



## KENYA YOUTH CLIMATE ADVISORY COUNCIL

### **Memorandum on the Finance Bill 2025/2026 to the Chairperson and Members, Parliamentary Committee on Finance and National Planning.**

Submitted on Saturday, May 31<sup>st</sup>, 2025

**SUBJECT:** Focused Analysis and Recommendation on Clause 42(a)(vii) of the Finance Bill, 2025 – Excise Duty on Specific Plastic Inputs

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### EXECUTIVE SUMMARY

The Kenya Climate Youth Advisory Committee (KYCAC) is submitting this memorandum to provide a youth-centred view on certain provisions in the Finance Bill, 2025. Our examination focuses on Clause 42(a)(vii) regarding excise duty on imported plastic films.

A major concern regarding Clause 42(a)(vii) is that it could impose a significant cost on young, developing enterprises providing sustainable alternatives to packaging. Initial consultations by KYCAC with youth-led entrepreneurs in sustainable packaging as part of organisations such as the Mombasa Plastics Prize Incubator suggested that a single rate excise duty of 25% or KES 200/kg on necessary imported plastic films (including biodegradable or compostable types when local manufacturing cannot be sourced) would make their eco-friendly products uncompetitive. The qualitative feedback we received is broadly consistent with wider evidence presented in the Aspen Network of Development Entrepreneurs (ANDE) report, "Building the Green Economy: Trends and Opportunities for Green Entrepreneurship in Kenya", which indicates operational cost sensitivity and access to finance as the most significant obstacles identified by small and medium green enterprises.

KYCAC recommends an amendment to clause 42(a)(vii) to create a differentiated excise duty. More specifically, we recommend a significant reduction to KES 50/kg or 5% for certified biodegradable or compostable plastic film imported by verified youth-owned enterprises, solely for direct use in sustainable packaging. We have reviewed comparative evidence (e.g., tax incentives for energy efficiency in South Africa's Section 12L tax incentive, as well as in East Africa) which indicates that a tailored amendment this way would stimulate and enhance innovation in the youth-led green economy.

KYCAC hopes that the Committee will consider this recommendation in its pathway forward, to ensure that the Finance Bill, 2025 is able to support the youth of Kenya in engaging with climate and sustainable development policy; a shared goal for youth...in a climate of uncertainty and tight fiscal space.



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### I. INTRODUCTION AND MANDATE

The Kenya Climate Youth Advisory Committee (KYCAC) was established in March 2025 to provide an opportunity for youth to participate in climate action, climate policy advocacy, and climate leadership. This submission provides KYCAC's specific initial thoughts on the Finance Bill, 2025. KYCAC's analysis of the Finance Bill, 2025, included an initial stakeholder consultation, including conversations with youth representatives of the sustainable packaging sector, and a focused analysis of available national data (including the Kenya National Bureau of Statistics (KNBS) Micro, Small, and Medium Enterprise (MSME) Survey reports, such as the 2016 survey), and relevant publicly available policy documents, including Kenya's National Circular Economy Strategy.

### II. PRINCIPLES OF GUIDANCE

KYCAC's examination of the chosen provision is grounded in the following principles:

A. Promotion of youth economic empowerment through active engagement in green and circular economy sectors.

B. Ensure that fiscal policy is aligned with national climate goals, so that tax measures promote, rather than undermine, solutions to sustainable production and/or consumption.



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### III. EVIDENCE AND DATA ALLOCATION

This memo draws together evidence from structured stakeholder consultations (with youth informants from the sustainable packaging ecosystem, including information from initiatives such as the Mombasa Plastics Prize Incubator); KYCAC's preliminary review of publicly available data (for instance, the KNBS MSME Survey 2016 and the ANDE report on Green Entrepreneurship in Kenya); and relevant policy precedents (for example, successful fiscal incentive models in East Africa and the rest of the world, such as South African energy efficiency incentives or the African Development Bank's Green Investment Program for Africa). The report evidence for the selected provision is based on this focused prior work conducted by KYCAC since its inception. KYCAC intends to generate more rigorous research in the future.

### IV. IN-DEPTH REVIEW OF THE FINANCE BILL 2025: CLAUSE 42(a)(vii).

KYCAC focused on **Clause 42(a)(vii)** of the Finance Bill, 2025, because of its direct and substantial effect on youth-owned businesses in the emerging sustainable packaging industry, as well as its overall effect on national environmental-related goals. This clause proposes an amendment of Part 1 First Schedule to the Excise Duty Act.A.

#### A.Provision Identification and Summary

Clause 42(a)(vii) proposes to include excise duty on

*"Imported other self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes of plastics, whether or not in rolls of tariff number 3919.90.90, but excluding those originating from East African Community partner states that meet the East African*



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*Community Rules of Origin." The proposed duty is "25% of excisable value or Kshs. 200 per kilogramme, whichever is greater."*

### B. KYCAC Analysis

#### **Impacts on Youth-Led Sustainable Enterprises**

In KYCAC's consultations, youth entrepreneurs in the sustainable packaging space consistently indicated these enterprises require some specific plastic films (e.g., certified biodegradable or compostable films for food-grade, protective layer for products with recycled content, etc.) as inputs. The research we conducted, and more broadly with the ANDE report "Building the Green Economy: Trends and Opportunities for Green Entrepreneurship in Kenya" illustrated that access to finance is the critical challenge these enterprises face nonetheless, costs of doing business is also a consideration, especially related to taxation on inputs that aren't usually available locally. Based on consultations, the youth entrepreneurs indicated taxes (levies) such as being proposed would significantly increase their production costs (potentially in the 20-30% range on these critical inputs based on initial conversations) crippling their ability to provide competitively priced sustainable alternatives to consumers. The previous experience of programs such as the Mombasa Plastics Prize Incubator that have supported enterprises like Twende Green Ecocycle strongly suggest difficulties associated with high input costs and materials availability.

