KENYA ASSOCIATION OF MANUFACTURERS

Driving Global Competitiveness

60+ Years OF ADDING VALUE

MANUFACTURING MANIFESTO 2022-2027

Abridged Version

Solutions Matrix - KAM Manifesto

1. Macroeconomic issues

Short Term

1.1 Both levels of government to adopt best practices in Public Financial Management. This will enable credible budgeting and revenue projections.

1.2 Ensure that all public investments by both levels of government are subject to economic appraisal to guarantee value for public finances.

1.3 Ensure a stable exchange rate regime which balances the fact that Kenya is a net importing country with a narrow export base.

Medium Term

1.4 The government to aim at reducing the fiscal deficit to 3 percent of GDP in the period 2022-2027 in line with EAC monetary convergence criteria

1.5 Progressively reduce the debt to GDP ratio to a maximum of 50% of the GDP.

Long Term

1.6 10% year on year GDP growth rate driven mainly by private consumption, private investments & export growth.

2. Creating manufacturing jobs

Short Term

2.1 The new administration should work with KAM to provide a plan to create a coherent economic and social policy structure that would enable hiring, training and deployment of workers throughout the sectors of the economy.

2.2 KAM and the new administration can work together to create a practical plan for expansion of jobs in the Manufacturing sector.

2.3 Employment tax that does not burden the employer and makes it easy to create employment.

Medium Term

2.4 Subsidize training in science, technology, engineering, math (STEM)/apprenticeship.

2.5 Increase the number of students in tertiary and midlevel colleges.

2.6 Support the diversification of curriculum by universities.

Long Term

2.7 Building working government -industry-university partnerships commonly referred to as the Triple Helix Model.

2.8 Backward integration of manufacturing with other sectors to create ancillary, direct and indirect jobs along the value chain/supply chain.

3. Raising export intensity of Kenyan manufacturing

Short Term

3.1 Call upon the new administration to financially re-energize KEPROBA.

3.2 Work with KAM in reviewing and improving NEDPS with a focus on a monitoring target (12-15% of GDP by 2027).

3.3 Recognition of Kenya's export champions by government.

3.4 Establish a joint Private-Public Sector Commission to diagnose export-related challenges.

3.5 Seek multiple Free Trade Agreements to boost market diversification.

3.6 Introduce an Exports Incentive Policy.

Medium Term

3.7 Work on strategies to embed Kenyan manufacturing firms into regional and global value chains. A major commitment of this strategy is to raise the share of Kenyan manufacturing firms that generate exports sales from 6% as identified by the World Bank's Enterprise Survey of 2018 to an aspirational level of 20% by 2028.

3.8 Increasing labour and total factor productivity in the manufacturing sector.

3.9 Utilize the Privatization Policy to raise FDI.

3.10 Harmonization of EAC domestic taxes and policies that have created trade asymmetry due to growth of contraband.

Long Term

3.11 Raise Kenya's exports value-add through export quantum increase & medium/high technology products.

3.12 Make Kenya an African export superpower.

4. Reducing the regulatory burden on manufacturing

Short Term

4.1 Assent and enact the Public Participation Bill which is at its 2nd Reading in Parliament.

4.2 All levies and charges by national government agencies and any changes to be made under the Miscellaneous Fees and Levies Act, 2016 to support the predictability of the regulatory environment in Kenya through the following amendments:
Introduce a new Section 4A to read as follows: *Notwithstanding any provisions of any other law, no levy, fee or charge shall be imposed by a national Government agency unless provided for under this Act.*

4.3 Allowing competition between SGR and road transport for goods imported through the Port of Mombasa.

4.4 Ensure efficiency in port operations by establishing a benchmark against the world's best ports in Singapore and Hong Kong.

4.5 Reduce the cost of construction permits and time taken to obtain them to not more than 30 days.

Medium Term

4.6 Establish an objective monitor on regulatory burden on manufacturing and publish it.

4.7 Privatize port management across all Kenyan ports.

4.8 Introduce Better Regulation Commission to review and reduce regulatory burdens by 50%.

Long Term

4.9 Carry out regulatory reforms to address overlaps, duplications, rates for fees and charges amongst regulatory agencies.

4.10 Establish a uniform high level government approval process for any regulatory agency imposing corrective measures touching on business.

4.11 Establish a digitized One-Stop Regulatory Shop bringing together National and county agencies to help in reducing overlaps, duplications and excess fees & charges.

