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KAM participates in 10th Presidential Round Table



President Uhuru Kenyatta addresses participants at the 8th Presidential Round Table

Photo credit: PCSU/ File Footage

KAM participated in the 10th Presidential Round Table held on 29th May 2019, where manufacturers committed to support SMEs. The event that was hosted by H.E Uhuru Kenyatta was organised by KEPSA.

Responding to issues raised at the meeting, President Uhuru Kenyatta noted that:

- Subsidies: Developing Kenya on the level of subsidies is not sustainable.
- Cost of Power: A separate meeting between the private sector and power agencies should be convened to look at the practicability of the proposed tariffs in reducing
- the cost of power, particularly for the textile, iron and steel manufacturers.
- Ease of doing business across counties: Prompt payment will be infused in the Finance Bill to ensure that reforms undertaken criminalize intentional diversion of funds meant for paying suppliers.
- Late Payments: He was in agreement with the private sector's proposal that late payments either, Government to Business or Business to Business, should be fast-tracked and cleared in a maximum of 60days payment cycle. He added that this too should be included in the Finance Bill.

Sugar & Sugar Products standards review

KAM participated in sugar and sugar products standards review from 3rd to 6th June 2019 in Machakos where the standards of the following specifications were discussed for review:-

- EAS 8-2019 Raw Sugar Specification;
- EAS16-2019-Plantation (mill) white sugar specification;
- KS EAS 749-2010 Brown Sugar specification;
- KS EAS-2019 - Refined White sugar specification;
- KS 2166 - Icing sugar specification;
- EAS348 - 2019 - Confectionery trade terminology;
- KS EAS 770 2012 - Fortified sugar specification;
- EAS 17-2019 - Methods of chemical analysis for sugar

The standards will be further discussed at the EAC level and thereafter KEBS will share them for public review.



KAM Chairman, Mr Sachen Gudka, Vice Chairman, Mr Mucai Kunyiha and CEO, Ms Phyllis Wakiaga present Manufacturing Priority Agenda 2019 to Nakuru County Governor, Mr Lee Kinyanjui and Deputy Governor, Dr Erick Korir.



KAM/Kenya Power Members' Forum in Nyeri.

KAM CBET Trainers-Industry Exchange visit to Nairobi Nairobi Bottlers. The Exchange Visit aimed to make trainers appreciate the applicability of skills in industry's production process.



KAM CEO, Ms Phyllis Wakiaga participates in KPMG, KEPSA 2019/2020 Budget Forum. Photo credit: KEPSA



KAM PR, Communications and Marketing Manager, Ms Sally Kahiu participates in the Nairobi County World Environment Day Panel themed *Hewa Safi Jukumu Letu*.



NYANZA/WESTERN CHAPTER HOSTS KPLC REGIONAL MANAGEMENT

The Nyanza/Western Chapter Committee hosted Kenya Power's (KPLC) regional management to review Power Issues affecting members.

Way Forward

- Quarterly review meetings will be held to ensure issues are consistently dealt with.
- Customer Experience Manager to be the Account Manager when issues are not conclusively sorted through the WhatsApp platform.
- Industrial visits to be enhanced.

KAM North Rift Chapter engages KEBS, Kenya Power

The North Rift Chapter engaged the KEBS Quality Assurance Officer where members were taken through KEBS Mandate, Product Certification and Standards.

Manufacturers noted that the challenges they face are delayed certification of products and unclear communication on standards.

Way Forward

- KEBS' key contact was shared with members
- KEBS will follow up on members' specific issues and report on progress
- A joint visit by the KEBS Quality Assurance Officer and Chapter Officer will be done to affected members.

The North Rift Chapter also engaged Kenya Power's Head of Connectivity,

Customer Relations Officer and SME liaison officer on manufacturers' energy issues.

Kenya Power presented a brief progress report to Members.

