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## Manufacturing Priority Agenda 2019 launched



Kenya Association of Manufacturers (KAM) launched the 2019 Manufacturing Priority Agenda (MPA) on 5th February 2019 in an event graced by the State Department of Investment and Industry, Principal Secretary, Ms Betty Maina.

The Agenda, themed, *Closing the Manufacturing gap through the Big 4 Agenda for shared prosperity* outlines immediate actions that will yield tangible results in the short term, and work towards reigniting the economic development of the country.

***Agenda outlines immediate action that will yield tangible results in the short term***

The priority areas will be driven under five key pillars which, if strengthened, will realize the manufacturing goals under the Big 4 Agenda.

These are;

- Competitiveness and Level playing field
- Enhanced market access
- Pro-industry policy and institutional framework
- Government driven SME development
- Securing the future of manufacturing industry

Other government official present include Deputy Head of Public Service, Mr Wanyama Musiambo, National Assembly Committee on Trade, Industry and Cooperatives Chairperson, Hon Kanini Kega, Anti-Counterfeit Agency Executive Director, Mr Elema Halake, among others.

KAM Secretariat will follow up with relevant Government Department, Ministries and Agencies for implementation.



KAM, IDB Capital Kenya sign MoU to provide financing & information to Small and Medium Enterprises.

KAM hosts Members Sundowner on Economic Outlook 2019



# KAM engages KRA on fiscal policy challenges



KAM meets KRA Domestic Tax Ag. Commissioner, & Deputy Commissioner on tax policy related challenges

Kenya Association of Manufacturers (KAM) engaged Kenya Revenue Authority (KRA) on 29th January 2019 to discuss fiscal policy challenges facing manufacturers.

## VAT refund formula

- KRA accepted that the VAT Refund formula (Regulation 8) has a problem. KRA is finalizing a draft Gazette Notice to be forwarded to the National Treasury by 31 January 2019.
- The indication was that the National Treasury will arrange Gazettement of the revised formula by end February 2019.
- This Gazette may not resolve the issue of accumulated credits/claims. Affected companies need to present their details to KAM for the matter to be taken up with KRA/Treasury. Withholding VAT

## Withholding VAT

- KRA supports industry's proposal to reduce the Withholding VAT (WHVAT) from 6% to 2%. They will accordingly recommend the same to the National Treasury.

- KRA requested KAM to make strong representation to the National Treasury to support the same. However, it is expected that this change can only happen at the next budget.
- The above will not resolve the issue of accumulated WHVAT claim credits. Affected companies need to present their details to KAM for the matter to be taken up with the KRA/Treasury.

## Excise tax refunds for industrial kerosene

- KRA reported that the process of automation for reclaiming refunds through iTax was complete and a test run already undertaken.
- KRA committed to have it operational on iTax by end of February 2019.

The following was recommended as a way forward on outstanding credit amounts arising from the export refund formula and WHVAT .

- Manufacturers to provide data on credit amounts arising from the export refund formula and WHVAT.

This is to enable KRA to recommend to the National Treasury the actual refund amounts for budgeting.

- Since KRA and KAM are aligned on the way forward on the Export refund formula and WHVAT, it was agreed that a tripartite meeting, comprising of KAM, KRA and National Treasury is required. This is aimed at finding a solution on the outstanding credits since the option of offsetting may not address the cash flow challenges facing Industry. KAM is to spearhead this meeting.

## Other issues discussed include:

- A customs meeting to be organized in February 2019 to address the customs challenges presented by KAM.
- Another meeting will be organized in February 2019 to address VAT Auto Assessment (VAA) System issues.

### ***Retail Trade Code of Conduct & draft Trade Regulations Sensitization Forum***

KAM, in partnership with Retail Trade Association of Kenya (RETRAK) conducted sensitization forums on the recently signed Retail Trade Code of Practice and draft trade regulations in Kisumu and Mombasa Counties.

All parties (retailers, suppliers and officials of the County Governments) agree that there is need for discipline in conducting business to ensure sustainability of the retail sector and growth of the supply sector.

