



REPUBLIC OF KENYA



MITI

**MINISTRY OF INVESTMENTS,
TRADE & INDUSTRY**

**THE INDUSTRIAL SPACES
IN KENYA**



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The Government of Kenya has identified the chain of industrialization, manufacturing and value addition as a key pillar towards jobs creation and overall economic development in the country.

To drive this agenda is the Industrial Spaces programme made up of Export Processing Zones, Special Economic Zones and County Aggregation and Industrial Parks as follows;



1. EXPORT PROCESSING ZONES (EPZs)



I. ATHI RIVER EPZ

Run by Export Processing Zones Authority, a state agency, Athi River EPZ sits on 454 hectares of land. A total of 248 hectares is occupied by 90 investors in various sectors mostly textile and apparel for export. 60 hectares are used by administration buildings and other amenities. 72 hectares are taken up by roads and wayleaves while 72 hectares still remain for uptake by investors.

Currently, there is a deficiency of sheds for investors to get in with requests of up to 300,000 square meters pending.

Land in Athi River EPZ is leased under the following basic terms;

1. Rent is USD 6,000 per hectare per annum.
2. 15% Service charge applicable of the rent payable.
3. Initial deposit of USD 3,000 per hectare applicable to the first year's rent.
4. One-time payment/Stand premium of USD 10,000 per hectare payable immediately.

5. One year rent free period for EPZ Limited companies.
6. Lease term is 30-50 years
7. Escalation of 20% after every 5 years.

Sheds in Athi River EPZ are leased on the following basic terms;

1. Rent is USD 2.50 per square foot per annum,
2. Service charge is 15% of the rent payable,
3. Refundable deposit is the equivalent of three months rent and service charge,
4. Lease term is 6 years renewable,
5. Escalation is 12.5% every two years,
6. One quarter rent free fit out period.

FIVE NEW FLAGSHIP EPZS

In a bid to spur industrialization across the regions, the Government has established five new EPZs as follows;

1. Sagana in Kirinyaga County
2. Delmonte in Murang'a County
3. Egerton in Nakuru County
4. ICDC in Uasin Gishu County
5. Nasewa in Busia County

The National Government has committed Kes 1 Billion for each new EPZ for construction of basic infrastructure and basic sheds for phase 1 of the project. A model design and BQS have been approved. Construction process is expected to take place effective July 2023.

According to the design, in Phase 1, each of these EPZs will have 10 manufacturing sheds with a total of 26,250 SQM and expected to attract an average of 10 major investors with very positive impact on local farmers and communities as well as exports and economic growth.

To manage the expected demand for space, the Government is seeking partnership with individuals, public and private organisations and investors to invest in sheds and assure them ready investors to take up the spaces.



2. SPECIAL ECONOMIC ZONES

We have the following existing and proposed Special Economic Zones in the country run by the Special Economic Zones Authority, a government agency.

I. EXISTING DONGO KUNDU SEZ IN MOMBASA COUNTY

It sits on 1,764 acres. Phase 1 is on 300 acres where detailed designs have been done. Expression of interest has been done with a demand of 1,700 acres against 1,300 acres available. Analysis of the requests is going on after which they will be allocated.

II. NAIVASHA PHASE 1 SEZ IN NAKURU COUNTY

This sits on 1,000 acres. 905 acres have been allocated to investors remaining with 95 acres against current requests of 160 acres. This increased demand for land led to Naivasha 2 SEZ.

III. NAIVASHA PHASE 2 SEZ IN NAKURU COUNTY

This is expected to sit on 5,000 acres, adjacent to the Naivasha 1 project. The process of acquiring it is ongoing.

IV. LAMU SEZ

The Government is working towards transferring 10,000 acres from Lapset for this purpose. The process is ongoing.

V. ISIOLO MEAT AIRPORT SEZ

This is expected to transform Northern Kenya and will include a modern abattoir and world class airport to export meat directly outside the country.

Special Economic Zones approach is not to build industrial sheds but to allocate land under agreed terms and conditions and investors develop.

Incentives provided for under SEZ Act are as follows;

TAX HEAD	TAX CHARGE
Corporate Tax	10% for the first 10 years after start of operation 15% for the next 10 years 30% for the subsequent years
Withholding Tax	0% - Divided for Non-Resident 5% - Royalties, Interest, Management and Professional Fees 10% - Any other payment
Investment deduction	100%.
VAT	The supply of goods or taxable services to an SEZ is VAT exempt
Stamp duty	Exemption from stamp duty
Excise Duty	Excise Duty is exempt
IDF	Exemption from payment of IDF
Import Duty	Exempted as SEZ are outside customs territory
Advertisement Fees	Exemption from payment of advertisement fees and business service permit fees levied by the respective County Governments' Finance Acts
Liquor License	Exemption from Liquor License Fees from County Government

COUNTY AGGREGATION AND INDUSTRIAL PARK



3. COUNTY AGGREGATION AND INDUSTRIAL PARKS (CAIPS)



The Government is establishing these parks in all the 47 counties which will have aggregation centers and value addition sections aimed at achieving the following;

1. Prevent post harvest losses at the grassroots by receiving and storing all harvests.
2. Get higher and predictable earnings for farmers by selling their produce domestically in other counties and export markets in warehouses outside the country.
3. Value addition in the light manufacturing sections to boost earnings.

The proposed construction of phase 1 will utilize ten acres, with construction of 4,000 SQM of sheds, 2,000 SQM of which will have cold storage. Another 4,000 SQM sheds will have 40 value addition investors from the local area.

Phase 1 will also have basic infrastructure of water supply, a police post, perimeter fence, gate house, roads, drainage, sewerage system and power connection.

The design and costing for the model CAIP is complete and awaiting rollout effective July 2023. The model CAIPs and EPZ designs was done by a multi-disciplinary team from Ministry of Investments, Trade and Industry, Ministry of Lands and Urban Planning, various Universities and technical Institutions.

Under CAIPS implementation, both the National and County Governments are contributing Ksh 250million, a total of Ksh 500 Million per county for phase 1 expected to be implemented in 24 counties in the next 2023/24 FY and the other 23 counties in the following year due to logistical limitations.

Investors will be guided on particular investments in CAIPs depending on local raw materials available to ensure a sustainable, well planned and distributed roll out regionally.

We are coming up with special incentives to be enjoyed by investors in the County Aggregation and Industrial Parks which will be gazetted as Special Economic Zones.

In this programme, the Council of Governors is a co-partner because it is in the counties where all the EPZ and CAIPs will be domiciled.

EXPECTED WAY FORWARD

- 1.** Take off of Phase 1 of CAIPs in 24 counties and five new EPZ from July 2023.
- 2.** Convene Development Partners Forums to share opportunities in support, networks and investments.
- 3.** Convene county and regional forums to sensitize local investors to invest in the spaces.
- 4.** Convene national and international forums to sensitize investors to invest in the spaces.

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