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KAM hosts 1st International Steel Forum



KAM appreciates Steel Sector pioneers during the International Steel Forum

Kenya Association of Manufacturers (KAM) Steel Sector hosted the first ever International Steel Forum in Kenya.

The Forum that hosted over 50 stakeholders in the Steel sector from across the globe, focused on providing partnership opportunities to boost the sector's competitiveness and developing frameworks of collaboration to better shape the future of the industry.

Speaking at the event, KAM Chair Mr Sachin Gudka noted that the local steel sector has grown over the years, adding that the establishment of stronger partnerships with global investors would be vital to attain the desired growth in the sector and the economy.

Also at the event, KAM Steel Sector Chair, Mr Bobby Johnson highlighted that though the sector continues to grow, its full potential still remains unexploited due to a variety of challenges including, high energy cost, Import Declaration Fee (IDF) and Railway Development Levy (RDL) and illicit trade.

"We have continued to lobby the government for zero rating of IDF and RDL for all industry inputs to improve the sector's competitiveness. We are also keen on advocating for the development of clear procedures for smooth implementation of Buy Kenya, Build Kenya and local content – especially for large scale infrastructure projects with a high demand of steel," concluded Mr Johnson.

Economic Survey 2019 launched

The Kenya Economic Survey 2019 was launched on 25th May 2019. The following are the key highlights:

The economy grew by 6.3% supported by the Agriculture and Manufacturing sectors, which recorded a significant improvement in 2018. Various sectors recorded the following percentages in growth:

- Agriculture (6.4%)
- Manufacturing (4.2%)
- Wholesale and retail trade (6.3%)
- ICT (11.4%)
- Transport and storage (8.8%)
- Accommodation and food services (16.6%)

In 2018, trade balance widened by 1.4% to a deficit of KSh 1,147.3 billion from a deficit of KSh 1,131.5 billion in 2017.

- Kenyan imports rose by 2.0% from Ksh 1,725.6 billion in 2017 to KSh 1,760.2 billion in 2018
- Kenyan exports rose by 3.2% to Ksh 612.9 billion in 2018 from kshs 594.1 billion in 2017

Manufacturing sector real gross value-add increased by 4.2% compared to a revised growth rate of 0.5% in 2017.

Formal employment in the manufacturing sector increased by 1.4% to 307,592 persons in 2018, accounting for 11.1% of the total formal employment. A total of 78,400 were created in the formal sector of the economy.

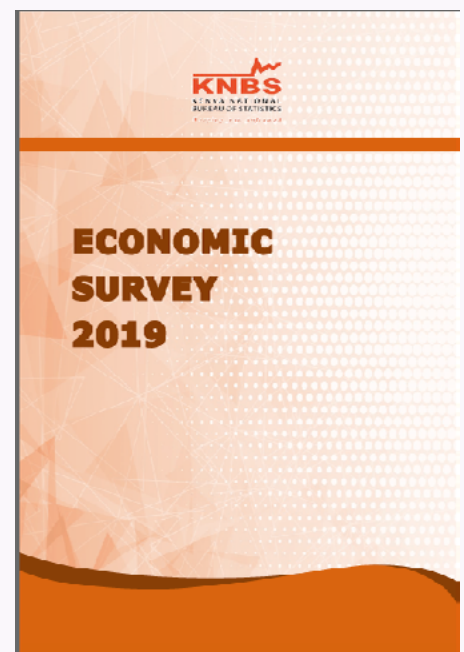
In 2018, the value of output and value-add in the manufacturing sector grew by 7.2% and 5.9% respectively.

Credit to manufacturing activities increased from KSh 315.5 billion in 2017 to KSh 336.0 billion in 2018. The main source of credit to the sector is commercial banks accounting for 99% of the total credit advanced in 2018.

Exports by EPZ companies increased by 19% from 67.3 billion in 2017 to 72.3 billion in 2018. Local employees engaged in EPZ enterprises increased by 4% to 56,945 in 2018 from 54,764 in 2017.

