



EAST AFRICAN COMMUNITY SECRETARIAT

EAST AFRICAN COMMUNITY MODEL EXPORT PROCESSING  
ZONES OPERATIONAL MANUAL

EAC SECRETARIAT  
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## **EAST AFRICAN COMMUNITY**

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## **BACKGROUND**

Pursuant to Article 29 of the EAC Customs Union Protocol, the Partner States agree to support the establishment of Export Processing Zones.

The objectives and purposes for which an Export Processing Zone may be established include the following, to:

- a) attract and promote investments for export-led industrialization;
- b) create and expand foreign exchange earnings;
- c) create and increase employment and development of skilled labour;
- d) attract and encourage transfer of new technology;
- e) foster linkages of the local economy with international market;  
and
- f) promote processing of local raw materials for export.

This EAC EPZ Model Operational Manual is premised on the mandate provided under Regulation 17 of the East African Community Customs Union (Export Processing Zones) Regulations. The manual has been formulated to guide the competent authorities in the development of national operational manuals in order to promote the uniform application of EPZ regulations.

The scope of this manual is limited to the minimum procedures, requirements and activities related to the operations of EPZs. It provides for applications, licensing, keeping of records, management of manufactured goods, imported goods and goods for export.

This manual will also be useful to the national EPZ Authorities, EPZ developers, EPZ operators, Customs Authorities, Customs Agents, Shipping Agents, EPZ Enterprises and other interested parties.

## **ESTABLISHING NEW EPZ INVESTMENT**

### **A. ACTIVITIES WITHIN EXPORT PROCESSING ZONES**

#### **1) Activities permitted within EPZ:**

- a) The activities which may be carried out within an Export Processing Zone are Manufacturing, Commercial and Service activities; Zone Development; Zone Operation.
- b) These activities shall be carried out on condition that:
  - i) business ventures are based on new investment and appropriate technologies
  - ii) the origin and quality of raw materials, semi-finished products and finished products are ascertainable and controllable
  - iii) the operations shall not endanger the public security, public health and environment; and
  - iv) the operator in a zone should insure the capital assets and employees against any type of risk arising out of the operations.
- c) A non-EPZ enterprise may operate in the EPZ supporting business service activities within the zones, under a business service permit.

#### **2) Activities prohibited within the EPZ:**

Prohibited activities include:

- a) Retail trade in goods produced in the Export Processing Zone or imported into the EPZ;
- b) Personal consumption of goods manufactured in an EPZ or imported into an EPZ;
- c) Trading in, handling, manufacturing and storing any goods prohibited from import under the EAC Customs Management Act and any other law effective in the Partner States and including:
  - i) False money and counterfeit currency notes and coins and any money not being of the established standard in weight or fineness;
  - ii) Pornographic materials in all kinds of media, indecent or obscene printed paintings, books, cards, lithographs or other engravings, and any other indecent or obscene articles;

- iii) Matches in the manufacture of which white phosphorous has been employed;
- iv) Any article made without proper authority with the Armorial Ensigns or Court of Arms of a Partner State or having such Ensigns or Arms so closely resembling them as to be calculated to deceive;
- v) Distilled beverages containing essential oils or chemical products, which are injurious to health, including thijone, star arise, benzoic aldehyde, salicyclic esters, hyssop and absinthe. Provided that nothing in this paragraph contained shall apply to "Anise and Anisette" liquers containing not more than 0.1 per centum of oil of anise and distillates from either pimpinella anisum or the star arise allicium verum;
- vi) Narcotic drugs under international control;
- vii) Hazardous wastes and their disposal as provided for under the basel conventions;
- viii) All soaps and cosmetic products containing mercury; and
- ix) Used tyres for light commercial vehicles and passenger cars.

### **3) Types of licenses and permits to be issued:**

Licenses and permits to be issued in Export Processing Zones include:

- a) Zone License;
- b) Developer License;
- c) Operator License;
- d) Enterprise License; and
- e) Business Service Permit.

