Polish Investment
& Trade Agency
PFR Group

Nairobi Office

MARKET RESEARCH PRELIMINARY REPORT: The Construction Market in Kenya

by the **Polish Investment & Trade Agency - Nairobi Office**

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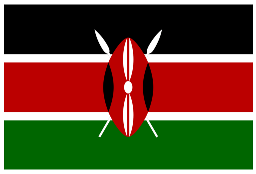
The following preliminary report has been created to give a quick and general overview of the construction market in Kenya. It has been drawn up from various sources and is intended to give a general market view of the construction market sector. A further, more detailed research analysis may be drawn up upon request.

1. Kenya - A Regional Hub and Gateway to East Africa

1.1 Introductory Stats



The Republic of Kenya

Population:	49.7 million
GDP:	US$ 71.58 billion
GDP/capita:	US$ 1 587
FDI Flows :	US$ 394 million (UNCTAD, 2016)
GDP Growth Rates:	5.8% (2016) and a projection of 6.1% in 2017
Credit Rating:	Standard & Poor's: B+ (stable)
	Fitch: B+ (stable)
	Moody's: B1 (stable)
Inflation Rate:	6.3% (2016)
Labour force:	18.66 million (38% of population)
Capital City:	Nairobi
Languages:	English and Kiswahili
Timezone:	GMT +3
Government:	Unitary republic with a federal system
Divisions:	47 counties

1.2 Economic Overview

Kenya has a market-based economy and is generally considered the economic, commercial, and logistics hub of East Africa and has a strong industrial base in the region. Kenya has been successful in attracting private equity capital because of its a strategic location with comprehensive air routes, roads, railways and other infrastructure as well as a strong regional financial centre.

Kenya is considered a very "young" country with almost 79% of the population under the age of 35, who are well-educated, English-speaking, and multi-lingual professionals with strong entrepreneurial skills. According to the Kenya Institute for Public Policy Research and Analysis (KIPPRA) report 2017, Kenya's population is estimated at 45.4 million in 2016 with a growth rate of 2.9% per annum. The population is projected to increase to 59.0 million in 2030 and 75.0 million in 2050. The population-age structure is youthful, with the population of children below age of 15 years constituting 43% of the total population.

Kenya's economic growth is projected to grow further through the development and adoption of Kenya Vision 2030, which is the country's new long-term development blueprint. The aim of Vision 2030 is "the globally competitive and prosperous country with a high quality of life by 2030." It aims at transforming Kenya into "a newly industrialising, middle income country providing a high quality of life to all its citizens in a clean and secure environment". This blueprint has been instrumental in guiding Kenya's economic growth.

Kenya's financial and manufacturing industries, while relatively modest, is the most sophisticated in East Africa. Although Kenya's mineral resources are limited, the country has a potentially important source of high-value mineral commodities such as titanium. The larger East African region is now one of the fastest emerging oil and gas frontier regions in the world, with Kenya expected to become an oil producer in the near future, after recent discoveries.

Kenya is the economic, financial and transport hub of East Africa. Kenya's real GDP growth has averaged over 5% for the last 8 years.

