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ON
NATIONAL AUTOMOTIVE POLICY

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FORWARD

Globally, manufacturing has acted as a growth catalyst for economies that have achieved high incomes. Countries that have achieved rapid industrialization have done so by implementing deliberate policies that promote and encourage the addition of value and diversification of manufactured goods.

To realize the goals of Vision 2030 of transforming Kenya into a "Middle Income Country providing a high quality of life for all its citizens by 2030", Sessional Paper No. 9 of 2012 on the National Industrialization Policy framework for Kenya (2012-2030), Kenya's Transformation Programme and the Big 4 Agenda, the Government has prioritized the manufacturing sector because of its potential to significantly contribute to the Kenya's Gross Domestic Product (GDP).

Manufacturing is one of the major sectors that drives employment creation, productivity growth, innovation, services and trade. One of the sub-sectors in Manufacturing is the automotive sub-sector.

Globally, the automotive industry has been a pillar of industrialization in many economies and a key driver of macroeconomic growth and technological advancement. Kenya's position in the region as a preferred investment destination continues to be strong, and our competitive position gives us a leeway to use locally available content to improve our economy through the automotive industry.

The automotive manufacturing industry in Africa is growing fast. Demand for automobile spare parts in Africa is also growing. In terms of production South Africa, Nigeria, Egypt and Morocco are major players while Kenya and Zimbabwe have smaller production activities.

The National Automotive Policy (NAP) therefore, seeks to provide an enabling environment for automotive industry players to realize their full potential and position Kenya as a major automotive manufacturer. The aim of the policy is to improve the local automotive assembly ecosystem in order to expand local market size by promotion of local parts manufacture.

The policy further opens up opportunities for the domestic industry to achieve competitiveness in the manufacturing and engineering of automotive products by addressing challenges affecting the automotive industry, such as the lack of dedicated legislation and the institutional regulatory framework. Implementation of the NAP policy will lead to a well-developed automotive sector that will create jobs, increase GDP, increase value added, increase market access, develop skills, enhance innovation, develop research and development, and ensure a clean and sustainable environment.

This NAP is meant to provide a favourable environment and sustainable frameworks to boost local automotive industry productivity. In addition, it is also a firm demonstration of Government's commitment to local value addition, local industries and local content development.

The Government of Kenya will always provide necessary support to its valued investors and other partners in the local automotive industry towards addressing emerging issues in advancement of the industry.

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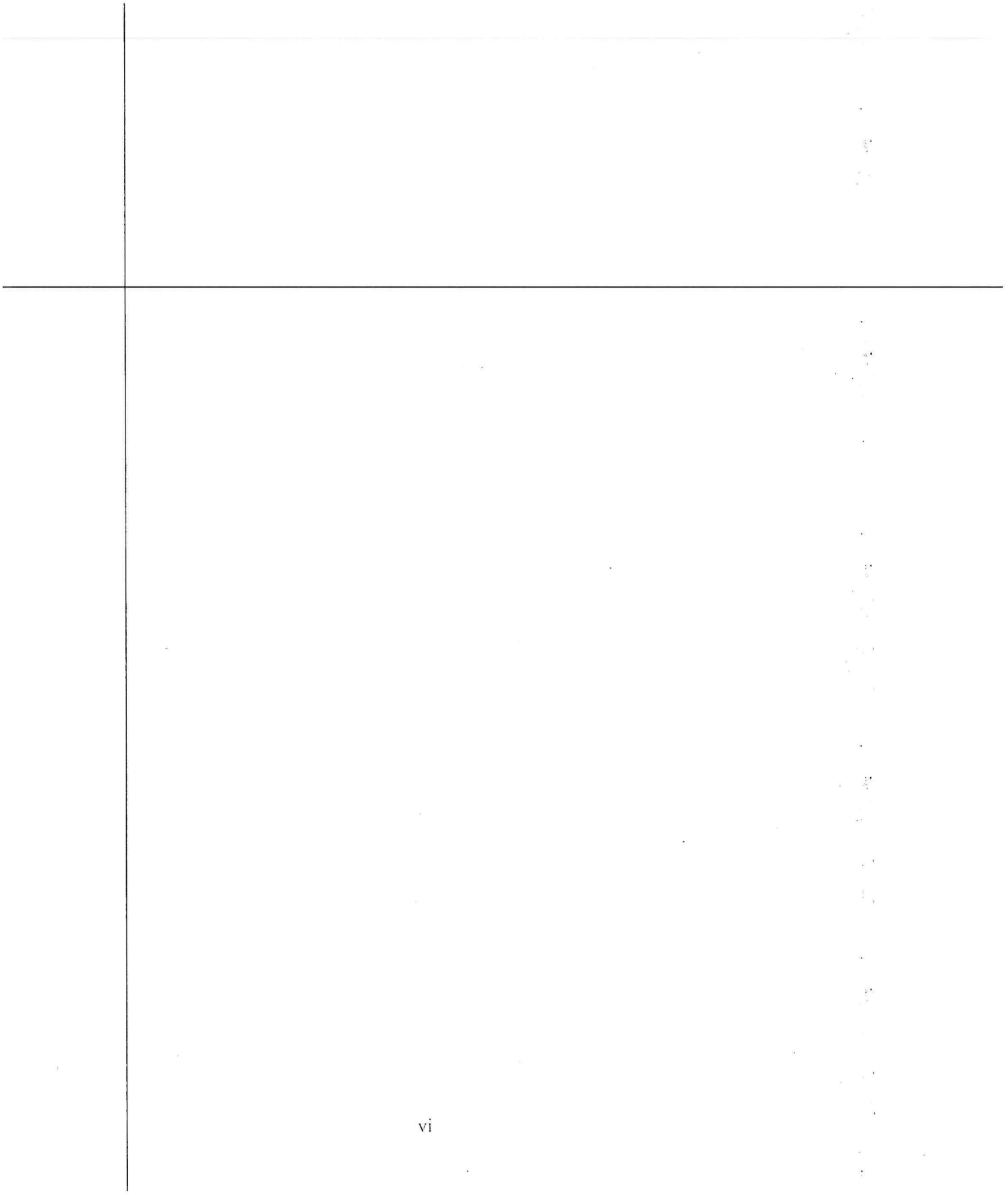


TABLE OF CONTENTS

LIST OF TABLES

ABBREVIATIONS AND ACRONYMS

BRT	Bus Rapid Transport
CBU	Completely Built Unit
cc	cubic centimetres
CKD	Completely Knock Down
DKD	Direct Knocked Down
EA	East Africa
EAC CET	East African Community Common External Tariff
EAC	East African Community
FBUs	Fully Built Units
GDP	Gross Domestic Product
KAM	Kenya Association of Manufacturers
KD	Knock Down
KEBS	Kenya Bureau of Standards
KES/KSh.	Kenya Shillings
Kg.	Kilograms
Km/hr	Kilometres per hour
KMIA	Kenya Motor Industry Association
KRA	Kenya Revenue Authority
KVM	Kenya Vehicle Manufacturers
KW/Kw	Kilowatts
LN	Legal notice
Ltd	Limited
MAAK	Motorcycles Assemblers Association of Kenya
MCDAs	Ministries, Counties, Departments and Agencies
MRT	Mass Rapid Transit
NAC	National Automotive Council
NAP	National Automotive Policy
NTSA	National Transport and Safety Authority
OEMs	Original Equipment Manufacturers
P.U	Polyuthane
R&D	Research and development
S&D	Salon and Double cabin
SKD	Semi Knocked Down
SMEs	Small and Medium Enterprises
SUVs	Sports Utility Vehicles
UN	United Nations
USD	United States Dollars
VW	Volkswagen

GLOSSARY OF TERMS

(a) **Assembly Plant** - An assembly plant is a factory where several diverse size items that make vehicles/motorcycles are put together, usually using parts which have been made in other factories.

(b) **Automotive Aftermarket** - The automotive aftermarket is the secondary market of the automotive industry, concerned with the manufacturing, remanufacturing, distribution, retailing, and installation of all vehicle/motorcycle parts, chemicals, equipment, and accessories, after the sale of the automobile by the original equipment manufacturer **(OEM)** to the consumer

(c) **Automotive Industry** - production relating to vehicles and motorcycles or the business of making, selling, or repairing cars.

(d) **Completely Built Unit (CBU)** –. Imported fully assembled.

(e) **Fully disassembled (CKD)** - automobile that is required to be assembled by the end user or the reseller.

(f) **Commercial vehicle** - is any type of motor vehicle used for transporting goods or paying passengers.

(g) **Component** - Uniquely identifiable input, part, piece, assembly or subassembly, system or subsystem, that (1) is required to complete or finish an activity, item, or job, (2) performs a distinctive and necessary function in the operation of a system, or (3) is intended to be included as a part of a finished, packaged, and labelled item.

(h) **Disruptive Technology** - A disruptive technology is one that displaces an established technology and shakes up the industry or a ground-breaking product that creates a completely new industry.

(i) **Direct Knocked Down (DKD)** - vehicle. Imported whole with minimal components (wheels and accessories) fitted locally.

(j) **Light Commercial Vehicle** - a commercial carrier vehicle with a gross vehicle weight of no more than 3.5 metric tons (tonnes).

(k) **Motorcycle** – a vehicle with two wheels, three wheels and four wheels that is powered by a motor greater than 50cc or greater than 500W and less than 4KW electric motor with a maximum weight of 450Kg.

(l) **Passenger Car** - is a road motor vehicle, other than a motor cycle, intended for the carriage of passengers and designed to seat no more than nine persons (including the driver).

(m) **Quadbike** – a four-wheeled motorcycle powered by a motor.

(n) **Quadri-cycle** – a four-wheeled microcar defined by limitations in terms of maximum weight of 450Kg, speed of 70Km/hr and maximum power of 15 Kw for an electric motor.

(o) **Research and development** (R&D), refers to innovative activities undertaken by corporations or governments in developing new services or products, or improving existing services or products.

(p) **Semi Knocked Down** (SKD) - "Working" finished vehicles subsequently knocked down into a very limited number of parts.

(q) **Sub-assembly** - a unit assembled separately but designed to be incorporated with other units into a larger manufactured product.

(r) **Wananchi** - (in East Africa) the ordinary people; the public.