It was agreed that County Governments will support the regulations and encourage self regulation in the trade sector.

### ***KAM, KRA Develop model for County Waste Management Policy & Bill***

KAM in partnership with the Kenya Alliance Residents Association (KARA) have developed a model County Waste Management Policy and Bill.

KAM and KARA are in the process of engaging relevant Counties aimed at sharing with them the Documents for their customisation and adoption.

Engagements have been held in Kiambu, Kisii and Kisumu Counties.

Follow up meetings with the engaged Counties will be held to lobby for uptake or incorporation of the new and improved clauses in the Policy and Bill.

## **Export Development and Fair Trade Practices**

On 28th January 2019, KAM engaged State Department of Trade Principal Secretary, Dr Chris Kiptoo on the implementation of the National Export Development and Promotion Strategy (NEDPS) and strengthening the Kenya Trade Remedies Agency.

### **Highlights:**

- For ownership, respective Cabinet and Principal Secretaries are signing the various chapters of the National Export Development and Promotion Strategy (NEDPS).
- State Department of Trade is setting up the Export Delivery Unit, with the support of TradeMark East Africa (TMEA), which will liaise with the various ministries on implementation of the Strategy.
- State Department of Trade is also operationalizing the Trade Remedies Act by establishing and strengthening the Kenya Trade Remedies Agency (KETRA). KETRA will be responsible for carrying out investigations on cases of dumping, trade distorting subsidies and import surges.

- These investigations will advise on what safeguard and countervailing measures to impose in order to protect the manufacturing sector from the unfair trade practices.
- It is important to note that the safeguard measures can be imposed even as investigations are ongoing.

### **Way forward:**

- State Department of Trade is following up on pending signatures from the Ministries of Health, ICT, Foreign Affairs and Treasury.
- KAM and the State Department for Trade are organizing an inter-agency meeting on 27th February 2019 to validate draft Local Content Policy and further discuss how to embed further margin preference under Buy Kenya Build Kenya in public procurement processes.
- The meeting will also provide a progress update of Government's uptake of locally manufactured products for the last 3 years.



Trade PS, Dr Chris Kiptoo engages KAM, on the Export Strategy and KETRA

# KAM, KEBS Engagement on Standards

KAM engaged Kenya Bureau of Standards (KEBS) to address key challenges facing manufacturers as follows:

i. Clarify on the legal notice 127 press statement made by the Cabinet Secretary, Ministry of Industry, Trade and Cooperatives on 23 January 2019.

- The Legal notice removed the option of destination inspection under legal notice 78, thereby compelling all cargo to comply with the Pre-Export Verification of Conformity (PVoC) program.
- The notice does not impact the exemption of raw materials from PVoC. Therefore, Manufacturers with valid PVoC exemption will continue to enjoy the exemption.
- According to KEBS, heightened government interventions have led to higher compliance to the PVoC programme.
- Additionally, KEBS has profiled importers and the 100% testing will subside at the port. Further, KEBS has tremendously reduced sampling rate at the port to 10%. The only goods subjected to retesting are ones that failed tests during surveillance.

ii. KEBS demand for Certificate of Conformity (CoC) in advance of Cargo Arrival.

- KEBS will publish the PVoC timelines on their website; sea cargo CoC will be issued within 2 working days and air cargo 1 working day
- These timelines will empower industries to hold inspection

agents into account in case of any delays in issuance of CoC

- Importers and exporters have a responsibility of compliance to CoC therefore, they need to confirm that draft CoC before the final one is sent.
- KEBS may consider withdrawing the 20% penalty and instead apply a charge of 0.6% or USD 275 or waive. KEBS is handling the issues on a case by case basis based on the circumstance causing arrival of the raw materials before issuance of the CoC which should arrive with the goods.

iii. Holding of shipments for retest.

KEBS should stop holding identified shipments for retesting and instead clear under seal for samples to be drawn at manufacturer's premises;



- Where there is consensus, goods can be released from the port as a decision made by one agency has inputs on the other agencies

iv. Insufficient KEBS staff to conduct verification and issue local CoC at the

ICD and at Mombasa port causing costly delays in clearance of goods.