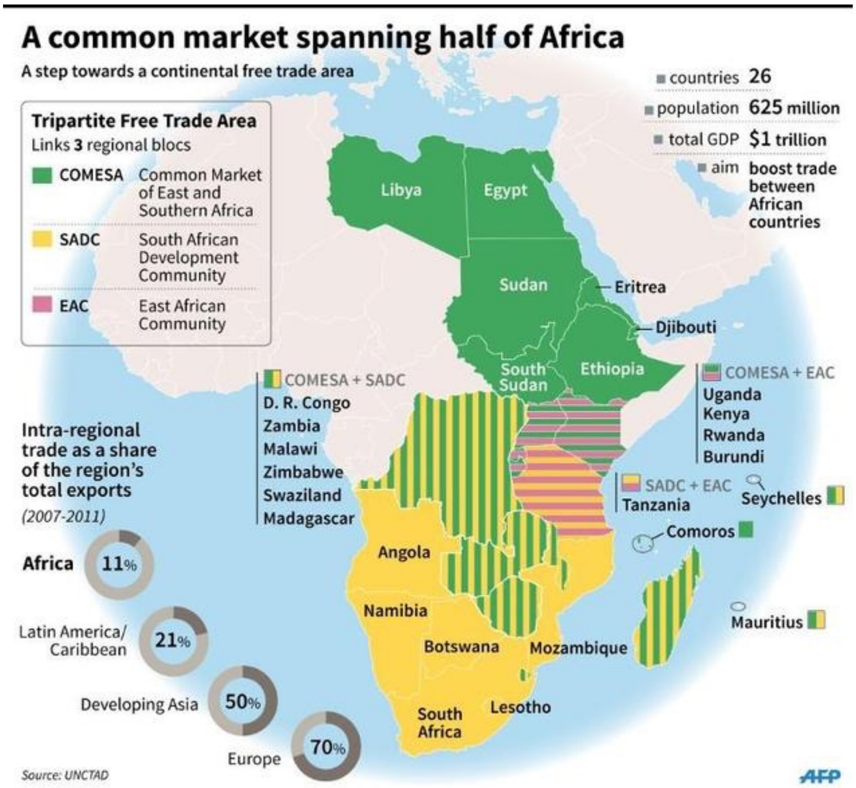
Kenya is expected to get significant funding from China for major infrastructure projects, which are part of the Silk Road Economic Belt and the 21st Century Maritime Silk Road initiative. Already, with Chinese funding, Kenya has seen rapid progress in infrastructure development. Bilateral relations between Kenya and China are now strong and as a result of this partnership, Kenya has benefited with some of the significant projects, being the Standard Gauge Railway and the first three berths at Lamu Port. The map below shows China's One Belt, One Road.

1.3 The East African Community

Kenya is one of the Key members of The East African Community (EAC) which is a regional intergovernmental organisation of 6 Partner States: the Republics of Burundi, Kenya, Rwanda, South Sudan, the United Republic of Tanzania, and the Republic of Uganda, with its headquarters in Arusha, Tanzania.

The EAC is home to 150 million citizens, of which 22% is urban population. With a land area of 1.82 million square kilometres and a combined Gross Domestic Product of US$ 146 billion (EAC Statistics for 2016), its realisation bears great strategic and geopolitical significance and prospects for the renewed and reinvigorated EAC.

As one of the fastest growing regional economic blocs in the world, the EAC is widening and deepening co-operation among the Partner States in various key spheres for their mutual benefit.

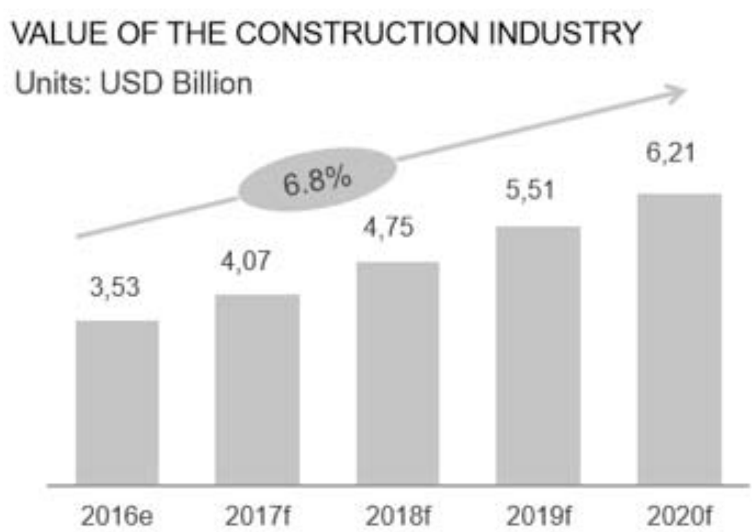


2. Kenya's Construction Overview

The Construction sector in Kenya is set to grow steadily for the next decade due to the increased number of projects that are to be undertaken in the various parts of the country. A new study by BMI Research which analyses industry trends, has show that the construction industry is projected to grow by 8.7% this year and remain steady up until 2026 with an annual growth of 6.2% which will see Kenya outperforming all Sub-Saharan countries. The growth is based on the Kenyan government's huge spending on infrastructure development, with multi-billion dollar projects such as the standard gauge railway and the Lamu Port-South-Sudan-Ethiopia Transport (Lapsset) corridor being one of the key drivers of the projected Kenyan economic growth.