EXECUTIVE SUMMARY

The National Automotive Policy (NAP) 2019 seeks to unlock the potential of the automotive industry and related sectors that globally, has been a pillar for industrialization of many economies and a key driver of macroeconomic growth and technology advancement. The industry has consistently contributed heavily both directly and indirectly to the Gross Domestic Product (GDP), foreign investment, employment and innovation in developed and emerging economies. The Policy therefore provides for the legal, institutional and regulatory framework for the development of the automotive industry; support motor vehicle and motorcycle assembling; harmonize standards; forge collaboration mechanisms in the industry; facilitate market access for sector products and services including access to preferences and reservation in public sector procurements; promote innovation, research and development and technology; facilitate local component/parts manufacturing; and support development of incentive schemes for investments and reinvestments.

Achievements of previous Legislative, Policy and Institutional Frameworks

The Policy brings out the importance and role of existing policy, legislative and institutional frameworks that have supported the growth and development of the manufacturing sector in Kenya and the automotive industry in particular. Some of the milestones acknowledged in the Policy were driven through the implementation of the Kenya Vision 2030 blue print, which aims to transform Kenya into a newly 'industrialized middle-income country providing a high quality of life to all its citizens by 2030'; Sessional Paper No. 9 of 2012 on the National Industrialization Policy framework for Kenya (2012-2030) that has identified the automotive and auto parts sector as one of the priority medium to high valued products for promotion and development; the Kenya Industrial Transformation Programme; the 'Big 4' transformation agenda under the manufacturing pillar; the Executive Order No. 1 of 2018.

Policy Goal and Vision

The Goal of the Policy is to scale-up local production/assembly of motor vehicles and parts, starting from the current assembly levels of 7,000 units to 20,000 units in the first two years; implement a total ban on importation of used fully built units of commercial vehicles, and a phased-out plan on importation of used FBU passenger vehicles; and for vehicles with engine capacity exceeding 1500cc, implement phase out of used imports of 8 years to 5 years in 2020; from 5 years to 3 years in 2022 and; from 3 years to zero in 2024.

The **Vision** is to be a competitive automotive manufacturing hub of choice.

The **Mission** is to develop national capacities for competitive automotive products manufacturing, anchored on training, innovation, research and development and; to create a Kenyan brand.

Mandate to transform the Automotive Industry

Derived from Executive Order No.1 of 2018 on Organization of the Government of the Republic of Kenya. The Policy gives the mandate to develop the growth of the automobile industry to the State Department for Industrialization in the Ministry of Industry, Trade and Cooperatives charged with the responsibility to promote value addition and facilitate domestic and foreign investments.

Strengths, Opportunities and Challenges

The Policy brings out the situational analysis of the automotive industry whose strength can be traced back to the 1980's by which time, three major assembly plants producing about 13,000 vehicles had been developed and a relatively vibrant parts manufacturing subsector. Key among the milestones at the time was the local production of the Nyayo Car in 1987. Currently the vehicle population in Kenya stands at over 2 million, which comprise of both imports and local assembly. The number of used vehicles comprise on average 85%, an indication that the country imports sufficient volumes to sustain a viable motor industry in Kenya even without considering exports, similarly, though a relatively nascent sector, the current motorcycle population is approximately 700,000. The motorcycle assembly industry is operating at about 50% capacity. This provides a huge opportunity for growth of the automobile industry by leveraging and optimizing the strengths of the sector.

The policy also highlights the weaknesses of the sector whose downward tumble began in early 1990s with economic liberalization of the economy and the resulting importation of cheap used vehicles. Similarly, the removal of the mandatory requirement for local content as long as a penalty of 25% was paid equally contributed to the inherent weaknesses of the industry leading to heavy decline of the local parts manufacturers. As at the beginning of 2019, the vehicles assembly plants in Kenya were operating at an average of 20%, producing just about 7,000 vehicles against an installed capacity of 34,000 vehicles per single shift. There are about 25 motor vehicle component manufacturers, with a combined average capacity utilization of 36%.

Policy objectives and priority areas

The overall objective of this policy is to provide the domestic industry with opportunities to achieve competitiveness in manufacturing and engineering of automotive products. The Policy specific objectives are:

(i) Enhance value addition through local manufacture and joint ventures with global value chain players to produce affordable brands and models in Kenya;
(ii) Increase contribution to GDP of the automotive industry in Kenya;
(iii) Enhance market access through scale-up of local production for import substitution and increase exports;
(iv) Create a dynamic skills development ecosystem to ensure competitiveness and build a solid foundation for job creation; and
(v) Enhance innovation, research and development for local design and engineering to promote clean, safe, efficient and comfortable mobility products.

The associated priority areas for Policy intervention include:

(i) Develop regulations to implement the policy;
(ii) Develop motor cycle assembly regulations;
(iii) Promote of a phased incubation process, hasten progression and phased advancement from Semi-Knocked Down (SKD) to Complete Knocked Down (CKD);
(iv) Adopt and implement the approved Kenyan automotive products including Design Safety Standards KS2725-2018;
(v) Promote research, design, and development for locally produced automotive products;
(vi) Establish automotive training institute for demand driven training;
(vii) Enhance apprenticeship and attachments of learners to the existing assemblers and manufacturers;
(viii) Accredit and undertake periodic CKD assembly facility inspections to ensure compliance;
(ix) Facilitate constant and structured collaboration between assemblers and parts manufacturers to grow the local content;
(x) Adopt technologies for distinguishing between locally assembled and fully built imported units;
(xi) Implement restrictions on importation of used fully built units of commercial vehicles;
(xii) Implement a phased-out plan on importation of used FBU passenger vehicles with engine capacity exceeding 1500cc;
(xiii) Promote model rationalization and additional taxation measures on models outside the rationalized list;

(xiv) Develop vehicle purchase schemes to enable the purchase of new locally assembled vehicles; Support a progressive leasing policy for the public sector to expand access to new vehicles made in Kenya;

(xv) Develop critical infrastructure to facilitate accessibility and mobility to all areas across the country;

(xvi) Review infrastructure designs, with a view to developing safe infrastructure;

(xvii) Generate a list of products to be manufactured locally for use in vehicle assembly and after sales;

(xviii) Develop and Implement motorcycle assembly regulations;

(xix) Support capacity building of component manufacturers to enhance local content;

(xx) Facilitating OEMs to invest in or establish their plants in Kenya;

(xxi) Develop a Local Content policy to further enhance the growth of the local automotive industry;

(xxii) Implement public procurement and Asset Disposal Act provisions on aaaapreferential market access for locally manufactured products;

(xxiii) Provide fiscal incentive on local content to enable more utilization of local content in the assembly lines;

(xxiv) Provide incentives to encourage local value addition, local content development and promotion of SMEs.

Under each of the above-mentioned priorities, a number of the Policy provisions and measures have been provided to develop and transform the automobile industry.

Rights, responsibilities and obligations of Stakeholders

The Policy seeks not only to safeguard the rights of the industry players, but also to help the players understand and fulfil their responsibilities, for the development of industry. It further stipulates the obligations of other stakeholders, including state and non-state actors.

Policy Coordination, Implementation, Monitoring, Evaluation and Reporting Mechanisms

The Policy provides a mechanism that will support effective implementation, coordination, and monitoring, evaluation and reporting on the performance of the industry and development interventions. The mechanism will include relevant stakeholders, thematic working groups, Inter-Agency Forums and the State Department responsible for Industrialization.

Recommended Budget for Implementation of the Policy

The Policy proposes that the Government allocates adequate resources in the National Annual Budget to facilitate its successful implementation. It is also expected that the Policy will be revised when need arises. Finally, the Policy is a credible guide and reference tool for effective development and implementation of automotive industry and development interventions in Kenya.

CHAPTER 1

1. BACKGROUND

1.1 Introduction

1. Globally, the automotive industry has been a pillar of industrialization of many economies and a key driver of macroeconomic growth and technological advancement. As a sector, the automotive industry has been a major force in the industrial and economic development of nations all over the world. The industry has consistently contributed heavily directly and indirectly to the GDP, foreign investment, employment and innovation in developed countries such as Germany, United States, Japan, South Korea, Italy, China, Thailand, South Africa and several other emerging economies.

2. Africa is the final frontier for the global automotive industry, offering regional and global automotive manufacturers an attractive growth market, with substantial long-term potential. Despite automotive production having been in South Africa for nearly 100 years, there has been limited automotive production taking place elsewhere across the continent. Nigeria achieved significant production in the 1980s and 1990s, some decades ago in Zimbabwe. Production occurs in Egypt and more recently Morocco. Smaller production activities take place in Kenya.

3. Global Original Equipment Manufacturers (OEMs) are increasingly moving away from component manufacturing and focusing more on their own brand, marketing and distribution channels. This gives opportunities to the OEMs to build capacity locally for component manufacturing.

4. The NAP, therefore seeks to position Kenya as the investment destination and regional automotive industry hub in Africa. The development of National Automotive Policy (NAP) is guided by the Constitution of Kenya 2010 and especially provisions in the Fourth Schedule (Distribution of Functions between National Government and County Governments) that bestows the role of industrialization on the National Government.

5. The Policy is also premised on the Kenya Vision 2030 blue print, which aims to transform Kenya into a newly 'industrialized middle-income country providing a high quality of life to all its citizens by 2030'. The Executive Order No. 1 of 2018, the Kenya Industrial

Transformation Programme framework as well as the 'Big 4' development strategy have highlighted the need for local manufacturing, technology transfer and development, employment and wealth creation that have informed the development of the Policy.

1.2 Rationale of National Automotive Policy

1.2.1 National Policy Context

6. The overall objective of NAP is to provide the domestic industry with opportunities to achieve competitiveness in local manufacturing and sale of automotive products. The policy prescribes clear measures to promote utilization of locally manufactured products; local content; sub-contracting; innovation, research and development; capacity and skills development and training; and technology transfer. These measures will enhance local value addition and contribute towards raising the manufacturing sector share to Gross Domestic Product (GDP).

7. The National Automotive Policy is anchored on Kenya Vision 2030 which aims to transform the country into a rapidly industrializing middle-income nation by 2030. The Vision seeks to make Kenya a globally competitive and prosperous country with a high quality of life. The foundations of the vision are macroeconomic stability; governance reforms; infrastructure development; science, technology and innovation; wealth creation; human resource development; enhanced equity; security; and public sector reforms. It is envisaged that with improvement of physical infrastructure and removal of regulatory impediments by deepening economic and governance reforms, production costs will also fall as domestic supplier networks evolve. This will translate to competitiveness of the automotive sector.

