

SETTING UP A SUSTAINABLE BUSINESS MODEL FOR AN EXTENDED PRODUCER RESPONSIBILITY ORGANISATION



Kingdom of the Netherlands



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1. INTRODUCTION

1.1 The Assignment

Kenya as a country has made major strides in dealing with careless disposal practice that has led to adverse effects on the environment. The Ministry of Environment employed a lot of effort in tackling plastic in collaboration with the private sector. Kenya through the Ministry of Environment banned the use, manufacture, and importation of all plastic bags used for commercial and household packaging; this was effected in 2017. Kenya's proposed Waste Management bill recommends the establishment of a Producer Responsibility Organisation (PRO). Its role will be to ensure plastics are collected, sorted and recycled after use. In this case, the private sector will play a role by making contributions to the scheme referred to as an Extended Producer Responsibility (EPR).

The Sustainable Inclusive Business (SIB-K) housed at Kenya Private Sector Alliance (KEPSA) in collaboration with the Kenyan Association of Manufacturers (KAM) is implementing a project with the aim to develop a business model for a Producer Responsibility Organisation (PRO). This is with the support of the Netherlands Enterprise Agency (RVO). This was brought about by the need for the sector to implement the Kenya Plastic Action Plan that was developed by KAM with input from the private sector. This project will increase the capacity of Kenyan companies to take responsibility for plastic waste and enable them to expand their business activities related to their responsibility for plastic waste disposal. The project seeks to achieve the following objectives;

- a) Assess interested of companies to joining the new EPR scheme
- b) Identify the needs and interests in the EPR's services of the (potential) members.
- c) To develop a business model for a Produce Responsibility Organisation and the legal entity set-up.
- d) Engage stakeholder leading to the first 10 companies joining the EPR organisation as formal members.
- e) Provide recommended interventions as a way forward

2 THE CURRENT SITUATION

2.1 Waste Management Global and Kenya Specific details

Kenya is characterised as a rapidly developing country. Its present waste generation data stands at an average of 0.5 kg of waste per capita that occur daily, compared to 2.7 kg per capita in Germany [JICA, 2010; OECD, 2017]. In Nairobi, Kenya’s capital, 3,000 mt or 0.64 kg per capita of municipal waste occur daily from residential areas, industry and other private companies as well as public institutions, a slight increase since the 2010 estimates by JICA. Plastic fractions account for 9.5 %. More recent data collection carried out by UN Habitat [2019] assumes plastic content in a range of 9 to 15 %, specified as per different income levels in Nairobi. The most commonly used materials for plastic packaging are so called thermoplastics, a noun grouping diverse materials that will melt when heated and harden when cooled in a reversible manner. Polymers of this group are, for instance, polyethylene (PE; widely used in the form of either “low density” = LDPE or “high density = HDPE”), polypropylene (PP), polystyrene (PS), polyvinyl chloride (PVC), and polyethylene terephthalate (PET).

According to Eunomia [2018], an estimated 567,000 mt of primary and non-primary plastics have been imported to Kenya. The Ipsos-study names 453,781 mt of imported primary plastics in 2017 (and 469,400 mt of primary plastics imported in 2016). Due to the lack of primary plastic production, it is assumed that this number consists of both primary plastics in the form of granulates, resin, etc. and processed plastics in the form of film, empty containers and other plastics products. In 2017, the Kenyan plastics industry processed around 240,000 mt of primary plastics with the balance, roughly half of the total imported volumes, assumed to be pre-processed plastics. The import of plastics in the form of already packed goods is not accounted for [Ipsos, 2019]. Although the numbers of the two studies are not fully congruent, they are generally in close range to each other indicating a scale of 450,000 to 570,000 mt of primary and non-primary plastics (for 2017). The differences are based on the different nature of the data, as one is an estimated value, based on the previous year’s data and previous developments. Moreover, it also shows the uncertainty of the market with reliable data difficult to obtain. Putting into perspective that Eunomia also includes packed/made products in its estimates, representing around 20% of all goods consumed in Kenya, the gap shrinks – making both assumptions quite congruent to each other.

However, concerns about the ballooning negative impacts of plastic resulting from leakages in the environment are on the rise. One of the key aspects that make plastic products problematic in the environment is their durability under normal biophysical conditions. In Kenya, this challenge is exacerbated by lack of an effective waste management infrastructure, which could otherwise bolster the government’s efforts for addressing the country’s waste management challenge. Key actions that the government has undertaken in relation to general plastic waste management include the following:

- The ban of importation, production, distribution and usage of plastic flexible bags. The ban took effect in 2017¹.
- A phase-out of non-woven polypropylene in 2019. However, a court injunction later set aside this intervention.
- Ban single-use plastics, including plastic bottles in protected areas, and which is set to be effective from 4 June 2020².

