

AMCHAM BUSINESS SUMMIT 2024 | April 24-25 | Windsor Golf Hotel, Nairobi

Why investors are eyeing Kenya's special economic zones

As the American Chamber of Commerce (AmCham) Business Summit 2024 kicks off today, it is worth pointing out that the Kenyan Government, in its 2023/2024 national budget, prioritises manufacturing as a key enabler for realising national economic development goals

BY MILLICENT MWOLOLO

Kenya still has a low supply of industrial and warehousing facilities, despite increased demand for storage and distribution spaces brought about by a surge in e-commerce.

In 2023, the national government set aside Ksh4.7 billion for the construction of industrial parks in counties to promote value addition and manufacturing.

Principal Secretary for Investment, Trade and Industry Dr Juma Mukhwana, noted then that each county was expected to contribute Ksh250 million towards the implementation of the project in the subsequent financial year, to particularly fund the provision of electricity, water, effluent management, internet, security, and common transport.

Speaking on the same issue in November last year, Council of Governors

chairperson Anne Waiguru pointed out that the industrial parks would bring jobs closer to the youth.

A number of county governments kick-started the construction of industrial parks. At the same time, private investors have been putting up establishments in special economic zones (SEZ) to augment government ambitions.

Earlier in 2020, the Covid-19 pandemic had exposed the huge need for warehousing, even in developed markets such as the United States and Europe, as e-commerce grew and more businesses needed storage and distribution facilities. E-commerce continues to grow even in Kenya, raising the demand for quality industrial facilities (Grade A) in the country.

"The global Covid-19 pandemic, US-imposed sanctions in January 2022 that ended Ethiopia's preferential market access under the Africa Growth and Opportunity Act (AGOA) – its largest client – and ongoing conflict in northern Ethiopia, have pushed



Investment Trade and Industry Principal Secretary Dr Juma Mukhwana speaks during a consultative meeting in Eldoret with governors from cotton growing counties and other stakeholders, on February 1, 2024. JARED NYATAYA | NATION

international manufacturers occupying more than two million square metres of industrial space in Ethiopia to rethink their location," comments Dean Shillaw, the Managing Director of Nairobi Gate Industrial Park, a purposely-built SEZ manufacturing and warehouse park in Ruiru, with a con-

solidated customs-control area for the textile and apparel industry.

As the American Chamber of Commerce (AmCham) Business Summit 2024 kicks off today, it is worth pointing out that the Kenyan Government, in its 2023/2024 national budget, has prioritised manufacturing as a key enabler for realising national economic development goals. The government has allocated \$158 million towards manufacturing and industrialisation. The allocation will be deployed in line with the new value chain approach, which calls for the mapping of production processes throughout products' value chains.

Potential opportunities exist for US companies, including technology and service providers in industrial research facilities and programmes, and leather and textile manufacturing.

Kenya stands a good chance of capitalising on the geopolitical uncertainty that has befallen Ethiopia, traditionally a mainstay of international textile and apparel manufacturers because of its introduction of industrial parks in the late 1990s.

In the textiles sub-sector, the Government of Kenya is supporting value-chain development through opportunities to modernise cotton ginneries, textiles mills, and technologies for optimisation and integration of cotton and

ginneries and textiles mills.

Private investors who have come in to tap into the ambitions of the government's industrialisation agenda are introducing cutting-edge innovations and world-class industrial spaces within the special economic zones.

Modern fit-for-purpose industrial parks have raised the standards for the traditional industrial complexes, and warehouses are featuring innovative and flexible models deliberately designed to maximise spatial efficiencies.

Players benchmarking with global trends have ensured stable power supply to suit any business size, adequate water storage, wide roads, generous parking, and large yards.

SEZ investors are entitled to a 10-year corporate income tax holiday and a 25 percent rate thereafter; a 100 percent investment deduction allowance; a perpetual exemption from import duties and VAT on raw materials and machinery; and a 10-year withholding tax holiday.

The 100 percent investment deduction allowance means that an investor who incurs capital expenditure on buildings or machinery used in the factories is entitled to an investment deduction equal to the entire cost.

mmwololo@ke.nationmedia.com

URBiS

Upcycled, Rapid-Build Industrial Spaces

Congratulations to Nexgen Packaging on the opening of their factory in Kenya - Africa's first EDGE certified industrial space for textile and apparel.