8. Under the Kenya National Industrialization Policy Framework, 2012, Automotive assembly and the production of basic components are considered medium-technology industries. The industrialization policy framework (Sessional Paper No. 9 of 2012) aims to transform Kenya into a globally competitive regional industrial hub".

9. It is linked to Kenya Vision 2030 and focuses on improving the manufacturing sector's productivity and value addition; and enhancing linkages with other sectors to facilitate industrialization. Its areas of intervention include creating enabling Business Environment; high value addition; human resource skills development; attracting Foreign Direct

Investment; enhancing Market Access; promoting innovation, Industrial Research and Development and supporting SMEs Growth and Graduation for Industrial Expansion.

10. The NAP encompasses measures that aim at addressing the challenges hampering the industry potential and addresses the entire value chain and inter-linkages with interrelated sectors of the economy which have a high multiplier effect for economic growth and development as envisaged in the National Industrialization Policy.

1.2.2 Global Benchmarks

11. Many successful automotive industries, started when their countries were at a lower level of industrial development as Kenya currently is. Furthermore, there are very few examples of automotive industries in developing or developed countries which did not get off the ground with some forms of Government policy support. Such targeted policy support includes local content requirements which in the process that also enables development of domestic capabilities.

12. The automotive policy targets to gradually and systematically reduce and eliminate the imports of used vehicles and used parts share in the domestic market by promoting assembly and production of automotive products locally. The rising demand for imported used vehicles in Kenya has a major impact on the country's trade balance. Furthermore, the huge range of used cars imported also make it difficult for the local parts industry to develop and attain economies of scale because of the wide range of parts required.

13. Imports of used cars from rich country markets is, in part, a function of stringent environmental measures imposed in exporting countries to boost their domestic new car sales and encourage emission-efficient vehicles. The result is that these older vehicles have little value inside these countries and are exported at low cost. Kenya is a signatory to various agreements, protocols and conventions aimed at preserving the environment.

14. This Policy therefore promotes production of environmentally friendly vehicles and products, and ensures adherence to internationally set standards of emission.

1.2.3 Market Access

15. The market for vehicles is growing rapidly locally, regionally and globally. Kenya's growing demand is for the most part being met by imports, especially of used vehicles. Furthermore, with rising per capita income and growing middle class population segment in Kenya and within the region; vehicle ownership is likely to continue to rise rapidly.

16. The improving road infrastructure across the African region and deepening regional integration will further support vehicle use. In addition, there is expanded market opportunities created by globalization that can be exploited by local assemblers/manufacturers. Kenya must lead in capitalizing on this phenomenon.

1.3 The Scope of the Policy

17. The National Automotive Policy (2019) applies to both National and County Governments, all state organs, state and public officers, the private sector, non-state actors and development partners and the public.

1.4 Objectives of NAP

18. The overall objective of this policy is to provide the domestic industry with opportunities to achieve competitiveness in manufacturing and engineering of automotive products. The specific objectives of the NAP are to:

1.4.1 Enhance Value Addition

19. The policy promotes local manufacture of automotive products (vehicles, motorcycles and parts) that meet the standards and specifications of Original Equipment Manufacturers (OEMs). This will provide opportunities for Joint ventures with global value chain players to produce affordable brands and models in Kenya.

1.4.2 Increase Contribution to GDP

20. To support the growth of the automotive industry in Kenya for both domestic and export consumption, thereby becoming a significant contributor of the manufacturing sector GDP by 2030, with an initial impact realized by 2023.

1.4.3 Enhanced Local Assembly (Production)

21. To scale-up local production/assembly of motor vehicles from the current levels of 7,000 units to 20,000 in the first two years of policy implementation.

1.4.4 Job Creation and Skills Development

22. To create a dynamic skill development eco-system and establish Kenya as a manufacturing skills centre of excellence. This focuses on quantitative and qualitative improvements in skills to ensure competitiveness and build a solid foundation for direct and indirect job creation in the automotive sector, over the next decade.

1.4.5 Enhance Innovation, Research and Development

23. To give a supportive environment for innovation, Research and Development (R&D) in the automotive sector for local design and engineering; including developing and acquisition of disruptive technologies. This will also promote clean, safe, efficient and comfortable mobility products in the country and within the region, with a focus on environmental protection and affordability.

1.5 Policy Review Process

24. The National Automotive Policy has been developed through a consultative stakeholder involvement and informed by Kenya's developmental agenda and industry needs. Stakeholder views from the Consumers; the Assemblers; the Auto Component Manufacturers; Government; Auto Dealers; Global Players; and training, research and development institutions were incorporated in developing the Policy.

CHAPTER 2

2. SITUATIONAL ANALYSIS AND INSTITUTIONAL FRAMEWORKS

2.1 An Overview of the Automotive Industry Potential and Achievements

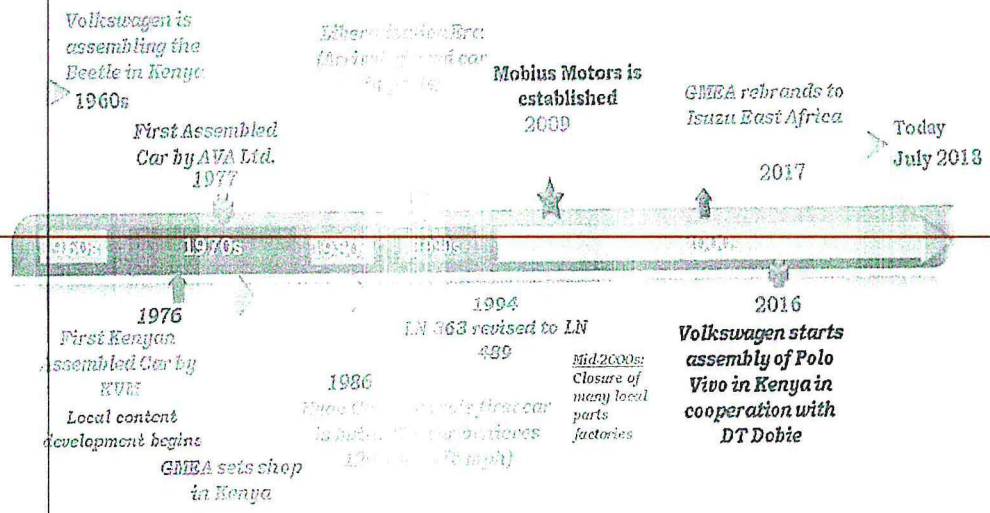
25. The Automotive industry has been identified as one of Kenya's manufacturing sector contributor to the Big Four Agenda, enabling the achievement of the country's industrialization and economic transformation.

26. Kenya's motor vehicle industry growth reached its peak in 1980s by which time, the country boasted of three major assembly plants producing about 13,000 vehicles and a relatively vibrant parts manufacturing subsector. A memorable milestone to date was the local production of the Nyayo Car in 1987.

27. In Kenya, growth of the automotive industry was slowed by the liberalization of the economy which allowed cheaper imported second hand vehicles. Since then to date, the vehicle assembly industry has struggled to stay afloat; and the components industry whose lifeline depended on a protected market saw many manufacturing entities gradually close shop.

28. The liberalization era (opening of the market) of the 1990s and the revision of LN 363 to LN 489 where local content was not mandatory for as long as a penalty of 25% was paid equally contributed to the heavy decline of the local parts manufacturers. By the mid-2000s, many local content manufacturers had closed shop. The automotive development timelines and volumes assembled in Kenya respectively are indicated below:

Figure 1: Automotive Development Timeline for Kenya



29. The automotive development timelines above and the production volume trends in Figure 2 and Figure 3 below give a summary of the milestones for the sector in Kenya. It also shows some significant decline in volume since the 90's.

Figure 2: Volume of locally assembled vehicles, 1978-2017

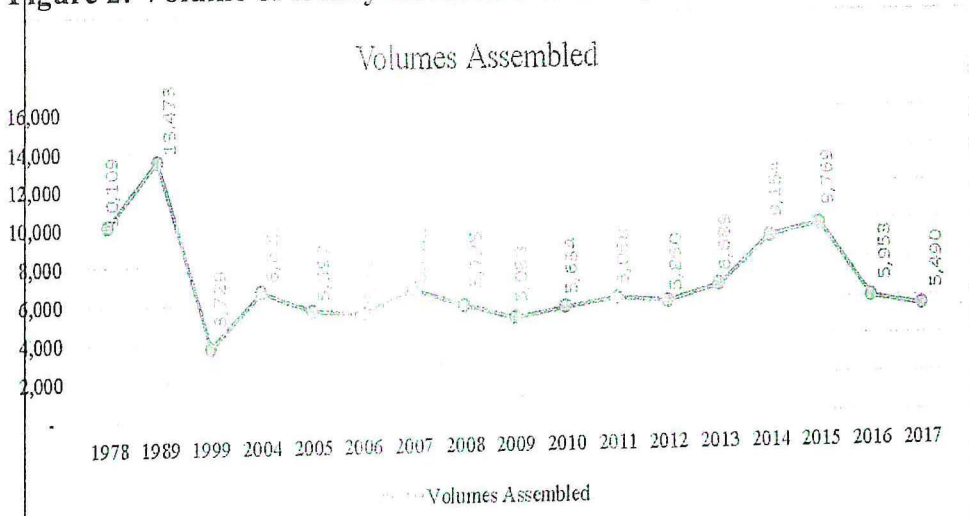


Figure 3: Installed vs Utilized Capacity, 1978-2017

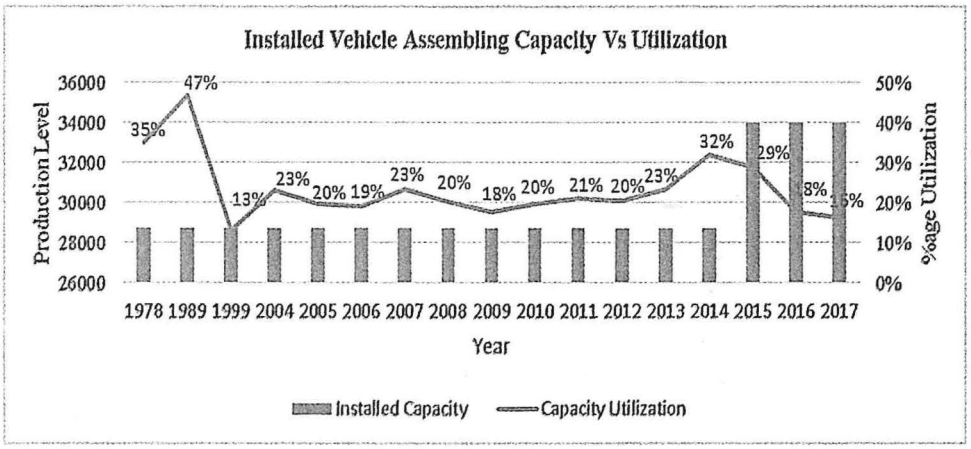


Table 1: New Vehicle Sales in Kenya

	2014	**2015**	**2016**	**2017**
Locally Assembled	8,087	9,295	6,163	4,607
EAC Exports (locally assembled)	320	442	334	322
FBU Imported	9,199	10,228	7,371	6,115
Total	17,606	19,965	13,868	11,044

