

Foreign Direct Investment Destination In Kenya: Benchmarking The Causal Factors

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Abstract

The main objectives of this paper are to determine key factors that explain why Kenya is lagging behind selected African and Asian countries in attracting foreign direct investment (FDI) inflows and what the country needs to do to improve its competitiveness. We conducted benchmarking analysis of Kenya with selected African and Asian countries in attracting FDIs in order to explain why Kenya is lagging behind some of these countries. Several reforms have been undertaken to attract FDI; however, inflows into Kenya have been erratic and way below the country's potential. Varied challenges are identified –quality of infrastructure; macroeconomic policies; low levels of income; institutional framework; democracy and corruption; domestic savings and investments; and low factor productivity. Comparison economies are a good indication of how well countries are doing against the competition, while comparisons with better performing economies can show where to head in the future. The paper makes recommendations that once implemented will go a long way in streamlining institutional, legal and administrative framework for attracting FDI and also in contributing to the achievement of Vision 2030 and Sustainable Development goals.

Keywords:

Benchmarking, FDI, corruption, infrastructure, competitiveness indexes

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