



SPECIAL ECONOMIC ZONES (SEZ) PROGRAM

Opportunity to widen areas of investment

Message from the Hon. Amos M. Kimunya, EGH, MP; Minister for Trade

The Government of Kenya has committed itself to the transformation of the Export Processing Zones (EPZ) program into the Special Economic Zones (SEZ) program. This transformation is a significant milestone in establishing an enabling environment for business in Kenya, and will significantly support the attainment of the economic gains envisioned in Vision 2030, creating wealth and inducing spatially distributed economic activities.

The Ministry of Trade will champion this transformation through an Inter-Ministerial Task Force incorporating the Ministries of Industrialization, Transport, Information and Communication Technology, Lands, Finance, Tourism and Agriculture. This committee will deal with the translation of the policy into legislation and will also engage key institutions such as Kenya Revenue Authority, Kenya Airports Authority, the Kenya ICT Board, Kenya Ports Authority, the State Law Office as well as the EPZ Authority itself.

The EPZ Program, which was initiated to promote export oriented investment within



Hon. Amos M. Kimunya

The Special Economic Zones (SEZs) will provide opportunities to open up new areas to investment, offer a menu of activities which the private sector can participate in, concentrate modern infrastructure in

designated zones and has served to expand investment in export activities. It is notable that the EPZs contribute 10 per cent of national exports and account for the majority of apparel production for the US market. Clothing is now the third largest merchandise export from Kenya after horticulture and tea. Despite these successes the transformation of EPZs to SEZs is timely and necessary in view of changes in the dynamic local, global and regional economic environment.

carefully targeted locations which were previously under-served, and harness local innovation to create new, globally competitive products and services.

The SEZs will build on our nation's comparative advantages. These advantages, including Kenya's strategic geographic location, access to abundant natural resources and available manpower create significant competitive advantage in professional service delivery, clustered dynamic manufacturing capacity, cost effective infrastructure services, efficient trade logistics, innovative research and development capacity and; value-added hospitality services.

The Special Economic Zones will provide a legislative framework with incentives to support various beneficial economic activities.

The Special Economic Zones will provide for establishment of various industrial parks, information and communication technology parks, incubation centers, free ports, free trade zones, agricultural free zones, regional corporate headquarters, science and technology parks, and tourism development zones in addition to revamped export processing zones. Several flagship projects identified in First Medium Term Plan of Vision 2030 will be facilitated by the passing

of a Special Economic Zones Act.

These flagship projects include a Multimedia Technology Park in Athi River, free ports in Mombasa and Lamu, and three resort cities in Isiolo, Diani and Kilifi.

In addition, the Government intends to establish the Athi Basin Industrial Corridor from Mombasa to Nairobi as a Special Economic Zone.

In preparation for this, the Export Processing Zones Authority Board has commenced an organisational review to restructure and empower the EPZ Authority to fulfill its new mandate as it transforms into the Special Economic Zones.

The objective is to create a world class economic development facilitator in line with international best practice.

The private sector will play a key role in the design and operation of the Special Economic Zones program as they will be fully engaged through stakeholder consultation and will also become investors in the SEZ areas through public private partnerships and in private businesses which will be established in the SEZs.

Extensive sensitization activities are planned over the next 6 months leading to the drafting of a Special Economic Zones bill for debate by Parliament.

Infrastructure to attract investment

Message from Dr. (ENG) Cyrus Njiru, PhD, CBS; Permanent Secretary Ministry of Trade

The policy by the government to transform the Export Processing Zones program (EPZ) to Special Economic Zones (SEZ) is a significant milestone in the way we do business in this country. This transition complements the government's initiative towards the achievement of economic and social objectives under the Vision 2030.

The transformation has been undertaken to widen the scope and accommodate more activities under a liberalized and vibrant business environment. This will ensure that the country attains global competitiveness with a high quality of life. One of the challenges the country faces is that of having the small and medium scale sector not being adequately incorporated into the mainstream business.

The government has embraced the transformation to Special Economic Zones as a strategy to integrate and widen the commercial sector in order to attain its economic goals and objectives. Special Economic Zones are geographic areas with comparable infrastructure to attract investment. They will encompass value addition investments in varied activities such as, trading, EPZs, free ports, industrial parks - including ICT parks, special agricultural parks and tourism recreational centres. It is anticipated that the all inclusive package will spur development and rapid economic growth and give the country the following benefits.