Sustainability - Recognised as the first EDGE Certified Textile & Garment Factories in Africa.

Rapid Build - 7 months construction time.

Compliant - URBiS is designed and built to ILO standards for Health & Safety and Social Compliance.

Flexibility - Designed and built in line with Nexgen Packaging's requirements, including ceiling heights and electrical specifications.



Designed, Manufactured and Built by **CONTECH**

Email: info@contech.co.ke
Tel: +254780888822
Web: www.contech.co.ke



AMCHAM BUSINESS SUMMIT 2024 | April 24-25 | Windsor Golf Hotel, Nairobi

The making of fit-for-purpose industrial space for apparel manufacturing in Kenya

The East Africa textiles and apparel sector is on the cusp of change. In the next four to five years, Kenya has the potential to quadruple its annual garment exports into the US market to over \$2 billion. This would bring with it 200,000 direct jobs, particularly for women, while also giving Kenya the opportunity to build her reputation as an environmentally and socially responsible destination for garment production.

Today, Kenya is already the leading exporter of garments under AGOA, recording \$545 million worth of exports to the US market in 2023. Over 60,000 workers are directly employed in the country's export-oriented zones, spread across 36 manufacturing factories. Dominating about 90 percent of the EAC apparel exports market to the US, investors from the UAE, China, India, Sri Lanka, Taiwan, and Kenya, have already recognised the region's potential, and begun engaging in the sector.

As the US senate currently prepares to vote on the extension of the African Growth and Opportunity Act (AGOA) to 2041, which would extend Kenya's duty-free access to US markets, Kenya is also engaging in bilateral talks with the USA under the Strategic Trade and Investment Partnership framework. This is expected to launch the first significant preferential trade relationship between the USA and a sub-Saharan country.

The opportunity is ripe. Investors are keen to access the market and are looking for ways to enter. The region's young and educated population is ready to respond. However, standing between the sector's potential and where it is today, are several constraints that continue to hold back the sector's growth.

Kenya is already the leading exporter of garments under AGOA, recording \$545 million worth of exports to the US market in 2023. Over 60,000 workers are directly employed in the country's export-oriented zones, spread across 36 manufacturing factories.



For the past three years, Gatsby Africa, a private foundation with 35 years' operating in East Africa, has been actively advocating for the development of fit-for-purpose industrial spaces. We have engaged with key players in the sector to understand the constraints they are facing, and how to best address them.

Built space

A lack of built space continues to

hold the sector back. Potential garment manufacturers continue to visit Kenya, exploring our industrial parks and greenfield sites. Other investors have been offered access to generic existing warehouses that require significant modifications to make them suitable. Time and time again, the lack of existing infrastructure is proving expensive, costing potential investors a huge amount of time and money, leading them to explore investment opportunities in other countries. It is estimated that Kenya has already missed out on business from between 10-20 large investors, worth up to \$200 million dollars, due to a lack of appropriate built space.

Compliance

To attract the right investment, built sheds need to be compliant and built to International Labour Organisation (ILO) standards, taking into consideration construction imperatives such as manufacturing area, height, spacing between the pillars, workflow considerations, toilet facilities, in addition to critical health and safety features such as emergency exits that include appropriate fire doors and firefighting equipment. Building on this, provisions for solar, water harvesting, canteens and day-care facilities could give Kenya further advantage.

To be successful, these changes need to be delivered at the right size and price, and garment man-



Interior View.



Interior View.

ufacturers require an adequate production runway to scale and achieve commercial stability within the first few years of establishing the facility.

We are not starting from scratch. Kenya already hosts numerous global leading brands with sourcing and manufacturing hubs, office, and supply chains here. This serves as a testament to the country's potential to emerge as the next global manufacturing hub for textile and apparel globally.

Opportunities for action

For the past three years, Gatsby Africa's Textiles & Apparel programme has been working with developers and manufacturers to explore solutions to East Africa's lack of built space. Today and tomorrow at the 2024 American Chamber of Commerce (AmCham) Business Summit in Nairobi, we'll be discussing the steps that can be taken to realise this opportunity. To find out more, contact Joseph Nyagari via: joseph.mosoti@gatsbyafrica.org.uk



Front View.