- KEBS has received concession from government to employ officers based on the needs.

v.) Commencement of approved three (3) year Standardization Mark/Permit Product SM certification process

- KEBS have developed the criteria and processes of approval.
- KEBS will roll out the 3 year S-Mark by end of this month February, 2019

iv) KAM and KEBS agreed to form a technical committee to deliberate on PVoC and standards emerging issues and report progress in the next CEO's meeting to be held before end of February.

▲ KAM engages KEBS MD on challenges facing manufacturers

# Ministry of Industry adopts Motorcycle Regulations



Local Motor Assemblers engage President Uhuru Kenyatta on National Automotive Policy

On 30th January 2019, KAM held a meeting with the State Department of Investment and Industry representative, to discuss and adopt the motorcycle regulations.

KAM motorcycle subsector was represented by Dr. Isaac Kalua and Mr Ashit Shah (Automotive sector chair)

The regulations were agreed upon and adopted by the Ministry and signed off by all motorcycle assemblers present.

The Ministry will be forwarding the regulation to The National Treasury for gazette.

KAM will follow up with Ministry of Industry for status update.

# EAC Non Tariff Barriers (NTB) Amendments & Regulations

KAM participated in the EAC Non Tariff Barriers (NTB) Amendments and Regulations development meeting convened by the State Department of Trade on the 5th February 2019. The purpose of the meeting was to review Kenya's position following a meeting held in Kampala on the same by EAC Partner States.

The meeting reviewed the Amendments to the Act and key

proposals made include;

- The participation of EAC secretariat in bilateral meetings
- The need to review the structures to address NTBs to ensure that the processes and timelines to address NTBs are reduced.

KAM's initial proposals, which include Amendments to the Act and

Regulations have so far been adopted in the documents.

Way forward:

- KAM will follow up with the State Department of Trade to convene a follow up meeting to agree on pending issues in the proposed Amendment of the Act and Regulations.

# Elimination of Import Duties under TFTA Negotiations

KAM participated in the Meeting of the Tripartite Free Trade Area Agreement for the Technical Committee on Legal Affairs to finalise development of the Annex on Elimination of Import Duties (named Annex 1).

The Annex provides for the process and procedure of implementation of the tariff schedules agreed by the Tripartite Member/Partner States, modalities for Negotiating Exchange of Tariff Offers and ways of addressing dispute settlement among others.

Way forward:

- KAM will circulate to members the final draft of the Elimination of Import Duties Annex.

## Buy Kenya Build Kenya

On 31st January 2019, KAM participated in the Implementation Committee meeting for Textiles & Apparels and Leather & Footwear sectors.

It was reported that the National Youth Service (NYS) and Administration Police tender had been awarded to some members of KAM's Textile and Apparel Sector.

KAM presented the traceability and verification mechanism that seeks to:

- Provide a certificate for locally manufactured products that ascertains capacity and credibility of companies
- Provide a completion certificate that ascertains that 100% of the products awarded in the tender are manufactured locally

### Way forward

- KAM will continue engaging the disciplined forces and Ministry of Industry, Trade and Cooperatives.
- There is need to create awareness to manufacturers to tender for floated tenders

Manufacturers, Retailers and Suppliers sign Code of Practice to guide Prompt Payment in the Retail Sector

