THE BIG FOUR AGENDA

INVESTMENT OPPORTUNITIES IN THE MANUFACTURING SECTOR

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Chairperson

Kenya Association of Manufacturers

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Manufacturing - Current state

- Exports: 18% total, 6.1% EAC
- 300,600 employees

GDP contributions by Activities:
- Agriculture, forestry and fishing
- Manufacturing
- Construction
- Financial and insurance activities

Manufacturing sector growth/Yr (%): 0.2%

Gross Domestic Product contribution (%): 6.1% EAC
Why value addition matters

Value Addition in manufacturing has stagnated

Low value added exports &
Low inflow of hard currency.

There is growth in employment but......

% growth in employment is in low cadre jobs

% JOBS
% value added to manufacturing output
% compensation
Manufacturing - Big 4 Ambition

Large gap between projected Big 4 ambition and business as usual
Closing the gap to Big 4 Agenda for manufacturing

- **Competitiveness:**
  - 12% Vs Global
  - 8.3% Manufacturing share of GDP

- **Illicit Trade:**
  - 40% market share, Kshs30Bn

- **Market Access:**
  - 58% drop in EAC

- **Predictable and Stable policy environment:**
  - Shocks causing low investment in FDI & LDI

15% Manufacturing share of GDP
Quality & affordable energy

Average/Month (Sep 2017-April 2018)

- Consumption KSh
- Other costs

40%
60%

IDF and RDL

Finished goods
Industrial input

Delayed payment

Productive Labour

Multiple fees and Charges

Logistics and Transport

SMEs access to funds
Competitiveness

Illicit Trade

Market Access

Predictable and Stable policy environment

Multiple fees and Charges

Logistics and Transport

SMEs access to funds
Loss to Government

- Tax Evasion
  - KES 30Bn in revenue
  - KES 2.5Bn Steel

Risks to the Big 4 Agenda

- Steel: >12%
- Alcohol: >40%
- Tobacco: >12%
- Edible oils: >25%

Lost Market Share

- KES 16Bn Excise tax lost in illicit cigarettes & alcohol

Competitiveness | Illicit Trade | Market Access | Predictable and Stable policy environment
Competitiveness
Illicit Trade
Market Access
Predictable and Stable policy environment

Local Market

Regional Market

Global Market

Ad-hoc Policy Processes disrupting manufacturing
VAT refund formula dis-incentivizing exportation
Administrative 6% Withholding VAT
Drivers to closing the gap - Manufacturing

- Min. 40% all govt. projects allocated to local manufacturers
- Strategic incentives to attract new investment
- Targeted sector interventions

- Sort out the four asks - Sustain current Manufacturing + Organic growth
- 8.3% of GDP
- USD 6.4Bn 2017
- USD 18Bn 2022
- 9%
- 11%
- 13%
- 14%
- 15%
Manufacturing Commitment – Incremental Impact by 2022

- **$ 7.3Bn** in foreign exchange earnings in selected manufacturing sectors
- **$ 4.9Bn** Minimum new investment
- **469,500** Direct Jobs created in the manufacturing sector in next five years
- **10%** Lower cost of local manufactured goods through Efficient Consumer Response Mechanism & Economies of Scale