Sub-sector performance:

- **Food sector:** The beverage and tobacco sub-sector grew by 4.5% supported by beverage (5.6%), soft drinks (1.9%). However, production of tobacco products reduced by 1.4 per cent in 2018
- **Textile and Apparel sector:** In 2018, the textile sub-sector recorded a 1.5% growth mainly on account of a 12.8% increase in production of sacks and bags of textiles, and an 8.3% increase in production of knitting yarn.
- **Metal sector:** The production of basic metals grew by 2.7% in 2018 partly due to a 2.9% increase in production of corrugated iron sheets. During the same period, production of iron bars and rods expanded by 3.1%. Fabricated metal products sub-sector grew by 6.2% in 2018.
- **Electrical and Electric sector:** Production of electrical equipment increased by 9.9% in 2018, mainly on account of a 9.9% increase in the production of wires and cables. Manufacture of machinery for food processing went up by 5.0% in the period under review.
- **Automotive sector:** Manufacture of motor vehicles, trailers and semi-trailers increased by 11.2% in 2018. The number of assembled motor vehicles increased by 15.9% to 5,653 in 2018 compared to 25.4% drop in 2017. Production of bodies for motor vehicles, trailers and semi-trailers increased by 2.0% during the review period.



KAM raises concerns over efficient & Cost - effective SGR

KAM participated in a Joint Technical Committee on Efficient and Cost Effective Logistics for the Transportation of Cargo using the Standard Gauge Railway (SGR) on 2nd May 2019.

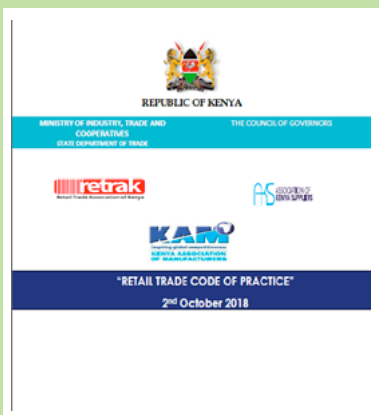
Key outcomes of the meeting include:

- The KEBS clearance process is manual, leading to delays and inefficiencies. Therefore, it should be urgently automated.
- On the other hand, the KenTrade system generates a lot of errors that hinder the clearance process. They were advised to address the software issues causing the errors as soon as possible for the Kenya Ports Authority (KPA) to receive the Vessel Cargo Manifest directly.
- KEBS was further advised to fast track enrichment of PVOC where intervening parameters for agencies exiting will be included and factored before shipment of consignments.
- KPA and Kenya Railways were directed to clear cargo through the SGR within the free 4 day period so that the cost of inefficiency is eliminated. They were further advised to work on a synchronized 24/7 work hour policy in order to create coherence on working hours.
- All agencies working within the Port should work on a 24/7 schedule.



Way Forward

- Due to inefficiencies currently experienced at the Port and SGR, KAM will continue to advocate for the increment of the free days period from 4 to 11 (exclusive of public holidays) until the technical report on transport and logistics is implemented. This will shield manufacturers from undue demurrage and storage costs.
- KAM will further push for improvement of PVOC Mechanisms and provide required support to members over delays at the port on clearance of goods.



RETAIL TRADE CODE OF PRACTICE AWARENESS FORUMS

KAM, in partnership with the State Department for Trade, Retail Traders Association of Kenya (RETRAK), Association of Kenya Suppliers (AKS) conducted three regional workshops to disseminate the Retail Sector Code of Practice and to present the draft regulations for public input.

The Code of Practice was signed on 17th January 2019 by stakeholders led by the Principal Secretary for Trade to address challenges facing Kenyan retailers, particularly delayed payments.



KAM HOSTS ILLICIT TRADE FORUM ON EXCISABLE GOODS

KAM hosted an Anti-Illicit Trade Forum on Excisable Goods on 30th April 2019 in Nairobi.

The Forum brought together key stakeholders and decision makers from key Government enforcement agencies, experts in the alcoholic beverages sub-sector and players within the excisable goods sub-sector (cigars and cigarettes, wines, spirits and beer, mineral and aerated water, sweetened and flavoured water, fruit juices, cosmetic and beauty products).

QUARRY SUB-SECTOR MEET MACHAKOS COUNTY ASSEMBLY FINANCE COMMITTEE

The Mavoko Sub - County Revenue Collection Department invited quarry owners for a meeting proposing a framework on how the Quarry Sub-sector will work with the County Government towards improving business environment whilst collecting revenue.

The Revenue Collection Department came up with a proposal on how the partnership will work.

The sub-sector is reviewing the proposal and giving their input which will inform development of a final framework that will be signed by both parties.

93% TARIFF LINES UNDER THE RULES OF ORIGIN AGREED AND CONCLUDED

The Tripartite meeting on Rules of Origin was held from 13th to 17th March 2019 in Ethiopia. The Technical Working Group on the Tripartite rules of origin has so far agreed and concluded list rules for 93.24% of the tariff lines (at 6-digit level) in HS 2017.

