



U.S. – KENYA PROSPER COUNTIES

Enhancing Business-to-Business Ties

SUMMARY

Kenya's vision for a devolved system includes private sector growth at the county level. However, since this has been difficult for counties to achieve, the United States Government aims to leverage its expertise and relationships to support county level private sector solutions by investing in business-to-business relationships between the two countries. The eight eligible counties, called Prosper Counties, were selected based on the following criteria: high economic potential, effective governance practices, and a commitment to creating an enabling business environment.

RATIONALE FOR COUNTY ENGAGEMENT

While Kenya's 2010 constitution devolved authority to counties for planning, financing, and implementing their own development, there are four major challenges:

1. Weak capacity of county governments to identify viable investment opportunities and market them to local and international private investors. Therefore, the County Integrated Development Plans do not consider strategic nor commercially viable investment.
2. Lack of consensus between public-private sectors on which policy reforms are required to spur greater growth and investment.
3. Lack of functional forums and tools to review, prioritize, and develop policies that are most likely to improve the local enabling environment and attract investment.
4. Corrupt practices hinder progress and distort incentives for good economic policy and investment.

U.S. GOVERNMENT ENGAGEMENT

Through this initiative, the U.S. Government will partner with counties and the private sector to advance Kenya's Journey to Self-Reliance by contributing to job creation, improving economic growth, and expanding tax revenues in Kenya's secondary cities and rural areas. The U.S. Government intends to bring the full range of its technical resources and tools to support the goals of each county as laid out in its proposal. Possible opportunities include:

- The U.S. Embassy to promote vetted investment opportunities to U.S. investors.
- The U.S. Embassy and U.S. Development Finance Corporation to partner in order to mobilize U.S. investments in Prosper Counties.
- USAID to screen, vet, and promote investment opportunities in Prosper Counties.
- USAID to utilize networks to support workforce development, policy formulation and select public investments in key sectors including: agribusiness, tourism, manufacturing, technology, finance, and health.
- USAID to provide a funding opportunity for consortia of county-level business associations, firms, and county governments to make evidence-based and pro-growth economic policies.
- The U.S. Foreign Commercial Service to promote opportunities to U.S. businesses.

PROSPER COUNTY SELECTION

The eight 'Prosper Counties' that are invited to submit proposals to the U.S. Embassy include: Isiolo, Kakamega, Kiambu, Kisii, Kisumu, Makueni, Mombasa, and Nakuru. The proposals will be selected based on the ambitiousness of their goals for the initiative as well as the policy reforms they would commit to exploring.

- **ISIOLO:** *better public management* – With one of the highest county budget absorption rates (80%) of all counties, Isiolo is located in the arid North and on the gateway to northern Kenya. Its potential as a key investment frontier is heightened by being on the LAPSSET Corridor, an ambitious infrastructure project between Kenya, Ethiopia, and South Sudan.
- **KAKAMEGA:** *urban growth potential* – Located in western Kenya, Kakamega has high governance capacity compared to other counties; a moderate (71%) budget absorption rate; moderate human development capacity with a large population as a potential market, and a robust agricultural sector.
- **KIAMBU:** *business environment* – Adjacent to Nairobi, Kiambu enjoys high human development assets, moderate levels of budget absorption and County Gross Product (GCP), and significant investment opportunities exist in the major towns of Ruiru and Thika.
- **KIISI:** *better accountability* – In close proximity to two airports of Homa Bay and Kisumu, Kisii does moderately well on governance capacity and economic performance indicators, and is one of Kenya's most densely populated counties. Banana and other agricultural sectors offer attractive investment potential as well as the service sector that is expanding to meet the needs of its large population.
- **KISUMU:** *urban growth potential* – With high governance capacity, Kenya's third largest city has an international airport and significant economic potential as a driver of growth in the region, including a recent effort by the East African Community to revive the Kisumu Port.
- **MAKUENI:** *better governance* – One of the most forward leaning counties for citizen engagement and public financial management, Makueni has significant investment opportunities in the mining and agribusiness.
- **MOMBASA:** *urban growth potential* – As Kenya's second largest city, Mombasa has a high rate of development budget absorption (75%), high human development capacity, and a lot of economic potential for the county and the region. Mombasa is the 'Gateway to East Africa' as a major link on the Northern Corridor. The expansion of the Mombasa port and its linkage to the dry port at Naivasha in Nakuru county portends potential business opportunities.
- **NAKURU:** *urban growth potential* – Nakuru is one of the fastest growing counties with significant investment potential especially with the extension of the Standard Gauge Railway and establishment of Inland Container Depot (Dry Port) in Naivasha. With a significant GCP and relatively high human development capacity, investment opportunities include: horticulture production, geothermal power, and export processing zones. Simba Cement recently opened a new factory in Nakuru.