Source: Kenya Motor Industry Association (KMIA)

(a) Importation of Fully Built Units in Kenya

30. Currently, the vehicle population in Kenya stands at over two (2) million, which comprise of both imports and local assembly. Of the imports, it is important to note that a very large variety comprise of second hand brands, which comprise over 85% of imported Fully Built Units (FBUs) as shown in the Table 2 below:

Table 2: Vehicle Import Volumes in Kenya

Year	*Total FBUs Imported*	*Value in KES*
2012	63,759	43,735,108,433
2013	81,089	52,721,912,458
2014	89,703	68,253,096,445
2015	94,368	75,574,652,834
2016	75,198	57,509,517,554
2017	86,626	62,509,431,788

Source: KRA Records 2018

Table 3: Value of Imported FBUs (KShs Billions)

Year	*Total Import Value – Unassembled*	*Total Import Value – FBUs*
2017	10.7	62.5
2016	14.3	57.7
2015	18.9	75.5
2014	18.4	68.2
2013	12.3	52.7
2012	10.5	43.3
Totals	***85.2***	***360.3***

Source: KRA Data, 2018

31. The challenge with respect to importing used vehicles is that, first, they are costly to maintain. Secondly, they contribute towards the loss of local manufacturing opportunities, including exporting jobs. It also constitutes a major drain of foreign exchange resources and reserves to an average of 60.05 billion KES per year between 2012 and 2017 as indicated in Tables 2 and 3 above. Were these units to be assembled or manufactured locally, there would be accrued socio-economic benefits that are realised through employment creation, service provision, technology transfer, and research and development, in addition to local content uptake.

32. Finally, the numbers of vehicles imported, for which used vehicles comprise on average 85%, indicates that the country imports sufficient volumes to sustain a viable motor industry in Kenya even without considering exports, meaning that the local assemblers and manufacturers are unable to realise full volume benefits, as market volume is a precondition for successful growth of the automotive industry including parts manufacturing.

33. From the statistics provided above, the current capacity of approximately 7,000 units can be up scaled to single shift capacity production of 34,000 units, which accounts for 38% of total imported FBUs using 2017 figures. This can therefore be up scaled to full capacity, of 3 shifts producing 102,000 units, over 85% of used FBUs. The potential is immense under the right policy and investment conditions.

34. This shows that Kenya's automotive industry has potential to significantly contribute to the manufacturing sector, and to the government's target to increase its share to the GDP from the current 9.2% to 15% by 2022 as part of the Big Four Agenda.

(b) Local Motor Vehicle Assembling

35. In 2017, Kenya's motor vehicle assembly industry had an annual turnover of USD 600 million (including regional dealerships), employed over 12,000 people of which 3,000 people are directly employed in assembly plants, 3,690 people in downstream spin offs, and 5, 782 in support sectors excluding dealerships outside of Kenya. The commercial car assembly consumed locally produced materials to a tune of USD 135 million. The industry contributed annual tax revenues to government of Kenya to a tune of USD 80 million.

36. The main vehicles being assembled are commercial vehicles especially Trucks and Buses, which are well designed to meet the tough Kenyan and African tropical conditions. A brief synopsis is indicated in the Tables 4, 5 and 6 below.

Table 4: Capacity Utilization – 2017

Capacity Utilization (Total production)	Installed (Full) Capacity		34,000 on single shift (can do up to 3 shifts)
	Operating Capacity	20%	7,000 Units
	Turnover Annually		KES. 60B
Value of inputs	Value of Imported Raw Materials	70%	KES. 31.5B
	Value of local content	30%	KES. 13.5B
Market	Locally Consumed	94%	5180 Units
	Exported	6%	310 Units
Employment at this stage	No. of Direct Jobs		3,000 People
Total Revenue to Government		KES 8B	

Source: KAM & KRA Records, 2018

37. In addition to local assembly lines as indicated in Table 5 below, there are body building and construction companies for trucks and

trailers, which contribute to the motor vehicle industry. Some of the players include; Bachu Industries, HK Motors Limited, Lalbhai Singh and Avic International Limited.

Table 5: Motor Assembly plants capacity utilization

Assembly Plant	Brands & Franchise Holder	Capacity Utilization
Isuzu East Africa Limited Nairobi	ISUZU EA–Isuzu	23%
Associated Vehicle Assemblers Mombasa	◦ SIMBA CORP– Mitsubishi, FUSO ◦ TATA – Tata ◦ Toyota East Africa – Toyota, Hino ◦ Kenya Grange – Scania ◦ Foton – Foton, Aumark ◦ Volvo – Volvo ◦ Daewoo	35%
Kenya Vehicle Manufacturers (KVM) Thika	◦ Cooper Motors Corporation - Nissan Diesel, Eicher, MAN ◦ Crown Motors – Nissan ◦ Peugeot (PSA Group) – Peugeot ◦ Volkswagen – Volkswagen ◦ Bus Body Building - 33 seater bodies for Hyundai, Eicher, Isuzu, Mitsubishi; 51 seater bodies for UD, TATA, Hino; 62 seater bodies for Scania, MAN, Ashok Leyland	2%
National Average for Motor Vehicle		20%

(c) Motorcycle Assembling

38. Kenya's Motorcycle assembly has a short history compared to the Motor Vehicle assembly. However, in recent years, Kenya's demand for Motorcycle taxis *(boda bodas)*, three wheelers (*tuk tuk*), and quad bike/cycle has massively gone up mainly because of their ability to move efficiently in urban centers and in the rural areas with poor road networks. This has increased the demand for new Motorcycles and has put some vibrancy in the sector.

39. At present, there are several assemblers in the Motorcycle sector in Kenya, including Auto Industries, Car & General, Honda Motorcycles, Toyota (Yamaha), Ryce E.A, KIBO, Captain, Makindu Motors, Abson Motors and BMG Holdings, among others. Whereas the motorcycle assembly industry is dominated by about two players as indicated in Table 6 below, there are also several informal/make-shift Motorcycle assemblers.

Table 6: List of motorcycle assembler and respective market share

No.	Company	Brands or Franchise holder	% Mkt Share
1	Auto industries ltd	Bajaj	39.04
2	Car & general	TVs	21.29
3	Captain motorcycles	Captain, Tiger, Dayun	13.39
4	Honda	Honda	7.64
5	Makindu motors	Skygo	7.03
6	Abson motors	Haojin	4.75
7	RyceE.A.	Hero	0.99
8	Toyota	Yamaha	0.98

Source: MAAK

40. The current motorcycle population is approximately 700,000. The motorcycle assembly industry is operating at about 50% capacity. However, there are various challenges which are negatively impacting on the growth of Motorcycle assembly industry. Among the challenges is lack of access to incentives for CKDs, and regulations. This is compounded by the absence of a clear automotive policy framework.

(d) Local Automotive Component Manufacturing Sector

41. Component manufacturing in Kenya dates to the 1970's. It comprises mainly of spares for after sales market rather than local assembly lines. The businesses are not able to compete against similar brands from Europe and Asia. The competition is also against used spare parts from Japan and Asia, and others extracted locally from motor vehicles deemed to be no longer road-worthy.

42. There are about 25 motor vehicle component manufacturers, with a combined average capacity utilization of 36% as listed in Table 7 below. Each manufacturer is estimated to employ 256people and contributes

over KES 40 million annually in tax revenues to government. The list of parts locally manufactured is presented in Annex 1.

43. Motorcycle component production is a relatively new phenomenon in Kenya, which has a potential to produce some components such as side stand, crash guard, pillion handle bar, right third rider foot rest, left third rider foot rest, and center stand. These are however, basic and low-level knowledge technologies. More investment is required to expand the range of parts, and it is targeted that by 2021, the industry's local content development plan will have included; Air cleaner filter, Harness, Seat, Chain Case, Battery, Rear Fender, Front Fender, and Tubes/Tyres.

44. Global Original Equipment Manufacturers (OEMs) are increasingly moving away from component manufacturing and focusing more on their own brand, marketing and distribution channels. This gives opportunities to the OEMs to build capacity locally for component manufacturing.

45. Given the right incentives and stable predictable auto policy environment, Kenya can position itself as a hub for auto parts manufacturing. This sector has the capacity to employ a lot more people, create further spin-offs, and spur the growth of iron and steel industry. Furthermore, investments through joint ventures and regional supply chains can be established making Kenya a major regional and continental player in auto parts manufacturing.