The meeting agreed on list rules for headings 87.11, 87.12, 87.13, 87.14 and 87.15. However, the meeting did not agree on list rules for the following headings under same chapter: 87.01, 87.02, 87.03, 87.04, 87.05, 87.06, 87.07, 87.08, 87.09, 87.10 and 87.16.

Textiles Chapters 51-63: The meeting considered and agreed on the list rules for the following Sub headings 6116.10, 6116.93, 6116.99, 6305.10 and headings

39.25, 39.26, 62.16, 62.17, 63.01 and 63.03. The meeting did not agree on list rules for following Chapters, Headings and subheadings Chapter 60, ex Chapter 61, 61.17, ex Chapter 62, 51.11, 51.12, 51.13, ex 62.02, ex 62.04, ex 62.06, ex 62.09 and ex 62.11, ex 62.10 and ex 62.16, 62.13 and 62.14, 63.02, 63.04, 6305.20, 6305.32, 6305.33, 6305.39, 6305.90, 63.06 and 63.07.

The Rules of Origin for the remaining chapters, mainly Textiles and Motor Vehicles were escalated to the Tripartite Trade Negotiation Forum that will be held in June 2019 to give a way forward.

KENYA-UGANDA BILATERAL NEGOTIATIONS

Uganda lifted the ban on Kenyan beef and beef products that was imposed in 1997. Manufacturers are therefore encouraged to utilize this opportunity.

THE EMPLOYMENT (AMENDMENT) BILL 2019

The Bill introduced adoptive leave, which is for employees who adopt children. The Bill seeks to introduce 3 months adoptive leave for a married woman and 2 weeks adoptive leave for a married man.

KAM presented a memorandum with feedback from Members to the Parliamentary Committee on Labour and Social Services.

THE WATER REGULATIONS 2019

KAM participated in the Water Regulations 2019 Public Consultation Forums on water harvesting and storage regulations, water service regulations, water resources regulations and the water tribunal rules.

19 NTBs resolved in April 2019

The Kenya and Tanzania Trade Bilateral meeting was held in Arusha on 22nd-26th April 2019.

The committee resolved 19 out of 37 reported Non-Trade Barriers (NTBs).

Tanzania will now issue veterinary products permits with a validity period of 30 days, compared to the previous 15-day validity period.

Kenya and Tanzania agreed to accord preferential treatment to printed labels. Manufacturers are requested to export printed labels to Tanzania and update KAM on the status.

Tanzania accorded preferential treatment to edible oils and lubricants after a regional verification was conducted in May 2018. Tanzania also assured Kenya that they will accord preferential treatment to Scania vehicles.

Kenya urged Tanzania to recognize Certificates of Origin (COO) issued by KRA as the Appointed Competent Authority, and requested Tanzania to allow delivery of goods into its market as outlined in the Capital Markets Authority regulations. Both countries agreed that the Revenue Authorities engage and communicate in case of any doubt.

Manufacturers are urged to monitor their exports and report to KAM on

any rejection of COO by Tanzania Revenue Authority.

Unresolved NTBS

A number of NTBs still remain unsolved after the Kenya-Tanzania bilateral trade talks. Multiple institutions are involved in inspection of goods and imposing of levies.

In the meeting between Tanzania Food and Drugs Authority (TFDA) and the Kenya Bureau of Standards (KEBS), the two partner states agreed to partner on two issues:

- Tanzania committed to recognize and use KEBS certificates of analysis during registration of food products from Kenya. The two parties also agreed that each country will continue to charge their domestic fees until harmonization is completed. Kenya will escalate this to the Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI) to cancel the discriminatory 1.5% import levy charged by TFDA.
- Kenya also committed to fast track the formation of a Food and Drugs Authority within 6 to 12 months. KAM shall monitor the progress on setting up the Authority for industry review and inputs before approval.

EAC Manufacturers Network



Participants at the EAC Manufacturers Network Forum

KAM participated in the East Africa Community (EAC) Manufacturers Network meeting held on 15th - 16th April 2019.

The Network comprises of Burundi Association of Manufacturers (AIB), Confederation of Tanzania Industries (CTI), Rwanda Association of Manufacturers (RAM), Uganda Manufacturers Association (UMA) and KAM.

