

GROWTH & GAINS

*Great Strides
Together*

JUNE /
2020 /

ABOUT KAM

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.



Vision

To promote competitive and sustainable local manufacturing



Mission

To be a World Class BMO that effectively delivers services to its members



Goal

Influencing and driving Industrial growth towards competitiveness



Core Values



MEMBERSHIP

KAM Membership constitutes 65% of manufacturing value-add industries in Kenya and comprises small, medium and large enterprises. Over 80 per cent of these are based in Nairobi while the rest are located in South Rift, North Rift, Lower Eastern, Central, Coast and Nyanza/Western Regions.

Membership at KAM is structured in three categories, namely:

Ordinary Membership:

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

MSME Membership:

MSME Membership is a subcategory of Ordinary Members, which targets Micro, Small & Medium Enterprises manufacturing value add Industries.

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.

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;

a. High cost of doing business
(energy, taxation, illicit trade,
counterfeits)

b. Predictable policies and
regulations

c. Budgetary proposals and
amendments

2. Providing trade information on Local, Regional, and Global markets. Such as

a. East African Community
(EAC)

b. Common Market for Eastern
and Southern Africa
(COMESA)

c. South African Development
Community (SADC)

d. Africa Continental Free Trade
Area (AfCFTA)

e. African Caribbean Pacific-
European Union (ACP-EU)

f. World Trade Organization
(WTO)

3. Facilitating Exports under Duty Remission Scheme as well as Africa's Growth Opportunity Act (AGOA)

4. Facilitating licensing and permits

5. Energy and green growth services

6. Intervention and engagement of county governments

7. Providing relevant Training, Seminars and Workshops through our Manufacturing Academy and Manufacturing SME Hub

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

POLICY HIGHLIGHTS



L-R KAM CEO Phyllis Wakiaga, Interior CS Dr Fred Matiangi and KAM Chair Sachin Gudka during the launch of the Manufacturing Priority Agenda 2020

KAM launches 2020 Manufacturing Priority Agenda

Kenya Association of Manufacturers (KAM) launched the Manufacturing Priority Agenda (MPA) 2020 in February. The MPA is an annual publication that guides the Association's advocacy efforts with the Government and its agencies.

The theme for this year's MPA is 'Establishing a competitive manufacturing-led economy for job and wealth creation.' The agenda shall be driven under five main pillars, namely Competitiveness and level playing field, Enhanced market access, Pro-industry policy and institutional framework, Government driven SMEs development and Industrial sustainability and resilience.

The Association also launched two KAM advocacy working papers:

- ❖ The National Framework to Support Manufacturing-led Export Growth and Diversification in Kenya: A Case for Agro-based Value Chains.
- ❖ Availing Long-term Finance to Manufacturers in Kenya through Specialized National Development Banks.

Government approves list of manufacturers for reduced RDL and IDF rates

The government approved the list of manufacturers developed by Kenya Association of Manufacturers (KAM) for reduced Import Declaration Fee (IDF) and Railway Development Levy (RDL) rates at 1.5%.

Kenya Revenue Authority (KRA) has received the list and is currently issuing approvals manually as they continue to capture the information of the approved items in iCMS.

Additionally, lists of raw material(s) and intermediate products that were submitted from November 2019 - January 2020 were all approved. Members who submitted are therefore requested to apply for reduced rates directly to KRA.

KRA approves applications for duty-free importation of Industrial Spare Parts

KRA approved and issued qualified applicants with certificates for duty-free importation of industrial spare parts.

On behalf of the Industrial Spares Vetting Committee, KAM prepared certificates for the recommended applications and submitted them to the KRA Commissioner for Customs and Border Control. The Commissioner reviewed, approved and issued qualified applicants with registration certificates that shall be valid for 3 years.

The certificate authorizes manufacturers to import duty-free replacement parts for machinery of Chapters 84 and 85 in accordance with the provisions of Item 31 Part B of the Fifth Schedule of the East African Community (EAC) Customs Management Act.

The Industrial Spares Committee shall be meeting quarterly to deliberate on received applications and recommend to the KRA Commissioner for Customs and Border Control for approval and issuance of the certificates.

