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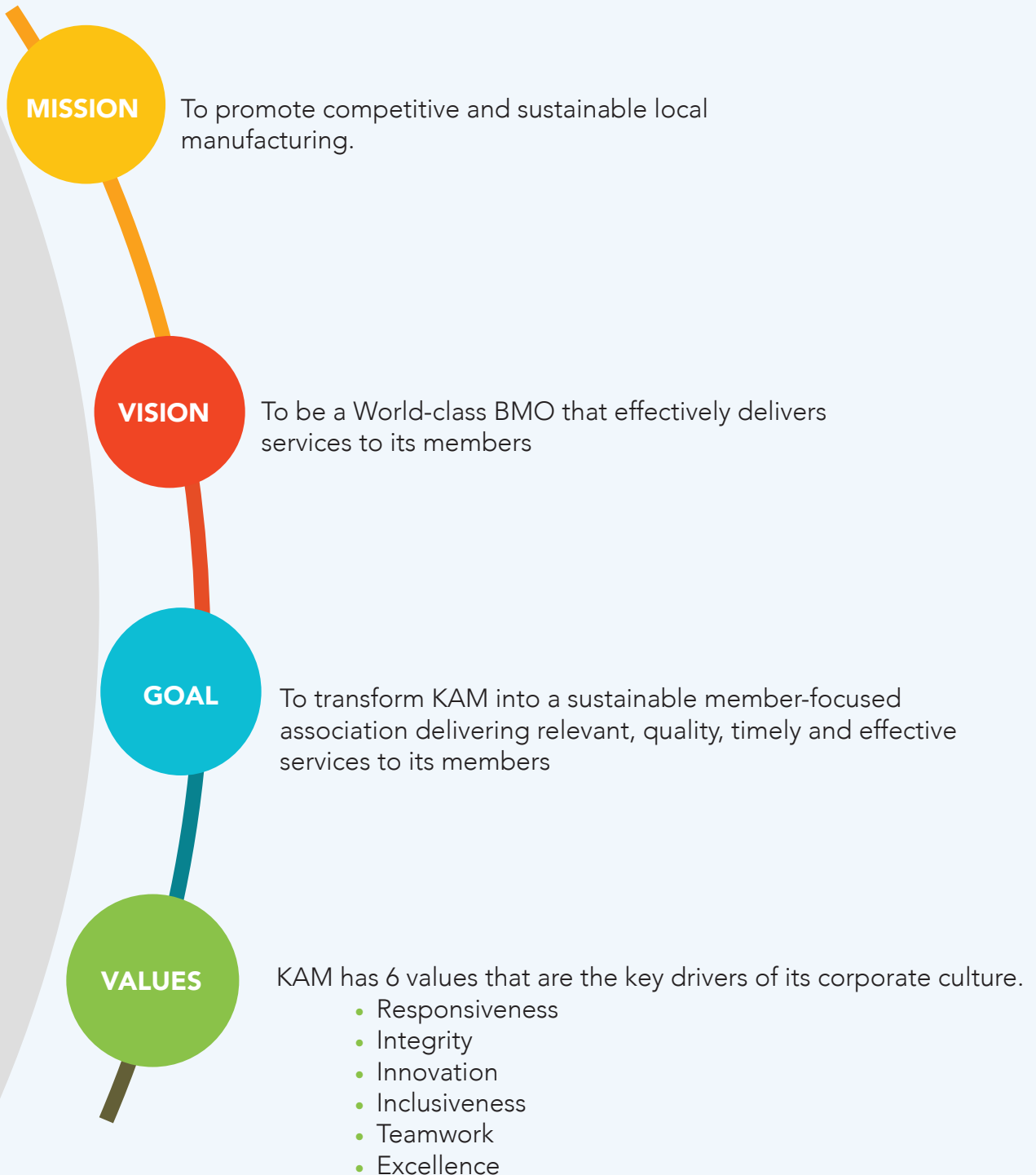
# POLICY AND SUSTAINABILITY REPORT 2017

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# Kenya Association of Manufacturers

Established in 1959 as a private sector body, Kenya Association of Manufacturers (KAM) has evolved into a dynamic, vibrant, credible and respected business association that unites industrialists and offers a common voice for businesses.



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# WHO WE ARE

## MEMBERSHIP

KAM membership constitutes 45% of manufacturing value-add industries in Kenya and comprises of small, medium and large enterprises. Over 80 per cent of these are based in Nairobi, while the rest are located in other major towns and regions, including Coast, Nyanza/Western provinces, Nakuru, Eldoret, Athi River, Nyeri and Thika.

Membership at KAM is structured in two categories, namely:

### **Ordinary Membership;**

Ordinary membership is extended to companies that are directly involved in processing, manufacturing or any other value addition activities.

### **Associate/Consultancy Membership;**

Associate/Consultancy membership is extended to firms which have direct interest in the expansion of industries, either through the provision of services or other inputs.

## STRATEGIC OBJECTIVES

- Driving industrial growth and realization of 15% contribution of manufacturing sector to GDP by 2019
- Supporting skills-based job creation agenda and increase manufacturing sector jobs by 33%
- Enhancing market access for products, locally and globally to grow exports by 33% by 2019
- Retaining and recruiting a broad membership base
- Operational excellence





## OUR SERVICES

1. Advocating on behalf of our members for a conducive business environment. We articulate to the Government and other stakeholders, the following issues;
  - High cost of doing business (energy, taxation, illicit trade, counterfeits)
  - Predictable policies and regulations
  - Budgetary proposals and amendments
2. Providing trade information on Local, Regional, and Global markets. Such as
  - The East African Community (EAC)
  - Common Market for Eastern and Southern Africa (COMESA),
  - South African Development Community (SADC),
  - African Caribbean Pacific-European Union (ACP-EU),
  - World Trade Organization (WTO)
3. Facilitating Exports under Duty Remission Scheme as well as Africa's Growth Opportunity Act (AGOA)
4. Facilitating work permits
5. Energy services
6. Intervention and engagement of county governments
7. Providing relevant Training, Seminars and Workshops through our Manufacturing Academy and SME & Business growth services
8. Assistance on monitoring and evaluating progress on Global Compact commitments.
9. A chance to promote your business on our website
10. Access to regulatory and compliance requisites to set up your business

## CHAIRLADY'S STATEMENT



It's my pleasure to welcome you to this year's Annual General Meeting, and to provide you with a full report on the performance and achievement of the Association in 2017.

The growth of any economy is banked on a vibrant and competitive industry that creates jobs and wealth and in the process, improves the livelihoods of all its citizens. For any industry to remain competitive, it requires a stable political environment, a predictable policy and regulatory environment, access to markets and a skilled labour force.

2017 was a very challenging year for the manufacturing sector. Just like any other electioneering period, there was a slowdown in business, resulting in a wait and see approach towards investments. The sector was also faced with a myriad of setbacks including, multiple fees and levies as a result of devolution, ban of plastic bags among others. This affected the performance of industry which dropped to 8.37% in 2017, compared to 9.2% in 2016. Despite these challenges, the Association continued to provide strategic advocacy to support the country's transformation into the newly industrialized economy.

KAM launched its 2017 Manufacturing Priority Agenda (MPA), in line with the Association's 2017 - 2019 Business Development Plan. The development plan seeks to drive the growth of the manufacturing sector to 15%, support skills-based job creation and grow exports by 33%. Under the theme *'Driving industrial transformation for job creation and inclusive economic growth'*, the MPA outlined five pillars that drove our advocacy agenda. The pillars were as follows; policy, legal and regulatory reforms, level playing field for manufacturing in Kenya, competitive local manufacturing sector, making Kenya a manufacturing hub for exports and securing the future of industry.

To further push this agenda, the Association launched its 10 Point Policy Agenda, ahead of the general elections, to facilitate engagements with

political leaders in sharpening their focus on the economic agenda of this country. The agenda highlighted priority areas in the quest to double jobs, double exports, increase foreign exchange earnings and raise manufacturing share of GDP.

With a focus on securing the future of industry, KAM, in partnership with the German Corporation for International Development (GIZ) launched the Technical and Vocational Education and Training (TVET) project which aims to provide technical jobs and economic opportunities for Kenyan youth. We remain committed to addressing the gap in the system by working together with technical training institutions and the manufacturing industries in ensuring that skills' training is demand driven.

To promote a diverse and inclusive industry, the Association launched the Women in Manufacturing Programme. The programme is a mentorship and networking platform that seeks to increase the participation of women in the manufacturing sector, as part of our agenda to industrialize for a stable and sustainable economic future for Kenya. The programme anchors its ethos on the Sustainable Development Goals (SDGs) and Agenda 2063 which centre inclusivity and sustainable economic growth at the core of their industrialization goal.

The competitiveness of local industries remains a key priority for industry. In partnership with the Government, KAM hosted the second Kenya Manufacturing Summit and Expo in 2017. Under the theme *'Driving Local Competitiveness to Make Kenya a Manufacturing Hub for Africa'*, the Summit and Expo encouraged the consumption of locally produced goods and services, securing intellectual property rights for local products in Kenya and EAC Region, enhancing skills-based competencies to meet industry needs and creating financial and market linkages for SMEs.

We acknowledge and appreciate the work that the Government had done in promoting the competitive of local manufacturing. The renewed commitment by Government to the sector, through the announcement by H.E President Uhuru Kenyatta on 28th November 2017, presents an opportunity for the country to make leaps on critical economic goals set out on Vision 2030.

