

How and why Special Economic Zones matter for fostering competitiveness and facilitating linkages in Kenya

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What's a Special Economic Zone?

THE SEZ LEGAL AND REGULATORY FRAMEWORK

The Special Economic Zones Act No. 16 of 2015 was enacted in 2015 to provide for operationalization of Special Economic Zones programme including the establishment of necessary regulatory framework.

A Special Economic Zone refers to;

- A carefully master-planned integrated modern cities/investment zones to attract Foreign & Domestic Direct Investments
- Developed world-class infrastructure
- Liberal economic laws :- where goods and services provided are generally regarded, in so far as import duties and taxes are concerned, as being outside the customs territory.

SEZs as a Vision 2030 Flagship Project

The Vision 2030 in its first Medium Term Plan 2008-2012 identified Special Economic Zones as one of its flagships projects under the economic pillar. The SEZs were to address key factors that reduce Kenya's competitiveness as an investment destination. This would be through: -

- Infrastructure provision,
- simplification of business regulations,
- value chain integration and clustering;
- expanded market access for SEZ goods and services, and
- Reduced taxation.

SEZs provide a purpose-built vehicle through which other Vision 2030 economic and social flagship projects and "Big Four Agenda" will be facilitated.

Objectives of SEZ's

The overall objective of SEZs program:

To contribute towards the transformation of the country's economic base in order to realize a higher and sustained growth, employment creation and poverty reduction in the country.

The specific objectives of SEZs are:

- To attract both local and foreign investments
- To expand and diversify production of goods and services for domestic and export markets
- To promote value addition
- To promote local entrepreneurship through Small and Medium Enterprises (SMEs)
- To enhance technology development and innovation
- To promote rural and regional industrialization by exploiting comparative advantage of local resources



Difference Between SEZ and EPZ

SEZ

- i. SEZ ACT No. 16 of 2015
- ii. 100% access to EAC/domestic market (subject to Duty)
- iii. 10% Corporate Tax for first 10 years followed by 15% for the next 10 year
- iv. Expatriates can be employed up to 20% of total local employees.
- v. Multi-purpose activities (Industrial Parks, FTZ, ICT Parks etc.)

EPZ

- i. EPZ Act CAP 517 of 1990
- ii. 20% access to EAC/domestic and EAC market (subject to Duty)
- iii. 10 year Corporate Tax Holiday
- iv. No clear provision on expatriates
- v. Limited-scope activities (Manufacturing, Commercial, Services etc.)



Applicable Schemes Under SEZ Program

The Kenya SEZ act 2015 permits for multiple sector or single sector SEZs including but not limited to the following:-

- i. Free Trade Zones (FTZ)
- ii. Industrial Parks
- iii. Free Ports
- iv. Information Communication and Technology Parks (ICT Parks)
- v. Science and Technology Parks
- vi. Agricultural Zones
- vii. Tourist and Recreational Zones
- viii. Business Service Parks

Incentives by SEZ

The SEZ Act 2015 offers both general and specific incentives to the SEZ Developers, operators and enterprises. These incentives include among others:-

- i. Procedural/Administrative incentives-transparency in licensing processes, quick acquisition of permits(OSS)and continual facilitation through the project stages of operation.
- ii. Fiscal Incentives-reduced operating costs, encourage new investments and reinvestments(machinery& Technology)
- iii. World Class Infrastructure and Customized Facilities
- iv. Land



How SEZs will foster competitiveness and facilitate linkages within the economy

- i. In Kenyan context, SEZs are wide-area multi sector zones that aims to provide a platform for complementing industries to correlate and create spill overs and linkages with local economies.
- ii. Proactive and targeted policy framework that looks beyond manufacturing for exports, where other sectors of the economy enjoy same package of incentives. i.e tourism, science and technology, ICT and agricultural zones.
- iii. The SEZ Act 2015 allows for full Market access to domestic market and a platform for production and distribution to the regional markets, while letting firms take advantage of complementarities and competitive advantages within EAC.
- iv. Provision for free easy framework that allows relocation of local firms within SEZs is also expected to favour inter-industry linkages and a gradual upgrading of the local industrial context.