Way Forward

- Members with emergency issues to continue using the KAM/Kenya Power WhatsApp platform to report urgent matters. So far the platform has improved efficiency.
- Kenya Power asked Members to pay their bills on time since there is an automatic shut down on every 22nd of the month.
- Relevant Kenya Power personnel will follow up on Members' pending issues such as wrong billing, delayed bills, power upgrades and other technical issues.

THE NAIROBI CITY COUNTY REVENUE ADMINISTRATION BILL, 2019

KAM presented a memorandum on the Nairobi City County Revenue Administration Bill, 2019 which impacts manufacturers in Nairobi City County.

KAM proposals include:

- The Bill should promote public participation in all its processes as per Constitutional requirements.
- Inclusion of the private sector in the membership of the Board, specifically manufacturers because of their contribution to economic development and job creation in the County.

- Reiterate reduction of the cost of doing business by not imposing charges for registration.
- Ensure fair administration by providing grounds and reasons for any administrative action such as rejections.

Way Forward

- KAM will continue to engage the County Government on the promotion of a business-friendly regulatory environment for manufacturers.

Sectoral Council on Trade, Industry, Finance & Investment (SCTIFI) Meets

KAM participated in the Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI) meeting held on 27 - 30 May 2019 in Arusha Tanzania. The meeting was attended by Cabinet Secretaries from EAC Partner States, Representatives from the Private Sector and EAC Secretariat.

On the sidelines of the meeting, KAM hosted Trade PS, Dr. Chris Kiptoo, the KRA Commissioner for Customs and Border Control, Mr. Kevin Safari and senior officials from the State Department for Trade and Ministry of Foreign Affairs where the following was discussed:

- The PS observed that there was a lack of coordinated follow up on issues discussed during bilateral meetings, hence an urgent need to ensure tracking of the various stages of implementation of resolved Non -Trade Barriers. This will include follow up letters and phone calls by a dedicated unit at KAM and the State Department for Trade.
- The Commissioner confirmed that the Industrial Spare Parts Committee has been gazetted. KAM, among other committee stakeholders, is required to forward a nominee's name by next week to constitute the committee members who will be vetting the industrial spares application forms from manufacturers.
- The Integrated Customs Management System (iCMS) will be effective on 14th June 2019. The system will enhance KRA's capacity to manage greater flows

of goods as the economy grows. These in-built controls will not only ensure fast clearance of legitimate transactions but will also target those intending to commit fraud and enhance the transparency of the process for the trader and agent by keeping them aware of all steps in the progress of the entry.

- The pre-arrival clearance to be started soon will be open to all value-add manufacturers. KAM was requested to submit a list of KAM members so that they are accorded green channel. This will address frequent challenges on valuation, tariff classification and other customs delays to manufacturers' raw materials.
- KAM will champion for Special Economic Zones (SEZs) and explore proposals for joint visits with KRA and other government agencies to countries with established SEZs. This will enable Kenya to have a clear understanding and strategy on correct implementation and operationalization of SEZs.

Update from the SCTIFI meeting

Motorcycles Assembly Regulations:

The EAC Secretariat to develop regulations for the assembly of motorcycles that address the observations, findings and challenges outlined in the report of the verification findings undertaken from 7 - 19 April 2019, by September 2019. The regulations will provide guidance on how to handle locally manufactured motorcycle parts.

The Motorcycle Legal Notice No. EAC/39/2013 was extended for one more year up to June 2020 but will be nullified once regulations come into force.

Verification mission on sugar in Kenya: The verification mission on sugar in Kenya, that was supposed to take place starting 3rd June, was pushed to the end of June 2019 as Tanzania had not submitted the names of experts. A new date will be communicated by the Secretariat.

Tanzania, on the sidelines of SCTIFI, also proposed verification of printed labels alongside sugar verification. Tanzania will communicate with KRA on this.

The Non-Trade Barriers on Del Monte juices to Rwanda were resolved.

EAC adopted the four-band EAC Common External Tariff (CET) Structure. The agreed four band CET review should enhance economic growth and development in the region, promote social welfare, increase intra and extra-regional trade, food security, employment and safeguard revenue.