I take this opportunity to thank you, our member, for your confidence in the Association, in articulating your concerns to national and county governments, through our advocacy work. I encourage you to actively participate in the KAM membership through the sectors, chapters and working committees.

I would like to thank the Board of Directors, Sector and Chapter Chairs who worked tirelessly in driving our advocacy agenda. I would also like to thank the KAM Secretariat, led by the CEO, Ms. Phyllis Wakiaga in ensuring that we successfully engaged both national and county governments, and execution of the above.

I look forward to a fruitful year together.

**Flora Mutahi,  
KAM Chairlady**



# CHIEF EXECUTIVE'S REPORT



World Bank's Doing Business Report 2018 ranked Kenya position 80 globally in 2017, in ease of doing business and general inflation rates went down. This is a strong message to both local and global investors that we are ready to move our economy to the next level.

The Association made great strides in 2017 towards driving global competitiveness of the manufacturing sector. The Secretariat advocated for political, legal and regulatory reforms, a level playing field for manufacturing in Kenya, a competitive local manufacturing, market expansion (locally and regionally) and securing the future of manufacturing. This was in line with the Association's 2017 Manufacturing Priority Agenda.

Throughout the year, Kenya Association of Manufacturers (KAM) continued to develop, cement and nature relationships with stakeholders. In the quest to promote investments in the manufacturing sector, KAM partnered with TradeMark East Africa to launch an online portal to provide investors with up to date industrial and trade statistics relevant to the manufacturing sector and its sub sectors.

Additionally, and to aid in investment prospects, the Association partnered with the Commission of Revenue Authority

(CRA) to launch an interactive, integrated devolution data portal. Users of the portal, including county governments, the public, private and public organisations, can easily identify, retrieve and use devolution information.

As for the regulatory environment, KAM partnered with the Kenya Magistrates and Judges Association (KMJA) to launch the Commercial Law Guidebook, which streamlines the general understanding of the judicial process governing commercial disputes in Kenya. We also tightened our collaboration with Anti-Counterfeit Agency in the fight against illicit trade and counterfeiters and towards this end, launched an Intellectual Property Rights (IPR) Regime Study. The study aims to enhance regional protection of IPRs, as a contributor to achieving the industrialization agenda.

At the Chapter level, KAM strengthened its voice in the counties where a number of initiatives and engagements were undertaken to influence policy. We engaged the county governments on the competitiveness of industry through Governor Roundtables, bi-annual meetings with the County Executive Committees and quarterly meetings with County Assemblies.

Prior to the general elections, the Association also engaged both Presidential



and Gubernatorial candidates to guide incoming governments on achieving the economic goals stated in their manifestos by focusing their efforts on the manufacturing sector.

KAM continues to drive the intention to achieve the growth of the sector to 15% GDP contribution. As a secretariat, we endeavour to ensure that our core values are the key priority in all our functionality. Striving to achieve the Vision 2030 and our Business Development Plan (2017-2019), we have primary focus on advocacy to drive the sector to build competitiveness and access to regional and international markets.

We remain grateful to our partners; The Government of Kenya, The Government of Denmark, British High Commission, The German Embassy, GIZ, TradeMark East Africa, Business Advocacy Fund, UK Department for International Development, The World Bank, Kenya Power, United Nations Development Programme, and European Union through the COMESA Regional Integration Implementation, who have walked with us towards creating an enabling business environment in Kenya.

**Phyllis Wakiaga**  
**KAM Chief Executive**



# BOARD OF DIRECTORS



Flora Mutahi  
Chairlady



Sachen Gudka  
Vice Chair



Pradeep Paurana  
Immediate Past Chair



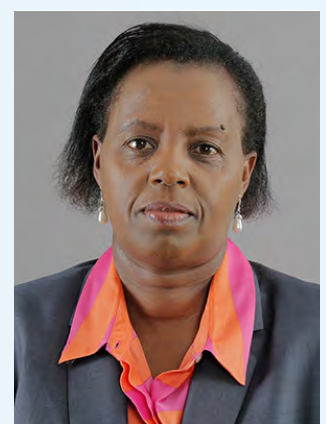
Kaushik Shah  
Director



Rita Kavashe  
Director



Rajan Shah  
Director



Jane Karuku  
Director



# BOARD OF DIRECTORS



Lutaf Kassam  
Director



Mahul Shah  
Director



Bharat Shah  
Director



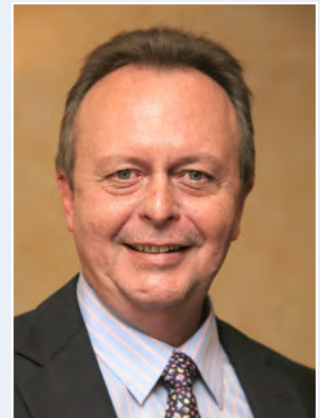
Mucai Kunyiha  
Director



Palu Dhalani  
Director



Helen Kimani  
Director



Stephen Brooks  
Director



Bimal R. Kantaria  
Director



Joe Muganda  
Director



Pankaj Bedi  
Director



Peter Arina  
Director

# CHAPTER CHAIRS



Mr. Mohamed Rashid  
Coast Chapter Chair



Jayen Dodhia  
Nakuru Chapter Chair



Bryan Cuthbert  
Uasin Gishu Chapter Chair



Anup Bid  
Central Kenya Chapter Chair



Joyce Opondo  
Nyanza Western Chapter Chairlady



Manoj Shah  
Industrial Area Chapter Chair



Mureithi Regeru  
Machakos Chapter Chair



# LEADERSHIP TEAM



Phyllis Wakiaga  
Chief Executive



Dalmas Okendo  
Head of Operations



Job Wanjohi  
Head of Policy, Research  
and Advocacy



Joyce Njogu  
Head of KAM Consulting



Tobias Alando  
Head of Membership



Sally Kahiu  
PR, Communications and  
Marketing Manager

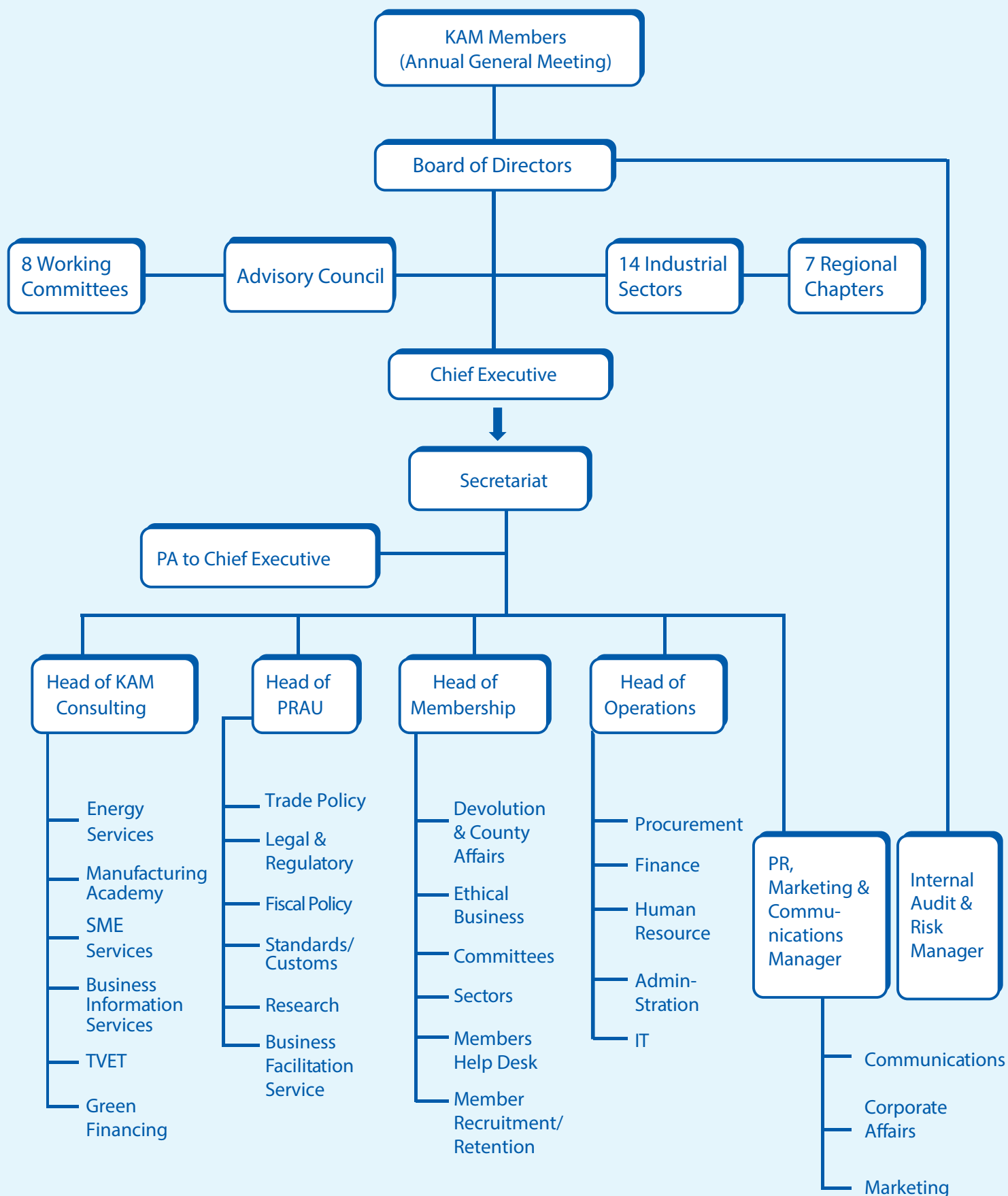


Paul Mutambuki  
HR and Administration  
Manager



Willard Sigey  
Finance Manager

# ORGANIZATIONAL STRUCTURE



# PREFACE

The announcement of Manufacturing as one of the Big 4 agenda items for Government in the next five years shines a focus on the sector that we, as an Association, are best placed to steer for the sake of our country's development.

