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THE LOCAL CONTENT BILL, 2025

INTRODUCTION

The Local Content Bill, 2025 (the "Bill") is currently under consideration by the National Assembly of Kenya. Sponsored by Hon. Jane Kagiri, the Laikipia County Woman Representative, the Bill seeks to establish a comprehensive legal and institutional framework for regulating local content across key sectors of the Kenyan economy.

Scope and Application

The Bill proposes to apply local content requirements to the following service sectors:

1. Financial services;
2. Insurance services;
3. Construction services;
4. Transport services;
5. Warehousing services;
6. Logistics services;
7. Security services; and
8. Any other services as the Cabinet Secretary, may determine.

The Bill seeks to apply the local content requirements to foreign companies. The Bill defines a foreign company as a company that is either incorporated outside Kenya, have a majority of its shareholding by non-Kenyan citizens or is controlled outside Kenya.

The Bill defines local content as "the added value brought to the Kenyan economy through procuring locally available services, goods, suppliers and workforce." If enacted, it will significantly alter procurement, employment, and supply-chain obligations for foreign companies operating in Kenya.

Obligation of Foreign Companies

a)Sourcing Requirements

Under Section 4(3) of the Bill, a foreign company is required to source at least 60% of locally manufactured goods and any of the services listed above from local companies, provided that the goods and services meet the relevant prescribed standards.

b) Capacity Building Obligations

Foreign companies are required to provide technical and capacity-building support to local companies to enable them to meet the required standards. These ensures that the foreign company is able to source goods and services as per the requirements discussed in a) above.

c)Sourcing of Agricultural Produce

The Bill further provides that a foreign company undertaking any business in Kenya which requires agricultural produce as raw materials for manufacture of goods, shall source all the agricultural produce from Kenyan farmers.

d)Employment Requirements

Moreover, the Bill provides that a foreign company domiciled and operating in Kenya, is required to employ qualified and skilled Kenyan citizens in the management and all levels of the organization of the company. The company is required ensure that at least eighty per cent (80%) of the workforce of the company are Kenya citizens and comply with Article 41 of the Constitution of Kenya, 2010 on fair labour practices including the right to fair remuneration of workers.

Penalties for Non-Compliance

The Bill proposed to introduce stringent penalties for non-compliance, including:

a) **Corporate Penalties.** A fine of not less than KES 100 million for non-compliant companies; and
b) **Personal Liability.** Imprisonment of not less than one year for the chief executive officer of a contravening company.

These penalties underscore the intention to enforce strict adherence to the proposed local content requirements.

Transitional Provisions

The Bill provides that existing contracts between foreign companies and suppliers of goods or services will remain valid until expiry.

Additionally, the responsible Cabinet Secretary is mandated to issue regulations to operationalize the Act within one year of its commencement.

Implications for Businesses

If enacted, the Bill will have wide-ranging ramifications for foreign-owned or foreign-controlled companies operating in Kenya. Key operational areas likely to be affected include:

1. Procurement policies and supplier onboarding frameworks
2. Supply chain restructuring to meet local sourcing thresholds
3. Human resource planning and workforce nationalization strategies
4. Contractual arrangements with international suppliers
5. Compliance risk management and reporting mechanisms

Non-compliance may expose companies and their executives to severe criminal and administrative penalties.

Recommended Actions for Affected Entities

Should the Bill be passed into law, foreign companies operating in Kenya should:

1. Review existing procurement and supply-chain contracts to assess compliance gaps.
2. Develop local content strategies and internal policies aligned with the Bill's requirements.
3. Evaluate workforce composition and plan for gradual restructuring toward the 80% Kenyan-citizen threshold.
4. Strengthen capacity-building frameworks for local suppliers.
5. Monitor legislative developments and prepare for the issuance of implementing regulations.

Conclusion

The Bill signals Kenya's growing commitment to promoting domestic participation in key sectors. Businesses are encouraged to proactively assess how the proposed law may affect their operational, procurement, and employment structures. Our team will continue to monitor the progress of the Bill and provide updates on key developments.

For further clarification or legal support on compliance with the proposed Local Content Bill, 2025, please contact our Corporate Commercial team on commercial@cmadvocates.com **or** law@cmadvocates.com**.**

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