uses 548,436 direct tourism jobs and US\$6.05 billion in total visitor spending in Kenya in 2024, both based on World Travel and Tourism Council (WTTC) estimates. Because direct tourism wage-bill data are unavailable, the analysis assumes that the wage bill increases proportionally with tourism revenue.

Applying the approximately US\$104 million–US\$150 million increase in annual tourism revenue yields approximately 10,000–14,000 direct current-average-wage-equivalent jobs. This estimate captures the combined gains from additional employment and higher earnings among tourism workers. It does not distinguish between gains attributable to new jobs and those attributable to higher wages and therefore should not be interpreted as a one-for-one estimate of additional workers.

B.2.5 *Final Results and Comparison to Kenya National Level Benchmarks*

The final estimate implies cumulative capital investment of US\$379 million–US\$560 million over the medium term, equivalent to average annual investment of about US\$54 million–US\$80 million over seven years. This compares to roughly US\$1 billion in annual tourism capital investment nationally in 2024. Given that coastal tourism accounts for about 25 percent of national bed supply, this implies an indicative coastal tourism investment benchmark of approximately US\$250 million per year. The investment potentially unlocked by the proposed reforms would therefore be material but plausible, equivalent to roughly 20–30 percent of annual coastal tourism investment.

The pipeline is also estimated to support approximately 10,000–14,000 direct current-average-wage-equivalent jobs. This compares with 548,436 direct tourism jobs nationally in 2024, based on WTTC estimates, or an implied 137,000 direct coastal tourism jobs when applying the same 25 percent coastal share. The estimated impact would therefore be equivalent to roughly 7–10 percent of the existing direct coastal tourism employment base, suggesting a meaningful contribution to sector growth.

B.3. **Manufacturing of Medical Consumables**

Investment potential in medical consumables and devices is estimated using a top-down sector approach, anchored in Kenya's potential to achieve export performance relative to gross domestic product (GDP) comparable to successful exporters of these products. Kenya's nascent exports of medical consumables and devices averaged US\$45 million during 2021–23, equivalent to 0.04 percent of GDP. This compares with US\$30 million during 2018–20, equivalent to 0.03 percent of GDP, representing an increase of 0.01 percentage points over 6 years. Kenya remains well below the 1.04 percent average export-to-GDP ratio of six aspirational peers: Costa Rica, the Dominican Republic,

Malaysia, Thailand, Tunisia, and Viet Nam. These countries are established exporters whose performance provides an indicative benchmark for what Kenya could achieve over the medium term if it successfully develops as a medical device export hub. Export and GDP values are drawn from International Trade Centre Trade Map and World Bank World Development Indicators.

If Kenya maintained the same pace of growth observed over the past six years, exports of medical consumables would reach approximately 0.08 percent of GDP over the next 10 years. By contrast, if Kenya reached the aspirational peer average 1.04 percent of GDP, medical consumables and device exports would rise to approximately US\$1.2 billion, an increase of more than US\$1 billion from current levels. These peers established their export industries over time by addressing wider ecosystem constraints, not all of which are covered by this report. Kenya appears to have a stronger starting position than many of these peers had, given its relatively strong skills base and demonstrated ability to attract sizable health-related foreign direct investment (FDI). The estimated investment potential is equivalent to attracting another eight investments similar in size to the most recent major FDI in Kenya's medical consumables sector. This suggests that the potential could be achievable if Kenya continues to attract FDI and address the constraints identified in this report. Foreign investment played an important role in the development of other medical manufacturing hubs, including Costa Rica and Malaysia.

To translate export potential into investment requirements, the analysis applies a sales-to-invested-capital ratio of 1.48 for health care products, drawn from industry benchmark data (Damodaran 2025) and validated through stakeholder consultations. On this basis, the estimated US\$1 billion in additional export sales of medical consumables implies cumulative private investment of approximately US\$800 million with reforms. By contrast, under the business-as-usual baseline, in which exports continue to grow at the rate observed during 2018–24, additional investment is estimated at only US\$33 million.

To estimate how this investment translates into more and better-paid jobs (MBJ) in medical consumables, the analysis applies the International Finance Corporation Country Development Impact (IFC CDI) employment multiplier methodology. The multiplier measures the number of direct jobs associated with each US\$1 million increase in sector output. Direct employment under the baseline and reform scenarios is estimated as follows:

$$E = M_e \times \left(\frac{R}{1,000,000} \right)$$

where E is direct employment generated, M_e is the CDI employment multiplier, measured as jobs per US\$1 million of sector output or sales, and R is export revenue in US dollars.