KRA adopts Green Channel treatment

Following concerted efforts by KAM and the Government of Kenya to reduce the impact of COVID-19 on the economy, KRA announced the immediate implementation of Green Channel treatment.

This is an efficient and expedited cargo clearance process for no/low-risk imported consignments imported by compliant manufacturers.

The clearance shall be done without routine physical examination of the goods at the customs area. This shall reduce clearance bottlenecks and facilitate faster processing, leading to ease of doing business. It is expected that cargo clearance should take 30minutes to 1 hour upon presentation of complete and accurate documents by the Customs Agent.

The Green Channel treatment is carried out on a selective basis using Risk Management Techniques. A post-clearance audit may be carried out in case of identified gaps, for example, the wrong declaration.

National Budget 2020/2021

The Association continued to engage the National Treasury on the 2020/2021 budget proposals, particularly on measures to cushion businesses and citizens as the country puts in measures to combat the pandemic.

Among the proposals featured in this budget include:

- ◆ Bailout tax incentives (approx. Ksh. 172 billion) and the economic stimulus program of about Ksh. 53.7 billion shillings to contain the economic fallout, as a result of the COVID-19 Pandemic.



KAM Team, Led by CEO - Ms Phyllis Wakiaga and Trade & Tax Chair, Mr Bharat Shah engage National Treasury on 2020/2021 Budget

- ❖ The government has also prioritized the Big 4 Agenda in this year's budget statement by allocating approximately 128.3 billion to enablers and drivers of the agenda and specifically 18.3 billion to the manufacturing sector.
- ❖ Ksh. 3 billion support to Micro, Small and Macro enterprises and an allocation of Ksh. 712 million in the manufacturing sector is a good start. However, it may only guarantee for a small percentage of those in dire need of financial support for a rebound.
- ❖ The Association welcomes the government's plan in preparation of the Nation's post-COVID-19 economic rebound strategy. KAM is keen and ready to work with the government in the development of the strategy and its actualization.

Some of the key amendments proposed in the Bill affecting the manufacturing sector include:

- ❖ Introduction of Minimum Tax in the Income Tax Act as the base income tax, payable by all companies regardless of whether or not they make a profit.
- ❖ Introduction of Digital Service Tax (DST) which shall be payable by a person whose income from services is derived from or accrues in Kenya through a digital marketplace.
- ❖ Deletion of several allowable expenses, for example, entrance fee or annual subscription paid during that year of income to a trade association, capital expenditure on legal costs and other incidental costs.
- ❖ Changes in the requirements for claims of input tax.
- ❖ Introduction of VAT on items that were previously exempt like plant, machinery, and equipment used in the construction of a plastics recycling plant, tractors other than road tractors for semi-trailers, stoves, ranges, grates, cookers etc.
- ❖ Introduction of 1.5% Import Declaration Fee (IDF) on goods imported under the East African Community Duty Remission Scheme



KAM engages National Treasury on 2020/2021 Budget

To unpack the National Budget 2020/2021 proposals, the Association hosted the KAM Budget Live. The discussions unpacked the proposals on whether they were a hit or miss for the sector.

Prompt Payment

The Association engaged Cabinet Secretary for Interior and Coordination of National Government and Chairman of the National Development Implementation and Communication Committee, Dr Fred Matiang'i on retail sector challenges facing manufacturers.

The Association also met the Competition Authority of Kenya (CAK) Director-General, Mr Wang'ombe Kariuki on 10th June 2020. The meeting focused on competition compliance and measures to address late payment under the Competition regime.

Way Forward

KAM to work with Sectors to seek Advisories from the Authority on any areas of clarity to reduce non-compliance.

The Association and CAK to hold compliance seminars to help members understand and comply with key requirements under the Competition regime. The seminars shall focus on areas such as restrictive trade practices, mergers and consumer protection among others. In addition, KAM shall proactively lead efforts on Consumer Protection awareness initiatives.

KAM shall collate information from members on late payments to be escalated to the Competition Authority to address, based on the Public Notice seeking information on payment by retailers.