### **4) Types of EPZ enterprise licenses:**

EPZ enterprise licenses include:

- a) Manufacturing;
- b) Commercial; and
- c) Services

### **5) Procedures and rules for admission into and exclusion from EPZs:**

- a) No person shall carry on the business as an EPZ developer, operator, or enterprise or purport to provide or maintain activities or facilities within an EPZ, unless licensed by the competent authority in the EAC Partner State.

- b) An applicant may apply for an EPZ license in the prescribed form and submit the application to Authority; who shall review the application.
- c) The competent authority if satisfied that the application meets the criteria may approve the application and grant a license.
- d) The licensing criteria shall include:
  - i) The proposed business enterprise is incorporated under the relevant legislation of a Partner State; whether or not 100% foreign owned; for sole purpose of producing goods or services for export within an EPZ or for trading in goods imported for resale. However, the above provision shall not apply to a person making an application for EPZ business service permit;
  - ii) The business proposes to engage in activities eligible to be undertaken by an EPZ enterprise, in an EPZ;
  - iii) The business shall have no deleterious impact on the environment, nor engage in unlawful activities or those which impinge on national security or are a health hazard;
  - iv) The enterprise conducts business in accordance with the laws in force, save for any exemptions granted.
- e) The competent authority shall notify the national revenue authority of every licensed EPZ enterprise specifying:
  - i) Licensed activities;
  - ii) Any other conditions attached to the license.
- f) Any person aggrieved by a decision of the competent authority to reject an application for a license; cancel or suspend a license; or any condition or restriction in the license, or any other matter may take recourse to the mechanisms for handling complaints under the relevant national legislation.

**6) Standards to be met by EPZ developers when designing EPZs shall include:**

- a) Minimum infrastructure requirements specified in the relevant national legislation;
- b) Adequate enclosures to segregate the zone area from the customs territory, with suitable provisions for movement of persons, conveyances, vessels and goods entering and leaving the zone;

- c) Adequate security on the site office accommodation and facilities for customs as determined by the competent authority; and
- d) Designs meeting applicable building code and occupational health and safety standards.

**7) Facilities permitted within Export Processing Zones:**

Facilities permitted include: utilities, roads, factory buildings, warehouses, yards, recreational facilities, land, grounds, offices, fire fighting facilities, medical facilities, catering facilities, security facilities and any other facilities as may be approved by the competent authority in a Partner State.

**8) Particulars required in the application for designation and de-gazettement of an area as an EPZ:**

- a) An Export Processing Zone, may be designated by the competent authority by a notice in a gazette as provided for under the national legislation;
- b) The notice shall state the location and limits of the zone;
- c) Detailed requirements for the designation of new EPZ areas shall be defined in national legislation in Partner States; and
- d) An EPZ can be de-gazetted on recommendation from a competent authority as provided for under the national legislation.

**9) Application Form for EPZ developers, EPZ operators, EPZ enterprises and application for EPZ business service permit:**

The application forms for EPZ developers, operators, enterprises and business service providers, shall be as set out in the relevant national legislation.

## **B. EPZ OPERATIONS AND LOGISTICS**

### **1) Eligibility of an EPZ Developer/Operator:**

An eligible developer/operator shall:

- a) Be an incorporated company as provided for under national legislation;
- b) Have the necessary capital and expertise;
- c) Own or lease land for a period as stipulated in national legislations; and
- d) Be licensed by the relevant authority.

### **2) Rights of EPZ developers:**

EPZ developers may:

- a) Act as or appoint EPZ operator; and
- b) Lease, sublease or sell land buildings to licensed EPZ enterprises

### **3) Obligations of EPZ developers:**

EPZ developers shall, in accordance with the plans, designs and engineering studies submitted to the competent authority;

- a) Provide infrastructure and other services;
- b) Provide adequate enclosures to separate the zones from customs territory;
- c) Improve EPZ site and facilities.

The Developer shall also:

- i) Provide adequate security;
- ii) Adopt rules and regulations for efficient operations;
- iii) Maintain books of accounts and other records in an official language of a Partner State.