The success of Manufacturing will catalyse the success of the rest of the 3 pillars, which are food security, affordable housing and access to healthcare. Meaning the realization of these goals is hinged on the back of a thriving and competitive manufacturing sector.

This report will demonstrate KAM's continued efforts to place manufacturing at the center of Kenya's economic developments efforts with both national and county governments. Our policy advocacy work, has guided the Government's industrialization plans, playing a complementary role to its vision, towards securing the future of Kenya's economy.

Whilst 2017 was a tough year for all businesses, our policy advocacy played a huge role in efforts to steer the national conversation away from a toxic political conversation towards issue-based discussions with potential candidates countrywide. This was a new trajectory for the country and we are confident that, it will progressively establish itself in our political culture, as long as we remain steadfast and relentless in our commitment towards economic sustainability for Kenya.

The effects of the plastic bags ban also created negative ripples throughout the entire industry leaving huge losses in its wake, and at one point, a stand still in many operations. Many livelihoods were also lost as businesses, small, medium and large, shutdown. Critical lessons were learned from this experience, the main one being that waste management, as a whole, is a collective and shared responsibility, and to do it sustainably, requires collaboration and consultation. In this regard, we continue to play a catalytic role in supporting the Government towards managing and addressing waste management issues. Our strengthened partnership with the Ministry of Environment and Forestry ensures that we are all working in harmony to achieve the shared vision for a prosperous Kenya.

As we continue to advocate for a competitive industry, we are keen to ensure that, competitiveness, is not understood in light of aiding industry to be more profitable, because this perspective obscures the real purpose of a thriving manufacturing sector. Our work ensures that the understanding of competitiveness focalizes our sustainability and self-reliance as a nation, which is only guaranteed through our capacity to be a productive economy on a global scale. In essence, competitiveness guarantees that this country is able to maintain and improve wages, and the living standards of all citizens.

In all this, our mission remains - To promote a competitive and sustainable local manufacturing - and this report will illustrate in detail, our undertakings to achieve this.







# **POLICY AND ADVOCACY REPORT**



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## INTRODUCTION

Due to the fact that 2017 was a difficult year for the economy, the sector was inordinately affected and its share to the GDP dropped from 9.2% (2016) to 8.37% (2017). A number of setbacks including, delayed VAT Payments, double/multiple levies and fees mainly as a result of devolution, conflicts of laws between the National and County governments, the ban of plastic bags, and an extended electioneering period.

To address the conflicts of laws from both levels of government and double/multiple fees by county governments, KAM, through its Devolution and Chapter Affairs Committee engaged County governments which realized the drafting of a County Own Source Revenue draft Policy and a County Government (Revenue Raising Regulation Process) Bill 2017 which once enacted will harmonize tax, levies and user charges regime at the county level.

On the EAC front, challenges on intra-trading in the regional trading blocs and especially by EAC partner states were experienced due to various factors such as imposition of customs administration which are related to non-tariff barriers and market protectionism.

KAM guided members and their working committees on critical trade regime issues such as the Tripartite Free Trade Area, tariff liberalization and rules of origin.

Continuous engagement by KAM's Trade and Tax Committee (TTC) with the National Treasury Officials saw positive results in 2016/2017 KAM budget proposals.

Additionally, the policy advocacy team successfully convened the EAC Manufacturers Network Forum on review of Common External Tariff (CET) and EAC Intellectual Property Right (IPR) Study, tax harmonization and the need for a regional framework on local content policy and legislation.

Earlier in the year, KAM launched the Manufacturing Priority Agenda (MPA) 2017 under the theme "Driving industrial transformation for job creation and inclusive economic growth". The agenda centred on five pillars namely;

- Policy, Legal and Regulatory Reforms,
- Level playing field for manufacturing in Kenya,
- Competitive Local manufacturing sector,
- Make Kenya a manufacturing hub for Exports
- Securing the future of Industry.



This was later on supplemented with the 10 Point Policy Agenda, which aimed to centralize the economic agenda of this country in current and future political narratives. This includes the need to double jobs, double exports, increase foreign exchange earnings and raise manufacturing share of GDP to 15 percent by 2020.

The below is a collation of achievements from the above and answers to intentions set in Business Development Plan 2017-2019.

## PILLAR ONE - POLICY, LEGAL AND REGULATORY REFORMS

**Manufacturing Priority Agenda for the period 2017:** KAM successfully implemented its MPA 2017. The Agenda outlined key policy areas on trade and tax which it sought to prioritize to contribute to KAM's overall objective of creating a competitive manufacturing sector. 75% of MPA 2017 Action Points were implemented.

### Public - Private Engagements on Manufacturing Sector Priorities:

KAM held several engagements with Government and Government agencies. Key areas of discussions included trade, tax, legal, regulatory, infrastructure, judicial reforms, water and regulatory environment issues.

**Policy Dialogues:** Policy dialogues contributed to improvement of Government policy and decision-making processes. KAM convened key dialogue discussions with relevant Government agencies on various key areas including, the National and EAC budget process, competition policy in Kenya, emerging county regulatory issues, bribery and anti-corruption approaches and Tripartite Free Trade Agreement.

The KAM Membership was largely affected by the plastic bags ban. Through engagements with the Ministry of Environment and NEMA, the Plastics Sector gained some traction, and was able to reach an understanding with the government on the best way forward.

**Policy and Legislative Analysis:** Key research flagship documents were disseminated to members to enhance members' awareness on the businesses environment such as the **Manufacturing Barometer Analysis, Economic Updates, Policy Briefs, Policy Trackers, Legal Alerts and Reviews.**

### County Government engagements:

The Association hosted Governor Round Table meetings before the 2017 elections with Gubernatorial Aspirants in select counties. The discussions formed the basis for the County Business Agenda to



Nakuru Gubernatorial Debate

be implemented once the governments are in place. We further engaged newly elected Governors on this agenda which is increasingly gaining traction through chapter level participation.

KAM Chapters prioritized lobbying for enactment of relevant County Revenue laws that will support manufacturing at the county level. Many counties have lined up a list of revenue Bills for enactment in the Financial Year 2018/2019 as a result of our engagement with the Counties.

To open up Counties for lobbying and advocacy, KAM advocated for the enactment of county public participation law which has opened up platforms for stakeholder engagement.

To influence county policies from within, KAM has lobbied and occupied relevant County Committees/boards such as County Budget and Economic Forum (CBEF), County Infrastructure Committee and Sewerage & Water Boards.

**Manufacturing Summit and Expo 2017:**

The second annual Manufacturing Summit and Expo was held in Nairobi from 23rd - 25<sup>th</sup> November.

The event themed **“Driving Local Competitiveness to Make Kenya a Manufacturing Hub for Africa”** attracted 70 exhibitors and approximately 1000 People from across the entire industry.

Government, relevant Departments and Agencies, KAM and other institutions exchanged ideas on the challenges and opportunities in the sector’s value chains and steps towards increasing its productivity towards achieving economic growth, jobs and equity.

Issues that emerged during these sessions included;

- The need for a consistent conducive environment that will stimulate industry growth
- The need for a strong commitment to promote the “Buy Kenya, Build Kenya” strategy
- The need for urgent intervention to curb cheap imports and counterfeit products.
- The need to expand investments in infrastructure,
- The urgent call to resolve long-standing political disputes
- The need for predictability in the business environment
- The need for deepening subcontracting exchange to support the growth of SMEs.
- Low labour productivity and shortage of skills were also identified as critical constraints to the sector’s productivity.
- The Summit also provided an opportunity for Kenya to deepen its commitment to green growth by promoting environmentally sustainable industrial activities.



*Manufacturing Summit and Expo 2017*



## PILLAR TWO - LEVEL PLAYING FIELD FOR MANUFACTURING IN KENYA

This focus area centered on unfair practices that undermine the growth of local industry, as well as advocacy towards increasing the tax bracket and protection of intellectual property rights

### **Fight illicit Trade, contraband and substandard goods:**

In collaboration with Anti-Counterfeit Agency (ACA) and key enforcement agencies, KAM conducted two successful awareness/sensitization forums targeting distributors, wholesalers, retailers and procurement officers in Nyahururu and Nanyuki, Laikipia County.

Additionally, the Association partnered with Kenya Copyright Board to conduct a 2-day awareness forum on Intellectual Property (IP) infringement and piracy. The forum was attended by approximately 40 prosecutors from the Office of the Director of Public Prosecution (DPP) from different parts of the country.

Subsequently, the Government appointed KAM Exco member and past KAM Chairman Mr. Pradeep Paunrana as the Chair of the Anti-Counterfeit Agency.