Table 7: List of local motor vehicle component manufacturers

Part manufacturers		*Capacity Utilization*
1.	Pipe Manufacturers Ltd	23%
2.	Megh Cushion Industries Ltd	40%
3.	Mutsimoto Motor co Ltd	40%
4.	Auto Springs EA PLC	35%
5.	Associated battery manufacturers Ltd	60%
6.	Highway Upholstery Car Cushion	30%
7.	Sai Raj Ltd	45%
8.	Numerical Machine Complex	20%
9.	Pinnacle systems Ltd	40%
10.	Digital Bass auto	30%
11.	Chui Springs	30%
12.	Impala glass	30%
13.	SKL springs Ltd	30%

14.	Auto axillaries Ltd	30%
15.	Metal Equipment Ltd	30%
16.	Unifilters Ltd	30%
17.	Rubber products Ltd	30%
18.	Specialised fiber glass	30%
19.	Robs Magic	30%
20.	Pantech Ltd	30%
21.	Sagoo Holdings Ltd	30%
22.	Kenrub Ltd	30%
23.	Patmose	30%
24.	Turnometal	30%
25.	Mann Manufacturers	30%
National Average		**36%**

2.2 Challenges and Constraints

46. Based on the historical background and the situational analysis presented here before, the Policy aims at addressing the challenges facing the automotive sector, that include:

(i) Lack of an institutional, legal and regulatory framework for the Automotive industry;

(ii) Lack of review of Legal Notice 363 and 489of 1993 under the then Customs and Excise Act (replaced by the East Africa Customs Management Act) thus inhibiting local component manufacturing and local content development;

(iii) The importation of parts by Franchise holders as opposed to procuring from local parts manufacturers denies the later opportunities for growth and enhancement of local content;

(iv) There is a mismatch on the training and industry skills requirements, given that the curriculum is not in-tandem with the technology. This creates a skills gap that requires manufacturers and entrepreneurs to undertake on the job training thus increasing their cost of production;

(v) Influx of imported used FBUs, parts and components, affect the market volumes resulting in installed capacity under-utilization in addition to environmental degradation from emissions;

(vi) Poor enforcement and lack of clarity of the provision in the Public Procurement and Asset Disposal Act, 2015on preferences and reservations for local goods;

(vii) Absence of CKD regulations to support local Motorcycle assembly;
(viii) The 8-year age limit for second hand vehicles applied across the board does not provide adequate incentive for local assembly;
(ix) Presence of imported products in the domestic market, some of which are of low quality or counterfeit.

2.3 Legal, Policy, Planning and Institutional Frameworks

47. The Government has put in place various legal, institutional and policy frameworks to address the issues affecting the automotive industry. These include passing legislation and developing policies on automotive development. An institutional, legal and regulatory framework for the implementation of the NAP will be created.

48. The institutional structure will include the establishment of a National Automotive Council (NAC). NAC will provide the national platform for dialogues on national automotive issues. Its role will be to facilitate long term growth and development of automotive industry by addressing all issues relating to assembly and manufacture of motor vehicles; motor cycles, tractors and automotive parts in Kenya. The membership of the council will comprise of representatives from the Government and automotive sector stakeholders.

2.4 Support to Motor Vehicle and Motorcycle Assembly

49. The Government will prioritize the production of commercial vehicles (buses, trucks and minibuses). Measures will also be put in place to promote production of passenger vehicles (saloons, station wagons, Sports Utility Vehicles (SUVs)), and motorcycles through:

(i) Providing incentives on different levels of vehicle breakdown (Knockdown). The level of incentivization will depend on local value-added; degree of technology transfer; improvement in level of expertise; level of foreign exchange earnings; strengthening of manufacturing value chain; developing linkages within the industry; and investment in R&D;

(ii) Promotion of a phased incubation approach to grow and graduate the local entrepreneurs in motor vehicle component manufacturing in Kenya;
(iii) Encouraging and facilitating sub-contracting amongst established assemblers and the local SMEs;
(iv) Hastening progression and phased advancement from SKD to CKD.

2.5 Harmonization of Standards

50. For harmonization of motor vehicle, UN agreements adopted in 1958, 1997and 1998 provide a legal and regulatory framework and provision related to performance-oriented test requirements and procedures for contracting parties.

51. Kenya will domesticate global regulations and standards by:

(a) Harmonizing all regulations and Standards affecting the motor vehicle industry so as to support the policy and hence the development of the Industry. This will be achieved through:
  (i) Identifying the missing gaps in standards and regulations for the industry and developing such standards and regulations to fill the gaps;
  (ii) Identifying inadequacy in capacity to implement the existing regulations and establishing mechanisms to develop such capacity;
  (iii) Development of standards within the EAC region including definitions of SKD/CKD. This will assist in rationalization of models in the region to lower the cost of maintenance. It will also enhance road safety through periodic testing and certification based on harmonized regional standards. And further promote EAC Industrialization in line with the EAC Industrialization policy.

(b) Fully adopting and implementing the approved Kenyan Design Safety Standards KS2725-2018.

2.6 Collaboration Mechanisms in the Industry

52. The Government will facilitate development of the automotive industry through structured collaborations as follows:

2.6.1 Intra Government Collaboration

53. For successful implementation of this Policy and the full support of the manufacturing sector, all government entities that interface with the industry (Ministries, Counties, Departments and Agencies) will continuously consult on implementation and review of this Policy.

2.6.2 Industry and Academia Collaboration

54. The government proposes to establish the National Automotive Council (NAC) as the institutional framework to support the implementation of the policy. NAC will collaborate with stakeholders including research institutions, universities and other learning institutions in the following areas:

(i) Research, Design, Development and Testing:
To ensure safety, product efficiency and environmental sustainability automotive industry, programs will be put in place to promote research, design, and development for locally produced automotive products.

(ii) Capacity Building:
In order to address the mismatch in the training and industry skills requirements, given that the curriculum is not in-tandem with the technology, skills development and training eco-systems will be improved to provide industry demand-driven training. Industry will collaborate with relevant technical institutions in the development of relevant curriculum. In Government in collaboration with the industry players will facilitate the establishment of automotive training institute for demand driven training. The Establishment of Automotive Institute will be two-fold one is training and secondly automotive professional membership. The training is premised on the understanding that since most of the Automobile players already run training centres through partnerships a National Center of Excellence be established at the Kenya Industrial Training Institute to offer advanced all-round training for the sector while also ensuring that

all relevant professional get a membership through the arrangement. In addition, capacity building will be enhanced through apprenticeship and attachments of learners to the established assemblers and manufacturers.

2.6.3 Assemblers Collaboration

55. The Government will undertake periodic facility inspections to verify and accredit CKD assemblers that meet the full requirements of CKD assembly in terms of facilities, parts assembled, CKD kits, testing facilities, local content procured and other applicable parameters. This will be necessary for monitoring CKD progression, moving up the value chain towards full local manufacturing.

2.6.4 Vehicle Assemblers and Component Manufacturers Collaboration

56. To enhance uptake of local components, the Government shall facilitate constant and structured collaboration between vehicle assemblers and component/parts manufacturers to progressively grow the local content to achieve a target of 40% by 2030, in line with the international best practice. In addition, the Government will promote the development of SMEs through subcontracting and partnership exchange between SMEs and the big assemblers.

2.6.5 Market Access for Sector Products and services

57. In order for the industry to achieve critical volume levels for both domestic and external markets, and enjoy economies of scale, the Government shall:

(i) Give priority to local manufacturers/assemblers in public procurement of automotive products and accessories;
(ii) Support mechanisms for distinguishing between locally assembled and fully built imported units through adoption of technologies for proof-marking, coding, including microdot technologies;
(iii) Enhance negotiation towards harmonization of rules of origin and elimination of Non-tariff barriers within the region trading blocs, as well as bilateral and multi-lateral trade agreements to facilitate growth and development of the automotive industry;
(iv) Implement a total ban on importation of used fully built units of commercial vehicles, and a phased-out plan on

importation of right hand drive passenger vehicles. This will reduce the importation of used vehicles in the Kenyan market while facilitating the local manufacturers to assemble, and manufacture affordable vehicles for diverse domestic market segments. Towards this, the age limit of imported passenger vehicles will be progressively raised, to expand the market for locally assembled vehicles, and importation of newer RHDs for vehicles with engine capacity exceeding 1500cc. This will be implemented from 8 year to 5 years in 2020; from 5 years to 3 years in 2022 and; from 3 years to zero in 2024. This will be reviewed from time to time;

(v) Promote model rationalization where the participating OEMs already have a market for the particular model. This strategy will trigger sufficient volumes and therefore application of economies of scale. This will be done through a consultative and open process to develop criteria to determine the models of motor vehicles to be used in the country. Additional tax will be charged on any models outside the rationalized list, to enhance a variety of choice.

2.6.6 Improve accessibility to new and safe motor vehicles through the following measures:

(i) The government (Executive, Legislature and Judiciary) will support and work with the relevant stakeholders including, to develop vehicle purchase schemes to enable individuals and companies to purchase new locally assembled vehicles;

(ii) The Government will support a progressive leasing policy for the public sector to expand access to new vehicles made in Kenya;

(iii) Development of a vehicle scrapping policy that will among others, grant scrapping rebates to individuals and companies to replace aged vehicles, particularly PSVs with locally assembled new vehicles. In addition, it will establish mechanisms for collection of end of life vehicles to facilitate recycling, reuse and remanufacturing;

(iv) Encourage development of standards for after sales service for training in after sales service, maintenance and repair, including accreditation and licensing of garages and service providers. This will enhance professionalism,

safety and compliance to emission standards and reduction in the costs of operations.

2.6.7 Road and Other Industry Support Infrastructure

58. To increase the competitiveness of the domestic automotive industry, the Government will expedite the development of critical infrastructure to facilitate accessibility and mobility to all areas including those with poor connectivity. This will reduce delays, costs and inefficiencies faced in domestic and export trade. This, in addition to other economic activities, will stimulate the demand for automotive products and services. Further to this, the Government will review infrastructure designs, with a view to developing safe infrastructure.

2.6.8 Passenger Transportation Framework

59. The Government, in consultation with the automotive industry and other stakeholders, will develop a public transportation strategy to meet both the needs of the Nation and benefit the local assemblers and manufacturers. Some of the initiatives that are currently under consideration, include, the Mass Rapid Transit (MRT) project, development of Bus Rapid Transport (BRT), light rail. "Taxi-hailing rides" and Two/three/four (Quadbike) wheelers passenger automobiles.

2.6.9 Innovation, Research and Development and Technology

60. The government will encourage uptake of frontier technologies in manufacturing which includes cyber, big data, artificial intelligence, 3-D printing, Nano technology, drones, physical systems, internet of things, cloud computing, robotics and cognitive computing. In addition, the government will promote investments in research and development of commercially viable technologies such as electric powered cars including the batteries and charging stations. This will be done through:

(i) Setting up a 'Technology Acquisition Fund' to acquire technologies;
(ii) Offering incentives to motivate innovation, R&D and technology acquisition;
(iii) Application of appropriate tax measures to encourage production of full electric powered vehicle and other locomotives.

