Manufacturing Africa



Manufacturing Africa is a regional programme that aims to reduce poverty in Africa by attracting £1.2 billion of foreign direct investment into manufacturing and creating 90,000 jobs over 7 years (2019-2026). The programme is funded by the UK government through the Foreign, Commonwealth & Development Office (FCDO).

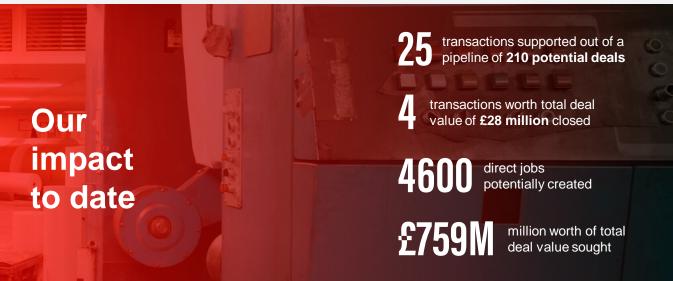
Newsletter - Kenya - June 2021





Welcome to Manufacturing Africa (MA) Kenya newsletter.

Over the last one year, MA has made significant progress in its mission to support the growth of the manufacturing sector in Kenya. MA continues to collaborate with the government to drive post-COVID-19 recovery and growth strategies. Working with world class technical expertise, MA has produced market intelligence analysis on high impact and high potential sectors that remain largely untapped in Kenya. MA generated insights have been instrumental in informing investment decisions and advising government on actions to improve the investment environment in Kenya. In this edition, find out about some of the companies MA has supported to access financing, how we are collaborating with the Ministry of Industrialisation, Trade and Enterprise Development (MOITED) to create economic transformation in Kenya and how you can partner with MA.



Highlights of our recent work:



Fund Raising Support to Expand Local Chocolate Production

A manufacturing company renowned in East Africa for its ice-cream and chocolate brands needed to raise capital to expand its chocolate-making facilities and diversify its product offering to include yoghurt. The uncertainty occasioned by the COVID-19 pandemic made attracting and engaging investors more difficult than usual.

MA stepped in to help accelerate the company's fundraising efforts. The team undertook a high-level review of the information memorandum* to address gaps in areas such as strategy, market potential, governance and procedures that would be of interest to potential investors.



MA also supported investor outreach efforts by introducing potential investors who had a high probability of financial closure. Finally, MA guided shareholders through the transaction documentation process which included the share purchase and subscription agreement and shareholders' agreement.

The company eventually secured funding from a private equity firm. Through the expanded facility, an additional 50 direct and 500 indirect jobs will be created, dairy farmers will have a stable market for their produce and local production of chocolate will reduce the need for imports.

*An information memorandum or sales memorandum, is a document produced prior to selling a business, essentially serving as pitch to any prospective buyers.



Capital Restructuring Support to Resolve Business Debt

A company that operates in contract manufacturing of soaps, detergents, chemicals and cleaning solutions for its portfolio of global and local clients needed additional working capital to maintain their debt position.

To overcome the liquidity challenges, the company was advised by MA to enter a lease-and-sale back structure with a real estate group. A sale-and-lease back structure is whereby property owned by an entity is sold to an external party and



leased back to the Company at an annual lease charge.

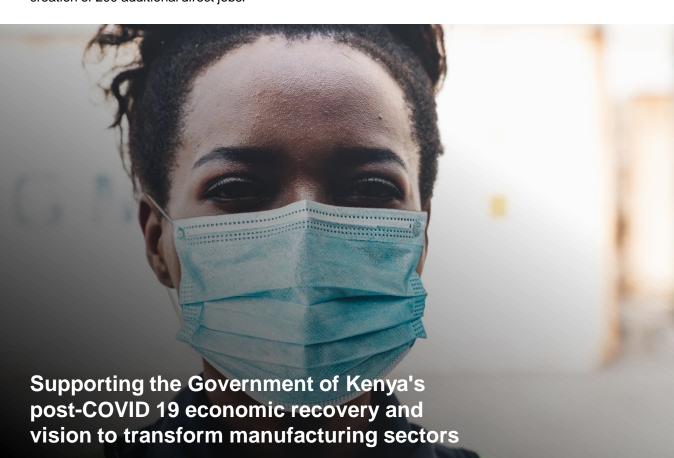
MA structured the sale-and-lease back deal to resolve the financing requirements in the best possible way for all stakeholders. MA reviewed the information memorandum to include the transaction structure and other investor-focus areas. MA also helped in preparing shareholders and directors for meetings with potential investors to increase the likelihood of closing the deal.