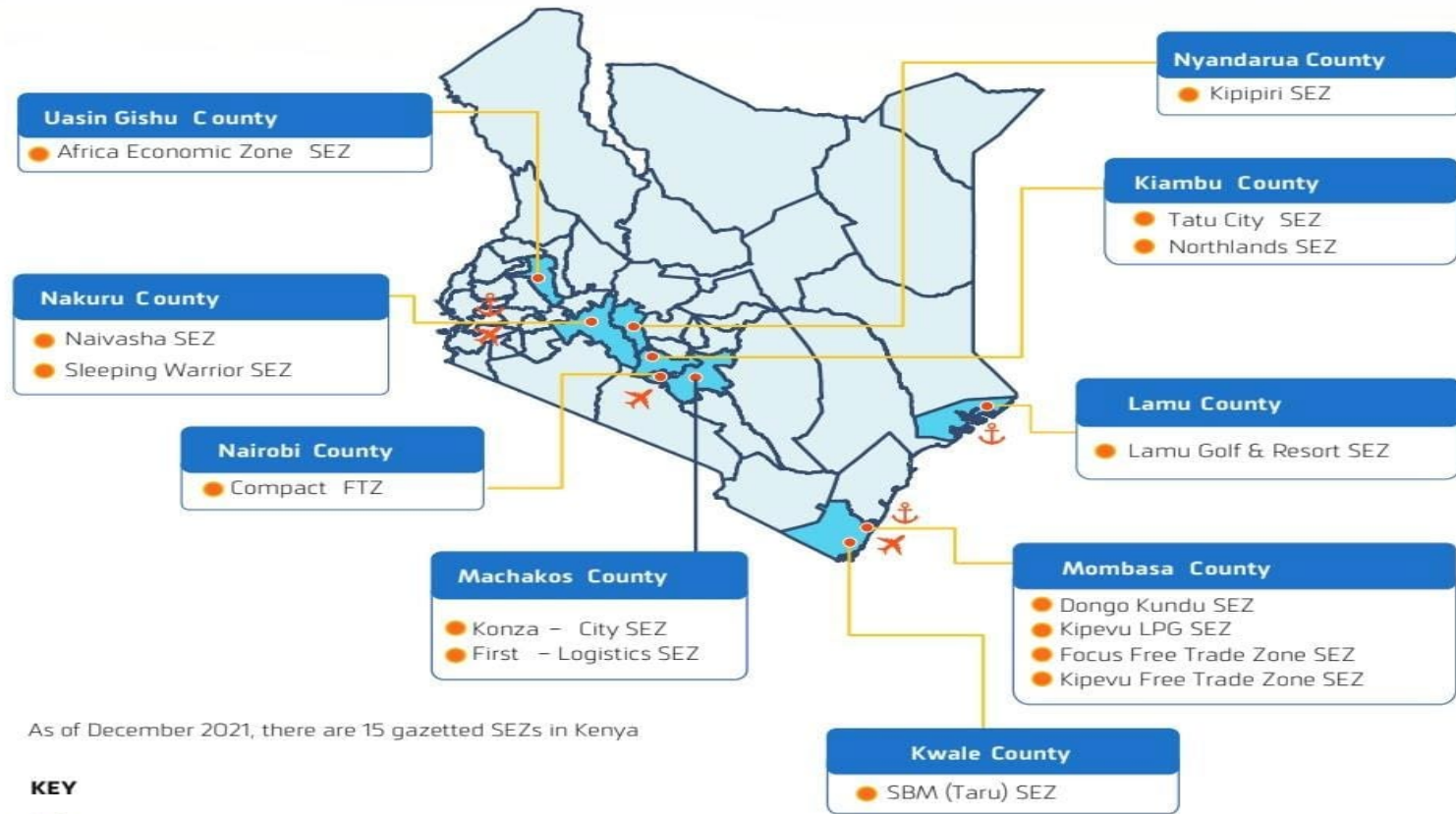


How SEZs will foster competitiveness and facilitate linkages within the economy Conti..

- i. In addition to its sectoral focus, the Kenyan SEZs program aims to be sustainable from a social perspective in how it is developed and operated. The goal is to contribute to broader community development by building skills and enterprises development of linkages with local entrepreneurs and community involvement.
- ii. The creation of sourcing linkages between SEZ firms and local suppliers is often thought to be one of the most important and effective ways in which indirect effects can be realized.
- iii. Through the declaration and gazettment of zones across the country, the SEZs are expected to create to the local economy by creating more activity and jobs within local supplier firms in all the regions of the country.
- iv. The above can be done through enticement of local firms to upgrade their production processes and management practices in order to meet the quality requirements of SEZ firms.