To pave way for the industry players to adjust their businesses to such well-intentioned and much-needed policy interventions, constructive engagements among all key stakeholders are vital. Recognizing this need, Kenya Association of Manufacturers (KAM), on behalf of its members, has been working closely with the Kenyan Government to explore avenues for driving an all-inclusive and more impactful approach. Part of this included a Framework of Cooperation (FoC) signed in October 2017 between KAM and the Government through the Ministry of Environment and Forestry, and National Environment Management Authority² KAM's obligations under this FoC, include the following:

- I. Establish and implement the agreed Take Back and Extended Producer Responsibility (EPR) schemes for PET bottles;
- II. Undertake clean-up activities on PET waste bottles before the schemes are fully implemented in partnership with the Ministry of Environment and Forestry and relevant agencies;
- III. Conduct awareness campaigns to support the established schemes implementation, recycling, and up-cycling; and
- IV. Support research to meet mutually agreed measures to be undertaken under the Framework of Cooperation.

A Framework of Cooperation (FoC)³ document was signed on 17th May 2018, between the Ministry of Environment and Forestry, KAM and NEMA. The purpose of this Framework of Cooperation is the implementation of the take back scheme.

2.2 Global EPR trends

In January 2018, the EU introduced its European strategy for plastics including goals to make all plastics packaging recyclable by 2030, to reduce single-use plastics where applicable and to restrict intentional use of micro-plastics. Moreover, binding regulations are planned which oblige manufacturers to use a certain amount

¹ Gazette Notice No. 2334, Issued on March 14, 2007 under the Authority of Sections 3 and 86 of the Environmental Management and Coordination Act cap 387 on Plastic Bags.

² Gazette Notice No. 4858, Issued on 5th June 2019 under section 116, 2 (d) of the Wildlife Conservation and Management Act, 2013.

³ The Framework of Corporation on the implementation of a Take-back scheme and Extended Producer Responsibility of the Polyethylene Terephthalate (PET) bottles is between The Ministry of Environment and Forestry, National Environment Management Authority (NEMA) and The Kenya Association of Manufacturers (KAM)

of recyclates in their products and obliges Member States to recycle 50 % of their plastic packaging by 2025 and 55 % by 2030.

The current waste management system in Denmark has a comprehensive waste collection infrastructure. However, according to a study by the Danish Ministry of Environment and Food in 2018, the majority of this waste, 63 %, is incinerated while only 36 % of all plastics and only 18 % of all plastics packaging are recycled (Kenya Plastic Action Plan, 2019). Thus, the Danish government introduced their new strategy to transition to a more circular economy and meet the goals set by the EU plastics strategy. In their Action Plan, the Danish government portrays a holistic approach with measures all across the value chain.

2.3 Current Situation

Following the 2017 ban on single use carrier plastics bags in Kenya, the plastic sector was keen on devising sustainable solutions to the waste management challenge, specifically those related to post-consumer plastic packaging through the implementation of EPR schemes. These schemes are increasingly recognized worldwide as an efficient waste management tool that if effectively structured can help meet Kenya's twin goals. The schemes help improve recycling and reduce landfilling of products and materials leading to both a clean and healthy environment, as well as the growth of a circular economy. In December 2017, the first Extended Producer Responsibility Scheme was established in Kenya, the PET Recycling Company Ltd (PETCO Kenya). PETCO Kenya is an EPR organization operating as a Producer Responsibility Organization (PRO), registered in December 2017 and operationalized in June 2018. The organization has restricted its scope to PET.

3 THE NEED FOR A PRODUCER RESPONSIBILITY ORGANISATION

3.1 PET Recycling Company (PETCO Kenya)

PETCO Kenya is an EPR organization operating as a Producer Responsibility Organization (PRO). PETCO Kenya's goal is to ensure that the environment remains clean while providing employment in the recycling value chain. It aims to create value for post-consumer PET by encouraging a shift in consumer and industry behavior towards the recycling of PET through a provision of self-regulation mechanism for the industry. The key objective of PETCO Kenya is to minimize the environmental impact of post-consumer PET by:

- Achieving sustainable growth in PET plastic collection and recycling.
- Supporting existing and encouraging new collection and recycling initiatives.
- Promoting a strong focus on consumer education and awareness.