Industry-level data are used to calculate a direct employment multiplier of 29 jobs per US\$1 million of output for Kenya's manufacture of rubber and plastic products (IFC CDI). This figure is similar to employment-to-investment ratios observed in recently announced investments in the sector. Applying the multiplier to incremental export revenue yields direct employment of approximately 34,625 under the reform scenario, compared with about 1,427 under the baseline. Hence reforming the sector brings an additional 33,197 direct jobs.

Applying the MBJ methodology indicates that the reforms could also generate substantial indirect jobs through value chains and backward linkages. Using the indirect employment multiplier for the medical consumables sector and the national employment-to-value-added ratio, we estimate that an additional roughly 90,000 more and better-paid indirect jobs are generated. Combining the two channels gives a total of approximately 120,000 direct and indirect MBJ equivalents over the medium term.

Notes

1. The comparator-market estimate is illustrative and refers to roughly 2 million arrivals in 2024 from France, Germany, Italy, Poland, and the United Kingdom (European source markets important to Kenya or Zanzibar) to selected comparable long-haul beach destinations for which source-market data were available: Zanzibar, Tanzania; Cape Verde; The Gambia; Punta Cana, Dominican Republic; and Mauritius.
2. Kenya market figures are approximate and were calculated by applying activity participation rates from the 2019 Kenya Tourist Exit Survey to 2024 international airport arrivals reported by the Tourism Research Institute. The figures should therefore be interpreted as indicative estimates of market size rather than precise visitor counts.
3. Value-added share of manufacturing in GDP fell from 9.5 percent in 2015 to 8 percent in 2024.
4. World Bank Group (2025e).
5. World Bank Group (2025i).
6. Chrimes, Kose, and Stamm (2026).
7. World Bank (2025c).
8. Kenya Roads Board, <https://krb.go.ke/>.
9. KAM (2026).
10. World Bank Group (2025h).
11. World Bank Group (2025a).
12. KNBS, CBK, and KenInvest (2023).
13. Over the past three years, tax policy changes in Kenya have been implemented through successive annual finance legislation and related amendments. The Finance Act 2023 introduced a range of measures aimed at increasing revenues, including changes to VAT, personal income taxation, and the introduction of new levies. In 2024, the Finance Bill 2024 proposed additional tax measures, although several provisions were not adopted, and reforms were subsequently enacted through the Tax Laws (Amendment) Act 2024, which included changes to the taxation of the digital economy and the introduction of a minimum top-up tax. The Finance Act 2025 continued with amendments across the main tax statutes, focusing on tax administration, compliance, and selected base-broadening measures. The Finance Bill 2026, currently under consideration, includes further proposals affecting income tax, VAT, and excise duties.
14. In Kenya, some selected items attract an export levy as outlined in the First Schedule of the Miscellaneous Fees and Levies Act of 2016. Kenya's goal on export levies seems to be primarily focused on promoting domestic value addition.
15. Depending on the item to be imported, import duties vary between 0 percent, 10 percent, and 25 percent, as provided by the East African Community (EAC) Common External Tariff. However, sensitive items, as listed in the Schedule 2 of the EAC Common External Tariff, can be taxed at 25 percent. Excise duties also apply depending on the imported item. Items could also be subject to excise duties, VAT, import declaration fees (3.5 percent), and railway development levy of 2 percent. For additional details, see "Taxation for Companies and Partnerships," Importing and Exporting, Kenya Revenue Authority, <https://www.kra.go.ke/business/companies-partnerships/companies-partnerships-pin-taxes/company-partnership-imports-exemptions>.
16. Wairimu and Kiragu (2026).
17. Kenya faces an annual infrastructure financing gap of US\$2.1–4 billion, while micro, small, and medium enterprises experience a credit shortfall of over K Sh 2.5 trillion (IFC 2022).
18. FAO (2024) defines tropical fruits as pineapple, avocado, papaya, mango and mangosteen.
19. "Atlas of Economic Complexity," Harvard Center for International Development. <https://atlas.hks.harvard.edu/>.
20. Ibid.
21. "Export Potential Map," International Trade Centre, <https://exportpotential.intracen.org/>.