The construction sector is also expected to develop further in the country since Infrastructure development is a central pillar of Kenya's Vision 2030 and in 2015 the 3.5 billion USD construction sector contributed 4.8% to the Kenyan economy and by the end of 2017 it is expected to contribute 7% of the GDP. Currently 11 of the 43 major infrastructure projects in East Africa are in Kenya. These mega-projects include the US$3.8 billion Mombasa – Nairobi Railway Project, the US$2.1 billion Tatu City Project, the US$1 billion Lamu Port Berths Project and the US$900 million Lake Turkana Wind Power Project.

A report by the Oxford Business Group for the year 2016, shows that commercial credit extended to the construction sector rose from KSh70.8bn ($778.8m) in 2013 to KSh80.4bn ($884.4m) in 2014, an increase of 13.6%. Similarly, the value of approved building plans in the private sector rose by 7.8%, from KSh190.6bn ($2.1bn) in 2013 to KSh205bn ($2.26bn) in 2014.



There is also expected steady growth of the transport, power infrastructure and also commercial construction in various parts of the country. It is expected that Port, rail and housing projects will drive the overall construction sector growth. Kenya has a deficit of 350,000 square metres commercial office space and the demand is expected to rise over the next 5 years. Also Kenya's rapid population growth has led to an increased demand in housing. The Economic Survey 2016 published by the Kenyan National Bureau of Statistics (KNBS) reported that approximately 148,000 people are formally employed in the domestic building and construction industry.

Sector Updates

- ☑ A tax incentive was recently introduced into law which entitles developers who put up at least 400 low cost residential units to pay a reduced corporation tax rate of 15% (down from 30%)as the government looks to boost housing for low income earners.
- ☑ New legislation introduced in 2015 to regulate the construction industry will encourage competition and boost the capacity of local companies.
- ☑ Kenya secured funding from the World Bank and the African Development Bank to finance various infrastructure projects in the country.
- ☑ The government of Kenya issued a 15 year infrastructure bond of USD 300 Million to fund infrastructure projects.
- ☑ Kenya has enacted a Public Private Partnerships law designed to safeguard private investors and encourage infrastructure development.

3. Sector Trends and Opportunities

3.1 Housing Sector

According to the latest (April 2017) economic update on Kenya by the World Bank Group, Kenya faces a housing deficit of over 2 million units, with nearly 61% of urban households living in slums. This deficit continues to rise due to fundamental constraints on both the demand and supply side and is exacerbated by an urbanization rate of 4.4%, equivalent to 0.5 million new city dwellers every year.

- ☑ The real estate market and the building and construction sector have seen immense growth over the past ten years. Due to a steadily growing middle class, there has been increased demand for housing in urban centres. The demand for affordable housing, opportunities exist in the construction of residential, commercial and industrial buildings, including prefabricated low-cost housing has increased great in recent years.