PETCO- Kenya draws its membership from a wide range of stakeholders including brand owners; bottlers; converters; retailers as well as associate members. Currently, the organization has 14 active members who pay membership levy. These includes; PET bottles manufacturers, PET bottles user and retailers (see annex). The main sources of the levies for PETCO Kenya include membership subscription fees, and grants from retailers, plant owners and bottlers. The grants are normally obtained through negotiations with respective members.

3.2 Kenya Extended Producer Responsibility Initiative (KEPRI)

The Kenyan government has continued to showing strong commitment to stop the degradation of Kenya's environment, which is particularly worsened by improper plastics waste management. After bans on the production, import and use of certain plastics - partly in force, partly being prepared, partly in the early stages of discussion – the Ministry of Environment & Forestry indicated the desire for the industry to take action themselves. In January 2019, the Kenyan private sector, through the Kenya Association of Manufacturers (KAM), embraced the initiative to come up with substantial solutions to curb the waste management gaps and tackle the challenges faced by the sector. The Kenya Plastic Action Plan which is a private sector-driven initiative aimed at involving policy makers, the general public and the industry itself in safeguarding a clean environment and together pave the pathway to a green economy in Kenya.

The Kenya Plastic Action plan was aimed at fostering concepts of circular economy in Kenya, to the benefit of both the environment and the people. It proposes the creation of a model of Extended Producer Responsibility (EPR), as implemented successfully in many places all over the world. A respective model establishes an intermediary organization that is financed jointly by a mandatory membership of all companies putting plastic waste onto the Kenyan

market. It utilizes the collective funds to operationalize waste management strategies which ensure that plastic waste is managed appropriately – with the goal of maximizing the recycling rate moving towards a circular economy.

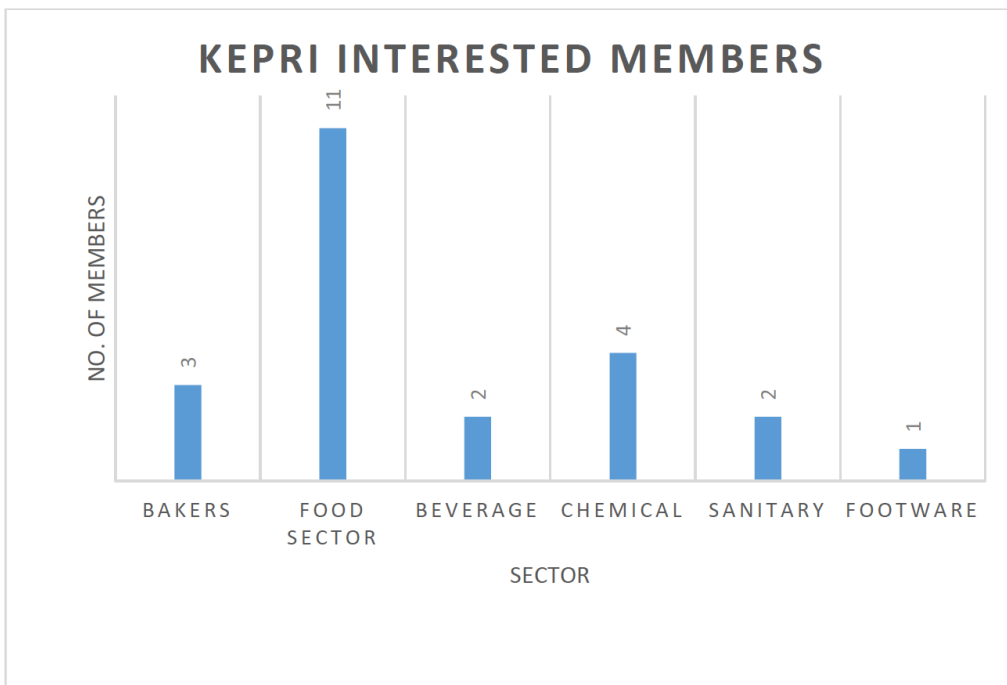
Taking the best examples worldwide into consideration and building on existing value chains and pioneering actors within Kenya, the measures recommended not only targeted improvements towards a clean and healthy environment, but also showcased how the circular economy can contribute to economic growth and welfare. As all plastic consumed and processed in Kenya are imported one way or the other, the responsibility to properly manage it must be taken jointly by all entities putting plastics on the market, including both local and international companies. In February 2020, the Kenya Association of Manufacturers formed the Kenya Plastic EPR Initiative (KEPRI) to support plastic manufacturers' (with the exception of PET bottles) towards the collective efforts of addressing plastic waste management and the realization of the commitments made in the Kenya Plastics Action Plan research report that was launched in December last year.