**FOREX EARNINGS**

**INVESTMENTS**

**JOB CREATION**

**LOWER CONSUMER PRICE**
## Manufacturing Commitment – Incremental Impact by 2022

<table>
<thead>
<tr>
<th>Sector</th>
<th>New jobs</th>
<th>New investment ($ Mn)</th>
<th>Export Earnings ($ Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEXTILE &amp; APPARELS</td>
<td>220000</td>
<td>1400</td>
<td>2600</td>
</tr>
<tr>
<td>FOOD AND BEVERAGE</td>
<td>81000</td>
<td>300</td>
<td>2600</td>
</tr>
<tr>
<td>LEATHER</td>
<td>40000</td>
<td>30</td>
<td>250</td>
</tr>
<tr>
<td>TIMBER</td>
<td>35500</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>CEMENT</td>
<td>2000</td>
<td>1000</td>
<td></td>
</tr>
<tr>
<td>AGRIC/FRESH PRODUCE</td>
<td>20000</td>
<td>30</td>
<td>250</td>
</tr>
<tr>
<td>AUTOMOTIVE</td>
<td>14000</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>IRON &amp; STEEL</td>
<td>20000</td>
<td>1000</td>
<td>500</td>
</tr>
<tr>
<td>CHEMICALS</td>
<td>3000</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>PAPER &amp; PAPERBOARD</td>
<td>14000</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>PHARMACEUTICAL</td>
<td>20000</td>
<td>1000</td>
<td>1000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>469,500</strong></td>
<td><strong>4,960</strong></td>
<td><strong>7,300</strong></td>
</tr>
</tbody>
</table>
## The Priority Sectors in the Big 4 Agenda

<table>
<thead>
<tr>
<th>Sector</th>
<th>Target by 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Textile apparel/cotton</td>
<td>$350 to $2bn exports; 500,000 Cotton jobs &amp; Create New Apparel Job 100,000</td>
</tr>
<tr>
<td>2. Leather</td>
<td>$140M - $500M exports; 50,000 New jobs; Make 20 Million shoes</td>
</tr>
<tr>
<td>3. Agro-processing (Tea, Dairy &amp; Meat)</td>
<td>16% - 50% • 1000 SMEs • Create 200,000 jobs</td>
</tr>
<tr>
<td>4. FISH processing</td>
<td>$20 M fish feed mill investment &amp; Create 20,000 jobs</td>
</tr>
<tr>
<td>5. Construction materials</td>
<td>470M-$1Bn &amp; Create 10,000 new jobs</td>
</tr>
<tr>
<td>6. Oil, Mining &amp; Gas</td>
<td>Attract 1 global scale player in the mining value add</td>
</tr>
<tr>
<td>7. Iron &amp; Steel</td>
<td>$1 Bn new investment</td>
</tr>
<tr>
<td>8. ICT</td>
<td>Phone, Laptop, TV assembly plant; 5 Business processing Outsourcing (BPO) Player &amp; Create 10,000 jobs</td>
</tr>
</tbody>
</table>
Enablers

- Doing Business 80th to 50th
- Industrial park zones
- Sme;s – support programs
- Market Access- Grow exports annually
- Standards
Textile and Apparel – Incremental Impact by 2022

Key driver- Competitiveness

- 12% above global cost competitiveness
- Ceremonial wage increases
- No value chain integration

Challenges

Targeted Sector Interventions

- Forex Premium of 15% or 15% credit note against exports offset against govt. taxes

INVESTMENT

USD

1.4Bn

FOREX

USD

2.6Bn

Direct Jobs

220K

52K Jobs at risk
Tea – Incremental Impact by 2022

Key driver- Value Addition

Challenges
- Only 2.7% sold as value added
- Overreliance on traditional bulk tea markets

Targeted Sector Interventions
- Progressive policy directive
- Attract large global tea processors
- Common user facility for smaller packers
- Export development & country branding using Ad-valorem tax on bulk tea

Direct Jobs
- 81K

Investment
- USD 300Mn

FOREX
- USD 2.6Bn
Iron & Steel – Incremental Impact by 2022

Key driver- Quality & Affordable Power

Challenges

- High cost of power
- Impact of government levies (IDF & RDL)

Targeted Sector Interventions

- Reduction in the cost of power ($0.15 to $0.09)
- Removal of IDF and RDL

INVESTMENT

USD

FOREX USD

500Mn

USD 1Bn

Direct Jobs

20K
Key driver - Market Access

Challenges
- Access to govt. projects and procurement (affordable housing, infrastructure projects)

Targeted Sector Interventions
- Implementation of the local content
- Reduction in the cost of power ($0.15 to $0.09)
Food and Nutrition security

- Enhance large scale production

Universal Healthcare

- Manufacture drugs locally

Housing

- Cement
- Steel
- Fittings
Thank you...

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