Gazetted SEZs



As of December 2021, there are 15 gazetted SEZs in Kenya

KEY

- Counties with SEZs
- International airports
- Inland and Coastal ports

Naivasha SEZ

- Located in Nakuru County along the Nairobi - Naivasha Standard Gauge Railway (SGR) line at Mai Mahiu
- 1,000 acre land
- Including Industrial Parks, Inland Container Depot, Railway Marshalling Yard and Logistics Zone
- Power supply with lower tariff



Artistic Impression of Naivasha SEZ.

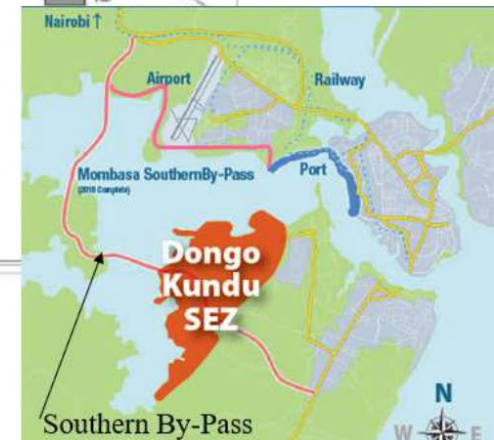
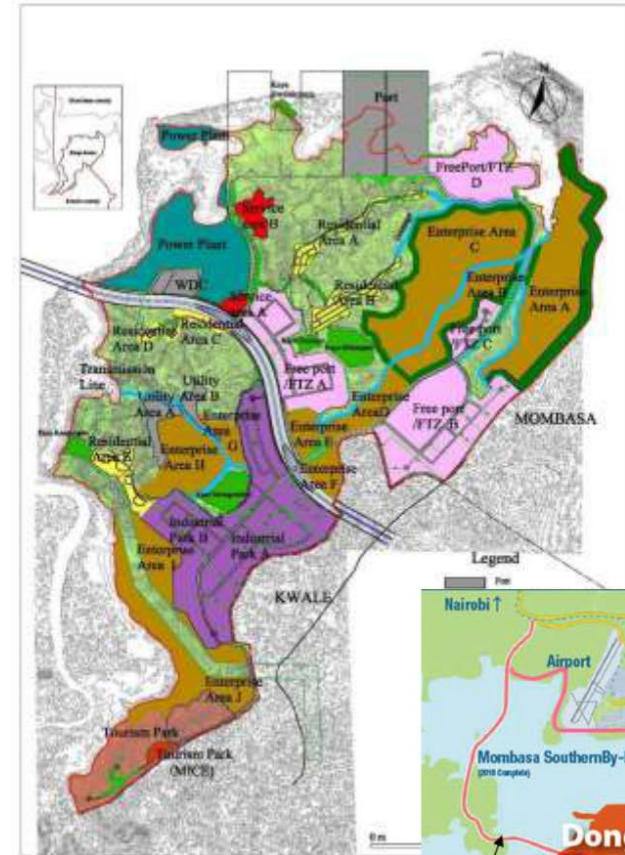




Dongo Kundu SEZ

- Located in Likoni Sub-County in Mombasa County
- 3,000 acres land
- Including Industrial Parks, Free Trade Zone, Free Port, MICE Zone and Residential Area

The area will be connected with Mombasa Southern Bypass





Konza Technopolis City

- Located in Malili, Makueni County
- 5,000 acres of land
- Including Science and Technology Park, Data Centre, MICE and Residential Area

The area will be connected with Mombasa-Nairobi SGR



Tatu City SEZ

Tatu City SEZ

- Located in Kiambu County
- 5,000 acres of land
- Including Industrial Parks, Science and Technology Parks, Business Parks etc
- The area is equipped with homes, schools, offices, shopping district, medical facilities, nature areas, sport & entertainment complex.