22. Global demand for processed mango and avocado is forecast to grow annually through 2032–34 at 9.7 and 6.3 percent, respectively. The global avocado oil market is valued at US\$200–636 million. See 360iResearch (2026) and Imarc (2026).
23. FAOSTAT; “Atlas of Economic Complexity,” Harvard Center for International Development, <https://atlas.hks.harvard.edu/>.
24. FAOSTAT.
25. Muita, Okello, and Opondo (2025).
26. MoALD (2026b). Postharvest losses are lower in Kenya’s competitors (Chile, Israel, Peru, and South Africa), where coordinated export systems keep losses modest and not systematically measured.
27. “Atlas of Economic Complexity,” Harvard Center for International Development, <https://atlas.hks.harvard.edu/>.
28. Netherlands (31 percent of total exports), Spain (12 percent), France (11 percent), and Germany (10 percent) are Kenya’s major EU destinations.
29. United Arab Emirates (17 percent), Saudi Arabia (3 percent) and Türkiye (3 percent).
30. USDA FAS (2026).
31. Domestic farm-gate and informal-market prices for fresh avocado average about K Sh 40–60 per kilogram, compared with K Sh 178–320 per kilogram for export-grade fruit in Dubai and European markets.
32. MoALD (2026b).
33. Oil extraction requires approximately 10 kilograms of fresh avocado per liter (MoALD 2026b).
34. FAOSTAT.
35. Interviewees reported all-in freight costs of approximately €575 per metric ton from Kenya to core European markets, compared with €275 to 350 per metric ton for Peru. Kenya thus faces a freight disadvantage of roughly €240 to 270 per metric ton. This is smaller than the estimated price gap at origin (approximately €400 per metric ton), meaning Kenya retains a net cost advantage even after accounting for higher logistics costs.
36. MoALD (2026a).
37. Smallholders (around 400,000 farmers) supply 65 percent of total production, medium-scale farmers (around 350,000) 30 percent, and large commercial farms, mostly vertically integrated, 5 percent.
38. TechnoServe (2025).
39. Thailand and Vietnam report postharvest losses of 15–25 percent (Bahramalian, Nguyen, and Johnson 2022).
40. “Atlas of Economic Complexity,” Harvard Center for International Development, <https://atlas.hks.harvard.edu/>.
41. FAOSTAT (2026).
42. MoALD (2026a).
43. Estimated from MoALD (2026a, Appendix 2–3). Converted at the average 2025 exchange rate of K Sh 129 per US\$1.
44. Estimated from MoALD (2026c, Annex 2).
45. DG Health and Food Safety (2019).
46. In December 2025, Kenya shipped its first consignment of Apple mango to the United Kingdom by air freight, through a pilot facilitated by the UK-funded Regional Economic Development and Trade Investment Programme and supported by KEPHIS, KEPROBA, FPEAK, and CABI. Apple mangoes account for a large share of Kenya’s production but had not previously met phytosanitary requirements for premium markets. The pilot relied on two conditions that limit its commercial replicability. First, donor funding covered public-good compliance infrastructure, including laboratory equipment installed shortly before shipment and coordination of the Mango Technical Working Group through CABI. Second, the approximately 1 metric ton shipped by air freight does not provide a pathway to commercial-scale volumes, which would require sea freight. See TMA (2025).
47. Stakeholder interviews revealed that fresh mango exported by airfreight to the EU yields gross margins of approximately 63 percent, compared with 25–35 percent for mango pulp sold domestically and 25–45 percent for dried exported mango.
48. Fresh Hass avocados last up to 42 days under standard cold chain, extendable to more than 56 days with advanced cooling. Fresh mango lasts up to 26 days under cold chain; aseptic mango pulp keeps two years and dried mango one year, both without refrigeration.
49. Pulp requires only 2 kilograms of fresh mango to produce 1 kilogram of output, compared with 10 kilograms for dried mango, making pulp more profitable per kilogram of fresh fruit input despite a lower unit price. Pulp processing also requires less