AMCHAM BUSINESS SUMMIT 2024 | April 24-25 | Windsor Golf Hotel, Nairobi

Policy expert on decisions Kenya should make to achieve manufacturing ambitions

Economic blueprints in Kenya have since independence highlighted the special role of the manufacturing sector in the attainment of the country's economic aspirations

BY MILLICENT MWOLOLO

In January while at Maai Mahiu in Nakuru County, President William Ruto said that the government was equipping special economic zones (SEZs) with the necessary facilities to attract investors.

Foreign direct investments, the president further observed as he commissioned 90 MVA Naivasha Special Economic Zone Sub-Station, will drive industrial growth and increase exports. "Exports are a very important agenda because we are importing too many things that can be manufactured locally," he stressed.

Economic blueprints in Kenya have since independence highlighted the

special role of the manufacturing sector in the attainment of the country's economic aspirations.

Manufacturing has the potential to create quality jobs, increase household incomes, widen the tax base, and boost Kenya's balance of payment by increasing exports. However, manufacturing in Kenya has not achieved its full potential, therefore failing to make the kind of contribution it should to the country's national output.

Public policy analyst Raphael Obonyo says that while the government's recent emphasis on the establishment of industrial parks in the counties was a good move, it may not yield desirable results if it is not anchored on a strong policy framework.

Local manufacturing, he observes, creates jobs within the community, which can have a positive impact on local economies. With the high rate of youth unemployment in Kenya and the ever-growing youth population, special economic zones can be the new vehicle to ensure that industrialisation takes off in Kenya

faster, and that the country taps into its youthful demographic dividend efficiently, he says.

"When materials and labour are sourced from local suppliers, the money spent circulates within the community, contributing to economic growth and fostering indirect job creation and improved living standards," says Obonyo. This, according to him, will make communities in Kenya an integral part of national development, promoting inclusive and equitable growth.

The public policy expert recommends the adoption of policies that champion provision of an enabling environment for the growth of Kenya's manufacturing sector share of GDP, and promotion of the integration of manufacturing with agriculture, mining and other primary raw materials production sectors to enhance efficiencies and grow incomes across industry value-chains. "This has the high likelihood to create new jobs and higher real wages across the entire economy," he says.

President Ruto pointed out that



Policy specialist Raphael Obonyo speaking at a past event. PHOTO | FILE

the development of industrial parks in the counties will position Kenya to benefit more from the African Continental Free Trade Area (AfCFTA), African Growth and Opportunity Act (AGOA), and other markets.

Obonyo advises that a focus on SEZs should be strengthened with a review of Kenya's foreign trade regime to drive exports into areas that contribute to broader growth. "Exports will earn the country foreign

exchange, which will strengthen the Kenyan shilling, and bolster the country's balance sheet," he says.

He also points out that for any meaningful gain to be achieved in these areas as envisaged, there must be strong collaborations and consultations between the central and county governments, in spite of any differing political inclinations.

mmwololo@ke.nationmedia.com

NEWVASHA

DEVELOPMENT • EPZ • LTD

GLOBAL GATEWAY:
EMPOWERING BUSINESSES THROUGH OUR EPZ

WHY CHOOSE US?

- Tax Incentives
- Technology Transfer
- Streamlined Regulations
- Employment Opportunities
- Diversification of Economy
- Lower Operational Costs

FIND OUT MORE!

 newvashaepz.com

 +254 722608220

 Naivasha, Kenya

Nairobi Gate to launch the most pioneering apparel park in EAC



Dean Shillaw, Managing Director



The development is a joint venture of Impact North and Actis. Impact North has a deep heritage spanning over 100 years as a family business that takes pride in bringing efficiencies through the most cost-effective structure. In 2017, Actis, a private equity company, acquired a portion of the business.

Impact North has put over 2.5 million square metres of space over the years. In 2017 the firm ventured into South Africa before moving into Zambia, and Kenya.

The cotton, textile, and apparel industry in Kenya is rapidly growing, and this has resulted in an increased demand for modern manufacturing and warehouse facilities to enhance efficiencies and productivity.