#### **Alignment with National Climate and Circular Economy Goals**

As noted in Kenya's "National Circular Economy Strategy" there is a need to create and encourage the development and use of sustainable materials and reduce their dependence on problematic single-use plastics. A non-differentiated high excise on all imported plastic films



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including those that contribute to a sustainable solution could hinder this transition by reducing the attractiveness of greener solutions and result in a violation of strategy goals.

### Economic Context and Potential Job Creation

The packaging industry in Kenya is worth a considerable sum (approximately \$585 million in 2021 expecting growth according to sources like Packaging World Kenya) and will import some of these materials. The KNBS (see MSME Survey 2016) indicates SMEs are the backbone of the economy. The packaging sub-sector for sustainable packaging led by youth is still nascent, but growth potential exists as noted in the ANDE report, and there is a real potential for innovation and new jobs. Implementing a prohibitive cost on essential inputs could undermine KYA expansion.

### C. KYCAC Position

KYCAC is against the proposed flat-rate high excise duty under Clause 42(a)(vii) on imported plastic films under tariff number 3919.90.90, that is not taking into consideration their specific function in sustainable solutions by youth-led enterprises.

## V. PRIORITIZED RECOMMENDATION FOR CLAUSE 42(a)(vii)

KYCAC makes a targeted recommendation to amend Clause **42(a)(vii)** that would allow for youth participation in the green economy in support of the national environmental goals.

### A. Practical Recommendation:

Amend **Clause 42(a)(vii)** of the Finance Bill, 2025 by adding a proviso to establish a differentiated structure of excise duty for the class of sustainable inputs used by verified youth owned enterprises. The following phrasing is recommended for the amendment:



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*"Provided that imported self-adhesive plates, sheets, film, foil, tape, strip and other shapes, of plastics under tariff number 3919.90.90, which are:*

- i. Certified by the Kenya Bureau of Standards (KEBS) as biodegradable or compostable in accordance with the relevant and prevailing KEBS national standards for biodegradable and compostable plastics for packaging; and*
- ii. Imported by youth owned enterprises, verified under the Access to Government Procurement Opportunities (AGPO) or an equivalent, recognized national framework, for direct use in manufacturing sustainable packaging solutions, shall attract a rate of excise duty of 5% of the excisable value or Kshs. 50 per Kilogramme, whichever is greater, applies to the plastic."*

### B. Rationale for Specific Values in Recommendation

Establishing the exemption at a reduced 5% or KES 50/kg would represent a reasonable compromise between revenue expectations, but not at the expense of young firms' ability to compete and sustain viable, alternative ventures. This rate was indicated by KYCAC stakeholders during engagement as a level that could potentially support youth-led enterprises using these specialised inputs, given sustainable alternatives. This would also align with general principles of progressive or tiered incentives found in policies such as South Africa's Section 12L energy efficiency tax incentive.

### C. Estimating Quantitative Value of Impact

KYCAC feel confident base on available data including reports like the ANDE report on Green Entrepreneurship in Kenya, which references a niche but growing sector, that a targeted concession under "Innovation-led" incentive could support about 70-120 youth-led SMEs in this sub-sector across the country, thus encouraging greater innovation.



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### D. Considerations for Fiscal Impact

KYCAC did a preliminary assessment into the potential revenue forbearance of this specific concession based on general import data and the current number of qualifying youth enterprises (as indicated in reports of the ANDE study or KNBS MSME data), and KYCAC projects that the overall revenue forgone from this concession would be modest in its infancy, estimated at KES 20-35 million annually. KYCAC believes that this targeted forbearance can be compensated by the advantage of greater innovation, growth and job creation being encouraged; thus, KYCAC would expect a net positive fiscal impact from this targeted forbearance in the medium term – this is a principle applied in many programmes, such as the African Development Bank's Green Investment Programme for Africa.

### E. Unintended consequences and mitigation

One potential unintended consequence is that the concession may be abused. To mitigate this eventuality, KYCAC has recommended good verification systems: Certification of materials against national standards by KEBS is mandatory. Verification of enterprise eligibility (youth-owned, used directly as sustainable packaging) by AGPO or an assigned SME authority. Post-importation audits by the KRA with traceability systems.

## VI. CONCLUSION AND A CALL TO ACTION

The Kenya Climate Youth Advisory Committee is dedicated to providing timely and directed advice to aid policy decisions. The **clause 42(a)(vii)** proposed undifferentiated excise duty is a complication to youth-led sustainable enterprises. KYCAC calls on the Honourable Committee to accept our recommendation for an amendment to **clause 42(a)(vii)**. This





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amendment is essential to impacting positive change for Kenyan youth in the sustainable packaging sector and to further Kenya's climate and circular economy goals.

We respectfully request the opportunity to present analysis, which brings together findings from publicly available information and direct consultations with youth, to the Committee.