- working capital per production cycle: a pulp processing line with capacity of 100 metric tons per day requires approximately US\$1.5 million in capital investment, whereas dried mango production involves longer production cycles and higher per-unit energy costs. Over the longer term, Kenya may be able to expand its dried mango exports, given the complementarity of its production season with those of Burkina Faso and Ghana, the two largest exporters of dried mango to Europe. However, realizing this potential would require a large-scale shift to solar drying, a significant reduction in energy costs, or both—changes that will take time to materialize.
50. Current utilization remains low at 40 percent, however, as the mango processing season typically lasts only about three months per year, pushing processors toward multi-fruit operations to sustain throughput.
 51. “Middle East and Africa Processed Mango Products Market Size and Outlook,” Grand View Research, <https://www.grandviewresearch.com/horizon/outlook/processed-mango-products-market/mea>.
 52. The cost gap is primarily a scale effect: Kenyan processors run at around 40 percent utilization across a three-month season, while Indian producers process roughly 350,000 metric tons annually through dedicated industrial clusters. With raw materials at 70 to 80 percent of pulp manufacturing cost, Kenya’s nominal farm-gate price advantage is erased by postharvest losses, which raise the effective per-kilogram input cost.
 53. “Bottom-Up Economic Transformation Agenda Food Security,” Executive Office of the President, Republic of Kenya, May 2023, https://social.desa.un.org/sites/default/files/inline-files/OTIENO_PPT.pdf.
 54. Although domestic mango processors do not face similarly stringent requirements, access to mangoes of the appropriate type and sufficient quality is nevertheless critical for their viability because yield and Brix content affect processing efficiency. Kenyan pulp producers reported being unable to fulfill orders from juice processors because of insufficient raw material. Similarly, Kenyan dried mango producers reported that dried mango yields, that is, the ratio of dried mango output to fresh mango input by weight, drop from 14 percent for high-quality, pest-free mangoes to 8 percent for low-quality mangoes.
 55. AFA figures reported at the opening of the 2025/26 export season (Fresh Plaza 2026).
 56. The original circular is not publicly available, but the requirement is consistently referenced in official guidance and industry sources. For example, see COLEAD (2023).
 57. By contrast, Peru’s national agricultural health service (*Servicio Nacional de Sanidad Agraria del Perú*; SENASA) operates consignment-level testing at the packhouse gate as a precondition for phytosanitary certification, making quality compliance a market-entry requirement rather than a voluntary cost.
 58. Business Daily Africa (2026).
 59. An LPPA is a delimited area where a specified pest occurs at defined low levels, maintained through continuous surveillance and control measures, as distinct from a pest-free area where the pest is absent.
 60. Government of Makueni County (2023).
 61. Government of Makueni County (2026). The total project budget of K Sh 47.3 million for 10,221 farmers covering approximately 11,240 hectares implies a cost of about K Sh 4,207 per hectare (approximately US\$33), of which integrated pest management technology procurement accounts for K Sh 3,000 per hectare (approximately US\$23). Exchange rate: K Sh 129 per US\$1, based on the 2025 average.
 62. The Pest Control Products Board’s emergency registration procedure reflects standard regulatory practice in major pesticide jurisdictions: a company-initiated application, regulatory evaluation of submitted data, and time-limited emergency authorization conditional on local trial data. This sequence is consistent with emergency-use frameworks operated by the US Environmental Protection Agency, the EU member state authorities, and the Australian Pesticides and Veterinary Medicines Authority, under which regulators evaluate rather than generate efficacy evidence.
 63. Kenya applies a zero percent import duty to mango-processing equipment, as well as most other agroprocessing machinery, under the East African Community Common External Tariff, which classifies such equipment as capital goods.
 64. The netting lag for standard-rated domestic supply