5. Raising investment in manufacturing

Short Term

5.1 Increase the use of mutual recognition agreements and the international standards and certification procedures.

5.2 Increase investor certainty and transparency by hastening decision for work permit applications.

5.3 Adjust excise tax for inflation only once every five years to allow for organic growth, reduce incentives to engage in illicit trade and improve Kenya's FDI attractiveness.

Medium Term

5.4 On FDI related to joint ventures, limit government conditions, and allow Kenyan firms to undertake due diligence.

5.5 Establish a National Investments Council with a sunset clause.

Long Term

5.6 Provide a predictable foreign investment strategy

6. Providing public goods for manufacturing

Short Term

6.1 Law and Order- Ensure faster case resolution at courts and tribunal levels for commercial disputes.

Medium Term

6.2 Investing and attracting Investment in Research and Development.

6.3 Develop sector-wide Industrial policies that target broad sectors by improving their business environment.

6.4 Strengthen Kenya's national supply chain to prevent disruptions from COVID-19 or other global shocks and geopolitical risks.

Long Term

6.5 Provide required manufacturing specific infrastructure, including provision of an efficient logistical ecosystem and improving the ease of setting up of a manufacturing plant (at county and national levels).

7. County Industrial Competitiveness

Short Term

7.1 Develop a County Industrial Competitiveness Index to assess the first two cycles of Devolution and present actionable recommendations fo the third phase.

7.2 Inclusion of manufacturing centric agenda in the third generation County Integrated Development Plans (CIDPs).

7.3 Implement the National Policy on County Governments Own Source Revenue, 2016 and enact the County Government (Tax Regulation) (Draft) Bill, 2016.

7.4 Formulate the Tariffs and Pricing Policy and supporting legislation to guide predictable imposition of levies, fees and charges as a legal requirement under section 120 of the County Governments Act, 2012.

Medium Term

7.5 Develop a model county industrial policy anchored on National Industrial Policy.

7.6 KAM, national Government and the Council of Governors (CoG) to jointly develop a business-led initiative to deliver world class clusters.

Long Term

7.7 Operationalize manufacturing-centric county regional economic blocs.

8. Effective and pro-industry national taxation structure

Short Term

8.1 Implement National Taxation Policy aimed at enhancing certainty and predictability, reducing the number of taxes, reducing levels of taxation, reducing reliance on direct taxes, broadening tax base, automating tax collection, increase use of iTax, and introduce transitional clauses for new taxes.

8.2 Revert Investment Deduction Allowance to 100%/150% to spur county industrial agenda.

8.3 Adopt a principle of taxing final goods, rather than taxing raw materials and intermediate goods.

8.4 Ensuring that there are no erratic changes to Kenya's Tax code.

8.5 Remove 16% Value Added Tax (VAT) on plant and machinery.

8.6 Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

- Limit interest deductibility to be the greater of:
  - 30% of EBITDA
  - 12% of assets
  - KES 400 million
- Allow excess interest to be carried forward for up to 5 years.
- Apply the deductibility limits to net interest, not gross interest.
- Apply the deductibility limits only to entities with foreign borrowings

8.7 Abolish double taxation at the county and national government levels for services including vehicle branding, cold storage as well as cess on agriculture and horticulture products.

8.8 Limit the use of excise taxes and levies only to goods that damage public health or the environment.

9. Fully implement existing manufacturing-centric policies

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Establish monitoring, evaluation and learning frameworks

Short Term

9.1 Local Content Policy

9.2 Buy Kenya Build Kenya (BKBK) strategy

9.3 National Trade Policy

9.4 Integrated National Export Development & Promotion Strategy

9.5 Automotive Policy

9.6 Draft Public Procurement & Asset Disposal Policy

9.7 Draft National Taxation Policy

Medium/Long Term

National Industrialization Policy

Who we are

Established in 1959, Kenya Association of Manufacturers (KAM) is a representative of manufacturing and value-add industries in Kenya. The Association has grown into a dynamic, vibrant, credible Association that unites industrialists and offers a common voice for businesses.

We have been front and centre in driving fact-based policy advocacy towards the formation of industrial policies to strengthen and support the country's economic development. Through fact-based advocacy, KAM partners with Government and its associated agencies to ensure a dynamic and flourishing manufacturing sector in Kenya, to realize a double-digit contribution to GDP.

Our Vision

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

Our Mission

To promote competitive and sustainable local manufacturing

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