## TFTA meeting on Rules of Origin

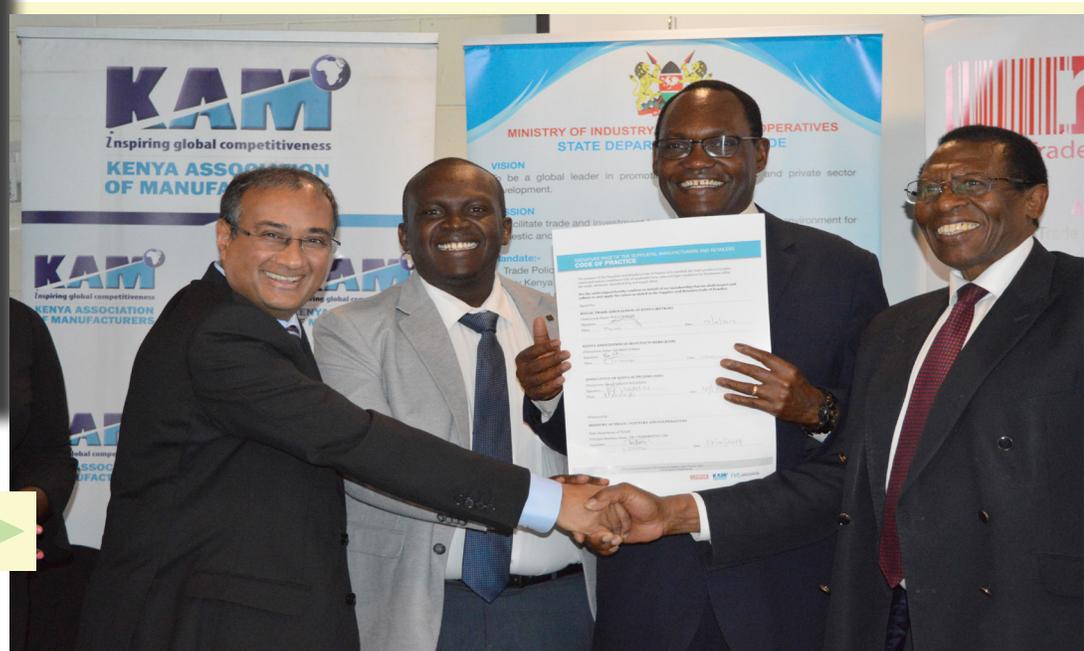
KAM participated in the Tripartite Free Trade Area (TFTA) Meeting on Rules of Origin from 30th January to 6th February 2019.

### Highlights:

- 91.55% of the Tripartite list rules of origin at HS 6 digit level have been finalized. 8.45% of the tariff lines are remaining.
- The terms of reference for KAM Textile and Apparels sector to present various manufacturing processes involved in textile value chain has been developed
- KAM also developed the terms of reference for a consultant to prepare a status paper on textile and apparel industry in Africa.
- A dedicated session on Textiles will be held in April to help Technical Working Group (TWG) agree on Tripartite rules for Chapter 51 to 63.

### Way forward

- KAM Sector leadership of textile and apparels and motor vehicle and Accessories to accompany KAM experts on the Tripartite rules of origin at the next meeting of TWG.
- KAM to validate the terms of reference for motor vehicle sector expected from Tripartite Secretariat by end of February.
- KAM to circulate the Terms of Reference to the Association's Motor Vehicle and Accessories sector in order to prepare the sector for the TWG meeting in April.
- KAM to circulate the paper that will be prepared by the COMESA Textile experts to KAM sector once received.
- KAM to advocate for realistic rules of origin criteria for Chapter 15 on edible oils at the Tripartite and Africa Continental Free Trade Area levels and in EAC.
- KAM to participate all the National preparatory meetings for the upcoming meetings in March 2019.



## Standards for Alternative Packaging

The meeting held on 1st February 2019 hosted different stakeholders within the sector including KAM Plastic Sector Members, National Environment Management Authority (NEMA), KEBS, RETRAK and other members of the packaging industry.

The main objective of this meeting was to discuss strategies to develop standards for alternative plastic packaging following the plastic bags

ban in 2017.

Key points discussed include:

- KEBS to embark on the process of developing a standard on PPP non-woven packaging by September 2019
- KEBS to continue engaging businesses on standards for other biodegradable alternative plastic

packaging

- RETRAK/KAM to continue discussions with NEMA on the extension of the use of PPP Non-woven packaging in the absence of standards
- KEBS and NEMA to enhance their engagements on the regulation of plastic bags to ensure clarity on the extent of the Ban.

## KAM, KEPSA engage Transport CS on logistical challenges

On 29th January 2019, KAM & KEPSA held a meeting with CS James Macharia at Ministry of Transport, infrastructure, Housing and Urban development to discuss transport and logistical issues affecting the private sector including the manufacturing sector.