- (that is, the time and number of transactions it takes to offset sufficient output VAT against import VAT) is a smaller, though still material, concern.
65. India's Export Promotion Capital Goods scheme, Mexico's IMMEX (*Industria Manufacturera, Maquiladora y de Servicios de Exportación*) program, Thailand's Board of Investment, Vietnam's Export Processing Enterprises regime, and the Philippines' Philippine Economic Zone Authority all provide zero-rated or exempt treatment of VAT on capital equipment for export-oriented processors. Similarly, despite headline VAT rates of 18 percent (versus Kenya's 16 percent), Rwanda, Tanzania, and Uganda operate front-loaded relief regimes: Uganda through deferral and waiver, Tanzania through deferment with input-output netting, and Rwanda through statutory exemption gated by an investment certificate.
 66. For example, Peru's system mandates orchard-level inspections, followed by issuance of location-specific phytosanitary and transit certificates to be attached to each domestic shipment lot (with strict traceability to be maintained throughout transit) and culminating in packhouse-level inspections of export consignments.
 67. For example, Australia's Emergency Plant Pest Response Deed pre-categorizes pests by public vs. private benefit and splits eradication costs on a sliding scale (100 percent government to 80 percent industry), with industry shares collected through statutory levies activatable upon an incursion declaration.
 68. World Bank Group (2023). In 2024, reduced rainfall alone drove an 11.2 percent decline in avocado production. See USDA FAS (2026).
 69. FAO (2024).
 70. MoALD (2026a).
 71. World Bank Group (2025b); TRI (2025).
 72. WTTC (2025).
 73. Comparators were selected based on investor interest and the main coastal tourism models relevant to Kenya. Zanzibar, Tanzania; Mozambique; and KwaZulu-Natal, South Africa, represent bush-and-beach comparators in eastern and southern Africa. The Gambia and Cape Verde represent package-oriented sun-and-sand destinations.
 74. As described in stakeholder consultations. More generally, road upgrades to nearby Tsavo parks, in the coastal region, contributed to a 30 percent increase in visitor numbers and a 40 percent increase in park revenues, illustrating the potential impact of infrastructure improvements on tourism (UN Africa Report 2025).
 75. The Coast Tourism Circuit is primarily a marketing initiative that divides the coastline into a defined tourism circuit with destination-specific subbrands.
 76. The conference launched the Kenya Coast Tourism Investment Prospectus, which identifies investment-ready projects; established a "deal room" for direct meetings between investors and project sponsors; and included discussions of government incentives, with the coastline explicitly identified as "underutilized."
 77. The comparator market estimate is illustrative and refers to roughly 2 million arrivals in 2024 from France, Germany, Italy, Poland, and the United Kingdom—European source markets that are important existing or potential markets for Kenya, Zanzibar, or both—to selected comparable long-haul beach destinations with available source-market data: Zanzibar, Tanzania; Cape Verde; The Gambia; Punta Cana, Dominican Republic; and Mauritius. Mombasa received roughly 134,000 arrivals from these markets in 2024 (based on Skyscanner data and airport data for each destination).
 78. At the regional level, the International Air Transport Association projects intra-African air travel to grow by 4.9 percent annually over 2024–50, the fastest growth rate of any global segment. The World Travel and Tourism Council forecasts Kenya's domestic visitor spending to grow at a compound annual growth rate (CAGR) of approximately 4.1 percent during 2024–35.
 79. Safari and MICE travel figures are based on 2024 international arrivals reported by the Tourism Research Institute and activity participation rates from the 2019 Tourist Exit Survey. For safari, high-spending source markets are defined as India, the United Kingdom, and the United States.
 80. The African MICE market is projected to grow at a CAGR of 17.0 percent during 2022–32 (Allied Market Research 2022).
 81. Stakeholder interviews; Atieno and Mwangi (2025); Citizen TV (2025); and calculations based on

Tourism Regulatory Authority data showing that coastal bed-nights increased by 23 percent between 2023 and 2024.

82. Stakeholder interviews indicate that domestic demand now constitutes 40 percent of visitor stays, increasing to 80 percent during holiday season.
83. Mühlenbein et al. (2025); Expedia (2025a); Booking.com (2025); ESI Africa (2025); TRBC Business Research (2024).
84. Includes East and Central Africa's only PGA (Professional Golfers' Association of America)–approved golf facility and offers strong kitesurfing conditions in Diani and Watamu, supported by seasonal trade winds, reef-protected lagoons, flat-water areas, wide sandy beaches, and direct access from beach hotels.
85. Calculations estimate 340 international arrivals and 55 licensed hotel beds per kilometer of coastline along Kenya's coast, compared with 1,400 international arrivals and 77 accommodation beds per kilometer in Zanzibar. Kenya's coastline is estimated at 600 kilometers based on the United Nations–supported Nairobi Convention. Zanzibar's Unguja Island coastline is estimated at 430 kilometers, calculated by subtracting the Blue Alliance estimate of 450 kilometers for Pemba Island from the Tanzania Embassy estimate of 880 kilometers for Unguja and Pemba combined (see "Pemba Channel Conservation Area," Blue Alliance, <https://bluealliance.earth/explore-our-mpas/pemba-channel-conservation-area/>).
86. According to consultations with tour operators, Kenya's coast does not feature prominently in multidestination itineraries, while Zanzibar remains a frequent add-on.
87. Based on Tourism Regulatory Authority data.
88. Stakeholders interviewed reported occupancy rates of 40–50 percent during the low season and around 80 percent during the high season, with annual averages of 60–70 percent. This compares with an industry benchmark of about 60 percent for coastal accommodation and average occupancy rates of 55 percent in Africa, 66 percent in Seychelles, 66 percent in Mauritius, and 64 percent in South Africa (FHS Africa 2025).
89. Data from the 2025 World Bank Enterprise Survey (World Bank Group 2025c) show weaker electricity and water reliability on the coast than nationally: coastal firms averaged five outages per month, compared with 2.8 nationally; 45 percent of coastal firms reported water insufficiencies, compared with 37 percent nationally and 25 percent in Sub-Saharan Africa. Among hotels and restaurants nationally, reliance on backup power is also higher than cross-sectoral average: 76.1 percent own or share a generator, compared with 60.7 percent of firms nationally.
90. Water demand in the Mombasa region is estimated at about 329,306 cubic meters per day, compared with production of only 180,000 cubic meters per day (based on Coast Water Works Development Agency 2023 and consultations with the private sector).
91. Examples include reported or proposed expansion of sand mining near Diani and proposed nuclear facilities and high-rise development in the boutique-hotel-oriented Watamu region.
92. Kilifi County identifies a coastal development cluster intended to promote tourism, but the same area also permits uses such as extraction industries, industrial parks, and waste recycling. Kwale County's spatial plan recognizes marine protected areas and tourism priorities but is structured mainly around policy actions rather than spatial proposals. Mombasa does not provide detailed spatial identification of tourism zones; its spatial zoning focuses on other uses, such as industrial parks.
93. As described in stakeholder consultations and observed on the ground; see also University of Nairobi Maritime Centre (2023).
94. Kwale is among the more active counties, having drafted a beach management bill as early as 2020 and, most recently, advancing the Kwale Beach Management Bill 2025. Kilifi has adopted a nonbinding beach management code of conduct and codrafted a bill, while Mombasa has made prior attempts to enact beach management legislation without success. The pattern across all three counties—drafting without enactment—reflects a broader failure to translate devolved responsibility into operative regulation.
95. Evidence from Diani shows beach narrowing between 1990 and 2019; other research links erosion partly to hotel infrastructure and weak enforcement of coastal setbacks (Fulanda 2019; Mwakumanya et al. 2021).
96. Beach erosion can result in underutilization of tourism