Kenya, Rwanda and Burundi are in favour of a 30% duty while Uganda proposes a 35% duty under the new structure; Tanzania is yet to give their position on this. Due to the divergent positions, the review was extended to October 2019 to allow further consultations.

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KAM Team, led by the Chair, Mr Sachen Gudka and Trade and Tax Committee Chair, Mr Bharat Shah pays a courtesy call to the Cabinet Secretary, Ministry of EAC Affairs and Regional Development, Mr Adan Mohamed to discuss competitiveness and EAC Regional Integration matters.



SCTIFI Update

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KAM and State Department of Trade will hold National Consultation Forum to discuss EAC CET Review upper tariff band of 30% or 35% and EAC Customs Management Act (CMA) review.

The EAC CMA review timeline has been extended to allow further comments to be submitted by August 2019. Finalization of review will be done by September 2019 to give KAM room to submit consultant's comments by August.

SCTIFI declared 79 Draft Standards as East African standards to be gazetted by July 2019.

Kenya's bid to host the AfCFTA Secretariat was supported by the rest of EAC Partners States.

KAM presents on AfCFTA RoO on Edible Oils (Chapter 15)

KAM presented its preferential rules that African Continental Free Trade Area (AfCFTA) should adopt for Chapter 15 on edible oils, Chapter 50 - 63 on textiles and Chapter 87 on motor vehicles.

In regard to Chapter 15, KAM made a presentation which had comprehensive data on plant production, extraction, importation and exportation of the four (4) key leading produced edible oils in Africa - palm oil, soya bean oil, corn oil and sunflower oil.

Africa has a net deficit in production of these four types of oils and the gap is addressed through importation.

KAM, on behalf of Kenya, proposed that AfCFTA adopts a change in

Tariff SubHeading (CTSH) criteria on edible oil products tariff codes 1507.90.00, 1511.90.30, 1511.90.40, 1511.90.90, 1512.19.00, 1515.29.00. A number of countries, including Egypt, South Africa and Mauritius supported KAM on this.

Way Forward

- It is expected that the meeting of AfCFTA's senior officials will reach a consensus for adoption of the CTSH for the tariff lines 1507.90.00, 1511.90.30, 1511.90.40, 1511.90.90, 1512.19.00 and 1515.29.00.

National Development Implementation and Communication Cabinet Committee meets

KAM participated in the National Development Implementation and Communication Cabinet (NDICC) Committee meeting held on 29th May 2019, where the Association presented the challenges hindering the growth of the sector. The forum, organised by KEPSA, was attended by 42 Principal Secretaries and chaired by the Principal Secretary for Interior, Dr Eng. Karanja Kibicho.

KAM Vice Chair, Mr Mucai Kunyiha noted that the sector's contribution to GDP was on a negative trajectory, currently contributing 7.7% against the 15% target under the Big 4 Agenda. He elaborated that Import Declaration Fees and Railway Declaration Levy on raw materials, logistics inefficiencies, among others, affect inbound competitiveness by 7%. Moreover, the cost of power, fuel, labour, among other firm-level factors lower value-add competitiveness by 4.5%.

The Vice Chairman also presented a list of the companies across different manufacturing value chains that are struggling or shutting down as a result of the above-mentioned challenges. The companies include 8 steel plants and 4 companies in the plastics and rubber sector. The other sectors affected include the textile, automotive, building, mining and construction, and food and beverage sectors.

To address the issue of logistics efficiency at the Port of Mombasa and ICD Nairobi, a circular that recommends the reduction of the number of Agencies at the port is being developed. It's divided into the following four categories:

Category 1: Only four vessel-boarding parties will be allowed. This will include Port Health, Immigration, Customs (KRA) and Port Facility Security Office;

Category 2 will include four frontline port operators i.e. KPA, KRA, KEBS and Kenya Railways

Category 3 includes DCI and KEPHIs that will only be allowed to intervene based on intelligence – and only after filling an accountability form.