### **Curb the surge in dumping:**

KAM persistently lobbied the National Treasury to impose Anti-Dumping and countervailing duties, which resulted in the Trade Remedies Act (2017) being enacted pending implementation. The Act establishes an Anti-Dumping Investigation Authority which will investigate the extent to which imports are affecting specific local products. Once this is established, Kenya will impose countervailing duties in line with WTO Agreement on Trade Remedies.

### **Accord preference to local content in Government Procurement:**

The "Buy Kenya Build Kenya (BKBK)" Policy was converted into a strategy and launched during the Kenya Trade Week in June 2017. KAM shared a comprehensive and updated database of locally available products with the Ministry of Industry, Trade and Cooperatives, through the Trade and Industrialization Principal Secretaries.

The BKBK strategy was validated in June 2017 and guidelines for implementation of the 40% required procurement of local products, provided.

### **Strengthen the Protection of the Intellectual Property Rights (IPRs):**

As Kenya seeks to transform itself into an industrial and innovation hub, the need for IP protection increases particularly among Small and Medium Enterprises (SMEs). In 2017, KAM sponsored a study on IPR in EAC Partner States on the current Intellectual Property Rights regime in EAC. This supported fact-based advocacy on IPR at the regional level. The study recommendations are currently being reviewed by EAC Manufacturers Associations Network with a view to implement them.

The EAC Sectoral Council in May 2017 adopted the proposal that Counterfeit issues be separated from competition issues at the EAC level.

### **Make SEZs and EPZs Favorable for the development of Domestic Exports:**

KAM through the Trade and Tax Committee held discussions with both the Chair of SEZs, and the Ministry of Industry.

The Committee proposed

- Restricting SEZs to green-field projects which do not exist in the country, as one way of creating a level playing field.





*Intellectual Property Rights Study Report*

- Additionally, that investors constructing SEZs should be exempted from VAT and not other taxes. The rest of charges such as power/electricity, Railway Development Levy (RDL), Import Declaration Fee (IDF), should apply to them in order to compel them to buy locally available products.
- Cost of production should be the same for investors or companies within the SEZ, as well as those outside SEZ in order to create a level playing field.
- Levies should apply on imported inputs and not local inputs.

## PILLAR THREE - COMPETITIVE LOCAL MANUFACTURING SECTOR

### **i) East African Community (EAC) Budget participation:**

KAM participated in the EAC Budget process for 2017 -2018 to advance members proposals for review of the duty imposed under the EAC Common External Tariffs (CET). There was a 90% adoption of all KAM proposals.

The adjustments to the CET Duty will support the Sectors growth and contribute to the development of the priority areas outlined by the EAC on manufacturing.

### **ii) National Budget participation:**

The National Budget process provides KAM, an avenue to inform the National Government's tax policies. In this year of review, KAM was actively involved in the national budget process in order to advocate for a favourable tax policies for manufacturers. The Association engaged with the National Treasury and Parliament Committee on Finance to present its proposals. Some of the positive outcomes included, exemptions and zero rating

of items under value added tax regimes on excise, and value added tax.

### **iii) County Budgets participation:**

To realize competitive local manufacturing at the county level, KAM Chapter Committees made substantive contributions to County Budgets which helped address infrastructure projects such as industrial access roads which are essential to the manufacturing industry.

The KAM Chapters participated in the validation of county trade and investment policies which once enacted/passed will improve the competitiveness of the industry at the county level.

KAM engaged the Counties Lake Region Economic Bloc (LREB), to address the inter-county trade challenges faced by manufacturers represented in these 14 counties.

**iv) Time of Use Tariff:** After several years of advocating for The Time of Use Tariff/night power tariff, there was a breakthrough via a presidential directive announced on 28th November 2017. The project is currently at the pilot stage.

Estimatedly 800 manufacturing facilities have benefitted from the scheme with an average saving of between 55 Million and 78 Million, cumulatively, in a month. Although SMEs currently not under smart metering have not recorded any benefits, it is expected that Kenya Power will roll out

smart meters for them to qualify for this tariff, on condition that they operate during off peak period.

Through KAM's advocacy efforts, those already manufacturing on 24 hour operations are now enjoying 50% discount during the off peak period.

#### **v) Reduce import clearance time and cost for raw materials and industrial inputs-**

Since the introduction of Pre-Export Verification of Conformity (PVOC) program to regulate quality of all imported goods into Kenya by the Kenya Bureau of Standards [KEBS] on 1st July 2015, KAM has advocated for exclusion of manufacturer's industrial inputs, raw materials, machinery and industrial spares.

The key objectives of this were:-

- To reduce the cost of quality inspection for goods imported by manufacturers/producers,
- Facilitate timely delivery of industrial inputs
- Speed up release process for the imports.

The purpose of the PVoC is to:

- Prevent the importation of products not meeting quality and / or safety standards from the country of origin or export,
- Protect local producers against unfair competition and deceptive practices,
- Promote the quality image of the country products (via compliance) thus improving Kenya's investment attraction,
- Enhance value for money for products in the market,
- Protect the health and safety of consumers and our environment

This was achieved by KAM through KAM/KEBS collaboration in 2016/2017. KAM members in all the regions were sensitized on the issues, and subsequent implementation by manufacturers was successful. Currently the uptake is at 100%.

The benefit of the PVoC exemption to manufacturers for the first time in Kenya has had tremendous effects by:

- Reducing the cost of inspection on industrial inputs,
- Reducing cost of inspection on spare parts/accessories
- Reducing cost of inspection on plants, machinery and equipment
- Facilitating timely clearance and delivery of goods from the Country of origin/export.

#### **b) Study on Late payment in the Retail Sector in Kenya:**

Late payment by players in the retail sector, specifically supermarkets was a major concern for members. The concern was largely on the negative effect it had on cash flows especially on small companies. Through our advocacy the Ministry of Industry, Trade and Cooperatives formed of a Committee on Prompt Payment comprising of retailers, manufacturers and suppliers. The Committee developed a study, Late payment in the Retail Sector in Kenya, which documented effects of late payment and made key recommendations on practical steps to solve this.

The Study and its recommendations were adopted by the Ministry of Trade, Industry and Cooperatives and launched during the National Trade Week.

#### **c) Timely infrastructure rehabilitation and development**

The Kenya Urban Roads Authority invested close to KES 450 million during the period under review towards improvement of roads based in Industrial Area, Nairobi.

Some of the roads under this project are; Rangwe, Sasio, Nanyuki, Yellow, Changamwe, Lokitaung, Road A and Road C. All other roads are under performance-based routine maintenance.

Moreover, KAM worked jointly with Nakuru County security chiefs to successfully establish a police post at their busy

Industrial Area with the objective of enhancing security. Police post has made a significant impact in improving security in the area.

**Reliable Concrete Works Limited**, a committed KAM member, has been supplying food provisions on a daily basis to the officers manning the post.

#### **d) Establishment of a statistics database for Kenyan manufacturers:**

KAM developed an internal database of economic data to monitor key areas affecting the manufacturing sector. The database is embedded in KAM portal giving members access to relevant and timely information.

#### **e) Sector research and legislative Position Papers:**

KAM supported its members to develop clear sector position papers that would be the basis of their advocacy to Government. Key sector's position papers developed included Food and Beverage sector (white paper on Industrial sugar); motorcycle sub-sector paper on localization; and the issue of the 18% minimum wage directive.

#### **f) Pre-arrival clearance implementation at the Mombasa port**

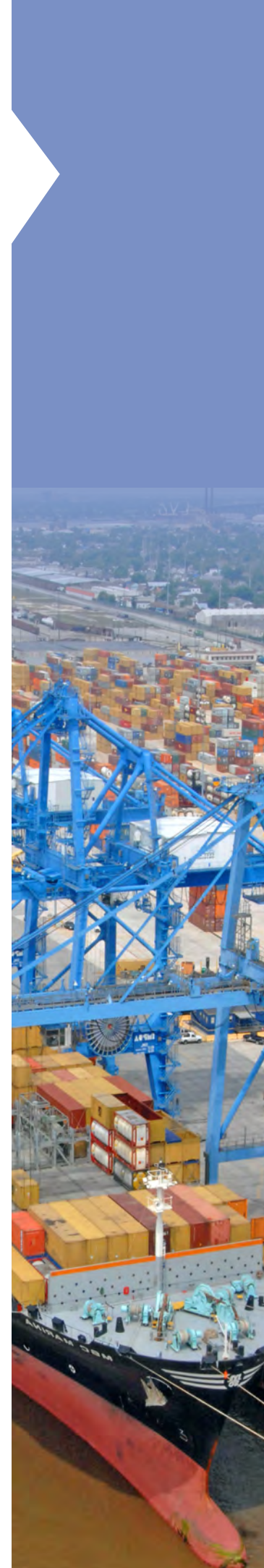
In 2007/2008, the Kenya Revenue Authority set out to pilot the Authorized Economic Operator (AEO), a World Customs Organization (WCO) framework whose major objective is trade facilitation, promotion of supply chain security and, ultimately, enabling voluntary compliance to customs.

The AEO is among the numerous projects KRA has embraced to catch up with the ever-changing trends in international trade. Under this arrangement, entities which comply with customs laws and regulations will benefit from preferential customs treatments such as fast clearance of their goods through simplified procedures and reduced inspection. This will in the long run reduce the cost of doing business through reduction of delays and enable companies offer better services due to the simplified clearance processes.

