

Constraints to Foreign Direct Investment Inflows to Kenya: Stakeholders' Perspective
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Abstract

Foreign Direct Investments (FDIs) are considered to be important in promoting economic growth in developing countries by providing capital, technology, improvement of skills, efficiency and trade; and by providing domestic small and medium-sized enterprises with linkages and markets for the supply of goods and services. The Government of Kenya has undertaken a number of policy reforms focused on making Kenya a favourable and predictable investor destination. However, these efforts have not led to significant success in FDI inflows. Why? We reviewed various studies and research reports that have been carried out on FDI in Kenya in order to update ourselves on the reforms that the government has implemented with regard to FDIs. We also undertook structured interviews with the private sector; government departments and agencies to get their views on policy reforms that can positively affect FDI in Kenya as well as identify/establish perceived FDI gaps that need to be addressed. We did the same with international organizations that carry out comparative global competitive rankings in order to identify policy issues/factors that explain why despite efforts by the Government to improve the business climate, global rankings of competitiveness and ease of doing business in Kenya don't seem to have improved. From the perspectives of the stakeholders, most of the problems and challenges identified by various studies are still real even today, despite the progress made by the government in implementing reforms. Specifically, the respondents were of the view that Kenya is an expensive location for doing business (bureaucracy, cumbersome regulatory framework, insecurity, weak infrastructure, high energy costs, corruption, multiple taxation regimes, limited access to affordable finance, ICT not fully developed, and high cost of labour not matched with productivity). The stakeholders provided a number of recommendations, most of which were similar to those proposed by various studies. The respondents suggested a number of actions/reforms to address the problems/challenges they listed as the main hindrances to FDI in Kenya. The recommendations include actions/reforms that would improve the institutional, policy and regulatory framework, infrastructure, security and political environment, and access to data and information; reduce cost of doing business; address corruption and governance issues; enhance human resources; and spur economic growth.

Keywords:

FDI, competitiveness, corruption, governance, infrastructure, taxation, productivity, stakeholders

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