

Title: ORIGINS, SECTOR DESTINATIONS & DETERMINANTS OF FOREIGN DIRECT INVESTMENT IN KENYA
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Abstract

This is a study on Kenya's foreign direct investment inflows' determinants, source countries and sector destinations. The motivation for researching these is the current low rate of foreign direct investment flows into Kenya. The analysis will be based largely on data from the country's investment authority and survey questionnaire results, with a view to proposing measures on how such investment can be boosted.

There are three main questions in this research, relating to Kenya's foreign direct investment; source countries, sector destinations and determinants. For the first two, data collected from the country's investment authority and global databases for foreign direct investment will be analyzed for the trends over the last two decades of Kenya's economic history. The third question on determinants will be answered largely through use of survey data, which forms a main part of the analysis, and will be complemented by simple regression analysis.

Results include that political rights, used to represent the economy's political risk factors, are not significant in attracting foreign direct investment flows to Kenya. Market size, used to represent the return factor for the foreign investment decision, shows some significance.

Additionally, the trends in source countries and sector destinations have reversed completely such that past dominance by the West has been replaced by dominance of the Eastern countries. For sector destinations, past dominance by the manufacturing sector has been replaced by a situation where no one sector holds an excessively high proportion of flows, thus resulting in increased diversity of the economy.

However, the problems that affected foreign investment in the past few decades still form part of those affecting it today. Underdeveloped infrastructure is the main one of such, only that the infrastructure-related problems now include internet connectivity as well, and not just road or rail transport like in the past. The problems still exist; it is only their manifestation that is different.