Key among the issues discussed include;

- **EAC Common External Tariff (EAC CET):** Four (4) tariff bands at 0%, 10%, 25% and 35% are subject to the provision of time bound asymmetry for specific tariff lines for finished products with respect to the Republic of Burundi, Republic of Rwanda and the Republic of South Sudan. KAM Trade and Tax Committee will guide on the EAC CET Proposal.
- **EAC Customs Management Act (EAC CMA) Review:** EAC Manufacturers need to review the Customs Management Act and develop proposals for reforms. Additionally, BMOs should lobby their respective Governments to put on hold the EAC CMA amendment up to 30th June 2019 to allow for manufacturers' input. KAM will compile a statement on a position that all BMOs' should adopt at national level and share a draft document on the EAC CMA review process by 30th May 2019. BMOs will provide feedback to KAM on the shared draft document by 30th June 2019.
- **Implementation of the Excisable Goods Management Systems (EGMS) in the EAC:** The meeting noted that the BMOs should reject the system where the cost of Digital Tracking System (DTS) and EGMS is not borne by the Government.
- **Exchange of ideas on formation of Confederation of East Africa Manufacturers Association (CEAMA):** UMA presented the Memorandum and Articles of Association (MEMATS) on formalization of CEAMA for consideration and adoption by other BMOs. CEAMA is envisaged to have registration status by May 2019.
- BMOs should consider joining the Pan African Manufacturers Association (PAMA) as one entity (CEAMA). Exchanging ideas on formation of a Manufacturers Association/Network at the Continental level in view of African Continental Free Trade Area (AfCFTA). BMOs should submit comments on the MEMATS to UMA by end of April 2019 for compilation. KAM will draft Articles of Association for PAMA on behalf of CEAMA. KAM will share the draft Articles of Association for PAMA with other BMOs by 30th May 2019.

KAM MEETS NAIROBI COUNTY ASSEMBLY COMMITTEE ON TRADE

KAM engaged Nairobi County Assembly Committee on Trade to deliberate on Multiple taxation, inter-county fees and levies, motorcycle branding and infrastructural challenges.

KAM proposed that county fees and licenses be consolidated. The Committee pledged to hold a meeting with all Trade Committee Chairpersons to agree on ways to address with inter-county fees and levies. The Committee also agreed to hold meetings with KAM to deliberate on motorcycle branding.

The Committee also asked KAM to give a list of poor infrastructure within Nairobi County.

KAM MEETS ON THE NATIONAL REMUNERATION AND WAGES POLICY

KAM engaged the National Steering Committee on 6th May 2019 to address labour cost fluctuations due to periodic minimum wage requirements.

KAM will collect views from Members and hold engagements with sectors after which a draft report will be prepared to provide views on the regulations.

KRA engages Industry on iCMS & TIMS

KAM participated in Kenya Revenue Authority (KRA) sensitization engagements on the Integrated Customs Management System (iCMS) and the Tax Invoice Management System (TIMS) held on 2nd and 3rd May 2019, respectively.

iCMS will be replacing the existing SIMBA System. iCMS aims at simplifying clearance processes, reducing the cost of doing business, supporting a paperless environment and increasing compliance. The Air Cargo module, under the iCMS, was set to go live at Jomo Kenyatta, Moi and Eldoret International Airports from 10th May 2019.

On the other hand, TIMS seeks to enhance the existing Electronic Tax Registers (ETR) Regime. The pilot phase will take place between June and December 2019. TIMS seeks to increase VAT compliance, minimize

VAT fraud and increase tax revenue.

KAM has proposed the following with regard to TIMS:

- All issues related to VAT Auto Assessment (VAA) System should be cleared before the full roll-out of TIMS to avoid increasing the compliance burden at the initial stage
- A pilot test to be undertaken over a specified period of time to give room for KRA to address concerns that may be raised by manufacturers
- Have stakeholder representatives at the pilot stage to confirm all pertinent issues raised have been resolved.

Building Sector meets KPDA on Affordable Housing

During the Building, Mining & Construction Sector Q2 meeting held on May 7th 2019, the sector agreed to collaborate with Kenya Property Developers Association (KPDA) on the Affordable Housing Agenda.

The working relation will be extended to all sectors involved in housing including;

- Building, Mining & Construction sector;

- Metal & Allied sector;
- Timber, Wood & Furniture sector;
- Plastics sector (Plumbing & related plastic construction materials);
- Paints, Resins & Construction Glass materials;
- Service & Consultancy sector (including architects, financiers, lawyers, insurance)
- Energy, Electricals and Electronics sector

CHAPTER HIGHLIGHTS

Power Advocacy

KAM Industrial Area Members held a meeting with Kenya Power's technical teams led by their regional directors.