- ☑Demand for housing continues to grow with role players estimating that more than 210,000 new residential units need to be built annually to keep pace with Kenya's expanding population.
- ☑There has been a marked increase in apartment blocks and gated estates as developers act to meet the growing demand. According to a 2011 survey by Hass Consult (a local property consulting firm), property values have increased in Kenya by 302% since the year 2000. Kenya currently delivers greater real estate price stability than other leading international markets such as the US, UK, UAE, India and South Africa. The growing market demand, coupled with the high rates of return make real estate development and building and construction two of the most lucrative investment opportunities in Kenya.
- ☑There has been an increased demand for real estate, however, the supply is low because of the high cost of developing new property. The market is facing extreme under-supply especially in housing for the lower segment of the populace; so much so that a tax incentive was recently introduced into law which entitles developers who put up at least 400 low cost residential units to pay a reduced corporation tax rate of 15% (down from 30%) as the government looks to boost housing for low income earners.
- ☑Collaborative efforts between government and the private sector are required, and a supportive policy and regulatory environment strengthened so as to narrow the affordability gap in the housing market and improved financing for both developers and users. The inaccessibility of affordable housing finance in Kenya is highlighted by the fact that there are fewer than 25,000 mortgages outstanding. Mortgage debt in 2015 represented 3.15% of GDP, substantially lower than in developed countries. Banks have limited access to long-term funding and few institutions have accessed capital markets to fund mortgages.
- ☑There is also available opportunity in the housing sector with the Kenyan government ambition of housing civil servants. The government has been having plans to invite private firms to build 10,000 units in Nairobi’s Shauri Moyo estate (2000 houses), Starehe (6,400 units) and park Road (1,800 houses).The projects are being implemented through the National Housing Corporation (NHC) which is still seeking to implement most of its projects through a public-private partnership (PPP) deals.
- ☑To meet the housing shortage, the government initiated Mavoko Housing Project which is a massive project that is part of the Kenya Slum Upgrading Programme (KENSUP), which is intended to improve lives and livelihoods of people living and working in slums and informal sectors. The Sh1.6 billion (USD 15.5 million) scheme, which covers 22.74 hectares, is a mixed-use development that will promote co-existence of beneficiaries across various income groups in one gated community.
- ☑The proposed project had entitled civil servants to homes of between Khs 4 million (USD 40,000) and Khs 25 million (USD 250,000) to be paid for over a period of 20 years at lower interest rates of 5% annually. Investors were to build the units under a public private partnership (PPP) in which they would finance construction, operates for some time to recoup their investments and profit before transferring ownership to the state.

☑ Other available opportunities are in the logistics sector. The Knight Frank Logistics Africa 2016 report which reviewed Sub-Saharan Africa's emerging logistics property sector established that Nairobi lacks an adequate supply of quality logistics space, pushing some firms to invest in their own custom-built facilities. There is thus a high demand for logistics space / warehouses build with specifications that support retailing, distribution and manufacturing practices.

3.2 Road Sector

Kenya Roads infrastructure is one of the key components of communication and development in Kenya. The Kenya Vision 2030 aspires for a country with integrated roads, interconnected railways, communication ports, airports, infrastructure Waterways and communications as well as provision of adequate energy. The Kenya economy is dependent on roads and road transport. Road transport constitutes about 80% of the total internal freight and passenger traffic in Kenya.

☑ Road Transport in Kenya constitutes a key component of Kenya's service sector in both their contribution to the country's employment and income generation and their role in external trade, especially at the regional level. The expenditure on transport in Kenya averages 45% of the total cost of goods making commodities produced in the region uncompetitive

☑ Kenya has a public road network of 160,886 km, of which 61,946 km is currently classified while 98,940 kilometres are unclassified. The current road classification system, which was developed in the 1970s, has six road classes — classes A to E and a Special Purpose Road class. Each class is defined by the functional criteria related to administrative level of centres the roads connect. Out of the 160,886 km long road network, only 14,000 km is paved.

☑ The Kenyan government is actively seeking bids to improve and expand road infrastructure networks, domestically and across East Africa to improve trade flows in the region. Furthermore, 30% of Kenya's road network requires rehabilitation or reconstruction.

3.3 Airport Infrastructure

Kenya has 8 commercial airports and several airstrips.

The main international airports are:
- Jomo Kenyatta International Airport (JKIA)
- Moi International Airport

- Eldoret International Airport
- Kisumu International Airport.

The main domestic airports are:
- Wilson Airport
- Malindi Airport
- Lokichoggio Airport
- Wajir Airport.

JKIA is the biggest airport in Kenya as well as in East and Central Africa, while Mombasa Moi International Airport is the second biggest in the country. The Air transport in Kenya is managed by state run Kenya Airports Authority (KAA). The World Bank is funding the USD 285 Million aviation modernization project for the major airports in Kenya to improve the facility standards.