Category 4: All the other agencies will be required to operate from outside the port - they will act only based on intelligence and will have to fill accountability forms to intervene.

The Circular will also include a revised Certificate of Conformity and operational guidelines for SGR such as the requirement to operate 24 hours, adherence to set timelines, automation, among other regulations.

Update from the Principal Secretaries

The Principal Secretaries (PSs) unanimously acknowledged that there is a problem in the manufacturing sector. They therefore noted the need for a change in the government's mindset and commitment by the PSs in supporting local businesses.

Interior PS, Dr Kibicho identified agro-processing as a key component towards Kenya's economic transformation, SME growth and linkages between small, medium

and large companies.

Principal Secretary for Defence, Mr Torome Saitoti noted that the Ministry of Defence is in the process of developing an Industrialization Strategy for the Military. He called for the consolidation of the different strategies to form a National Industrialization Policy. An Implementation Committee, involving the private sector, would also be required in order to address all industry issues.

On the other hand, Principal Secretary for Trade, Dr Chris Kiptoo noted that a long term National Action Plan and implementation Framework to Combat Illicit Trade was ready to be tabled before the PSs for endorsement. He also added that the Trade Remedies Authority is under establishment; Ksh 40 million has been set aside by the National Treasury. The Authority is already seeking to recruit qualified directors.

Lands Principal Secretary, Dr Nicholas Muraguri committed to follow up with governors to improve working spaces for SMEs, as well as the issue of grabbed land that was meant for Juakali artisans. It was proposed that PSs provide incubation spaces for SMEs for a particular period of time. KRA also offered to ensure the SMEs are incorporated into the quarterly stakeholder engagement forums.

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NDICC COMMITTEE MEETS

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It was also reported that Rivatex would be launching a new factory by July 2019 with the capacity of producing 40,000 metres of fabric per day. However, access to raw materials remains their main concern.

To ensure tax policy predictability, outgoing KRA Commissioner General, Mr John Njiraini proposed a medium-term (3-year tax cycle). He further noted that KRA has also proposed a reduction of Withholding VAT to about 1%.

South Rift Chapter hosts Nakuru County Governor

KAM South Rift Chapter engaged Nakuru County Governor, Mr. Lee Kinyanjui, Deputy Governor Dr. Erick Korir and Nakuru County Executive Committee Members on Friday, 7th June 2019. The meeting deliberated on the implication of elevating Nakuru town to a city to businesses, among other issues.

Speaking at the Forum, Mr Kinyanjui, noted that the County cannot grow without the input of manufacturers, adding that his Government will work with industry to promote trade in the County.

Members voiced their concerns on the anticipated elevation of the town to a city, citing increased cost of doing business and infrastructural deficit as key concerns. They appealed for a delay, recommending that the infrastructure should be upgraded to match the anticipated status. In particular, they cited roads, water supply, power connectivity and sewerage connection.

On Nakuru City Status, Governor Kinyanjui noted that the County will engage residents to ensure that attendant benefits are realized while minimizing interruptions

KAM Chairman, Mr Sachen Gudka noted Kenya has a 13.3% cost disadvantage compared to neighbouring countries due to, among others, unpredictable business environment, port & transport charges, delayed payments, county charges and labour. We have seen some accomplishments through our engagements with government including interventions on port logistics

KAM South Rift Chapter Chair, Mr Jayen Dodhia, noted that there are limitless investment opportunities in Nakuru County.

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Kenya Association of
Manufacturers



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TOP 2 POLICY ISSUES IN THE MEDIA

- 1. Corruption:** Highlighting the role of demonetization in the fight against corruption
 - **Daily Nation:** [Corrupt set to be hit hard by CBK move on new Sh1,000 notes](#)
 - **Hapa Kenya:** [KAM statement on the introduction of new currency in Kenya](#)
- 2. Waste Management:** Highlighting the value of waste management
 - **ICIS:** [Tanzania's plastic bags ban part of a growing trend across Africa](#)
 - **Africa Business Communities:** [Leveraging on youthful innovations to promote circular economy](#)