### **4) Performance procedures to be observed by firms operating within the EPZS**

Firms shall conduct:

- a) business according to the relevant laws in force;
- b) business within the zones as their principal place of operation;
- c) only those business activities for which they have been licensed.

**5) Use of available infrastructure and manpower:**

The EPZ Company shall:

- a) utilize available infrastructure and regional resources to the extent possible;
- b) to the extent possible, use manpower available in the EAC Partner States unless otherwise reasonably justified;
- c) apply for work permits where no suitable regional workers are available, or where work permits are granted automatically by national legislation.

**6) Movement of finished goods, raw materials and services into and out of the EPZS**

There shall be free movement of goods and services within the same zone subject to customs control. Movement of goods between the zones and the points of entry or exit, or between two zones, shall be covered by security as provided for by the East African Community Customs Management Act.

Declarations for the various transactions are as set out in the respective national legislation.

Once goods are in EPZ, they are considered to be outside the customs territory and are exempt from all duties and taxes.

Goods shall not be taken out of the Zones except for:

- a) export outside the Customs Territory;
- b) export into the customs territory subject to approval by the relevant authority and payment of requisite duties and taxes;
- c) repair, maintenance, processing or conversion under supervision of customs subject to such conditions as may be imposed;

Services provided by EPZ Enterprise shall be provided to:

- a) Persons/enterprises outside the customs territory;
- b) Other EPZ Enterprises subject to approval by the relevant Authority.
- c) Persons in the Customs territory subject to approval by the relevant authority

**7) Limitation of imports into and exports out of the EPZ**

- a) Export of goods into the customs territory is limited to 20% of the annual production subject to approval of relevant authority;

- b) Limitation of importation to the EPZ as provided by East African Community Customs Management Act (EAC-CMA).

### **8) Destruction of raw materials in an EPZ**

Destruction of wastes and raw materials shall be as stipulated in the relevant national legislation.

## **C. REPORTS AND COMPLIANCE BY EPZ COMPANIES**

### **1) Requirements for maintenance of stock books, registers, books of accounts, and any other records:**

- a) the EPZ developer/operator shall maintain:
  - i) a register of leases
  - ii) stock of exempted materials
  - iii) a register of employees including expatriates
  - iv) register of visitors
  - v) register of vehicles entering and leaving the zone
  - vi) adequate and proper accounts and
  - vii) any other records as may be required in national legislation of a Partner State
- b) the EPZ enterprise shall maintain:
  - i) stock register for raw materials and wastes
  - ii) a register of employees including expatriates
  - iii) books of accounts and
  - iv) any other records as may be required in national legislation of a Partner State

The enterprise or developer/operator shall on demand by an officer of the competent authority, produce records and registers referred to above for inspection and shall allow such officer to make extracts therefrom for the authority's own use.

### **2) Submission of returns**

Every enterprise in an EPZ shall submit to the competent authority, no later than the dates prescribed in national legislation of an EAC Partner State, returns in such form as may be prescribed giving details of:

- a) all raw materials received at the enterprises premises in the preceding period;
- b) production of semi-finished and finished products including by-products, and their releases for local consumption and for export;
- c) waste stocks and the manner of their disposal;

- d) loss through spillage, evaporation and other causes; and
- e) balances of all raw materials and semi-finished products including by-products stocked in the premises of the EPZ enterprise at the close of the period.

**3) Forms for quarterly reports to be filed by EPZ developers / operators and enterprises**

The forms for quarterly reports for the EPZ developer / operator and EPZ enterprise shall be as prescribed in the relevant national legislation of the EAC Partner State and shall be availed to investors by the competent authority. The licensed EPZ companies shall submit these reports by the dates prescribed in the national legislation.

**4) Submission of annual survey and returns**

The company shall, within the time determined by the competent authority, on a date specified in national legislation, submit to the competent authority a report of its operations and activities in the previous year, together with proper accounts in such form and detail as prescribed in national legislation of a Partner State.