3.4 Industrial Parks, Warehouses and Commercial Property

The Kenyan government has been encouraging the construction and development of Industrial and Technology parks which are key elements of the infrastructure supporting the growth of knowledge economy.

- ☑ The government has been trying to provide a location in which government, private sector and universities cooperate these parks create environments that foster collaboration and innovation. They enhance the development, transfer and commercialisation of technology. An example is the Nairobi Industrial and Technology Park which is a public private partnership project of the Ministry of Industrialisation (MOI), Jomo Kenyatta University of Agriculture and Technology (JKUAT). The main goal of the park is to promote the collaboration between the government, private sector and the university with the aim of facilitating the growth and development of knowledge and technology based enterprises in line with the Vision 2030.
- ☑ Another example is the Chinese firm signing of a multi-billion shilling deal with the Kenyan government for the construction of an industrial park at the Eldoret Special Economic Zone which is estimated to cost 200 billion (2 billion USD). The agreement is to develop and operate a high-end Special Economic Zone, with world-class infrastructure in Eldoret, Uasin Gishu County.
- ☑ Other counties in Kenya also have plans of constructing industrial parks including Kissi, Bungoma,

Warehouse – Kenya is facing a deficiency of modern warehouses and industrial space. This is one key sector that has a lot of potential and will fuel construction boom further.

Developers are looking at setting up top-end warehouses to meet the rising demand for such facilities from logistic firms venturing into Kenya and the East African region. In 2015 for example, the Nairobi county government issued the highest levels of approvals for multi-unit developer led industrial warehouse development at 280,00 square metres.

☑ According to the 2017 edition of Knight Frank Africa report, rents for prime industrial space have gone up by 11.9% in two years.

4. Inventory of Major Construction Projects

Project	Remarks
Konza Technology City	Is a large technology hub / smart city planned by the Government of Kenya to be built outside of Nairobi. It is estimated to cost approximately 14.5 billion US Dollars. -Konza Technopolis will incorporate the use of technology leveraging on human and social capital to develop a self sustaining city with an integrated urban information and communication technology (ICT) network that supports delivery of connected urban services to allow for efficient management of those services on a large scale.
Tatu City	This is a $2.1billion US dollar, 5,000-acre City project being developed by Rendeavour, Africa's largest urban land developer. The mixed-use development includes homes, schools, offices, a shopping district, medical clinics, nature areas, a sport & entertainment complex and manufacturing area.
Nairobi Public Transport System (NaMATA)	This is a Sh. 35 billion (350 Million USD) project aimed at Modernizing public transport system with Nairobi city and connecting it to the neighbouring counties. The project will include expansion of Uhuru Highway and establishment of a Rapid Bus Transit (RBT) and commuter rail system.

Project	Remarks
Dongo Kundu Free Port	In partnership with JAICA, the government seeks to establish a 24 hour port operated on the lines of Dubai Free Port concept. -The project also includes construction of a 16 km bypass and bridge to open up the south coast of Kenya.
The Lake Turkana Wind Power Project	It is the single largest private sector investment in Kenya's history covering 40,000 acres ($162km^2$) and will cost 0.9 Billion USD.
Mombasa Port	The port of Mombasa is Kenya's only international sea port. A new terminal to increase capacity by 50% is under construction and is due for completion in 2016
Lamu Port-South Sudan-Ethiopia Transport Corridor Project (LAPSSET)	The Lamu port is currently under construction as part of the USD 23 billion LAPSSET corridor project, which shall include road construction. Significant components include Lamu port, Lamu-Ethiopia South Sudan superhighway, Lamu Juba-Addis Ababa railway line, an oil refinery and a 2,240 km oil pipeline connecting oil field in South Sudan to the refinery at the Lamu port. It also includes construction of three resort cities in Lamu, Isiolo and Lokichogio, construction of airports in the resort cities and development of associated infrastructure.
Airports	A USD 285 million aviation modernization project is expected to improve airport standards A USD 84,36 million upgrade at Moi International Airport is currently ongoing
Railway Expansion (Standard Gauge Railway - SGR)	The project comprises the construction of the USD 200 million Nairobi Commuter Rail Network and the USD 3.2 billion Mombasa Nairobi-Malaba Corridor. The project is expected to reduce cost of doing business in the region as rail is ~40% cheaper than road transport
Kenya Railway Golf Cities	Kenya Railways is seeking for investors to develop 320 acres surrounding the railway stations in Nairobi, Kisumu and Mombasa. The state agency plans to build office blocks, shopping malls, hotels, parking bays and manufacturing park on massive land that is currently sitting idle. The project is estimated to cost Sh.256 billion (USD)
Kenya Civil Servants Housing Project	The government has been having plans to invite private firms to build 10,000 units in Nairobi's Shauri Moyo estate (2000 houses), Starehe (6,400 units) and park Road (1,800 houses).
Roads	The government has plans to rehabilitate 5,500 km of roads through a public-private partnership (PPP).

