



**MINISTRY OF INVESTMENT, TRADE AND INDUSTRY**  
**State Department for Industry**  
**Office of the Principal Secretary**

**PROPOSED EXPORT AND INVESTMENT PROMOTION LEVY**

The local manufacturing sector continues to be a key contributor to the country's economy, accounting for about 7% of the country's GDP and providing employment opportunities for over 200,000 people. The sector has shown steady growth over the years, with a 3.6% growth in 2019, according to the Kenya National Bureau of Statistics.

However, the sector still faces several challenges that hinder its growth and sustainability. These challenges include stiff competition from cheap imported goods, inadequate infrastructure, and a shortage of skilled labor among others. These factors make it difficult for local manufacturers to compete with imported goods and hinder their ability to increase production capacity and create more jobs.

To address these challenges, over the past years the Kenyan government has implemented various policies and initiatives aimed at promoting local manufacturing, such as the Buy Kenya, Build Kenya initiative, National Industrialization Policy, and the Manufacturing Priority Agenda. These initiatives aim to provide a conducive environment for local manufacturers by reducing the cost of production, promoting innovation, and increasing access to finance.

To note, our Country has an untapped annual export potential of Kshs 450 billion which when fully exploited can create an additional 400,000 direct and indirect jobs, enhance our forex reserve and generate an additional revenue to the exchequer.

As a Ministry in charge of Industrialization, we recognize the importance of this sector in creating jobs, reducing poverty, and driving economic growth. To protect local industries, and provide a financing for the Micro, Small, and Medium Enterprises (MSMEs) in the manufacturing sector (at a time when Foreign Direct investment as share of GDP has been low, declining from 3.1% in 2011 to 0.4% in 2021) the Ministry is proposing a levy christened the **Export and Investment Promotion Levy** on certain import goods/products which the local manufacturing industries has the capacity.

This proposed levy is necessary and will help our Country achieve the industrial goals visioned in Vision 2030. In a nutshell, the levy will help achieve the following:

1. Support local manufacturing which will lead to an increase in the contribution of manufacturing to GDP from the current 7% to 15% by 2027 and 20% by 2030.
2. Support export development which will in turn grow export from current annual growth of 6% to more than 25% targeted by the National Trade Policy.
3. Incentivize investment by local MSMEs in the manufacturing sector
4. Contribute towards reduction of the balance of payment deficit
5. Create a more level playing field for local manufacturers, who have struggled to compete with cheaper imports.
6. Deter dumping of substandard foreign goods.
7. Reduce the country's reliance on foreign goods and services. By promoting local manufacturing, the government aims to create a self-sufficient economy that is less vulnerable to external economic shocks.

Therefore, in accordance with Article 10(2) (a) of the Constitution of Kenya, that highlights National Values and Principals of Governance including public participation, the Ministry has organized a public participation forum as advertised for all industry/stakeholder(s) in the manufacturing industry. During the public participation forum, the industry stakeholder(s) will have the opportunity to express their opinions, give insights, provide feedback, and ask questions about the proposed policy change. The Government officials and industry leaders will be present to answer questions and provide insights into the rationale behind the proposal.

We believe that your presence and input will be valuable, and we encourage you to attend this forum. Your participation will help to shape the policy decision and create a better future for the local manufacturing industry.

To those who would not be able to physically attend the forum, please send your written submissions through the email address [ps@industrialization.go.ke](mailto:ps@industrialization.go.ke) or through P.O Box 30418-00100 Nairobi by 17.00hrs 14<sup>th</sup> April 2023.