

Inside Dongo Kundu's plan to build regional industrial hub

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Construction of the Dongo Kundu Special Economic Zones Authority (SEZA) is set to start in July, kicking off a chain of events that are expected to make Mombasa a regional logistics and manufacturing hub.

The centre will comprise an export-processing zone (EPZ), industrial parks, free trade zones, as well as other auxiliary services such as tourism, meeting, conferencing and exhibitions. It will also have zoned residential areas for workers.

"Phase one consisting the industrial park – one of the project whose detailed designs have been competed – will include, the port, the free trade zone, power supply, as well as water reservoir," said Kiyonori Matsushima, the Special Economic Zone Development Advisor at JICA.

"Already a port access road inside the zone and SEZA administration block are under construction. The latter is set for completion within the year."

The construction of the first phase will be done under JICA loan scheme – Sh6 billion grant and Sh50 billion concessional loan payable within 30 years with a grace period of 12 years, and an interest of between 0.01 percent for consultant and 0.1 percent for civil works.

The zone, aimed at attracting a more significant share of foreign direct investment (FDI) and exports, as well as jobs, is being developed under the Ministry of Industrialisation and is expected to be fully operational by 2026, according to Mr Matsushima.

To complement the upcoming SEZ is a network of transport corridor flows including road, maritime, rail and air, with the nearly completed four key trade infrastructure with its proximity to the standard gauge railway, the Moi International Airport, and the upcoming Mombasa Southern Bypass or Dongo Kundu bypass cutting right through the SEZ. Kenya has directed a significant investment at port infrastructure development with its sight fixed on maintaining its competitiveness in maritime port operations and global shipping in



Construction works at Dongo Kundu bridge, which is part of a special economic zone projects. FILE

the region.

Kenya faces competition from the central corridor of Dar Es salaam, Tanzania through Serengeti to DRC Congo.

The project at the Mombasa port doorstep is intended to enhance export volumes from Kenya, as part of its export promotion programmes.

The zone is one of the components of the Mombasa Port Development Project (MPDP) – a succession of projects aimed at expanding capacity of the port and enhancing logistics along the Northern Economic Corridor leading to Eastern Africa's hinterland countries served by the Port of Mombasa. The countries include Uganda, Rwanda, Burundi, Democratic Republic of Congo (DRC), South Sudan, Somalia and southern Ethiopia, as well as northern Tanzania.

Establishment of the economic zone is already gaining increasing attention as a hub for investors with reduced red tape for entry and favourable tax regime.

As per the revised draft SEZ regulations (2019), companies operating in the zone will be exempted from VAT; reduced corporate tax from 30 percent to 10 percent for

the first 10 years and 15 percent for the next 10 years; exemption from taxes and duties payable under the Customs and Excise Act (2014), the Income Tax Act (1974), the EAC Customs Management Act (2004), and stamp duty; and exemption from county-level advertisement and license fees.

In addition to an improved regulatory and administrative regime, a special customs regime, and an attractive fiscal regime.

The combined elements at the zone are expected to enhance Kenya's position as a regional logistical and transshipment hub, with an eye beyond the East African countries that have always relied on the port.

"The Dongo Kundu SEZ has the potential to completely change the economic dynamics of the region because it is connecting the Indian Ocean with Africa. And there will be much more trade activity and investment, which will really revitalise the economic activity in this region and create jobs for the region and beyond," said Japanese Ambassador to Kenya Ken Okaniwa.

"With a location for regional pan-African operations – an area dedicated to the Africa Contin-

tal Free Trade Area (AfCFTA) – we anticipate that the port will provide growing access to regional markets, and a catalyst for local private sector development."

The SEZ authority has said it will help SMEs establish direct exporting and subcontracting linkages with firms in the zone.

Similarly, across the SEZ the second container terminal at the Port of Mombasa is being completed. The SGR has been linked to the port for timely cargo evacuation and the port harbour channel widened to accommodate larger vessels.

With funding from the Japanese and Kenyan governments at a ratio of 95:5, the New Container Terminal (CT-2) is being developed with a loan amounting to Sh58.8 billion (Phase 1, Sh26.7billion and Phase 2, Sh32.1billion), and the 28km Dongo Kundu road will get Sh40 billion loan.

"Already, with the ongoing port (CT-2) expansion project, Kenya is well on its way to more than doubling its container handling capacity," explained Dr Stephen Mogere, Japan International Cooperation Agency (JICA's) Infrastructure and Evaluation advisor.