To achieve this Initiative, the Association is currently working with key actors to implement the Plastic Extended Producer Responsibility (EPR) Schemes in the Country and other like-minded organizations with plastic initiatives. In December last year, KAM signed an MOU with Clever Green Kenya (CGK) to set-up an Extended Producer Responsibility scheme for the benefit of KAM members and other plastic users as per the recommendations of the Kenya Plastic Action Plan launched in December last year. CGK is KAM's KEPRI implementing partner.

3.3 KEPRI Updates

The following are the key achievements with regard to recruitment of members to support formation of a plastics extended producer responsibility Organisation:

- 35 companies have expressed interest to join the initiative (8 plastic manufacturers and 17 plastic users). Refer to attached annex 2
- 3 companies have committed and paid the membership fees.
- Meetings with potential members still ongoing by both KAM & CGK
- KEPRI Membership subscription forms developed based on the different categories (recyclable materials and non-recyclable materials)



3.4 Lessons Learnt

There is also need to have a meeting with the relevant government agencies, the manufacturers and producers or non-recyclable post-consumer plastic waste to build consensus on the best waste management approach.

- There is need to map out the different recyclers and identify the plastic fractions they can recycle and their capacities.

3.5 Next Steps and Way Forward

There is not only a need for EPR by new laws and regulation, there is also already willingness to become a paid member beyond the required 10 potential members. Current interest is from 33 companies. It is therefore urgent to develop the business plan for the EPR model under a PRO and set-up the EPR as soon as possible. There is need to develop a work plan to better guide the activities of the PRO as well.

Annex 1

PETCO Kenya Members

Grants

1. Coca-Cola Southern and East Africa (SEABU)
2. Unilever Kenya Limited
3. Naivas Limited
4. Tuskys Supermarket Company

Levies

1. Kevian Kenya Limited
2. Coca-Cola Beverages Africa Limited
3. Highlands Mineral Water Company Limited
4. Coastal Bottlers Limited
5. Almasi Beverages Limited
6. BIDCO Africa
7. BIO Foods Limited
8. Mayers Still Water Limited

Annex 2

KEPRI Kenya Members list Company		Category
1	Polythene Industries Limited	Manufacturers
2	General Printers Limited	Manufacturers
3	Polyflex Industries Limited	Manufacturers
4	Packaging industries Limited	Manufacturers
5	Sai Industry Limited	Manufacturers
6	United Miller Nakuru Refinery	User
	United Millers Nakuru Bakery	User
	United Millers Kisumu Bakery	User
7	Elgon Kenya Limited	User
8	Farmers Choice	User
9	Digital Packaging Innovations Holding Ltd	Manufacturer
10	Krystalline Salt Ltd	User
11	KWAL	User
12	Premier Industries Ltd	Manufacturer
13	EABL	User
14	BAT	User
15	Eastern Produce Kenya Ltd	User
16	Elekea Limited	User
17	Kenya Sweets Limited	User
18	Plast Packaging	Manufacturer
18	Capwell Industries Limited	User
19	Kina Loaf Bakery Limited	User
20	Canon Chemicals	User
21	Styles Industries Limited	User
22	Homalime	User
23	Kakuzi PLC	User
24	Reflex Footware Ltd	User
25	KCSSA East Africa	User
26	PnG	User
27	Maguna's Bakery Limited	User
28	Nestle	User
29	Mars Wrigle Kenya	User
30	Silentnight Ltd Kenya	User
31	Shake & Go	User
32	BAT	User
33	KingFinn Kenya Ltd	User

Annex 3

List of engaged members (5 plastic manufactures)



KAM PLASTIC SECTOR MEETING
VENUE: BOARDROOM 3 DATE: 13TH FEBRUARY 2020

S. No	NAME	COMPANY	EMAIL
1.	Gautam Patel	POLYTHENE IND.	gautam@polythene.co.ke
2.	Prizeen Farooq	GFC	prizeen@gflexible.com
3.	Manish Shah	POLYFLEX INDUSTRIES	manish@polyflexind.com
4.	Dip Shah	Packaging Indust	dipepit.co.ke
5.	Suresh Patel	Sai Indu. Ltd.	saiindustries_01@yahoo.com
6.	Peter Abui	CGK	peter@cgk.co.ke
7.	Vaishali Malde	Packaging Industries Ltd.	vaishali.malde@pit.co.ke
8.	Miriam Bonnett	KAM	miriam.bonnett@kam.co.ke
9.	Sheron Okwiny	KAM	petroleumsector@support@kam.co.ke
10.			
11.			