PRESS RELEASE

For Immediate Release

Launch of the White Paper on the Unintended Effects of Kenya's Alcohol Regulation Policies

Nairobi, April 30, 2019: Kenya needs to develop a more comprehensive policy if its fight against illicit alcohol is to succeed, according to a new analysis of the regulation of alcohol in the country by the Institute of Economic Affairs (IEA).

The policy recommendation is contained in a White Paper by the Institute of Economic Affairs and launched by the Kenya Association of Manufacturers at a summit on illicit alcohol at the Nairobi Serena Hotel on Tuesday.

Kwame Owino, the Institute's chief executive, said their analysis had shown that the approach taken to regulate alcohol is population-based rather than targeted at reducing excessive drinking.

"Regulation of the alcohol beverage sector is through the Alcoholic Drinks Control Act, which by reducing the amount of time for drinking and limiting the advertising of alcohol, assumes that it solves the problem of heavy drinking. But that does not work and more people are pushed towards illicit alcohol. By suppressing one side, you go back to the other side. Our licensing model actually creates barriers to market entry," said Mr Owino.

He said that a regulation model that involves direct interventions targeting individual drinkers and others aimed at specific alcohol-related problems such as drunk-driving are less likely to affect the non-problem drinker.

"Kenya's alcohol policies should not be exclusive but should encompass a mixed approach involving Problem Directed Policies and Intervention Policies. They have been proven to work elsewhere," said Mr Owino.

The White Paper was launched at a day-long summit on illicit trade in Kenya, with focus on the alcoholic beverages sector. A resolution paper will be developed from the submissions made at the summit and submitted to the Treasury.

IEA argued that Population Based Policies are easier to administer but are unlikely to be most successful in Kenya given the low per capita consumption of alcohol, demographic changes, dual market structure and expected income growth among Kenya's working population.

Data from the World Health Organisation shows the per person consumption of alcohol in Kenya stood at 3.4 litres of pure alcohol in 2018, much less than the global average of 6.4 litres per person.

Of the 3.4 litres, says the WHO, 1.9 litres are recorded (legally recognized) while 1.5 litres is unrecorded (not officially recognized).

"The negative effect on the industry by illicit alcohol is too big to ignore, given the extent of loss in Kenya. We are not only concerned by the health risk to consumers; illicit alcohol trade denies formal players a level-playing ground and the economy billions of revenue over time. This paper provides some insight to a cross section of stakeholders on how to forge ahead to eliminate this danger," said Eric Kiniti, the Secretary of Alcoholic Beverage Association of Kenya. The alcoholic beverages industry is a leading contributor to the Exchequer East African Breweries Limited, the leading player in the industry, estimated that it made tax contributions of up to Ksh. 42 billion in the fiscal year 2018.

The significance of the industry is amplified because the direct tax contribution represented 2.74% of all government revenues for the financial year 2017/18.

With the excess regulation that the recorded alcohol is subjected to, says IEA in the White Paper, more consumers are pushed towards the alcohol that is not officially recognised, and which bears risks for drinkers.

"In sum, excessive regulation can generate the unintended consequences of driving demand for alcoholic beverages in the informal sector and generate worse health outcomes owing to the production methods employed in the latter," IEA says.

Wanyama Musiambo, the head of the Multi-Agency Taskforce on Enforcement of Standards has so far succeeded in clamping down on illicit products.

"We cannot say that we let people drink what they want yet the cardinal responsibility of the government is to protect Kenyans. If nothing else has been achieved, we have achieved public awareness and Kenyans know there is a problem of illicit trade," said Mr Musiambo.

Mr Musiambo said the taskforce's work is intelligence-led.

"Once we make a raid, we should, in a very accountable manner, be able to process and prosecute the case as we strengthen our borders to reduce the level of illicit products in this country," said Mr Musiambo.

Githii Mburu, the commissioner for intelligence and strategic operations, said it is evident that a more comprehensive approach is needed if illicit products is to be dealt with.

"We have to have a more comprehensive approach so that we look at both the policies and the enforcement, and this is where this study comes in," said Mr Mburu.

He said that with neighbouring countries having a friendlier tax regime, ethanol is cheaper there and thus the motivation by a lot of those who import it illegally to source it there.

The commissioner said there must be collaboration between the State and non-state actors for eradication of illicit alcohol to work.

"It should never be left to the government. It's a partnership between the government and the private sector and we must work together for it to succeed," said Mr Mburu.

Kenya Association of Manufacturers chairman Sachen Gudka said companies are of the view that the issue of illicit products was bigger than initially thought.

"It is our view that a better informed regulatory and policy framework will be the bedrock with which the agencies tasked with enforcement will better carry out their mandates," he added.

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About KAM

Kenya Association of Manufacturers is the representative organisation for manufacturing value-add industries in Kenya. Established in 1959 as a private sector body, KAM has evolved into a dynamic, vibrant, credible and respected business association that unites industrialists and offers a common voice for businesses.

KAM provides an essential link for co-operation, dialogue and understanding with the Government by representing the views and concerns of its members to the relevant authorities. In pursuit of its core mandate of policy advocacy, KAM promotes trade and investment, upholds standards, encourages the formulation, enactment and administration of sound policies that facilitate a competitive business environment and reduce the cost of doing business. In 2009, KAM unveiled a new corporate image as it observed 50 years since its establishment.

About IEA-Kenya

The Institute of Economic Affairs (IEA-Kenya) is a think-tank that provides a platform for informed discussions in order to influence public policy in Kenya. We seek to promote pluralism of ideas through open, active and informed debate on public policy issues. We undertake research and conduct public education on key economic and topical issues in public affairs in Kenya and the region, and utilize the outcomes of the research for policy dialogue and to influence policy making.