- infrastructure or require costly engineering interventions (World Bank Group 2025f).
97. World Bank Group (2019); UN Environment Programme (n.d.); NEMA (2021); World Bank Group (2025g); Gudka et al. (2024).
 98. The World Bank Group's (2019) Kenya Country Environmental Analysis recommends strengthening efforts to manage marine pollution, noting that weak policy and regulatory capacity hinders interagency coordination.
 99. The World Bank Group's (2023) Second Kenya Devolution Support Program notes chronic understaffing affecting environmental enforcement by NEMA. Allegations of irregular NEMA licensing, including for coastal construction, were documented in a government inquiry reported by Nation Africa (n.d.), which found that NEMA's Director General had issued licenses contrary to recommendations from the agency's own compliance directorate.
 100. Inadequate KWS capacity is documented in World Bank Group's (2019) Kenya Country Environmental Analysis.
 101. In Kenya, land misallocation and inefficient land markets reduce productivity, partly because of land-price speculation and insecure or unclear tenure arrangements (World Bank Group 2020).
 102. World Bank Group (2016; 2026).
 103. Based on virtual consultations; news articles documenting ongoing litigation; published commentary from an African safari lodge operator and the Law Society of Kenya; and a property lawyer cited in a 2025 industry article describing land-ownership transparency and zoning consistency as "the two biggest deal-breakers" in commercial real-estate transactions in Kenya (African Real Estate 2025).
 104. World Bank Group (2025c).
 105. The Zanzibar Investment Promotion Authority has stated it may revoke land leases from investors who fail to meet development obligations (The Citizen 2023).
 106. Relatively low land rents are documented in the World Bank Group (2025e), which notes that a market-valuation-driven approach to calculating land rents could incentivize more efficient land use, potentially increasing supply and supporting densification where market conditions are conducive.
 107. Calculations based on international flight data for 2022–25 from the Official Airline Guide.
 108. Discretionary approvals and perceived preferential treatment of Kenya Airways are also discussed in World Bank Group (2025h).
 109. Parliament of Kenya (2023; 2025).
 110. Kenya's January 2024 transition from the eVisa system to the eTA system, announced as "visa free," continued to require an online application, fees, supporting documents, and processing time, creating uncertainty that tourism stakeholders reported had disrupted last-minute leisure and conference travel (ISS 2025). In October 2025, KWS's proposed park-fee increase was suspended by the High Court following a challenge by the Kenya Tourism Federation. Operators argued that near-immediate implementation would upend already priced and prepaid packages, illustrating how abrupt policy changes can create severe commercial disruption (Wangui 2025).
 111. In 2023, Kenya shortened the remittance deadline for both income withholding tax and withheld VAT to five working days.
 112. Stakeholders report that this timing mismatch can create discrepancies in KRA systems, triggering assessments or fines and requiring repeated reconciliation with KRA.
 113. As reported in stakeholder interviews. Across sectors, World Bank Group (2025) notes that the absence of a risk-based audit plan complicates tax compliance. Kenyan firms identify compliance with the tax regime as one of their main business constraints and cite concerns about unclear tax policy objectives and erratic changes in the tax code (World Bank Group 2024).
 114. In a survey of tourism stakeholders, respondents expressed high agreement with the statement that "the threat of terrorism deters tourists from visiting Lamu" (Khalifa and Kipchumba 2025).
 115. WEF (2024). The employment multiplier is the ratio of indirect and induced tourism employment contribution.
 116. Mombasa's unemployment rate was 26.2 percent in 2024, compared with the national unemployment rate of 5 percent in 2022 (Economist Impact 2024; KNBS 2019).