Following the expansion of the Pre-Export Verification of Conformity (PVoC) to Standards programme, KRA encouraged compliant importers to take advantage by lodging Customs clearance documents in advance of cargo arrival, to facilitate Pre-Arrival Clearance.

In this regard, KAM spearheaded sensitization workshops to raise awareness on the key benefits attached to Pre-Arrival Clearance; which include cost reduction to importers through the avoidance of storage charges both at the Port and Container Freight Stations.

KRA committed to ensure clearance of Certificate of Conformity compliant cargo within 24 hours of declaration lodgment, in order for manufacturers to realise the above benefits.





## PILLAR FOUR - MAKE KENYA A MANUFACTURING HUB FOR EXPORTS

Making Kenya a manufacturing hub for exports is anchored on our ability as a country to create and sustain, global and regional markets.

Towards this objective KAM engaged in the following activities:

### **Development of a National Exports Development Strategy:**

KAM participated in the development of the National Export Development and Promotion Strategy (NEDPS), which is presently draft form. The Strategy seeks to reverse the downward trend of the country's export performance through targeted export growth.

The national export growth target is driven by the overriding national goal to shrink the Balance of Trade (BoT) Deficit through export growth, thereby stimulating employment and economic development. The export growth rate that will deliver a BoT surplus by 2022 is an average annual growth rate of 25%.

In adopting this target, all the stakeholders in the NEPDS focal sector consultative meetings noted that the target is realistic and could be surpassed in some sectors if all the impeding constraints are addressed through pragmatic result oriented interventions.

The draft strategy was subjected to validation sessions at national level under the Sector Working Groups framework, as well as, at county level during dedicated sessions of the County Executive Committees (CEC) for trade.

### **b) Validation of National Trade Policy:**



*National Trade Policy launched*



KAM participated in the formulation of the National Trade Policy which was launched in July 2017. The policy seeks to unleash Kenya's potential for targeting domestic, regional and global markets. The multilateral, regional integration and bilateral trade arrangements that currently define the space that Kenya's international trade enjoys, present an immense opportunity for pursuit of this policy objective.

The Trade Policy articulates provisions that promote efficiency in the growth of domestic trade through transformational measures. These address the constraints impeding against the development of the wholesale, retail and informal sectors. Strengthening the current supply chain is a priority for the sustainable development of these trade sectors.

The National Trade policy seeks to address challenges such as;

- Limited capacity for diversification
- Low value addition in production
- Increased use of non-tariff barriers in export markets
- Lack of competitiveness due to inefficient trade facilitation infrastructures

The domestic trade policy covers wholesale trade, distribution, retail trade and informal trade. It focuses on turning around the Domestic wholesale and distribution trade, revitalizing domestic retail trade and the promotion of micro and small enterprise trade.

### **c) Establishment of exports development long term financing:**

In order to compete against other regional countries, Kenya needs to establish a way to finance exports. Countries like Egypt and India have a sturdy and formidable export development fund, which makes them highly competitive.

The Indian Financial System, for example, through commercial banks, offers financial resources for promoting exports through

the provision of both pre and post shipment finances. A liberalized exchange rate management system (LERMS) and Full-convertibility on trade account of Indian rupee have facilitated the removal of trade restrictions; add to this the country's policies which provide a favorable climate for exports.

Kenya Export Promotion Council is in the process of finalizing the modalities of establishing export development financing. KAM will also discuss its concept paper on long term industrial financing with diverse stakeholders in 2018.

### **d).Expand regional and international markets:**

KAM was actively involved in the negotiations for following existing and upcoming trade regimes.

#### **i. EAC - EU Economic Partnership Agreement (EPA)**

KAM created an EAC - EPA private sector task force which provided guidance to high levels of Government and EU Partners on guarding private sector interests after EAC failed the Economic Partnership Agreement as a block. The Task Force tracks the progress at EAC level. We anticipate that in 2018 EAC Summit will arrive at a way forward on this.

#### **ii. Tripartite Free Trade Area trade regime**

KAM actively participated in the technical working groups during the tripartite trade regime negotiations on rules of origin. The Association successfully contributed to the conclusion of 53% of the agreed rules of origin, and further development of EAC's position on the remaining rules of origin, which are expected to be concluded in May 2018.

The remaining issues between EAC and South Africa Customs Union (SACU) on tariff liberalization will be concluded once the countries agree to lock in their decisions at 65% tariff liberalization for EAC or 67% for SACU.

### iii. EAC trade regime:

EAC trade regime remained the greatest challenge for KAM members.

The EAC regime in 2017 comprehensively documented trade hindrances and non-tariff barriers associated with customs administration. These touched on,

- Rejection of the EAC Certificate of origin issued by KRA,
- Import bans,
- Misclarification of goods,
- Uplifting of customs value,
- Under invoicing, inspection,
- Red tape at the border

KAM engaged in bilateral meetings between both Kenya and Uganda and Kenya and Tanzania in August and September 2017 to resolve some of the key trade barriers imposed on Kenya's goods. The bilateral meetings resolved a number of non-market access issues for Kenya products like milk, cement, wheat and corrugated cartons, which were finding difficulties in accessing the Tanzanian market.

Other Non-Tariff Barriers (NTBs) which were resolved in 2017 is cement, corrugated sheets, pharmaceutical products, paper sacks, wheat flour and milk products which were accorded the preferential treatment.

KAM has escalated the lack of preferential tariff treatment on edible oils to the highest Government level for intervention. The Association has also joined verification missions which started in 2017, preceding a comprehensive review of the EAC rules of origin.

### iv. COMESA Trade Regime:

Kenya now accounts for the second largest share of exports in the Common Market for Eastern and Southern Africa (COMESA) after Egypt. This highlights the importance of the trading bloc to the local economy. A report from COMESA 2016 indicates that Kenya accounted for 17.3 per cent of the \$7.5 billion that was transacted within the 19 member states. Kenya's exports to

the region which comprise, agricultural produce, especially tea, tobacco, animal products and consumer goods, stood at Sh131 billion (\$1.3 billion).

The value of imports from COMESA member states to Kenya was \$612 million (Sh61.2 billion) in the year under review, tilting business our favour. African trade remains centered on the three countries that have an appreciable manufacturing base — South Africa, Kenya and Egypt.

The significant non-tariff barriers reported in 2017 were;

- A ban on milk products by Zambia, citing issues of standards and
- Preferential tariff treatment on palm oil manufactured in Kenya not being accorded

### v. Africa Continental Free Trade Area (AfCFTA):

KAM participated in the groundwork for the launch (AfCFTA). Forty four (44) African countries signed the Continental Free Trade Agreement (CFTA) in Kigali, Rwanda, at the 10th extraordinary session of the African Union summit, completing the negotiations on the continent-wide framework free trade agreement that begun in 2015.

The CFTA will be implemented once 22 countries ratify the pact in their national parliaments and submit instruments of ratification to the African Union Commission. Currently, intra-African trade account for only 16 percent of its total trade (UNCTADSTAT, 2018).

However, this is anticipated to rise by threefold by 2022 with the AfCFTA. KAM Secretariat will participate in the encompassing work, which involves Trade Remedies, NTBs, completion of tariff negotiations and Rules of Origin. Additionally, the Association will take part in the commencement of Phase II negotiations, which comprise of Competition Policy, Intellectual Property Rights and Investment.

The key benefits of AfCTA are:

- Creation of an expanded African market for African goods,
- Enhancing the exploitation of AfCFTA abundant natural resources
- Enhancing opportunities to create wealth,
- Facilitation of continental sourcing for inputs as well as markets for outputs
- Launch pad towards global competitiveness.

#### **vi. AGOA Trade Regime**

Since its inception in 2000, AGOA has become instrumental in driving industrialization in the region. It has enhanced bilateral trade between Sub Saharan African countries and USA aimed at facilitating industrial growth in various value chains; thereby creating employment, reducing poverty and empowering disadvantaged populations along the way. However, Africa has not been able to effectively optimise AGOA provisions.

As at now, AGOA exports to the USA barely reach 1% of total USA imports despite Africa having duty free, quota free access to the USA market. As such, it is important to identify and address the constraints to the utilization of AGOA benefits and existing opportunities.

For instance, Kenya should leverage on its high quality tea, coffee and horticultural/floricultural products that are globally recognized for their high value; however presently, Kenya does not have a homegrown brand name for some of its top products.

In several instances, Kenyan manufacturers/producers are not able to meet the supply quantities required by the US market. This is due to the small manufacturing / production units in Kenya.

KAM's proposal has been that USA should assist in the coordination of business-to-business networks between the two countries so as to improve supplier relationships, encourage American investments in Kenya and capacity build Kenyan manufacturers.

Secondly Kenyan public and private sector institutions ought to liaise with appropriate relative institutions in the USA to promote production and sale of specialty products that have a niche market.

#### **e). Facilitation of Businesses:**

KAM processed 3,614 AGOA visas processed in 2017 against a target of 4,800 for Nairobi and Mombasa. The deficit of 1,186 AGOA visas was due to changes in trade flows during the year, political environment and high cost of production in Kenya compared to Kenya's competitors in US market such as Bangladesh and Ethiopia.

The Association conducted sensitization seminars on both AGOA and Immigration in Nairobi and Mombasa; the former in partnership with the directorate of immigration and the latter with TRALAC.