Fight Against Illicit trade

The Association in partnership with the Anti-Counterfeit Authority (ACA) marked World-Anti-Counterfeit Day on 10th June 2020. During the commemoration, ACA launched the National Baseline Survey on Counterfeit and other Forms of Illicit Trade in Kenya.

The Association also launched the *2020 Practitioners' Guide for Enforcement Officers on Combating Illicit Trade and the Enforcement Manual to Combat Illicit Trade in Kenya*.

Commercial Law Guidebook

KAM partnered with Kenya Magistrates and Judges Association (KMJA) to develop and launch the Guidebook on Company and Corporate Insolvency Law. The Guidebook is a simplified and quick reference on Company and Corporate Insolvency Law for Kenyan lawyers, judicial officers and business executives.

High-Level Engagements

KAM meets Labour and Social Protection CS

Kenya Association of Manufacturers (KAM) led by Chair, Mr Sachin Gudka met the Ministry of Labour and Social Protection Cabinet Secretary, Mr Simon Chelugui and Principal Secretary, Mr Peter K. Tum. The meeting focused on initiatives to mitigate the effects of COVID-19 and recovery strategies.

Way forward

The Ministry of Labour and Social Protection, KAM, Kenya Private Sector Alliance (KEPSA) and Federation of Kenya Employers (FKE) shall develop a Framework for the phased return of employees to work, prior to reopening the workplace for businesses.

The Memorandum of Understanding (MoU) between the Ministry of Labour and Social Protection, COTU and FKE shall be reviewed upon expiry of the implementation period of three months.

The Ministry shall review the health and safety protocols across the private sector to inform the Government's strategy to reopen the economy to sustain jobs.

KAM meets Environment PS

Kenya Association of Manufacturers (KAM) led by the Chair, Mr Sachen Gudka and Vice-Chair, Mr Mucai Kunyiha met Environment PS, Dr Chris Kiptoo on 3rd June 2020. The meeting focused on industry's sustainability measures on the environment and the impact of Covid-19 on manufacturers' environmental obligations



KAM meets Environment PS, Dr Chris Kiptoo

Way forward

KAM shall lead stakeholders in the Timber and Paper value chain to develop an action plan to accelerate the management of tree cover in the country.

The recommendations shall be shared with the government to provide a long term solution to ensure the sustainability of tree cover. The Association shall sign a collaboration framework with the Ministry of Environment and Forestry on a tree planting initiative.

KAM to engage with the Ministry of Environment and Forestry on its consolidated proposals on the draft Extended Producer Responsibility Regulations 2020.

KAM meets Nairobi Metropolitan Services (NMS) Director-General

KAM engaged Nairobi Metropolitan Services (NMS) Director-General, Maj. Gen. Mohammed Badi on Monday, 22nd June 2020, to deliberate on various challenges facing local industry and possible areas of partnership between manufacturers and NMS.

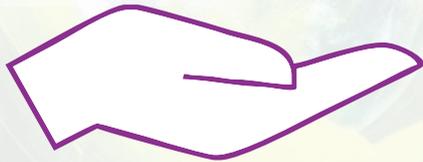
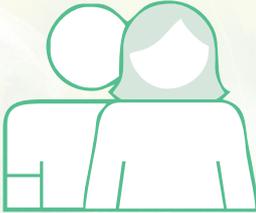
The meeting focused on Roads and Infrastructure, Water and Sewerage, Health and Environment, Renewal of permits, Compliance guidelines and premise inspection process, County Committees and Construction permits.

KAM engages KRA Top Leadership

KAM and KRA Boards held a fiscal strategy session, led by KAM Vice-Chair, Mr Mucai Kunyiha and KRA Board Chair, Amb. Francis Muthaura.

The issues discussed include Implementation of lower Railway Development Levy (RDL) and Import Declaration Fee (IDF) rates, Budgetary allocation for VAT and excise tax refunds, Refund of excess credits arising from WHVAT, Migration of legacy final ledger balances to iTax, VAT Auto Assessment system (VAA) and Excisable Goods Management System (EGMS).