117. The report recognizes that strategic marketing, along with public-private derisking arrangements, can accelerate demand while cushioning risk as demand develops. A review of how tourism revenues are managed and could be strategically reinvested to generate greater economic return may be warranted; however, this is beyond the scope of this report.
118. The handbook lists 10 broad land-use categories, including recreation, conservation, and commercial use, but coastal tourism does not fit neatly within any one category. The existing “recreation” category appears too restrictive because it excludes commercial activity.
119. The establishment of such zones should be included in the Marine Spatial Plan currently being prepared under the Kenya Marine Fisheries and Socio-Economic Development Project.
120. Maio Island in Cape Verde provides an example of such a zone. Known for long, quiet sandy beaches and centered on the special economic zone of Ilha do Maio, the island is being developed as a sustainable, high-end tourism destination focused on natural, quiet, and exclusive experiences rather than mass tourism.
121. “Beach park” is intended as an IUCN-aligned management and branding concept, not as a separate legal designation. Formal protected-area status would need to be established through the most appropriate existing Kenyan legal category for the site, such as a marine protected area, marine conservation area, national reserve, protected wetland, or another applicable protected-area designation.
122. This would include Kilifi and Mombasa county government efforts to introduce improved beach management through draft legislation.
123. Designation should be informed by the existing beach categorization framework established in the draft Kenya National Tourism Strategy 2025–30, which classifies beaches according to their main features and activity type. Beach park designation should also account for existing structures and businesses near the shoreline; without a practical transition approach, implementation could face resistance or legal challenges that limit the reform’s impact.
124. Effective implementation of this recommendation would be supported by the planning framework established under Recommendation 1b.
125. Over time, the entity’s functions could expand to include coordination and maintenance of shared infrastructure, maintenance of public spaces within the zone, visitor amenities, and destination-level marketing or events that engage local small and medium enterprises.
126. The applicable development timeline depends on the lease or allotment conditions; the Act does not create a universal development period for all leasehold land.
127. These weak incentives are reinforced by land rents that are low relative to land values, reducing the cost of holding prime beachfront parcels undeveloped.
128. Comparable antispeculation tools are used elsewhere. Zanzibar can revoke investor land leases when development obligations are not met; Senegal applies annual charges on unimproved land, including rates of up to 5 percent of market value; and some South African municipalities apply higher property-tax rates to vacant land, reportedly reaching up to 10 percent annually.
129. Summaries should include routes, points, frequencies, capacity, traffic rights, designated airlines, effective date, and restrictions.
130. World Bank Group (2021).
131. The 2025 Trafficking in Persons reporting notes continued risks of child sex trafficking in Kenya, including exploitation in private villas and vacation homes to avoid hotel-based detection.
132. Medical consumables are single-use or expendable medical supplies used during patient care and subsequently discarded or replaced.
133. FMI (2025).
134. Market.us (2025).
135. WHO (2023).
136. KNBS and MoH (2023).
137. Revital Healthcare EPZ Ltd. (2025).
138. The addressable market opportunity in the Arab Republic of Egypt and Ethiopia was estimated using the aggregate value of imports—more than US\$730 million across identified Harmonized System (HS) codes—extrapolated to total market size based on an overall import dependence of 50 percent and an average annual growth rate of 5 percent through 2030.
139. UNICEF and Africa CDC (2024).