2.6.10 Promotion of Local Component/ Parts Manufacturing

61. Government and automotive industry will promote growth of local component industry through:

(i) Working with the local components manufacturers to generate a list of products which can be manufactured locally for use in vehicle and motorcycle assembly and after sales. Towards this end, the Legal Notice 363 of 1993, 489 of 1994 will be reviewed to align with the East African Customs Management Act. In addition, the Kenya motorcycle regulation will be developed and implemented;

(ii) Restriction of importation of used automotive components/parts;

(iii) Supporting capacity building of component manufacturers to produce local content that meet the quality standards of the OEMs. This will include developing mechanisms which will facilitate the component manufacturers to acquire the requisite technologies, designs and testing facilities;

(iv) Facilitating OEMs to invest in or establish their manufacturing plants in Kenya.

2.6.11 Preferences and Reservation in Public Sector Procurements

62. The Government will undertake preferential purchase of locally assembled/manufactured motor vehicles, motorcycles and locally manufactured parts by Ministries, Counties, Departments and Agencies (MCDAs) under the Buy Kenya Build Kenya strategy and the Public Procurement and Asset Disposal Act, 2015. In addition, the government will develop a Local Content policy to further enhance the growth of the local automotive industry.

2.6.12 Incentive Schemes for Investments and Reinvestments

63. The government in collaboration with automotive industry players will put in place an incentive scheme to attract new investments and re-investments in motor vehicle assembly, motor vehicle manufacturing and parts manufacturing. The incentives shall include:-

(i) Application of high tariff levels to protect local investments in automotive sector. This implies that apart from the East African Community Common External Tariff (EAC CET), additional levies and taxes would be

considered to raise effective protection level to higher rates;

(ii) Fiscal incentive on local content manufacturers to enable investors to utilize more local content in their assembly/manufacturing lines thus growing the local content component in their manufactures. In so doing the capacity for component manufacturing will be enhanced;

(iii) Production incentives to encourage local value addition, local content development and promotion of Small and Medium Enterprises (SMEs);

(iv) A rebate administration based on local production of particular models to encourage longer production runs of one model than to assemble short runs of many models in order to become competitive. The assembler/manufacturer can enjoy economies of scale in assembly of a particular model, but still meet consumer demand for all its models. By being able to rebate the duties on these imported FBU the assembler/manufacturer gains a preferential position in relation to those that remain FBU importers only.

CHAPTER 3

3. NATIONAL AUTOMOTIVE POLICY (2019) FRAMEWORK

3.1 Goals

64. The overarching goal of the National Automotive Policy (2019) is scale-up local production/assembly of motor vehicles and parts, starting from the current assembly levels of 7,000 units to 20,000 units in the first two years, implement a total ban on importation of used fully built units of commercial vehicles, and a phased-out plan on importation of used FBU passenger vehicles; and for vehicles with engine capacity exceeding 1500cc, implement phase out of used imports of 8 years to 5 years in 2020; from 5 years to 3 years in 2022 and; from 3 years to zero in 2024.

3.2 Aim

65. The National Automotive Policy is a holistic framework that covers the comprehensive revitalization and development of the automotive industry in Kenya. It recognizes Kenya's obligation to develop the sector in an environment-friendly ecosystem.

66. The Policy addresses the entire value chain and inter-linkages with interrelated sectors of the economy which have a high multiplier effect for economic growth and development, such as iron and steel, transport, leather, plastics and rubber, foam, fuel/gas, glass, electronics and software, among others. Due the emerging disruptive technologies, the policy also projects futuristic development trends.

3.3 Vision

67. The Policy envisions a competitive automotive manufacturing hub of choice.

3.4 Mission

68 To develop national capacities for competitive automotive products manufacturing, anchored on training, innovation, research and development and; to create a Kenyan brand.

3.5 Mandate

69. Derived from Executive Order No.1 of 2018 on Organization of the Government of the Republic of Kenya. The Policy gives the mandate to develop the growth of the automobile industry to the State Department

for Industrialization in the Ministry of Industry, Trade and Cooperatives charged with the responsibility to promote value addition and facilitate domestic and foreign investments.

3.6 Principles

70. The guiding principles espoused in this policy encompasses measures that aim at addressing the key challenges and industry potential and opportunities to achieve the objectives of the Policy.

3.6.1 Equity

71. The Policy is grounded in the mission to promote Kenya as an automotive manufacturing hub for East Africa and the continent at large. Interventions, incentives and investment support are geared toward creating enabling environment for sector players, to operate competitively within the quality, cost and delivery constraints.

3.6.2 Product Safety and Standards Conformity

72. The policy encourages innovation and research and development of products designs that ensures product safety conformance and safety for users and non-users, and reduce cost of infrastructural maintenance. Further the policy supports design and improvement of safe infrastructure.

3.6.3 Environmental Sustainability

73. The Policy promotes production of environmentally friendly vehicles and products, and ensures adherence to internationally set standards of emission. Local production / assembly targets to gradually and systematically reduce and eliminate the imports of used vehicle and used parts share of the market. In addition the policy recognizes and promotes the circular economy concept where value is created by recovery, re-use, recycling and remanufacturing.

3.6.4 Creativity and Innovation

74. The Policy supports intentional innovations, R&D and collaborative efforts among academia, industry, and government, to develop products that suit specific local conditions, and solutions that propel other sectors of the economy.

3.6.5 Local Empowerment

75. This Policy recognizes and compliments existing policies and strategies on local content and local product utilization. The Policy provides opportunities for rewarding incremental uptake, collaboration and utilization of locally manufactured products that meet the standards and specifications of OEMs. In addition, it encourages dynamic and continuous skills development and improvement to meet the changing needs of the industry.

3.6.6 Sustainable Development

76. The Policy recognises and encourages automotive manufacturing that responsibly stewards the environment, encourages efficient resource utilization and enables the nation to achieve the objectives of Kenya Vision 2030, United Nations Agenda 2030 (Sustainable Development Goals), and Africa Agenda 2063.

CHAPTER 4

4. NATIONAL AUTOMOTIVE POLICY OBJECTIVES, PRIORITY AREAS AND MEASURES

77. This section focuses on policy objectives, policy priority areas, interventions and measures aimed at scaling up and harnessing the potential of the automotive industry while contributing to the Country's sustainable development.

4.1 Objective of the National Automotive Policy

78. The overall objective of this policy is to provide the domestic industry with opportunities to achieve competitiveness in manufacturing and engineering of automotive products. The specific objectives of the National Automotive Policy are to:

4.1.1 Enhance Value Addition

79. The policy promotes local manufacture of automotive products (vehicles, motorcycles and parts) that meet the standards and specifications of Original Equipment Manufacturers (OEMs). This will provide opportunities for Joint ventures with global value chain players to produce affordable brands and models in Kenya.

4.1.2 Increase Contribution to GDP

80. To support the growth of the automotive industry in Kenya for both domestic and export consumption, thereby becoming a significant contributor of the manufacturing sector GDP by 2030, with an initial impact realized by 2023.

4.1.3 Enhanced Local Assembly (Production)

81. To scale-up local production/assembly of motor vehicles from the current levels of 7,000 units to 20,000 in the first two years of policy implementation.

4.1.4 Skills Development and Job Creation

82. To create a dynamic skill development eco-system and establish Kenya as a manufacturing skills centre of excellence. This focuses on quantitative and qualitative improvements in skills to ensure competitiveness and build a solid foundation for direct and indirect job creation in the automotive sector, over the next decade. Capacity

building -Address mismatch between training and automotive industry skills by equipping the automotive centres of excellence institutions available.

4.1.5 Enhance Innovation, Research and Development

83. To give a supportive environment for innovation, R&D in the automotive sector for local design and engineering; including developing and acquisition of disruptive technologies. This will also promote clean, safe, efficient and comfortable mobility products in the country and within the region, with a focus on environmental protection and affordability.

4.1.6 Local Content Enhancement

84. Development of iron, steel and textile industry and Research Centers for material science (composite material) to boost automotive industry and OEMs. The local content consumption to be increased to 40% by 2035.

4.1.7 Assembly Plant Regulation

85. In line with the licensing of the assembling firms, there is need to set standards in regard to scale of production and this will lead to quality and reliable after-sales services.

4.1.8 Consumer Protection

86. Advocating for oversight of cost of production that influence the market price for the locally assembled automotive to safeguard the users from exploitation. This can also ensure that the cost of passenger vehicles are affordable.

4.1.9 Zoning

87. Delocalization of automotive assembly centers across the country's regions, to promote inclusivity and regional development balancing.

4.1.10 Technological Advancement

88. Plan for long term integration of latest technology vehicles using hydrogen, electric and hybrid by 2035.

4.1.11 Environmental Conservation

89. Advocating for green mobility options such as bio fuels, compressed natural gas and fuel cell mobility in a bid to reduce overall

emission of harmful gases by adopting Standards such as Euro 6 in next few years.

4.1.12 Market Players Inclusivity

90. Establish a clear relationship among market players i.e., financial institutions, insurances, sales and marketing, supply chain, technological centers and assembling plants.

4.1.13 Promote Local Professional Vehicle Body Building Ecosystem

There is need to establish a local and professional Vehicle body builders manufacture purpose-built bodies to fit chassis produced by other manufacturers. The Vehicle body building ecosystem will include modification and repair of vehicle bodies. The body building can be on buses, coaches, caravans, armoured vans, tray and van bodies, mobile workshops, semi-trailers, refrigerated vans, horse floats, fire trucks and special police vehicles.