SUSTAINABILITY HIGHLIGHTS



Manufacturing Academy

KAM through the Manufacturing Academy has continued to drive the execution of high-quality manufacturing practices guaranteed to enhance productivity and personal growth. The Association has engaged members through physical and online training.

SDGs Readiness Report

KAM, the Office of the Deputy President and Global Compact Network Kenya launched the SDGs Readiness Report that studied the progress of implementation of the Goals from a policy, legislative and institutional perspective in the country.

The report provides a legislative review of Kenyan Laws to identify areas that need to be reformed to align with the SDG commitments. The report has identified gaps in the laws and policies across the 17 goals with an emphasis on how the country can achieve green economic growth and recommends interventions.

The report has also reviewed institutional arrangements for executing SDG commitments and made recommendations on how Parliament should monitor the national and sub-national execution of SDG commitments.

World Environment Day

KAM hosted World Environment Day in partnership with PETCO Kenya and the County Governments of Kiambu and Kajicho. The Association, in partnership with Takataka ni Mali, launched the COVID-19 Waste Management and Health Safety Measures Campaign to sensitize the public on proper disposal of COVID-19 waste.

Women in Manufacturing

The Association continued to engage women in manufacturing through webinars to ensure they are resilient during this period. The webinars focused on;



COVID-19 UPDATES

This year we find ourselves at a remarkably tenuous point in our history. The unexpected turn of events as a result of the global pandemic (COVID-19) has thrown an unwonted curve ball on our plans for the year.

Manufacturing has felt the impact of the pandemic. While the greatest effect of the pandemic has been loss of life and strain on health facilities, businesses have not been spared.

The Association has continued to engage its members and the government, among other stakeholders as the country navigates the current crisis,

Members' responsiveness, kindness, generosity and solidarity with the Citizens and the Government, to ease the pressure that has been felt in recent months, has been remarkable. In-kind contributions, donations, and financial support to on-going efforts to flatten the curve are truly laudable.



L-R - Programmer Job Mathenge, Bio-engineer Niraj Hirani showcase how Pumualshi 2.0 ventilator works to CS Betty Maina, Industry CAS Lawrence Karanja, Industry PS Dr Francis Owino, KAM CEO Phyllis Wakiaga

#KeepKenyaMoving

Manufacturers have been at the forefront in ensuring that we Keep Kenya Moving and flatten the curve during this crisis. They have gone over and above in ensuring that high standards of hygiene are maintained and that vulnerable members of the society are cushioned from the effects of the pandemic.

Local industry has donated tanks, hand washing stations, soap and washing detergents across the country. Some of these were donated to the Ministry of Interior and Coordination of National Government, to be distributed to police officers across the country.

The Association also partnered with Beiersdorf Kenya to distribute hand sanitizers across the country. The sanitizers were donated to Matatu Owners Association of Kenya, Kenya National Chamber of Commerce and Industry (KNCCI) - Kakamega Chapter and Police Stations in Nairobi Metropolitan Area.

Kenya COVID Fund

Local industry has donated to the Kenya COVID Fund that was established by the government to contain the spread, effects and impact of the COVID-19 pandemic. The Fund's initiatives are geared towards supplementing government's efforts in the supply of medical facilities and equipment and providing vulnerable communities with their immediate needs, including food.



Matatu Owners Association (MOA) National Coordinator Albert Karagacha, KAM Head of Communications and Marketing Sally Kahiu, Beiersdorf Kenya Human Resource Business Partner Martin Arek, MOA Vice Chair Stephen Murunga

Local industry to supply critical essential items to be used in the fight against COVID-19

Government committed to locally source critical items to be used in the fight against COVID-19 by frontline medical personnel as well as the general public.

Industry shall produce and supply protective footwear and ventilator prototypes currently under development, full-body suits, headgears, protective footwear, hospital scrubs, hospital linen and surgical gloves.