140. Revital Healthcare EPZ Ltd. (2023).
141. "Presidential Declaration on Advancing Local Manufacturing of Health Products in Africa," News or Communiqué, Africa Centres for Disease Control and Prevention, published on February 14, 2026, <https://africacdc.org/news-item/presidential-declaration-on-advancing-local-manufacturing-of-health-products-in-africa/>.
142. European Commission (2024).
143. See "African Growth and Opportunity Act (AGOA)," Preference Programs, Office of the US Trade Representative, <https://ustr.gov/issue-areas/trade-development/preference-programs/african-growth-and-opportunity-act-agoa>.
144. World Bank (2024b).
145. ILO (2024).
146. Based on data from the Financial Times fDi Markets; World Bank World Development Indicators.
147. Based on stakeholder interviews with medical consumables manufacturers and Pierre et al. (2014).
148. PPRA (2016).
149. Acclime (2025).
150. The private sector has incentives to coordinate data management because shared, interoperable demand and supply information reduces uncertainty, enables scale, and lowers investment risk—conditions essential to the viable manufacture of low-margin medical consumables.
151. The platform provides a single digital record of obligations and payments that can be used to track, verify, and report payment obligations for medical consumables, improving transparency and accountability within Kenya's public financial management system.
152. CBK (2025); Fitch Ratings (2025).
153. In Kenya, medical consumables are regulated as medical devices under the Pharmacy and Poisons Act (Cap. 244), operationalized through the Pharmacy and Poisons (Registration of Health Products and Technologies) Rules, 2022 (Legal Notice No. 100 of 2022), and the PPB *Guidelines for Registration of Medical Devices and In-Vitro Diagnostics* (2022).
154. Kenya is enhancing its health products regulatory system through digitalization and efforts to advance the PPB toward WHO Maturity Level 3. The transition is intended to replace discretionary and

partly manual processes with a more consistent, risk-based system aligned with international standards.

155. The bill has taken time to advance primarily because it proposes a major institutional and legal overhaul.
156. Alignment of PPB and international medical device classifications:

Risk level	Kenya (PPB)	Approximate international equivalent
Lowest risk	Class A	Class I
Low–moderate	Class B	Class II (lower end)
Moderate–high	Class C	Class II (upper end)/Class III (entry)
Highest risk	Class D	Class III

157. KAM (2025).
158. Lessons can be drawn from Rwanda where mandatory electronic invoicing and health e-procurement have provided a foundation for near-real-time monitoring of medical consumables transactions, although full integration with treasury payment systems is still evolving. Italy and Peru provide examples of more advanced business-to-government electronic invoicing models in a middle-income context.
159. Although a World Bank-funded pilot has provided initial funding, scaling and sustaining the approach will require an institutionalized financing mechanism that enables timely and predictable payments by KEMSA to suppliers. The recommendation has modest fiscal implications. To the extent that additional financing is required, it could draw on initiatives supporting health product manufacturing in Africa, including efforts led by Africa CDC and others that are leveraging US\$5.5 billion in funding commitments.

Abbreviations and Acronyms

Africa CDC	Africa Centres for Disease Control and Prevention	MICE	meetings, incentives, conferences, and events
AGOA	African Growth and Opportunity Act	ML2	Maturity Level 2
BASA	bilateral air service agreement	ML3	Maturity Level 3
CAGR	compound annual growth rate	MoALD	Ministry of Agriculture and Livestock Development
CPSD	Country Private Sector Diagnostic	MoH	Ministry of Health
eGP	electronic government procurement	MSME	Micro, Small and Medium Enterprise
EPA	Economic Partnership Agreement	MPO	Macro Poverty Outlook
eTA	electronic travel authorization	MT	Metric Tons
EU	European Union	NEMA	National Environment Management Authority
FDI	foreign direct investment	NHTS	National Horticulture Traceability System
GDP	gross domestic product	NLC	National Land Commission
HCD	Horticultural Crops Directorate	PPB	Pharmacy and Poisons Board
ISO	International Organization for Standardization	RRA	reference regulatory authority
IUCN	International Union for Conservation of Nature	SDLPP	State Department for Lands and Physical Planning
KALRO	Kenya Agricultural and Livestock Research Organization	SME	small and medium enterprise
KCAA	Kenya Civil Aviation Authority	SOE	state-owned enterprise
KEBS	Kenya Bureau of Standards	TEC	Technical Evaluation Committee
KEMSA	Kenya Medical Supplies Authority	UHC	universal health coverage
KEPHIS	Kenya Plant Health Inspectorate Service	UNICEF	United Nations Children's Fund
K Sh	Kenyan shilling	VAT	value added tax
KNBS	Kenya National Bureau of Statistics	WDI	World Development Indicators
KRA	Kenya Revenue Authority	WHO	World Health Organization
KWS	Kenya Wildlife Service	WTO	World Trade Organization
LPPA	low pest prevalence area	WTTC	World Travel and Tourism Council
MFA	Ministry of Foreign Affairs		

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