They agreed to hold quarterly meetings.

Security

The Chapter also held a meeting with the Makadara OCPD to discuss security concerns raised by our members and identify other possible areas of partnership.

A security meeting will be held in June.

KENYA PLASTIC ACTION PLAN

Kenya Plastic Action Plan Development is underway. 52 plastic stakeholders, including 6 BMOs and 3 development partners consented to the process proposed to drive the process at a meeting held on 28th March 2019.

Through funding secured by the Business Advocacy Fund, KAM is contracting a consultant to develop a plastic sector policy position paper that will support the development of long term plastic waste management solutions including Extended Producer Responsibility Schemes (EPR).

KAM ENGAGEMENT WITH THE KENYA LEADERSHIP INTEGRITY FORUM

KAM participated in the Kenya Leadership Integrity Forum (KLIF), where the Association highlighted its initiative towards the fight against corruption. To this end, KAM holds seminars and forums on anti-corruption and governance.

The Association also participates in the review of anti-corruption laws such the Bribery Act and is currently participating in the development of the Kenya Integrity Plan (KIP) progress implementation matrix for 2019/2022.

SALT BELT MULTI STAKEHOLDERS FORUM

The Salt Sub Sector held its first multi-stakeholders forum on 17th April 2019. Chaired by Kilifi County Commissioner, the Forum brought together major stakeholders within the salt belt region to address issues affecting the relationship between the salt companies and the community.

Among the issues discussed were: opening of access roads between salt works to the beach, resettlement of remaining squatters within the companies' land, provision of water to the area, insecurity and labor issues affecting salt harvesters.

Way Forward

- The National Lands Commission (NLC) and the

County Department of Lands will work with the Salt Sub Sector to spearhead the process of squatter resettlement.

- Companies should secure their boundaries to avoid invasion by more squatters.
- Malindi Water and Sanitation Company and the County Government should speed up the process of water provision in the area and provide a detailed report in the next forum.
- Krystalline Salt will work with the Labour Office to address the issue of salt harvesters and workers.

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**

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Kenya Association of
Manufacturers



Kenya Association of
Manufacturers

KAM engages KRA on Custom Issues

KAM engaged KRA on Customs issues on 18th April 2019. The key issues discussed include:

- **Customs response time on entry queries is too long:** KRA was in agreement on expedition and sticking to timelines where entries need to be processed in 2 hours. Where testing of samples is taking too long, undertakings will be committed and the goods released.
- **Frequent breakdown of KRA Systems:** KRA reported that the Simba system outage had not lasted for more than 5 hours in the last 8 months. A new system is being developed for the new financial year.
- **New Clearance Procedures at ICD:** KRA reported that original documents should be presented at the Inland Container Depot. However, processing of all documents will be fast-tracked.

The approval process can begin using scanned documents.

- **Increased disputes on classification and valuation:** KRA asked affected manufacturers to establish where delays arise. An example was given of third parties importing on behalf of manufacturers. Such parties enter into multiple contracts and keep doing addendums on the same contract. KRA needs the updated contracts to determine value. A meeting between sugar importers and KRA Customs was proposed.
- **Delays in issuance of export certificate:** KRA committed to clear the backlog of cases. There are a lot of export entries with no Certificate of Export (COE). Therefore, a new system will be implemented will address this challenge.

TOP 2 POLICY ISSUES IN THE MEDIA

1. KAM Manufacturing Barometer Q1, 2019 - 11 news articles

- **Business Daily** - [Grim outlook as industries freeze hiring, signal layoffs](#)
- **The Star** - [Corruption, payment delays hit manufacturers - survey](#)

2. Changamka Shopping Festival & Summit - 15 news Articles and 5 TV interviews and 4 Radio Interviews.

Topics featured include Buy Kenya Build Kenya, SMEs, Illicit Trade, Export Expansion.

Government Spokespersons featured include;

- Industry CS, Mr Peter Munya
- EAC Affairs CS, Mr Adan Mohamed
- Interior CS, Dr Fred Matiang'i
- ICT CS, Mr Joe Mucheru
- Gender & Youth Affairs CS, Prof. Margaret Kobia
- Industry PS, Betty Maina