Through MA's expertise, the company embraced an unconventional funding option that enabled it to overcome its debt challenge and save 500 direct and 1,500 indirect jobs.



Advisory Services for Prospective International Lender

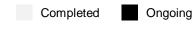
A prospective investor that was interested in financing the expansion and modernising of a steel manufacturing company requested MA support to carry out lender due diligence prior to the transaction. As part of the support, MA delivered an independent market study to determine the impact of the COVID-19 pandemic on the products manufactured by the company. The results of the study played a significant role in the investor's decision to support the company. The expanded project will result in the creation of 200 additional direct jobs.



In Kenya, key market enabling initiatives of the Manufacturing Africa programme are driven through the Business Situation Room (BSR) under the leadership of Cabinet Secretary Betty Maina in the Ministry of Industrialisation, Trade and Enterprise Development (MoITED). Since its inception, the work of the BSR has progressed in three phases:

transformation initiatives in Kenya since March 2020

The Business Situation Room has driven sector







Establish and operationalise the BSR; provide tactical support



Ensure the survival of strategic industries and MSMEs, with focus on the manufacturing sector, e.g. survey of COVID impact on manufacturing and MSMEs, stimulus gap analysis, SOPs for business operations



Ensure people have access to essential goods and services, e.g. setting up KPI tracker of essential commodities, creating FAQ with hotline to publish through MoITED, monitoring status of domestic PPE manufacturing



Phase 2: Identifying sector transformation opportunities | July - October 2020



Reimagine manufacturing

Identify a few selected opportunities with high potential



Accelerate development of industrial parks

Build solid industrial parks with sound and attractive policy and operational framework Improve business and investment environment



Identify investor attraction pain points and improve ease of doing business in the country

MoITED institutional strengtheningEstablish coordinated and robust government agencies to support investor attraction and growth of manufacturing sector

Phase 3: Implementing sector transformation | November 2020 onward



Achieve the Manufacturing Africa goals...

Significantly scale up manufacturing GDP of priority sectors by attracting FDI to catalyse opportunities and create tens of thousands of jobs



... by pursuing manufacturing sector transformation opportunities in priority sectors and topics:

Agro-processing

bottlenecks or grievances.

- Consumer electronics
- Green manufacturing and circular economy
- Industrial parksPharmaceuticals
- Textiles

The BSR will also collaborate with KenInvest on investor outreach opportunities

Key highlights include MA's support of the formation of a Rapid Results Task Team (RRTT) within

MoITED which is mandated to develop a clear strategy to operationalise special economic zones (SEZs). MA also worked closely with the KenInvest leadership to develop a roadmap to make it a best-in-class Investment Promotion Agency (IPA) and build capacity of MoITED officials.

Through the Partnership for Investment and Growth in Africa (PIGA), MA worked closely with KenInvest to develop a world class digital investor tracking system, also referred to as the FDI tracking tool. The purpose of the IT system is to streamline the handling of investors, from initial enquiry through to resolution of potential



The FDI tracking tool also allows KenInvest to generate analysis of investors, by sector, by location within the country etc. Early this year (2021) PIGA completed the official handover of the tool to KenInvest and currently about 3,500 investor contacts have been uploaded on to the system and MA will continue to support KenInvest to ensure that the tool is fully utilised.