One hundred and eighty three (183) work permits/passes were processed in 2017 against the target of 156 permits/passes.

## PILLAR FIVE - SECURING THE FUTURE OF INDUSTRY

In 2017, securing the future of industry was anchored on creating sustainable policies, skills development and nurturing innovation as follows;

### a) Aligning Kenya trade and Industrial policies to Fiscal policies:

KAM lobbied National Treasury to put in place a fiscal policy that promotes industrialization. On the other hand, we also lobbied for an industrial policy that complements the National Trade policy.

The Association advocated for taxation that promotes industrialization and a national trade policy that promotes expansion of domestic and international trade.

Our advocacy in 2017 with Government centered on the need to improve access to manufacturing inputs from domestic and international markets. This addressed among others issues; strengthening local agricultural markets and value chains, lowering cost of raw materials, curbing of cheap imports, unfair competition, dumping of sub-standard goods from foreign countries and strengthening branding and marketing of Kenyan products in regional and international markets.

KAM has been actively participating in the National and EAC Regional forum on NTB's. We have also escalated NTB's affecting goods to the attention of the Ministry of EAC, Labour and Social Protection, Ministry of Foreign Affairs and the Kenya Revenue Authority.

Additionally, we engaged the Kenya Public Service Commission on export challenges faced by industry resulting in a strategy meeting with relevant Ministries and Agencies in charge of trade in the country.

Significant Non-Tariff Barriers were resolved including;

- Tanzania relenting on Railways development levies to Kenya export,
- Tanzania lifting the ban on diesel exports
- Tanzania ceasing to uplift export goods invoices on Kenya's products

### b). Access to affordable long term financing for manufacturing investments:

KAM advocated for effective mobilization and use of finance flows for manufacturing firms. We shared industry's recommendations with Ministry of Industry, Trade and Cooperatives which included;

- Creating an Industrial Development Fund as per the KITP targeting formal manufacturers
- Creating a Kenya Development Bank (Biashara Bank),
- Develop finance mechanisms for cottage industries from public funds (Youth, Women's and Uwezo Funds)
- Source funds from non-mainstream private sector (i.e. impact investors),
- Address issues in credit demand: Improve ability of MSMEs to negotiate for credit through support on business plan development, accounting practices etc
- Create partnerships that support SMEs financing
- Funding of talent incubation centres to expand MSE access to finance.

### c) Supporting skills based job creation agenda and increasing manufacturing jobs by 33%:

#### Manufacturing Academy

The Manufacturing Academy has been at the forefront of ensuring that the Industry Skills continue to be developed. Launched in 2013, the Manufacturing Academy has been able to train 1181 members of the Industry. The essence of the trainings is to ensure that the employees receive training to increase their productivity. Continuous training also keeps employees on the cutting edge of industry developments.



The Manufacturing Academy was involved in a key research project on Productive Employment Policies in Kenya with a focus on the flower and energy sectors in collaboration with The University of Leiden in the Netherlands and the University of Nairobi.

### **Technical Vocational Education and Training Programme (TVET)**

The TVET Program was launched in January 2017 with the goal of increasing employment and economic opportunities for the youths in Kenya. The program is the driving vehicle towards achieving the KAM pillar of supporting skills based job creation agenda and increasing manufacturing jobs by 33% by 2019.

The programme has participated in various policy making avenues such as the TVET Authority, National Industrial Training Authority (NITA) and in the TVET Permanent

Working Group (PWG) by the Government, towards demand driven technical training in Kenya.

### **d). Support the growth of small and medium industries:**

KAM plays a crucial role in advocating the government to create an environment conducive for entrepreneurship and SME development to secure the future of industry.

KAM set out to provide strategic leadership in supporting Manufacturing SMEs towards inclusive global competitiveness. Under the Regional Integration Implementation Programme (RIIP) Programme, the Association continued to build the capacity of SMEs to play a significant role and enhance their regional competitiveness specifically within EAC, COMESA and Tripartite markets.

*KAM Chairlady, Flora Mutahi with KAM CEO, Phyllis Wakiaga, former TVET PS, Dr. Dinah Mwinzi and GIZ Team Leader, Aregash Asfaw*



*SUSTAINABLE*



**SUSTAINABILITY  
REPORT**

## PREFACE

In line with our mission to promote competitive and sustainable local manufacturing, and our core values on inclusiveness and innovation, the Association has been at the forefront spearheading the advancement of sustainable and inclusive industrialization.

Our objectives in this regard have echoed global inclinations on environmental protection, climate change duties, the development of smart cities and responsible consumption. We continue to be aligned to the SGD 11, which promotes *“Inclusive, Safe and Sustainable Cities and Human Settlements”*. On inclusivity, we are guided by Agenda 2063 of the Africa Union, particularly on the aspiration that speaks to development that is people-driven, lending itself to the potential held by young people and women.

This part of the report demonstrates the various ways in which we have steered the above.

## SKILLS DEVELOPMENT

A skilled workforce is necessary to spark the industrial revolution we are seeking as a country.

KAM, through its Manufacturing Academy, has a role to drive the execution of high quality manufacturing practices, that are guaranteed to enhance productivity and personal growth. The Academy seeks to build work force capability for current and future work roles in line with industrial 4.0.

The Academy provides both In-house and Open house Technical/ Specialized and Management trainings in various broad areas. The Academy conducted 8 in house trainings and 13 open house trainings.

To further promote skills development in the country, KAM partnered with German Corporation for International Development (GIZ) to launch a TVET programme at the beginning of the year that would target institutions countrywide. The aim was to provide technical jobs and economic opportunities for Kenyan youth.

The programme was then re-launched in the Chapters as part of our county engagement initiatives.





TVET programme Achievements include;

<b>560</b>	graduates trained on work readiness
<b>400</b>	graduates already placed in industries for internships
<b>80</b>	industries participated in the TVET Program across the country
<b>101</b>	graduates completed internships and employed
<b>5</b>	Job Bazaars conducted for mentorships and actual linkages of graduates trained on work readiness
	Ongoing job site development to link industries with the right technical personnel
	Training needs assessment for industry staff was done

## GREEN ECONOMY

KAM has the key role of advocating for an enabling environment that supports industrialization in Kenya. Competitive and sustainable local manufacturing calls for adequate, reliable and affordable factors of production.

The Association has consistently championed the adoption of critical tenets of sustainable development and green growth towards the realization of a green economy.

The Initiatives include;

### Energy efficiency

KAM continued to promote efficient utilization of energy efficiency and conservation activities through the Centre for Energy Efficiency and Conservation (CEEC). The Centre, which runs energy efficient and conservation programmes, was established in 2006 in conjunction with the Ministry of Energy and Petroleum, and support from the Danish Embassy through DANIDA.

Energy Efficiency Initiatives:

- **Energy Audits:** 107 facilities were audited in 2017 giving a potential saving of **KES 796 Million**. If all the recommendations are implemented, there is a potential abatement of **19,554** tonnes of CO2 equivalent.



*Chandaria Industries bags overall Energy Management Award in 2017*

The energy audits were conducted under three categories; special category for SMEs, General Audits and Investment Grade Audits. To support SMEs in Kenya, KAM also conducted SME specific training on various energy technologies.

## 2017 energy audit summary

Audit Type	Co. Audited	KES Savings	MWh	Tonnes CO2 abated
SME	21	29,714,297	2836	2210
GA	31	274,855,618	16451	5456
IGA	55	491,659,060	27147	11888
Total	107	796,228,975	46434	19554

**Energy Management Awards:** KAM held its 13<sup>th</sup> Energy Management Awards to recognize companies with major sustainable gains in energy efficiency. The Awards are geared at encouraging a culture of energy efficiency and conservation.

Through our energy efficiency programmes, the Association also

- Trained 283 individuals
- Conducted 3 Energy Efficiency Exchanged visits
- Introduced two new certification courses: Certified Energy Auditor and Certified Water Efficiency Professional
- Conducted feasibility studies and developed business plans in Energy Efficiency and Renewable Energy projects at five facilities

## 2017 Energy Efficiency trainings

No.	Training	Participants
1	Energy Management for Financial sector	17
2	Compressed Air	34
3	Financial Engineering	18
4	Energy Auditing	63
5	Certified Energy Managers - June	21
6	Certified Energy Managers - October	15
7	Certified Measurement and Verification Protocol - June	6
8	Certified Measurement and Verification Protocol - October	9
9	Solar T3	16
10	Energy Management for Financial sector	50
11	Certified Water Efficiency Professional	5
12	Certified Energy Auditor	5
13	Boilers and Steam Systems	24
	<b>Total participants</b>	<b>283</b>

## Water Efficiency

To promote efficient water utilization and conservation, and re-use of wastewater after sustainable treatment, KAM conducted 4 water and wastewater audits in 2017, and one additional training to build participant's capacities in water and wastewater auditing.

## Climate Change Mitigation

*Through the Strengthening Business Society Engagement in Climate Change Mitigation Programme*, KAM carried out awareness programmes on climate change and participated in climate change policy formulation. The programme also supported:

- 7 counties in developing their energy policies, which has resulted in a number of them integrating these policies in their overall development plans
- 16 companies with pre-feasibility and full feasibility studies on renewable energy projects.

## Clean Energy Week

KAM hosted the Clean Energy Week that featured the CEO's Forum, as well as, the Clean Energy Conference and Exhibition. The exhibition attracted over 50 exhibitors with 300 participants attending the 3- day conference.