African Economic Zone (AEZ)- Eldoret

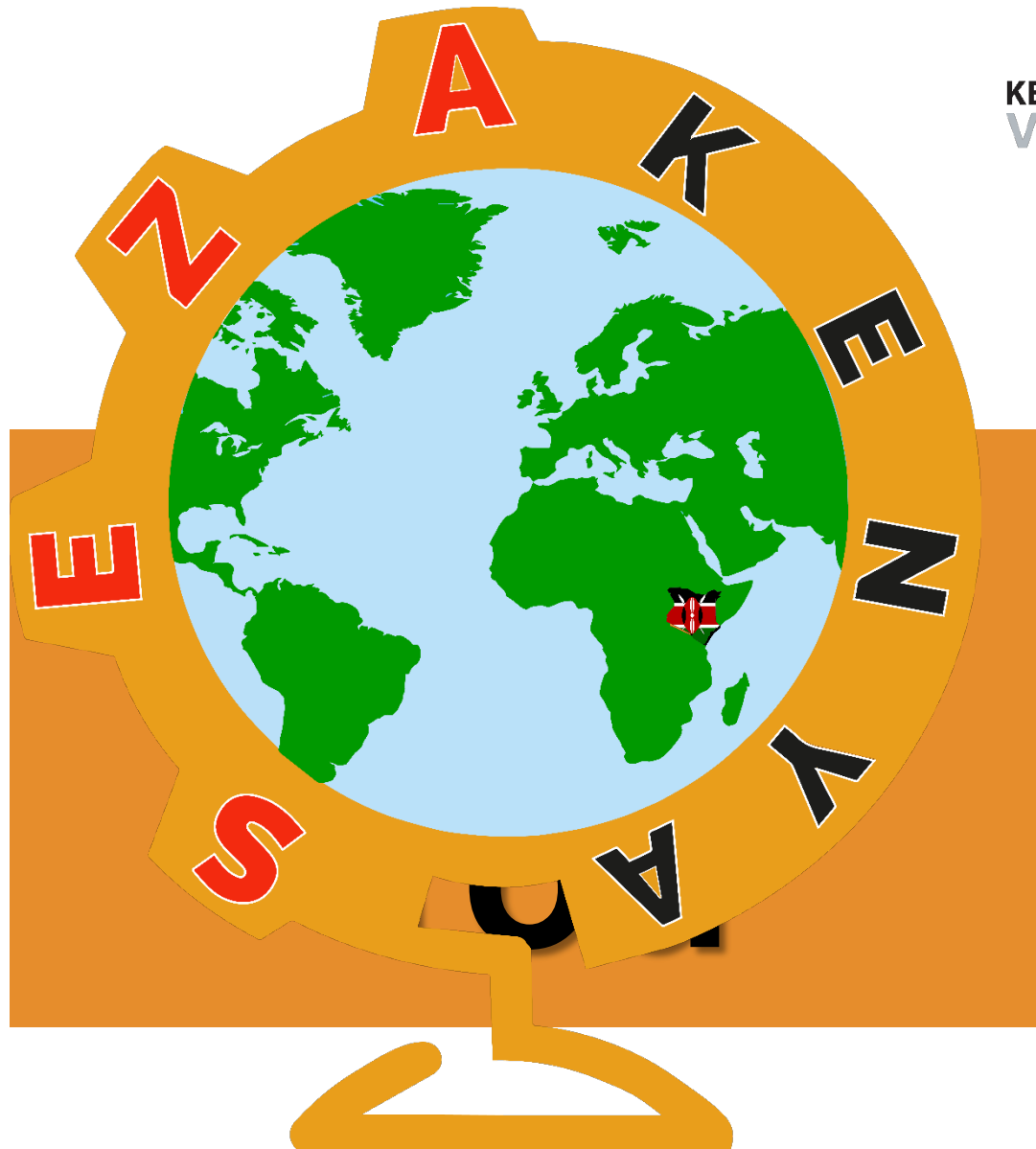
- Located in Eldoret Town Uasin Gishu county
- 700 acres land
- Including Industrial Parks, Science and Technology Parks, Business Parks etc
- Connected to Naivasha Malaba MGR



Compact FTZ

- Located in Embakasi, Nairobi county
- Free Trade Zone (Logistic, Bulk breaking, light manufacturing, MICE facilities)
- Connected to SGR





“Powering Growth”