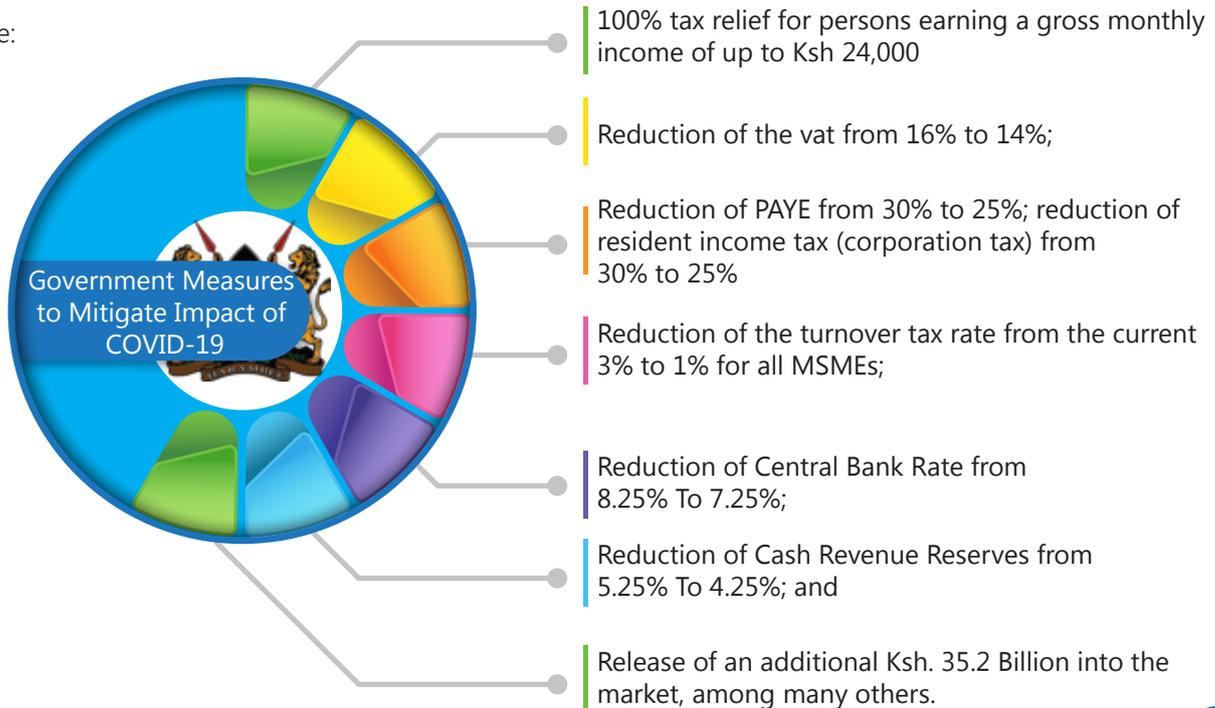


L-R KAM CEO, Ms Phyllis Wakiaga, Equity Group MD Dr James Mwangi, Equity Group Chair Prof Macharia inspect PPEs. Onlooking, Shona EPZ CEO Isaac Maluki

Government Measures to Mitigate Impact of COVID-19

Following the outbreak of COVID-19 in the country, KAM engaged the government to put in place measures to cushion the economy from the impact of the virus. The measures will not only ensure smooth recovery from a crisis but also maintain employment, safeguard investments and cushion the economy.

These include:

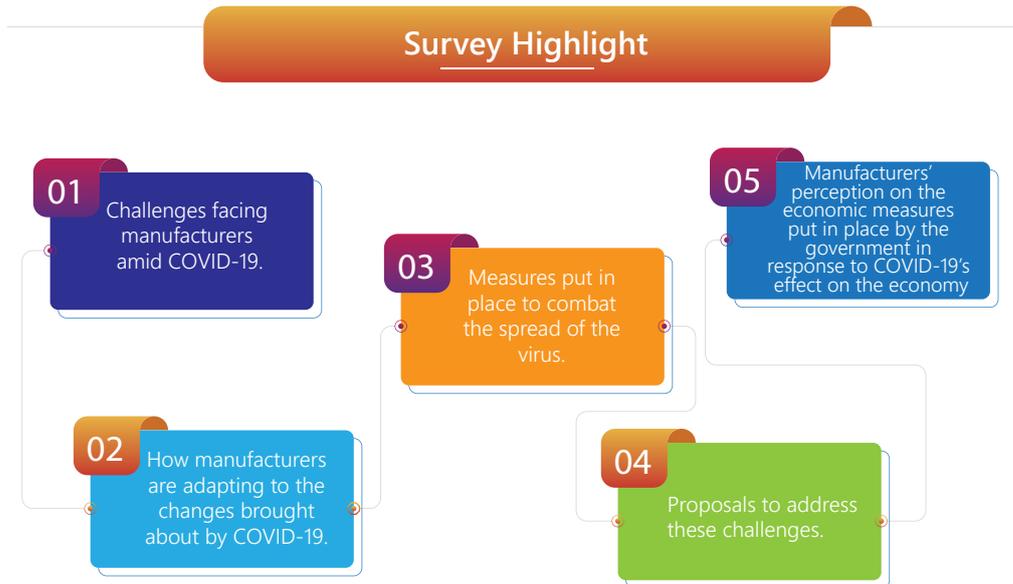


Online Directory

We also launched an online directory of locally manufactured goods (<http://www.directory.kam.co.ke/>) to supplement local production and forestall disruptions in the local market. This is aimed at addressing any gaps that may stem from the shortage of finished products in the local market.

KAM, KPMG Survey

KAM in partnership with KPMG launched a survey on the impact of COVID-19 to the manufacturing sector in Kenya. The survey sought to highlight:



SGR and Logistics Update

KRA has announced the immediate implementation of Green Channel treatment. The clearance shall be done without routine physical examination of the goods at the customs area. However, a post-clearance audit may be carried out in case of identified gaps, for example, the wrong declaration.

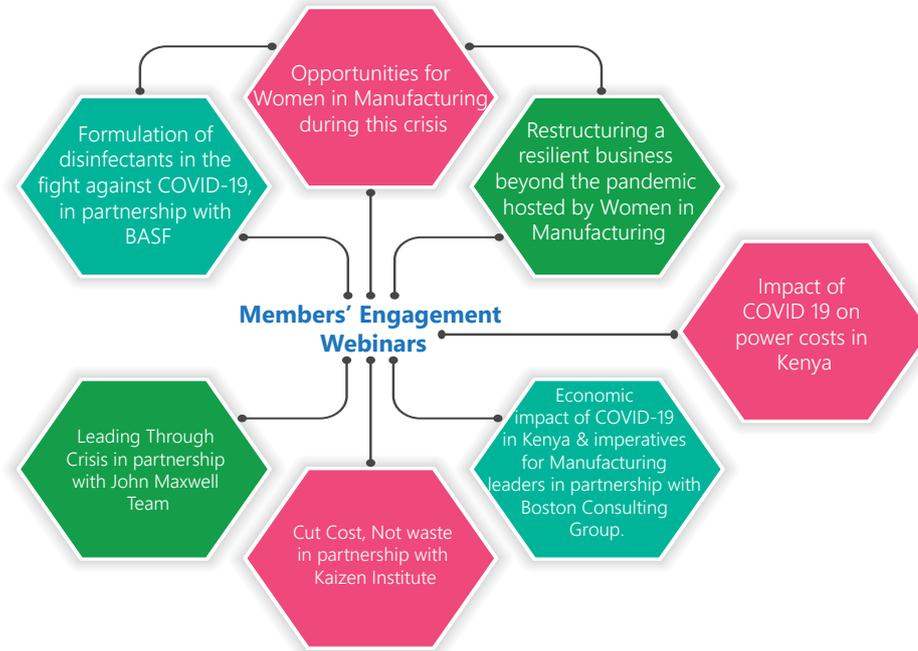
Some shipping lines, for example, have rolled out online delivery orders and seaway web bill of lading (for both of these the original documents are not required).



Members' Engagement Webinars

To keep Members updated as we navigate the current crisis, the Association has continued to host a series of webinars to ensure manufacturers are up to date with measures being put in place by the government.

The webinars also enlightened manufacturers on how countries that had faced the crisis before us adapted to COVID-19 and their rebound strategies. Thematic areas covered:



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