5. Emerging Sector Trends

Modular Designs – The use of prefabricated building materials is now becoming popular in Kenya.

Solar Water Heating – Kenyan government through the Energy Regulatory Commission (ERC) passed a law (The Energy (Solar Water Heating) Regulations 2012) that requires owners of residential and commercial houses, whose hot water needs exceed 100 litres per day, to include solar water heating systems in their building designs. This solar law covers residential premises (three-bedrooms and above), health institutions, restaurants and hotels, boarding schools and other similar commercial operations

Green Construction - environmentally friendly construction is becoming popular as home owners increasingly demand for the use of eco friendly building materials when building their homes.

Security – with increased security concerns, home owners are now looking for security products for their homes like intruder alarm, CCTV and many more.

6. Sector opportunities for Polish Investors

Private developers have a choice of four growing markets: office, retail, industrial and residential

Office Markets – There is a high demand for grade A office space. This has led to an increase Grade A office rents. This provides opportunities for construction, supply of fittings companies.

Retail Markets – Nairobi continues to be home to most modern shopping malls

Industrial Markets – Increased development of business parks such as Sameer Business Park, Tulip House and Royal Business Park. This offers great opportunities as it's a new growing trend and the area offers great potential.

Residential Markets – Houses in gated compounds and apartments have seen a greater demand than single stand-alone homes. The current trend is to develop out of town integrated communities, targeting mainly the middle class.

County Governments – various county governments are planning to develop various infrastructures within their counties like road, hospitals, schools, agri-business park. This offers excellent opportunities for Polish companies.

Construction materials - Investment opportunities are also available in the manufacture and supply construction materials and components for the sector.

Konza Technopolis offers great opportunities to investors like the development of onsite infrastructure necessary for investors and city residents to move in, development of amenities, housing and educational facilities for worker and their families. This can be done through puplic private partnership (PPP), private and public funding.

The National Housing Corporation, as the principal implementing agency of the Government housing policy, has put in place a programme of facilitating interested investors to help realize the current objective of building 150,000 housing units per year.

LaPPSET - The development of Lamu into a regional port is expected to result in a cross-sector abundance of opportunities for the construction of rail, roads, airport, housing and utilities infrastructure.

Nairobi Public Transport System (NaMATA) - project aimed at modernizing public transport system with Nairobi city and connecting it to the neighbouring counties. This project offer opportunities for the road design and construction, bus and related equipment supply and consulting services.

The ongoing development by Kenya Airports Authority to build a shopping mall, hotel, business zone as well as a commercial passenger terminal at JKIA creates an opportunity to provide equipment and materials to successful bidding companies.

Cement Manufacturing

According to Trade Mark East Africa, Kenya provides the largest market in East Africa for construction industry's products, such as cement. The country's annual production of cement represents 53% of East Africa's total capacity. During 2015, Kenyan cement market continued to grow strongly driven by the increased Government investment in the infrastructure segment and increased housing sector demand. Cement production went up by 8.0% from 5.88 million tonnes in 2014 to 6.35 million tonnes in 2015. The demand for cement continues to be robust and is predicted to more than double over the next five years.