4.2 Policy Priority Areas

The Policy priority areas have been anchored on the identified policy measures through implementation guidelines along the immediate, short-term and long-term basis. These are contained in the implementation matrix detailed as Table 8 below

Policy measures	Implementation time lines		
	Immediate (2019/20)	**Short term (2020-2024)**	**Long term (2025-2030)**
Institutional, legal and regulatory framework	• Develop regulations to implement the policy. • Presidential decree to establish the NAC.		
Support to Motor Vehicle and motorcycle Assembly	• Providing incentives on different levels of vehicle breakdown (Knockdown).	Promotion of a phased incubation	Promotion of a phased incubation

Policy measures	Implementation time lines		
	Immediate (2019/20)	Short term (2020-2024)	Long term (2025-2030)
	◦ Promotion of a phased incubation. ◦ Encouraging and facilitating sub-contracting. ◦ Hastening progression and phased advancement from SKD to CKD.		
Support to Motor Vehicle and motorcycle manufacturing	◦ development of fiscal incentive to protect local investments in automotive sector ◦ development of a rebate system to encourage model rationalization		
Harmonization of standards	◦ Identifying the missing gaps in standards and regulations. ◦ Identifying inadequacy in capacity to implement the existing regulations. ◦ Development of standards within the EAC. ◦ Adopt and implement the approved Kenyan Design Safety Standards		

Policy measures	Implementation time lines		
	Immediate (2019/20)	**Short term (2020-2024)**	**Long term (2025-2030)**
	KS2725-2018.		
Collaboration Mechanisms in the Industry	• Intra government collaboration and • Consultation on the implementation and review of the Policy. • Promote research, design, and development for locally produced automotive products. • Establish automotive training institute for demand driven training. • Enhance apprenticeship and attachments of learners to the existing assemblers and manufacturers. • Accredit and undertake periodic CKD assembly facility inspections to ensure compliance. • Facilitate constant and structured collaboration between	• Intra government collaboration and Consultation on the implementation and review of the Policy. • Accredit and undertake periodic CKD assembly facility inspections to ensure compliance.	• Intra government collaboration and • Consultation on the implementation and review of the Policy. • Accredit and undertake periodic CKD assembly facility inspections to ensure compliance.

Policy measures	Implementation time lines		
	Immediate (2019/20)	Short term (2020-2024)	Long term (2025-2030)
	assemblers and parts manufacturers to grow the local content. ◦ Promote development of SMEs through subcontracting and partnership exchange.		
Market Access for sector products and services	◦ Adopt of technologies for distinguishing between locally assembled and fully built imported units ◦ Enhance negotiation on rules of origin and elimination of Non-tariff barriers. ◦ Implement restrictions on importation of used fully built units of commercial vehicles ◦ Implement a phased out plan on importation of used FBU passenger vehicles with engine capacity	◦ Develop vehicle scrapping policy and establish mechanisms for management of end of life vehicles. ◦ Develop standards for training in after sales service, maintenance and repair. ◦ Accredit and license garages and service providers.	

Policy measures	Implementation time lines		
	Immediate (2019/20)	**Short term (2020-2024)**	**Long term (2025-2030)**
	exceeding 1500cc. • Promote model rationalization and additional taxation measures on models outside the rationalized list. • Develop vehicle purchase schemes to enable the purchase of new locally assembled vehicles. • Support a progressive leasing policy for the public sector to expand access to new vehicles made in Kenya.		
Road and Other Industry Support Infrastructure	• Develop critical infrastructure to facilitate accessibility and mobility to all areas across the country. • Review infrastructure designs, with a view to developing safe infrastructure.	• Develop critical infrastructure to facilitate accessibility and mobility to all areas across the country. • Review infrastructure designs, with a view to developing	• Develop critical infrastructure to facilitate accessibility and mobility to all areas across the country. • Review

Policy measures	Implementation time lines		
	Immediate (2019/20)	Short term (2020-2024)	Long term (2025-2030)
		safe infrastructure.	infrastructure designs, with a view to developing safe infrastructure
Passenger Transportation Framework	Implement public transportation strategies.		
Innovation, research and development and Technology	Offer additional incentives to motivate innovation, R&D and technology acquisition.	Set up 'Technology Acquisition Fund'.	
Promotion of local Component/ Parts Manufacturing	◦ Review the Legal Notices 363 of 1993, 489 of 1994 to align with the east African Customs Management Act. ◦ Generate a list of products to be manufactured locally for use in vehicle assembly and after sales. ◦ Develop and Implement motorcycle assembly regulations. ◦ Support capacity building of		

Policy measures	Implementation time lines		
	Immediate (2019/20)	**Short term (2020-2024)**	**Long term (2025-2030)**
	component manufacturers to enhance local content. • Facilitating OEMs to invest in or establish their plants in Kenya.		
Preferences and reservation in Public sector procurement	• Develop a Local Content policy to further enhance the growth of the local automotive industry. • Implement public procurement and Asset Disposal Act provisions on preferential market access for locally manufactured products.		
Incentive schemes for Investments and reinvestments	• Provide fiscal incentive on local content to enable more utilization of local content in the assembly lines. • Provide incentives to encourage local value addition, local content development and		

Policy measures	Implementation time lines		
	Immediate (2019/20)	Short term (2020-2024)	Long term (2025-2030)
	promotion of SMEs.		
Assembly plant regulation	◦ Develop regulations for the sector	Introduce tax measures to ensure that the assemblers move from knocked down to full manufacture	
Consumer protection	◦ Work with the sector to develop an affordable car	The policy should provide for adequate incentivization for full manufacture to encourage progression to that level. This could include TRIMS	
Zoning	◦ Develop the sector in a cluster approach		
Technological advancement	◦ Develop a plan for manufacture of an electric vehicle	Work with the sector to develop an electric vehicle infrastructure	
Environmental conservation	◦ Develop standards for for manufacturers to graduate to Euro 4	Develop standards for manufacturers to move to Euro 6	
Market players inclusivity	◦ Map players in the sector	Develop a matrix indicating the collaboration	

Policy measures	Implementation time lines		
	Immediate (2019/20)	**Short term (2020-2024)**	**Long term (2025-2030)**
		between players	
Body Building ecosytem	• Develop regulations for body building	Develop standards for the sector	

CHAPTER 5

5. POLICY COORDINATION AND IMPLEMENTATION

5.1 Approaches for Implementing the Policy

91. The coordination and implementation of the Policy objectives, priority areas, programmes, projects and activities by all stakeholders shall be based on the following fundamental approaches as guiding philosophy:

(i) Professional approach;
(ii) Coordinated Approach;
(iii) Evidence basis and knowledge sharing;
(iv) Sustainable development.

5.2 Coordination of the Policy Implementation

92. Effective coordination of the Policy is a priority not only to the National Government but also to County Governments and non-state actors who are committed to the implementation of the Big Four Agenda supporting the manufacturing pillar.

93. The Ministry responsible for Industrialization shall oversee the overall coordination and implementation of the Policy and ensure requisite resource mobilization, coordinate monitoring and evaluation and impact assessment. The Ministry responsible for Industrialization shall ensure establishment of an effective institutional framework for collaboration covering all stakeholders.

5.3 Roles of Stakeholders

94. The development of the automotive industry involved many actors spread all over the country. Effective coordination requires that the responsibilities, mandate and roles of each actor be established and monitored by the Ministry responsible for Industrialization. Enhanced coordination will be made possible through the National Automotive Council.

5.3.1 Roles of State Actors

95. The Policy gives cognisance to the constitutional roles of three arms of government, i.e. the Executive, Legislature and Judiciary; and the two levels of Government. These will play a critical role as key institutions supporting the activities within the automotive sectr across the country.

96. The Ministry responsible for Industrialization will ensure implementation of this Policy. It will provide the overall coordination of sectoral and non-state actors initiatives geared towards the implementation of activities identified in the Policy.

97. The Ministry responsible for Industrialisation will map and collate a database on stakeholders supporting and facilitating automotive sector initiatives and programs in the country. The stakeholders will be expected to report to the Ministry on their specific activities on a regular basis.

98. The Ministry responsible for Industrialisation in collaboration with the stakeholder will lead in setting standard and reviewing regulatory framework and of standards periodically. In addition, it shall be the depository and will ensure that the stakeholders comply with the same.

5.3.2 Roles of Non-State Actors

99. Non-state actors include a wide array of entities across the formal and informal sectors and consitute an important category of manufacturers. It shall therefore be important that they embrace the interventions that promote diversity in their workplaces. Non-state actors shall be involved resource mobilisation; investments and reinvestments; research and development; compliance with standards; capacity building; sensitisation and monitoring.

CHAPTER 6

6. MONITORING, EVALUATION AND IMPACT ASSESSMENT

100. The Policy implementation mechanism will be operationalized through the integrated implementation plan and annual action plans: Policy priorities, key actions, indicators, timelines and responsibilities of relevant stakeholders.

101. The implementation of the Policy will be monitored regularly by Ministry responsible for Industrialization and will utilize annual reporting framework to report progress. An evaluation will also be conducted every 3 to 5 years to assess impact of the Policy and benefits accruing.

102. The Policy is underpinned on the principles of value addition, integration and cooperation. Hence monitoring, evaluation and assessment shall be undertaken through strong partnership between all the stakeholders. For effective monitoring and coordination of the Policy, the Ministry responsible for Industrialization in collaboration with the stakeholders will develop a monitoring and evaluation framework modelled around the National Integrated Monitoring and Evaluation System (NIMES).

CHAPTER 7

7. RESOURCE MOBILIZATION AND FINANCING FOR THE POLICY

103. The interventions identified in this Policy shall be supported through mobilization of monetary and non-monetary resources from both public and non-state actors with the objective of strengthening their support and commitment.

104. Part manufacturing shall be undertaken by the SMEs. To support SMEs industrial competitiveness, advisory services shall be provided to SMEs and link them with financial institutions.

105. The sector players shall mobilize resources to finance Research and Development on products; conducting capacity building and training programmes; promoting technology development and adoption; carry out research and technology commercialization initiatives; creating awareness; fostering regional and international collaboration among research and technology organization; and promoting technology transfer.

CHAPTER 8

8. COMMUNICATION, PUBLICITY AND INFORMATION

106. The Ministry responsible for Industrialization shall develop mechanisms is using formal and informal channels, print and electronic media in communicating and sensitising all the stakeholders and general public on the Policy. This will also include capacity building of Micro, small and medium enterprises on the Policy and the roles in implementation, monitoring and evaluation and impact assessment.

107. The Ministry responsible for industrialization shall facilitate the communication of results for automotive industry players' interventions annually.

CHAPTER 9

9. POLICY REVIEW

108. The National Automotive Policy and its implementation framework were developed through a consultative process while giving cognizance to the dynamic nature of issues that affect the business environment. Consequently, the Policy shall be reviewed by the sector players as need arises to take into account emerging issues of the automotive sector, infrastructure development, and sustainable development; and to remain relevant to the dynamics in socioeconomic environment and development priorities.