## Green financing

Through the *Sustainable Use of Natural Resource and Energy Finance (SUNREF) Programme*, KAM continued to provide financial solutions to green energy initiatives, and with the aim of mitigating climate change.

The programme offered technical assistance to project developers who wish to implement renewable energy and energy efficiency projects and supported local financial banks in the region under which the credit facility of the programme is channeled.

### Achievements

- Built a project portfolio of over 300 projects in hydro, solar, biogas, biomass and energy efficiency and energy service companies (ESCOS) and real estate and financed 26 projects
- Provided **70M USD** in form of debt financing to various projects worth over **90M CAPEX** through the local financing institutions signed under the programme
- Over **220 staff** members of these banks trained on energy efficiency and renewable energy.
- The projects installed are able to generate **43Gwh/yr** while the energy efficiency projects have seen **16Gwh/yr** being saved per year through utilizing efficient measures. The programme has been able to displace **36K tCO<sub>2</sub>eq/yr**.

The SUNREF program is a French Development Agency (AFD) Green Label programme.





*KAM Chairlady Ms. Flora Mutahi with former Environment CS Judi Wakhungu during PET clean up exercise*

## **PET Waste Management Initiative**

KAM launched a PET Sub-Sector group as part of industry's commitment to continually play an active role in responsible waste management for the country. Following the Extended Producer Responsibility (EPR) concept, the Sub-Sector is working in partnership with the government and its agencies to develop sustainable solutions for the management of PET related waste.

Using global best practice models, such as the PETCO Model from South Africa, the Association and other partners are creating ways in which the EPR can be a practical, industry driven and financed, solution for post-consumer PET plastic waste.

As part of this initiatives, the sector held a clean-up exercise of PET products at Uhuru Park Nairobi, led by the Chairlady Flora Mutahi and former Cabinet Secretary for the Ministry of Environment and Natural Resources, Judi Wakhungu.

## **Responsible Care®**

KAM currently hosts the Responsible Care® program in Kenya. This is an initiative by Industry aimed at enhancing performance, discovering new business opportunities whilst improving employee safety and the health of the surrounding communities and the environment.

The Program is geared at moving all Kenyans towards a safer, more sustainable future. KAM is the first East African Country to undertake the Responsible Care initiative.



# SECRETARIAT COMMUNITY ENGAGEMENTS



*Industrial Area Clean up led by the Chapter Chair, Mr. Manoj Shah*



*Visit to Good Samaritan Children's home*



*Visit to Imani Rehabilitation Centre*

KAM's ethos pivots on the Association's endeavour to leave a positive mark in the lives of citizens with whom we engage, and to leave a lasting beneficial impact in the community.

Towards this end, the Secretariat partnered with a number of stakeholders in the following ways;

**Lang'ata Women's Prison:** KAM partnered with the Judiciary, in a visit to Lang'ata Women's Prison on Madaraka day. Members of the Association graciously gave contributions in form of foods and other basic necessities including soap, sanitary towels and tissues to the inmates.

The visit was presided over by Deputy Chief Justice Philemona Mwili and a number of Court of Appeal and High Court judges.

**Industrial Area Clean up:** The Industrial Area Chapter partnered with the County Government of Nairobi to hold successful clean-up day in Industrial Area, focusing on the *Sasio, Enterprise and Nanyuki roads*. The Initiative was led by Industrial Area Chapter Chair Manoj Shah and was aimed at galvanizing collaborative efforts towards a cleaner and safer industrial zone.

**Standard Chartered Nairobi Marathon:** KAM Team participated in the Standard Chartered Nairobi Marathon in Nairobi to raise funds for investment in eye care projects.

**Visit to Children's Home:** To share in the joy of the spirit of Christmas, KAM Staff visited both Good Samaritan Children's Home (Mathare valley) and Imani Rehabilitation Agency (Kayole). These visits and contributions to the children were made possible by the KAM Board of Directors and Secretariat.

# STAKEHOLDER RELATIONS



Over the years, KAM has maintained strong relations with its stakeholders, ensuring continued alignment in the shared vision to achieve sustainable economic development for our country.

To this end, the Association continued to amplify its thought leadership position in matters industry, educating and creating awareness on the importance of having a strong industrial base as a country. This was achieved through media engagements, publicity and interview platforms on diverse media, dissemination of statements indicative of the Association's position, as well as commentaries on current affairs relating to industry and the economy.

The Board and Secretariat also organized courtesy calls to various State Departments and parastatals, to align their goals and objectives with those of industry, towards the development of the country.

We also held roundtable meetings with partner organizations, and various leaders in national and county governments on progress in on-going areas of partnership.

Additionally, we held several networking events where our members interacted and exchanged information beneficial to the growth of their businesses.

Our Stakeholders include:

- Investors in Industry
- National and County Governments
- Government Agencies
- Development Partners
- The Community
- Media



# INCLUSIVITY

## Business Growth

SME Development offers value added services to growth-oriented and market ready value add businesses. It is geared towards preparing, nurturing and growing businesses to take full advantage of new emerging market frontiers both locally and in the international space.

To this end, KAM launched the Business Growth Program which aims to uplift Small and Medium Enterprises. The program provides SMEs with access to markets, capacity building strategies for their growth and expansion, and support in advocating for a more nurturing environment.

The Business Growth Program consists of seven modules, which are;

- Business Strategy
- Product Design
- Market Development and Penetration Strategy
- Strategy Supply Chain Management
- Financial Management
- Human Resources Management
- Good Manufacturing Practice

Through this programme, KAM trained 891 SMEs and mentored 15.



*KAM Chairlady Ms. Flora Mutahi at the launch of Business Growth Program*



*KAM CEO, Ms. Phyllis Wakiaga, former CS, Public Service, Youth and Gender Affairs, Ms. Sicily Kariuki and KAM Chairlady, Ms. Flora Mutahi*

## Women in Manufacturing

The Association launched the Women In Manufacturing (WIM) Programme in May 2017, with an aim to increase women's participation in industry.

Under the stewardship of KAM Chairlady Flora Mutahi, WIM targets women in Micro, Small and Medium businesses to provide them with networks, skills and knowledge to access bigger markets, expand their current businesses and venture into diverse

sectors. WIM also seeks to increase the presence of women in top leadership positions and significant roles in industry. The programme seeks to reinvigorate the local manufacturing sector that is currently weakened by a dire lack of skills. By equipping, educating, mentoring and building networks for women, WIM will be able to provide the necessary skills and talent to take industry to the next level.

# GLOBAL COMPACT KENYA

KAM proudly houses the the Global Gompact Network Kenya, and its CEO, Ms. Wakiaga is the network representative.

The Local Network brings together 700 signatories to the UN Global Compact and the Code of Ethics for Business in Kenya, including a number of Kenya’s leading companies, small and medium-sized enterprises and nonprofit organizations to advance corporate sustainability and the private sector’s contribution to sustainable development.

Membership to the Kenya Network gives companies the opportunity to make a statement about their values and is revolutionizing how companies do business responsibly and keep commitments to society.

In 2017, Global Compact Kenya focused on driving business awareness and action on the Sustainable Development Goals (SDGs) while emphasizing the fundamental principles of responsible business conduct as anchored in the UN Global Compact 10 Principles of Human Rights, Environment, Labour and Anti-corruption.

## Global Compact Kenya wins Award for Peer Mentorship and Role Modeling



*Judy Njino- Global Compact Network Kenya Coordinator*

The GC Kenya Network representatives attended the Annual Local Network Forum dubbed *Making Global Goals Local Business in India*, where they received global recognition, for the second year running, for Global Compact Kenya’s leadership in mentoring and supporting the establishment of additional Global Compact Network. This year they helped to establish the network in the Democratic Republic of Congo.



**High Level Dialogue on Making Global Goals, Local Business:** In 2017, the Global Community marked the second anniversary since the adoption of the SDGs. The Global Compact organized a leadership round-table meeting with Chief Executives of Kenyan companies to discuss the business opportunities to advance the global goals.



*SDGs Leaders Dialogue Chaired by Ms Lise Kingo*

**Fighting Corruption through Collective Action:** The local network held a full day training workshop to introduce business participants to the concept, the fields of application and the basic steps recommended for leading Collective Action initiatives towards the fight against corruption. The Kenya Bribery Act, 2016 served as the framework for the joint collective action efforts aimed at ensuring its effective implementation since coming into force.

**Business Leaders briefing on Business and Human Rights:** Global Compact Network Kenya in collaboration with Advocates for International Development (A4id) hosted Business Leaders on "Leadership in Business and Human Rights". Discussions were framed around the UN Guiding Principles which provide a global authoritative framework that clarifies the duties and responsibilities of both states and businesses on tackling human rights risks related to business activities.

**The Bribery Act, 2016:** Global Compact Kenya in partnership with Kenya Association of Manufacturers (KAM) and Ethics and anti-Corruption Commission (EACC) held a seminar to sensitize members on the provisions and the implementation of the Bribery Act, 2016.