Cement production provided investment potentials as investors are looking to having lower cement prices. There are some regional and global players who are eyeing the Kenyan market. The average price of a 50kg bag of cement stands at Ks. 650 (6.3 US Dollar).

Equipment Demand

The booming construction sector in Kenya has increased the demand on construction equipment. Many multiple projects are going on on various sectors and in different parts of the country leading to the rice in demand. The demand can be signalled by the German heavy machinery maker Liebher plan to set up a Sh. 23 billion (USD) assembly factory for construction and agriculture in Kenya.

-XCMG Construction Machinery Co Ltd has also opened an office in Nairobi because of the booming construction industry in Kenya.

-US based X-Calibur Construction Chemistry Inc also set up a concrete mixer factory in Nairobi. The company will major on concrete mixtures, which improve performance and durability. The factory projects to produce one million litres of concrete and cement additives annually.

-Some of the equipments required for the sector include crawler excavators, wheeled loaders, forklift truck, motor grader, road roller machine, Truck crane.

-The Kenya Rural Roads Authority, the State agency which overseas rural road construction, last year indicated that the proposed plan by the government to construct 8,000 km road network will require 1,440 earth movers, 1,080 rollers and 540 excavators leading to the widening of the market for equipment dealers.

7. Sector Challenges

- Corruption, the categorisation of contractors by the Ministry of Roads and Public works is unfair in the awarding of construction projects tenders. Sometimes tender bids are under-priced and evaluated unfairly.

- Licensing of contractors by National Construction Authority (NCA) sometimes
- Another major challenge in the sector is capital. Many entrepreneurs in the construction sector lack capital sources to fund most of the large projects to be undertaken.
- Professionals in the industry tend to have a conservative perspective and thus prefer clients whose thinking resembles theirs. This affects the choices they make in building materials, research and investments.
- The construction industry has been facing a lot of challenges in quality assurance from collapsing of buildings and poorly made roads which do not last.
- Kenya has had challenges with unskilled draughtsman (Fundis) and quack contractors. This has sometimes led to cases of collapsed buildings in various parts of the country especially in Nairobi where the collapse of low cost residential flats has resulted in the loss of properties and lives.

8. Sector Management and Related Agencies

Agency	Function
The National Construction Authority (NCA)	Government organisation constituted under Act No. 41 of 2011, which regulates streamlines & builds capacity in the construction industry. Also mandated to accredit skilled construction workers and site supervisors.
National Environment Management Authority (NEMA)	Conducts Environmental impact assessment for projects
Energy Regulatory Commission (ERC)	Provides licenses to contractors (mechanical, electrical & energy)
Kenya Power (KPLC)	Verifies power installations
Engineers Board of Kenya (EBK)	Issues licences to engineers and renews annual membership
Board of Registration of Architects and Quantity Surveyors of Kenya	Regulates the professions of Architecture and Quantity Surveying
County government (47 Counties in Kenya)	Approves Architectural & structural drawings within the county

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Water & Sewerage Companies	Approves sewage lines and water supply for the construction project
Architectural Association of Kenya	Acts as a link between professionals and stakeholders in the construction industry. Is an Association for professionals in the built and natural environment in Kenya.
The Land Surveyor's Board	Regulates different aspects of the Surveying Profession in Kenya including: Professional Practising Standards, Licensing, Professional Conduct

Agency	Function
Kenya National Highways Authority (KenHA)	Responsible for the management, development, rehabilitation, and maintenance of Class A, B and C roads
Kenya Urban Roads Authority (KURA)	Management, Development, Rehabilitation and Maintenance of National urban trunk roads.
Kenya Rural Roads Authority (KERRA)	State Corporation whose mandate is to offer guidance in the construction, maintenance and management of the rural road network in the country
The National Housing Corporation (NHC)	Implementation of the Government's Housing Policies and Programmes
Kenya Federation of Master Builders (KFMB)	Contractors' Association established to protect the interests of SME's & Local Construction Firms
Kenya Property Developers Association (KPDA)	Representative body of residential, commercial and industrial property development

9. Licensing Construction Companies in Kenya

Registration of contractors with the National Construction Authority (NCA)

In Kenya NCA regulations allow a contractor to register in one or more categories according to class of construction works to be undertaken, Below are NCA Kenya registration requirements.