Appendix 1: The National Automotive Sector 11 Year Roadmap (2019-2030)

Assembly Level	Passenger car VW Polo, Toyota Corolla, Renault Duster, and Ford Fiesta	Commercial Vehicle All trucks, single & double cab pickups, and all buses including minibuses	Degree of Breakdown	Current Sector Players	Viable Level Change Quantities	Progression	Government Incentives	National Automotive Council Roles
DKD	Not Permissible	Not permissible	Disassembled fully built unit - Bumpers, engine / gearbox and rear axle adrift	VW Polo and Peugeot saloon	N/A	N/A	*None: (No technology transfer; No employment creation; No revenue gain; No economic value add)*	To be discontinued and moved to SKD.
Knock Down Level 1 (SKD)	Permissible	Not permissible	Body separate from driveline etc. Paint and trimming allowed. Other components in condition available from OEM & part suppliers. Monocoque (mono-construction) body/chassis	None	3 years and/or 1000 per vehicle brand.	Change to level 2	0% Import duty and 20% excise duty for 3 years or 1000 units whichever comes first Charge an additional excise of 20% on all items in	Audit progress; assess plant preparedness for full CKD assembly

Assembly Level	Passenger car VW Polo, Toyota Corolla, Renault Duster, and Ford Fiesta	Commercial Vehicle All trucks, single & double cab pickups, and all buses including minibuses	Degree of Breakdown	Current Sector Players	Viable Level Change Quantities	Progression	Government Incentives	National Automotive Council Roles
			allowed for Passenger vehicle (SUV, Station Wagon & Saloon). Subject to OEM engagement for the development of KD Regulations.				the local content schedule if imported. Special exemptions can be granted for product/items not available in the local market-This should be granted by Ministry of Industry.	

Assembly Level	Passenger car VW Polo, Toyota Corolla, Renault Duster, and Ford Fiesta	Commercial Vehicle All trucks, single & double cab pickups, and all buses including minibuses	Degree of Breakdown	Current Sector Players	Viable Level Change Quantities	Progression	Government Incentives	National Automotive Council Roles
Knock Down (CKD) Level 2	Permissible	Permissible	Painted welded cab, rear body and chassis devoid of trim, electrical and mechanical attachment. Side members supplied loose for riveted or bolted truck or bus chassis frame. As for Pick-ups (S&D) and SUV - the Chassis to come welded and painted. Other components in condition available from OEM & part suppliers. Including monocoque mono-construction	All current and new local assembly requiring international quality certification from OEMs for full export compliance. EG: Daimler, Hino, Scania & Tata Local models get quality certification from KEBS	To be determined by the National Automotive Council in consultation with OEMs.	Rationalization by model type	0% import and 0% excise for the first three years, then 10% excise after 3 years Charge an additional excise of 20% on all items in the local content schedule if imported. Special exemptions can be granted for product/items are not available in the local market-	Periodic inspection for adherence to CKD assembly rules Ensuring Local Content Absorption Coordinate & support model rationalization & homologation

Assembly Level	Passenger car VW Polo, Toyota Corolla, Renault Duster, and Ford Fiesta	Commercial Vehicle All trucks, single & double cab pickups, and all buses including minibuses	Degree of Breakdown	Current Sector Players	Viable Level Change Quantities	Progression	Government Incentives	National Automotive Council Roles
			chassis/bodies for mini-buses.	& NTSA			This should be granted by Ministry of Industry.	
Knock Down Level 3	Permissible	Permissible	Cab, rear body and chassis supplied in sub-assemblies for welding and painting; Untrimmed.	Isuzu	To be determined by the National Automotive Council in consultation with OEMs.	To guarantee major investment at this level there is a requirement for increase in unit volumes to justify investments. Therefore,	0% import duty and 0% excise duty. Including 50% discount on corporate tax for 10 years. Introduce local content absorption benefit of tax reduction of equal percentage on local parts	Periodic inspection for adherence to CKD assembly rules Ensuring acceptable Local Content Absorption

	Assembly Level
	Passenger car VW Polo, Toyota Corolla, Renault Duster, and Ford Fiesta
	Commercial Vehicle All trucks, single & double cab pickups, and all buses including minibuses
	Degree of Breakdown
	Current Sector Players
	Viable Level Change Quantities
restriction importation of used vehicles should be considered. together with model Rationalizati on.	Progression
consumed. Charge an additional excise on all items in the local content schedule (exclusion list) if imported. Special exemptions can be granted for product/items are not available in the local market-	Government Incentives
	National Automotive Council Roles

Assembly Level			
Passenger car VW Polo, Toyota Corolla, Renault Duster, and Ford Fiesta			
Commercial Vehicle All trucks, single & double cab pickups, and all buses including minibuses			
Degree of Breakdown	Side-members supplied loose for riveted or bolted truck or bus chassis frame. Pick-ups (S&D) and SUV the Chassis to come welded and painted.	Other components in condition available from OEM	
Current Sector Players	EG: FH215, Isuzu,		
Viable Level Change Quantities	For new body and paint shops		
Progression			
Government Incentives	Introduction of a 10yrs rebate system		
National Automotive Council Roles			

Full Manufacture	Full manufacture	Full Components manufacture	Pressed panels, forged components etc. in Country	None	300,000 plus + 300M USD (for pressing, forging and casting industry)	Long term objective	Introduction of an initial 10yrs rebate system
Assembly Level	**Passenger car VW Polo, Toyota Corolla, Renault Duster, and Ford Fiesta**	**Commercial Vehicle All trucks, single & double cab pickups, and all buses including minibuses**	**Degree of Breakdown**	**Current Sector Players**	**Viable Level Change Quantities**	**Progression**	**Government Incentives**

0% import duty and 0% excise duty. Including 100% discount on income tax for 10 years.
Organizing part producers into reliable regional / global supply chains
National Automotive Council Roles

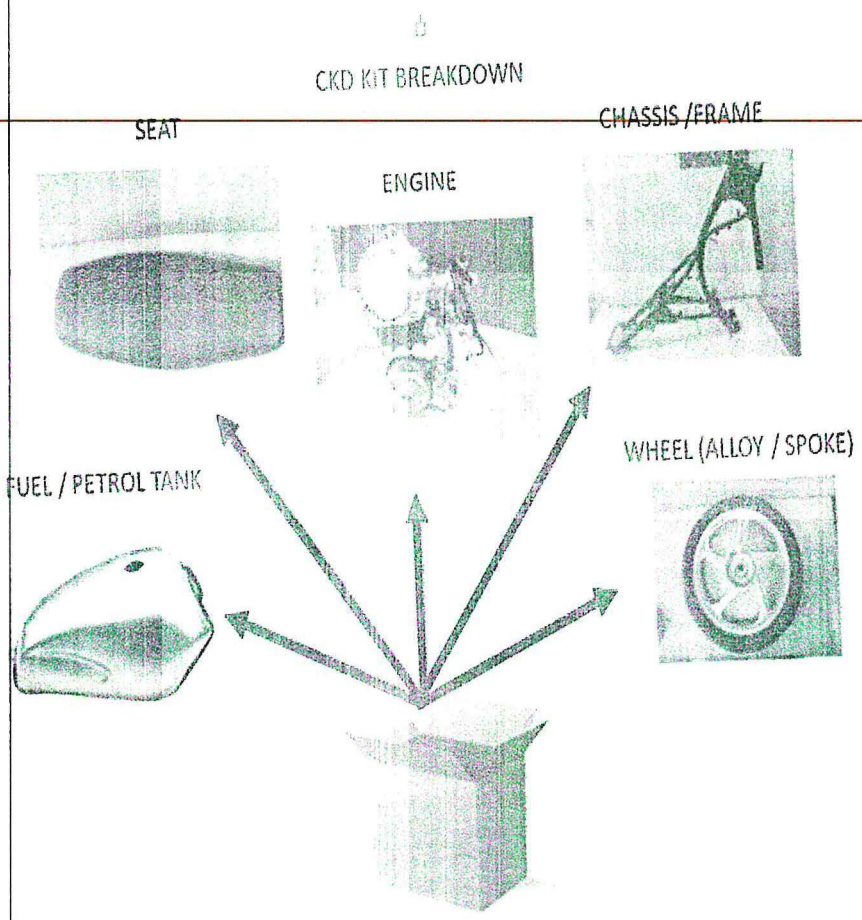
Appendix 2: List of locally manufactured motor vehicle parts

List of motor vehicle parts currently manufactured in Kenya, and aligned to Schedule 3 and 4 of the Customs and Excise (Unassembled Motor Vehicle) Regulations, 1993.

1. Oils
2. Greases
3. Fuels
4. Hydraulic fluid
5. Sealers
6. Adhesives
7. Paint
8. Toughened flat glass
9. Canvas hoods, covers and screens
10. Soft trim upholstery
11. Sound deadening material
12. Pre mixed metal pre-treatment chemicals
13. Radio and cassette players
14. Hydraulic jacks
15. Scissor jacks
16. Tool kits
17. Batteries
18. Tyres
19. Tubes
20. Radiators
21. Exhaust pipe and silencers
22. Leaf Springs
23. Spare wheel carriers
24. Seat frames
25. Wiring harness
26. Brake linings
27. U bolt nuts and U bolts
28. Disc brake pads
29. Hydraulic dampers / shock absorbers
30. Windscreen, side and rear glass
31. Spark plugs
32. Disc pads backing plates
33. Battery cables
34. Shackle pins for leaf springs
35. Speedometer cables
36. Engine air filters
37. Safety belts

Appendix 3: List of Motorcycle CKD and Parts Development Plan

(i) CKD



(a) **Local Parts Development Plan**

Estimated Localization of Parts	Effective Date
1. Side Stand 2. Center Stand 3. Leg Guard 4. Footrest 5. Back carrier 6. Battery Liquid	31th December, 2019

7. Pillion Handler Bar	
1. Air Cleaner Filter 2. Harness 3. Seat 4. Chain case	1th July, 2020
1. Battery 2. Rear Fender 3. Front Fender 4. Tyre/Tube 5. P.U Foam and Metal Housing 6. Electrical Wiring 7. Foam And Upholstery Cover 8. Rod 9. Sheet Metal Part 10. Tubular Assembly Part 11. Metal, Filter Media & Rubber	1th July, 2021