Highlights

- CS Macharia agreed to form a technical committee to review the current SGR Tariff Rates

which will file a report by 13th February 2019 for adoption. The 50% promotional rate lapsed on 31st December 2018 hence manufacturers.

- The CS committed to launch the revised Mombasa Port Charter in February 2019 which incorporates SGR/ICD (N) logistical & transport processes and their Key Performance Indicators. This aims at improving service delivery through Port

Charter.

Way forward

- KAM is participating in drawing up the report on SGR Rates which should be more competitive than road rates
- Members to file in logistics and transport queries arising out of SGR/ICD (N) with KAM regularly.

## Textile Sector meets Labour CS

The Textile and Apparels sector met with the Ministry of Labour and Social Protection Cabinet Secretary, Chief Administrative Secretary and the Principal Secretary on 1st February 2019 to discuss the 5% wage increment.

The CS urged manufacturers to absorb the 5% wage increment as the ministry is having difficulty in providing exemption (as per agreement during previous - 14th May 2018 - meeting), due to the

resultant labour crises that would happen are exemptions are provided

Key outcomes of the meeting include:

- The Ministry will gazette a Council to take care of remuneration, staff welfare and other policies within the EPZ based textiles and apparels manufacturing. This will safeguard against future ceremonial wage increments and maintain high staff engagement and welfare emphasis.

- Negotiate for the effective date of the 5% minimum wage increase to be 8th of January and not backdated to May 2018

- The Ministry will also have joint engagements with the Ministry of Industry, Trade and Cooperatives so as to deliberate on creating a good policy environment for the sector.

# Plastic Sector Action Plan

Following the Plastic Sector deliberations, it was noted that KAM's previous plastic advocacy activities had been challenged by:

- Conflicting industry position on plastics
- Free - rider mentality amongst members
- Lack of credible data to support advocacy
- Lacking effective strategic alliances on advocacy engagements
- Lack of long term policy direction on plastic manufacture and use in Kenya

The Sector Members agreed to the development of a long term private sector plastic action plan that includes

policy suggestions and sustainable funding mechanisms.

- The action plan will cover all plastics.
- Key elements within the policy would include:
  - Extended Producer Responsibility (EPR) and Take Back Schemes (need for EPR scheme that supports all plastic fractions is required)
  - Commitments to Circular Economy and Design for Recycling
  - Conducive Business Environment for Recyclers
  - Communication on the value of plastic to improve plastic sector image
  - Research and Innovation

support

- Timelines Q1-Q3 of 2019
- A working committee to spearhead the process was constituted.
- Fundraising and strategic partnership towards this goal established with Business Advocacy Fund
- Ongoing PET plastic fraction market research study by IPSOS

The working committee met on 11th February 2019 to agree on:

- TORs and work plan for their engagement
- Activity work plan and resource mobilization strategy

## Chapter Highlights

### NORTH RIFT CHAPTER

#### 1. Security

- The Chapter Committee held a meeting with Uasin Gishu County Commissioner and Nandi County Commissioner to discuss the following;
  - Security of industries (KIE Area)
  - The incorporation of manufacturers in the County Security Committee
  - Highway traffic
  - Proposal to hold a Security Forum
- The County Commissioner and his team will follow up on the security cases reported and also liaise with the security organs to patrol the reported areas so that manufacturers can operate comfortably
- KAM will be invited to the multi-agency Security Meeting and also contribute to the Agenda

- KAM will hold a separate meeting with the Traffic commandant on the highway traffic.

#### 2. Infrastructure

- KAM was represented at the County Transport and Safety Committee during the first meeting of 2019. A draft Strategic plan was shared in which KAM gave input especially on CBD traffic, lighting of roads to industries, completion of development of roads leading to industries Security of industries (KIE Area)
- The Committee will be inaugurated at a date to be confirmed.
- Various sectors represented in the Committee were asked to give input on the Draft Plan.