- Integration of value chains and thus ensure an integrated approach in the country's economic development.
- The creation of viable sectoral clusters through development of infrastructure



Dr. (Eng) Cyrus Njiru

facilities to support the co-location of various firms in related fields like leather, textile, ICT and related services.

- The development of integrated value chains which will link primary production to value addition and forward linkages to the local, regional and external markets.
- Increased and intensive use of the country's local resource and service base such as transport, logistics, financial services, increased activity at both the land and sea ports (free ports), use of the railways and broadband telecommunication services.
- Increased investment of new enterprises under the broadened SEZ framework in productive assets and the creation of both direct and indirect jobs to our youth.
- Expanded links with the local and regional economies under the East African Community.
- Market expansion and the diversification of goods & services.
- Increased technology adoption and skills development.

The Ministry is coordinating an inter-ministerial committee comprising of all stakeholders in the public and private sectors in the preparation of a Special Economic Zones Bill which will go through the parliamentary

Avenue to create more jobs

Statement from the Chairman, Mr. Mathenge Wanderi.

The Special Economic Zones (SEZs) regime is yet another milestone for our country after the Export Processing Zones Authority (EPZA) successfully steered the country to great heights in job creation, technology transfer, export diversification and promotion particularly to the United States of America under the African Growth and Opportunity Act (AGOA) since its inception in 1990.

The performance of the EPZ programme and its contribution to the economy has steadily been increasing. The number of gazetted zones has risen from 16 to 38, operational enterprises from 18 to 75, total employment from 3,719 to 30,183, investment from Sh. 3.7 billion to Sh.20 billion, exports from Sh.1.8 billion to Sh.28 billion and domestic expenditure from Sh.511 million to Sh.11.3 billion between 1998 and 2008.

A number of products are exported from the EPZ. These include Banknotes, Passports, Cotton yarn, Preserved flowers, Fortified foods, Apparels, Essential oils, Pharmaceuticals and Electrical products.

The contribution of EPZ towards Kenya's national exports in 2007 stood at 9.94 per cent while with respect to manufacturing sector output, industrial supplies (non-food) manufactured exports, manufacturing sector employment and Gross Domestic Product (GDP), it stood at 4.86 per cent, 40.13 per cent, 13.38 and 1.62 per cent respectively.

However this has not been without serious challenges emanating from changes in the global markets such as the coming to the end of the Multi Fibre Agreement (MFA) that increased competition from China, tariffs and non tariff barriers and more recently the global melt down that is affecting out traditional markets in Europe and America.

It is under this background that my board together with the entire management and staff of EPZA would like to thank the Cabinet for approving the transformation of EPZ to special economic zones on the 6th March 2009. Our thanks go to the Minister for Trade and the Permanent Secretary for their tireless efforts in getting

us to where we are.

Our realization that the EPZ regime established under the Act of Parliament Cap 517 of 1990 has outlived its usefulness led us to explore the possibilities of introducing the SEZs regime so that we can accommodate a much wider range of industrial, agricultural, commercial and service oriented enterprises that can be spread all over the country so that we can take economic activities to the entrepreneur at the country side where the youth can engage in productive activities without moving to the cities.

With the transformation to SEZ, all parts of the country will benefit. Central Province and Rift Valley will experience increased agricultural value addition, there will be establishment of Disease Free Zones in North Eastern Province which will attract meat processing industry, Nyanza Province will benefit with the establishment of fish and revival of textile industry, Western Province with Information Technology Park, Coast Province with establishment of freeports and fish industry.

Nairobi and Eastern Provinces will experienced increased activity due to the establishment of the free trade zone corridor that stretches from Nairobi to Mombasa.

To fast track the transformation process, the board is at the final stage of finalizing the Strategic Plan that will guide the achievement of the SEZs goals and align them to Vision 2030. To this end the Authority has embarked on the process of determining the necessary legal, regulatory and institutional reforms that will drive the SEZs regime.

These changes will address the sector based incentives, facilitation as well as facilities. As we undertake this challenging task, we would like to call upon the Kenyan business community and in particular the indigenous ones to live up to the expectations by partnering and pooling resources so that they can take advantage of this enabling business environment.

Finally, SEZs will be a private sector driven process with the Authority and the Ministry doing the facilitation work. I therefore appeal to our private sector to look beyond our major cities and take the zones to the districts where they will benefit our growing and unemployed youths.



Mr. Mathenge Wanderi