The National Construction Authority (NCA Kenya) is a body constituted under Act No. 41 of 2011 Laws of Kenya. Contractors operating or willing to undertake construction operations in Kenya are required by law to register through the NCA.

NCA is mandated to clear Kenya builders and contractors as a way of eliminating rogue contractors and malpractices in building and construction. The authority, which has recently started inspecting construction and building projects around the country to ensure high quality of work and close projects posing health risks and collapse hazards, is expected to provide the regulatory framework for registration and renewal of contractors.

5 steps to register as a contractor with NCA Kenya

- Register with Registrar of Companies: Each contractor is required to hold a certificate of incorporation from the Registrar of Companies in Kenya. This will mean they register as a legal company in the country as a limited liability, sole proprietorship or as a partnership company.
- In this respect, the National Construction Authority will also require that one of the technical directors of the registered company have minimal technical qualification, have skills or possess experience in a field related to construction. All the directors must also forward their CVs to the National Construction Authority.
- Valid PIN, VAT and Income Tax compliance certificates, and Bank Account: The contractor applying to operate in Kenya must also prove tax compliance by means of submitting these documents to National Construction Authority (NCA). The bank account should be opened under name of the contractor company and evidence for the bank account is required.
- Foreign contractors are issued with permission to operate for a specific period of time and will be required to prove that they are in the country for that given to undertake a project. They should not undertake another project after the one specified or targeted is completed and they will be required to launch an affidavit with the authority that this will not happen.
- Foreign contractors willing to operate in Kenya are also required to submit a commitment to transfer skills not with locals and as can be determined by National Construction Authority from time to time.

A Certificate of Registration is issued on registration as a contractor in Kenya.

Contractor classification/grades

NCA regulations allow a Kenyan contractor to register in one or more categories according to class of construction works to be undertaken.

- **NCA1:** Unlimited contract value: which has various classes: Unlimited contract value [Contractors – Building] Unlimited contract value [Specialist Contractors] Unlimited contract value [Roads and other Civil Works]
- **NCA2:** Up to 500, 000, 000 [Contractors – Building], Up to 250, 000, 000 [Specialist Contractors], Up to 750, 000, 000 [Roads and other Civil Works].
- **NCA3:** Up to 300, 000, 000 [Contractors – Building] Up to 150, 000, 000 [Specialist Contractors] Up to 500, 000, 000 [Roads and other Civil Works]
- **NCA4:** Up to 200, 000, 000 [Contractors – Building] Up to 100, 000, 000 [Specialist Contractors] Up to 300, 000, 000 [Roads and other Civil Works]
- **NCA5:** Up to 100, 000, 000 [Contractors – Building] Up to 50, 000, 000 [Specialist Contractors] Up to 200, 000, 000 [Roads and other Civil Works]
- **NCA6:** Up to 50, 000, 000 [Contractors – Building] Up to 20, 000, 000 [Specialist Contractors] Up to 100, 000, 000 [Roads and other Civil Works]
- **NCA7:** Up to 20, 000, 000 [Contractors – Building] Up to 10, 000, 000 [Specialist Contractors] Up to 50, 000, 000 [Roads and other Civil Works]

Registration fees

Local contractors in Kenya will be required to pay a fee of Ksh. 10, 000 – 50, 000 depending on category in order to register. License renewal costs are valued at between Ksh. 5, 000 and Ksh. 10, 000. Between Ksh. 5, 000 and 10, 000 will be required for annual renewal of license.

Foreign contractors willing to register with National Construction Authority to operate in Kenya are required to pay a registration fee of Ksh. 100, 000 and must undertake only tenders they win. Those registering under a temporary registration will need to commit to sub-contracting “not less that 30% of the value” of contract to local contractors.

Foreign contractors are not cleared for the NCA1 category, in an attempt to protect local contractors from foreign companies.

The application documents are available on the NCA website - www.nca.go.ke.