# Chapter Highlights (Cont'd)

## INDUSTRIAL AREA CHAPTER

1. Lunga Lunga road improvement:
  - Ongoing repair of Lunga Lunga road is approximately 90% complete
  - KAM will continue engaging Kenya Urban Roads Authority (KURA) for the successful completion of the road as well as the drainage system
2. Trade and licensing
  - Industrial Area Chapter met the relevant Nairobi County CEC, Chief Officer and Directors to advocate for the streamlining of the trade and licensing regime in the City.
  - The Chapter will pursue the harmonization of the inspection procedures by all relevant departments.
  - The Chapter will also come up with a comprehensive compliance guideline affecting all the government agencies for proper sensitization of our members on compliance matters.

## CENTRAL CHAPTER

1. Kiambu County Land Rates
  - Following the increase in land Rates by Kiambu County Government, the Central Chapter engaged the County's Finance and Economic Planning and Lands CECS.
  - This culminated in the suspension of the rates until adequate public participation exercise is conducted.
  - These engagements are ongoing to ensure revision and participation of stakeholders in the review of the County Valuation Roll.

## COAST CHAPTER

1. Mamboleo-Miwani-Chemelil Road
  - Rehabilitation will commence in March 2019
  - The Chapter will actively engage Kenya National Highways Authority (KeNHA) on progress to ensure project takes off

## COAST CHAPTER

1. Makupa causeway road construction and Mombasa Malindi Highway
  - 40% of the works has been done
  - The Chapter will continue to engage KeNHA to expedite on the work before the rainy season sets in

## LOWER EASTERN CHAPTER

1. Infrastructure Development
  - Quarry Road:
    - Work is on-going after years of advocacy.
    - The Chapter will keep engaging KURA and Nairobi Metropolitan Services Improvement Project (NAMSIP) for the completion of the project.
  - Old Mombasa Rd:
    - Works on -going to rehabilitate the road and design the interchange
    - A partnership between Bamburi Cement and KURA, keep engaging to ensure completion of the road.
  - Dualling of the Mombasa Road Highway upto Machakos Junction:
    - Good Progress ongoing
    - Actively engage KeNHA on the development

## WE VALUE YOUR FEEDBACK

Dear Member,

Thank you for your support and partnership in advocating for competitive and sustainable manufacturing sector.

In order to best serve you, kindly share any issue(s) you are facing by clicking on the feedback form below.

### FEEDBACK FORM

Thank you.

Regards,  
KAM Team

# Government targets local content from the building sector

The Ministry of Industry, Trade and Cooperatives is seeking to enhance production and consumption levels of locally produced building and construction materials (local contents) across the sector's value chains.

This target is expected due to the high consumption levels by Affordable Housing projects as outlined in the Big 4 Agenda.

KAM has received a letter to that effect with an outlined request from the State Department of Investment and Industry.

The request entails KAM sharing the current sector's status in terms of:

- List of construction materials produced by local industries
- Production capacities against the local demand
- The challenges being faced by the sector
- Timeline: Q1 2019

KAM will engage members in the Building and Construction value chains including the following KAM sectors to provide the required information:

- Building, Mining and Construction
- Metal & Allied
- Timber, Wood and Furniture

Further, a follow-up meeting with the Ministry officials will be done to update on the progress.

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Kenya Association of  
Manufacturers



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## TOP 2 POLICY ISSUES IN THE MEDIA

1. **Manufacturing Priority Agenda 2019:** Highlighting the key actions that will see the sector realize its socio-economic goals as outlined in the Big 4 Agenda.

- **The Star:** [Counties lack key factors that draw investors - KAM](#)
- **Business Daily:** [Manufacturers' agenda can revitalise the sector](#)
- **Ebru TV:** [Manufacturing Sector Prospects](#)

2. **Withholding VAT & VAT Refunds:** Highlighting the impact of Withholding VAT and VAT Refund formula on

manufacturer's liquidity and its impact on the sustainability of local industry.

- **Business Daily:** [Manufacturers struggle under weight of unpaid VAT refunds](#)
- **Business Daily:** [Here's what we must do to kick-start economy](#)
- **People Daily:** [Tax policies should be built to catalyse business](#)
- **The Star:** [Manufacturer's push for review of VAT refund law yielding fruit](#)