Dean Shillaw, Managing Director, Nairobi Gate Industrial Park



mmwololo@ke.nationmedia.com

BY MILLICENT MWOLOLO

Nairobi Gate Industrial Park (NGIP), East Africa's first fit-for-purpose special economic zone (SEZ) with a fully consolidated customs-control area covering 103 acres, is introducing a one-of-a-kind one million square foot development worth over \$40 million for the textile and apparel industry in Kenya.

The modern facility will offer international tenants fit-for-purpose light industrial buildings to let or purchase. This one-stop-shop will look after all their infrastructure needs, SEZ needs, preferential tax requirements (eg corporation tax reduction from 30 percent to 10 percent), and zero import duty, plus all other necessities, says Dean Shillaw, the Managing Director.

NGIP has taken industrial space standards in Nairobi a notch higher, and there's no doubt that it will be a top choice for investors, given its offerings.

The masterplan provides for a robust infrastructure connection (water, sewer and power) and a secure business environment equipped with fire retardants, fire horse reels, green certifications, changing rooms for staff, appropriate toilets, gestation rooms, and more.

"NGIP features very sophisticated facilities to ensure it operates at the most efficient level, and that we become an economic powerhouse in the industrial sub-sector," says Shillaw.

In addition, NGIP has an automatic power back up supply to ensure no downtimes.

It seeks to tap into the huge demand from international users looking into Nairobi and the East African market at large, Shillaw says. "The cotton, textile, and apparel industry in Kenya is rapidly growing, and this has resulted in an increased demand for modern manufacturing and warehouse facilities to enhance efficiencies and productivity," he ex-

plains.

Shillaw continues: "Kenya is expected to become Africa's textile and apparel hub. Nairobi Gate's excellent location and SEZ status provide several financial and non-financial benefits for licensed tenants."

Apart from benefitting tenants, NGIP will trigger employment opportunities in Kenya's second-largest manufacturing industry after food processing, and generate over 10,000 indirect jobs. It will support the Kenyan economy significantly, attracting foreign direct investment (FDI), especially in bulk infrastructure projects.

The SEZ status, from a policy perspective, gives NGIP clients an advantage as job creators. "If you operate from here, you only pay 10 percent corporate tax. You get exemptions on import taxes, Import Declaration Fees (IDF) and Railway Development Levy (RDL). You also pay no value added tax (VAT) on rent, and benefit from lower power tariffs compared to Nairobi Industrial Area."

NGIP sets a precedent for quality-built warehouse facilities and could act as a catalyst to drive growth in the market. It offers a lot of flexibility, in that each tenant can get any size of space depending on their business needs. The facility offers built-to-suit solutions based on tenant's requirements.

"We can also accommodate special needs based on more power, more water, additional truck parking bay opportunity, more toilet facilities, a canteen facility, and so on," says Shillaw.

The Grade A warehouses incorporate office components on the ground and first floors, with tenant allowances for partitioning, doors, ceilings, electrical lights, and painting. Viewing panels overlook the warehouse floors.

The warehouse component comprises a minimum 9m height to underside of the lowest eaves for racking, multiple roller shutter doors, and on-grade dock access as well as large panel, and FM2 steel fibre reinforced floors. Yards are 35m deep to

allow for efficient truck circulation. Three-phase power is provided with optional solar back-up and individual utility metering.

"The industrial sector holds a lot of growth prospects. We foresee an economy with an educated platform, with the cost of power that is lower, and the growth being fuelled by the geography in Nairobi where there is availability of skilled labour," says Shillaw.

NGIP's location in Ruiru, off the Eastern Bypass, is ideal. It is not far from Nairobi's Industrial Area. It is also close to the Nairobi inland container depot, the standard gauge railway station, and Jomo Kenyatta International Airport. This attribute makes NGIP a very strategic textile industrial park.

The built-for-purpose facility can comfortably accommodate not only the apparel industry, but also food and allied, pharmaceutical distribution, injection moulding, and other value-addition operations. Shillaw says NGIP is so far the most competitively priced in the market in the modern Grade A industrial space, given the benefits and facilities in place.

The Master Plan.



- Customs Controlled Area
- Secured & Monitored Perimeter Fence
- Customs Gatehouse
- Customs Warehouse & One Stop Shop
- Weighbridges