# FINANCIAL REPORT

# CORPORATE INFORMATION

## EXECUTIVE COMMITTEE

Flora W Mutahi (Ms)	Chairperson
Sachen Gudka*	Vice Chairman
Pradeep Paunrana	Ex-Officio
Bimal Kantaria	
Kaushik B Shah*	
Lutafali Kassam	
Mahul J Shah	
Bharat Shah	
Stephen R Brooks	
Perviz Dhanani*	
Helen Wairimu Kimani (Ms)	
Rajan Dalichand Shah	
Mucai Kunyiha	
Joseph L O Muganda	
Rita Kavashe	
Pankaj Bedi***	
Peter Arina	
Jane Karuku	
*British	
***Indian	

## CHIEF EXECUTIVE

Phyllis Wakiaga (Ms)

## SECRETARY

Livingstone Associates  
 Certified Company Secretaries (Kenya)  
 P O Box 30029 - 00100  
 Nairobi

## REGISTERED OFFICE

LR 1870/1/553 – KAM Building  
 Peponi Road, Westlands  
 P O Box 30225 - 00100  
 Nairobi

## BANKERS

Barclays Bank of Kenya Limited  
 Market Branch  
 P O Box 30018 - 00100  
 Nairobi

## AUDITORS

Deloitte & Touche  
 Certified Public Accountants (Kenya)  
 Deloitte Place, Waiyaki Way, Muthangari  
 P O Box 40092 - 00100  
 Nairobi

## LEGAL ADVISORS

Murimi and Company Advocates  
 2nd Floor, Electricity House  
 Harambee Avenue  
 P O Box 540052 - 00200  
 Nairobi

# REPORT OF THE EXECUTIVE COMMITTEE

The Executive Committee presents its report together with the audited financial statements of Kenya Association of Manufacturers (the "company") for the year ended 31 December 2017 which shows its state of affairs.

## PRINCIPAL ACTIVITIES

The principal activity of the company continues to be the promotion of competitive local manufacturing in a liberalised market.

## FINANCIAL RESULTS

	<b>Sh</b>
Surplus before taxation	76,493,576
Taxation charge	(44,563,712)
	<hr/>
Surplus for the year transferred to the retained earnings	<b>31,929,864</b>
	=====

## MEMBERSHIP OF THE EXECUTIVE COMMITTEE

The present membership of the Executive Committee is shown on page 1.

## EXECUTIVE COMMITTEES' STATEMENT AS TO THE INFORMATION GIVEN TO THE AUDITORS

Each of the persons who is an Executive Committee member as at the date of approval of this report confirms that:

- so far as the Executive Committee member is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the Executive Committee member has taken all the steps that he/she ought to have taken as an Executive Committee member in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## AUDITORS

Deloitte & Touche, having expressed their willingness, continue in office in accordance with the provisions of the Kenyan Companies Act, 2015.

## BY ORDER OF THE EXECUTIVE COMMITTEE

## LIVINGSTONE ASSOCIATES

Secretary

2018

Nairobi



# KENYA ASSOCIATION OF MANUFACTURERS (A COMPANY LIMITED BY GUARANTEE)

## STATEMENT OF EXECUTIVE COMMITTEE MEMBERS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the Executive committee members to prepare financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its operating results for that year. It also requires the Executive committee members to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The Executive committee members are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and error.

The Executive committee members accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- (i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (ii) selecting suitable accounting policies and applying them consistently; and
- (iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the Executive committee are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The Executive members acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of executive committee members on .....  
2018 and signed on its behalf by:

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Director  
Kaushik Shah

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Director  
Mahul Shah

# **INDEPENDENT AUDITORS' REPORT**

## **TO THE MEMBERS OF KENYA ASSOCIATION OF MANUFACTURERS**

### **(A COMPANY LIMITED BY GUARANTEE)**

#### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Kenya Association of Manufacturers (the "Company"), set out on pages 9 to 29, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Kenyan Companies Act, 2015.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

The executive committee members are responsible for the other information, which comprises the report of executive committee as required by the Kenyan Companies Act, 2015. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of executive committee members and those charged with governance for the financial statements**

The Executive committee members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal controls as Executive committee members determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KENYA ASSOCIATION OF MANUFACTURERS (Continued)

## Report on the Audit of the Financial Statements (Continued)

In preparing the financial statements, the executive committee members are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. The Executive committee members and those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Members.
- Conclude on the appropriateness of the Executive member's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS KENYA ASSOCIATION OF MANUFACTURERS

(Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

In our opinion the information given in the report of the Executive Committee on pages 3 to 4 is consistent with the financial statements.

*The engagement partner responsible for the audit resulting in this independent auditors' report is **CPA Charles Munkonge Luo - P/No 2294.***

**Certified Public Accountants (Kenya)**

**Nairobi, Kenya**

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 Sh	2016 Sh
<b>INCOME</b>	3	194,280,140	176,198,940
OTHER OPERATING INCOME	4	66,383,737	67,121,066
GRANT INCOME	16	201,530,854	250,382,619
		<hr/>	<hr/>
		462,194,731	493,702,625
ADMINISTRATIVE EXPENSES	5	(197,643,421)	(195,755,601)
GRANT EXPENDITURE		(201,530,854)	(250,382,619)
FINANCE INCOME	8	13,473,120	12,367,876
FINANCE COST	6	-	(15,014,338)
		<hr/>	<hr/>
SURPLUS BEFORE TAXATION		76,493,576	44,917,943
TAXATION CHARGE	9(a)	(44,563,712)	(12,499,395)
		<hr/>	<hr/>
SURPLUS FOR THE YEAR		31,929,864	32,418,548
		<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Items that may be reclassified subsequently to profit or loss:			
NET GAIN/(LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS DURING THE YEAR	13	279,457	2,621,770
		<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>32,209,321</b>	<b>35,040,318</b>
		<hr/> <hr/>	<hr/> <hr/>

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 Sh	2016 Sh
<b>ASSETS</b>			
Non current assets			
Property and equipment	10	360,946,116	377,152,501
Treasury bonds	13	45,067,109	54,959,102
Corporate bonds	13	10,156,700	9,985,250
		_____	_____
		416,169,925	442,096,853
		_____	_____
Current assets			
Receivables	11	76,627,710	70,155,473
Earmarked funds receivable	16	52,182,751	24,892,092
Tax recoverable	9(c)	858,728	3,040,156
Treasury bills	12	19,835,366	9,170,485
Bank and cash balances		105,102,080	122,152,450
		_____	_____
		254,606,635	229,410,656
		_____	_____
<b>Total assets</b>		<b>670,776,560</b>	<b>671,507,509</b>
		=====	=====



## RESERVES AND LIABILITIES

### Reserves

Capital fund		35,919,608	35,919,608
Investments revaluation deficit		(2,259,246)	(2,538,703)
Retained earnings		204,967,607	173,037,743

238,627,969 206,418,648

### Non current liabilities

Deferred tax liability	14	55,177,684	23,329,472
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### Current liabilities

Unexpended project funds	16	137,373,034	219,594,125
Subscriptions received in advance		3,449,253	4,945,053
Payables	15	236,148,620	217,220,211

376,970,907 441,759,389

### Total reserves and liabilities

**670,776,560 671,507,509**

The financial statements on pages 9 to 29 were approved and authorised for issue by the Executive Committee on 2018 and were signed on its behalf by:

Kaushik Shah ) Members of the Executive Committee

Mahul Shah )

# KAM CHAPTERS & SECTORS

## REGIONAL CHAPTERS

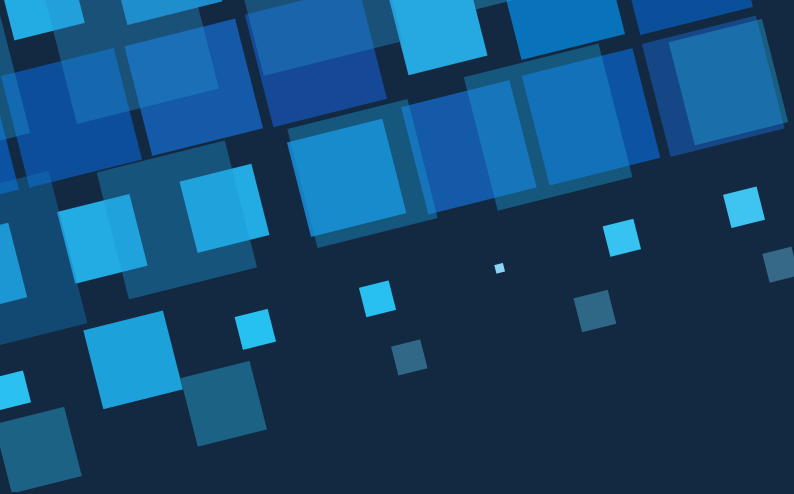
KAM has established seven regional chapters. They exist to develop and prioritize a local advocacy agenda, draw strategies and action plans to lobby for policy reform on the issues.

- Coast
- Nyanza/Western
- Mid Rift & Surrounding regions
- North-Rift & Surrounding regions
- Eastern & surrounding regions
- Central & Surrounding regions
- Industrial Area

## SECTORS

KAM members are categorized into 14 sectors, 12 of which are in processing and value addition while the other two offer essential services to enhance formal industry.

- Agro processing
- Building, Mining & Construction
- Chemical & Allied
- Energy, Electrical & Electronics
- Food & Beverages
- Leather & Footwear
- Metal & Allied
- Motor Vehicle Assemblers & Accessories
- Paper & Board
- Pharmaceutical & Medical Equipment
- Plastics & Rubber
- Services & Consultancy
- Textiles & Apparel
- Timber, Wood & Furniture




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