Scaling up Green Manufacturing in Kenya

As part of the BSR Phase 3 support for sector transformation, MA developed a ten-year roadmap to support scaling up of Green Manufacturing in Kenya. MA analysed the sectors and green themes using world class technical expertise, to arrive at the most viable investment opportunities most likely to attract investment, balancing Kenya's strengths, market potential. The focus of the roadmap is on seven new Green Manufacturing industries with high investment and revenue potential, namely:



Black soldier fly animal feed



Biological crop protectors





Biodiesel from used cooking oil



Clean cookstoves



Electric-two-wheelers



Plastic products made from recycled plastic



Textiles and apparel made from recycled textiles

The Green Manufacturing roadmap focuses specifically on the manufacturing of products that are a sustainable alternative to existing products, for example, manufacturing electric vehicles to replace internalcombustion-engine vehicles, as well as the manufacturing of products that leverage waste products, such as manufacturing plastic products using recycled plastics. The roadmap outlines a path forward to implement a set of prioritised enabling initiatives for each of the seven industries, which MA developed by holding over 75 interactions in a highly consultative process and leveraging more than 100 reports to understand the challenges experienced by the sector and best levers to address them.

In collaboration with MOITED, MA supported the development of long term plans to unlock the identified high potential opportunities, while developing sophisticated pitches to investors and organising investor outreaches such as regular webinars to kickstart the implementation of the plans. So far, MA has held three well received webinars on Green Manufacturing in Kenya and plans to hold more in the course of the year.

Going forward, MA is supporting the implementation of these initiatives in collaboration with appointed private sector "owners" and relevant stakeholders across each sector.

Are you a company, investor or stakeholder working in green manufacturing and are interested in collaborating with MA? Please contact us at info@manufacturingafrica.org



Steering Committee

To ensure the interventions developed address the most pertinent matters to manufacturers and the communities they operate in, CS Maina inducted a steering committee comprising government counterparts and leaders in the private sector to drive visions to shift the state of manufacturing, such as substituting imports, scaling operations and positioning Kenya as a regional hub for affordable, high quality goods. Working closely with MOITED, MA was instrumental in driving the concept of the steering committee and identifying businesses who would serve as members of the committee.

Your questions answered

What are the required criteria for a Company to qualify for MA support? MA supports manufacturing or manufacturing enabling businesses across sectors with high development

impact in their capital raising events of greater than \$2 million where international financing is sought. MA particularly seeks opportunities which could transform a sector or have a high social, environmental or economic impact - be they greenfield, expansion, diversification or efforts to improve green footprint.

Can MA help me obtain regulatory approvals for my manufacturing activities?

MA can provide information on the set of regulatory approvals required for your sector and guide on the necessary steps to obtain the approvals.

Does FCDO provide funding? No. FCDO funds the MA programme - which provides Transaction Facilitation and Technical Assistance

Will MA introduce me/my company to investors?

to private sector and governments respectively.

MA does not have the mandate to solicit investment on behalf of a company but will identify a suitable set of investors that you/your company can engage.

How does MA collaborate with development partners such as donor organisations?

MA works with partners and development organisations to ensure that the businesses we support integrate social impact considerations such as ethics, environmental stewardship, gender and social inclusion into their business operations.

Does MA provide tax and legal advice? No. MA does not provide any legal or tax advice.

Manufacturing Africa has marked the One Year Milestone in Kenya and we thank all our stakeholders for their collaboration! We invite Kenyan manufacturing companies seeking access to capital to get in touch with us for advisory

support on investor engagement and technical assistance. We also welcome investors looking for new investment opportunities in the manufacturing sector in Kenya to engage us and we will connect you with a range of attractive investments with reduced risk. So far, we have supported deals in agro-processing, green manufacturing, textile and apparel, pharmaceutical

sectors among many more. Partner with us to accelerate manufacturing activity in Kenya!

This programme is funded by UK aid from the UK Government; however, the views expressed do not necessarily reflect the UK government's official policies.

If you have any questions or would like to subscribe to the newsletter, please reach out to: **Manufacturing Africa**

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