Policy Paper Series

Analysis of the Alcoholic Beverages Sector in Kenya

Violet Nyabaro, Elvis Kiptoo, Alex Oguso and Daniel Zalo

PP/07/2025

THE KENYA INSTITUTE FOR PUBLIC POLICY RESEARCH AND ANALYSIS (KIPPRA)

Analysis of the Alcoholic Beverages Sector in Kenya

Violet Nyabaro, Elvis Kiptoo, Alex Oguso and Daniel Zalo

Kenya Institute for Public Policy Research and Analysis

KIPPRA Policy Paper 07
2025

KIPPRA in Brief

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) is an autonomous institute whose primary mission is to conduct public policy research leading to policy advice. KIPPRA's mission is to produce consistently high-quality analysis of key issues of public policy and to contribute to the achievement of national long-term development objectives by positively influencing the decision-making process. These goals are met through effective dissemination of recommendations resulting from analysis and by training policy analysts in the public sector. KIPPRA therefore produces a body of well-researched and documented information on public policy, and in the process assists in formulating long-term strategic perspectives. KIPPRA serves as a centralized source from which the Government and the private sector may obtain information and advice on public policy issues.

Published 2025

Bishops Garden Towers, Bishops Road
PO Box 56445-00200 Nairobi, Kenya
tel: +254 20 2719933/4; fax: +254 20 2719951
email: admin@kippra.or.ke
website: http://www.kippra.org

ISBN 978 9914 738 90 2

The Policy Paper Series disseminates results and reflections from ongoing research activities of the Institute's programmes. The papers are internally refereed and are disseminated to inform and invoke debate on policy issues. Opinions expressed in the papers are entirely those of the author or authors and do not necessarily reflect the views of the Institute.

This Policy Paper was authored by Violet Nyabaro (KIPPRA), Elvis Kiptoo (KIPPRA), Alex Oguso (KRA) and Daniel Zalo (KRA). The authors worked closely with Eldah Onsomu (Coordinator), Boaz Munga (Lead), Laureen Karima, and Brian Nzioka all from KIPPRA. We extend our sincere gratitude to the Kenya Revenue Authority (KRA) team, led by Joseph Sirengo for their support throughout the development of this Brief.

This Brief has been made possible through the support of the RESET Alcohol Initiative. We received technical support from Vital Strategies and from Carlos Manuel Guerrero at Economics for Health at the John Hopkins Bloomberg School of Public Health.

Executive Summary

The taxation of alcoholic beverages in Kenya serves two main purposes: generating government revenue and discouraging alcohol consumption. The contribution of the alcohol beverages sector in Kenya to revenue is relatively small compared to the total revenue. According to the Kenya Revenue Authority (KRA) revenue report for 2023/24, the alcohol industry contributed approximately 2.27 per cent of exchequer revenue from excise taxes, maintaining the same level as in 2022/23. These figures highlight the sector's importance as a tax base while also pointing to its limited overall impact on government revenue relative to other sectors.

The alcoholic beverage industry is diverse, comprising various manufacturers that produce beer, spirits, and wine. Production of alcoholic beverages has fluctuated over time, with beer taking the largest market share while spirits and wines take up a smaller market share. The proportion of wine imports decreased from 18 per cent of total alcoholic import volumes in 2016/17 to 12 per cent in 2022/23. In contrast, the share of spirits imports increased significantly from 59 per cent in 2016/17 to 79 per cent in 2022/23. Kenya's apparent national consumption of alcoholic drinks has shown significant fluctuations in recent years, with beer and spirits being the dominant categories. The increase in the consumption of spirits points towards a change in alcohol consumption patterns driven by fiscal policies, changes in taste and preference and demographic shifts.

The alcoholic beverage industry does not play a major role in employment generation within the manufacturing sector or the economy at large. The share of formal employment in the alcoholic beverage sub-sector averaged 1.70 per cent of the manufacturing sector employment (and 0.20% of total employment) in the period 2016 through 2022. The beer sub-sector employs more people than the spirits sub-sector, but job growth in the beer sub-sector is stagnating, whereas the spirits sub-sector is experiencing growth.

The KRA revenue report for 2023/24 showed that the alcohol industry contributed about 2.27 per cent of exchequer revenue in excise taxes and about 0.50 per cent of exchequer revenue in Value Added Tax (VAT). The contribution of excise taxes from the industry remained stagnant from that of 2022/23 while that of VAT slightly declined from 0.51 per cent. In current prices, the revenues

exhibited growth but, in real terms, revenues are either declining or stagnating, except for value added tax and excise tax on imported wines and spirits, which show a rise. Total excise revenues, for instance, show a rising trend in current terms, but when adjusted for price changes, they show a marginal decline. This underscores the need for periodic reviews of excise duty rates to adjust for inflation and changes in income levels.

To ensure effective regulation of the sector, it is imperative that KRA revises its taxation framework. By implementing higher excise duties on alcoholic products, KRA can effectively discourage the consumption of alcohol. However, strengthening collaboration among law enforcement agencies is important to curb illicit practices, protect consumer health, and minimize revenue losses. In addition, there is need to review and introduce legislative reforms to tackle illicit trade more effectively. Part of the reforms should include provisions for adjustment of fines and penalties based on the scale of the offense.

Abbreviations and Acronyms

ABV	Alcohol by Volume
ACA	Anti-Counterfeit Authority
AU	African Union
EAC	East African Community
KEBS	Kenya Bureau of Standards
KNBS	Kenya Bureau of Statistics
KRA	Kenya Revenue Authority
NACADA	National Authority for the Campaign Against Alcohol and Drug Abuse
VAT	Value Added Tax
WHO	World Health Organization

Table of Contents

List of Tables

List of Figures

1. Introduction

The contribution of alcoholic beverages sector in Kenya to revenue is modest compared to total government revenue. According to the Kenya Revenue Authority (KRA) revenue report for 2023/24, the alcohol industry contributed approximately 2.27 per cent of exchequer revenue from excise taxes, maintaining the same level as in 2022/23. These figures highlight the sector's significance as a tax base while also underscoring its limited overall impact on government revenue relative to other sectors.

The industry has experienced significant growth in production volumes and is characterized by a dynamic landscape. It encompasses traditional brews such as chang'aa and busaa alongside modern alcoholic beverages, including beers, wines, and spirits. This interplay highlights diverse consumer preferences and a competitive environment where local breweries and international manufacturers vie for market share through innovative marketing strategies and product differentiation.

Additionally, the industry comprises both formal and informal segments. The formal segment includes well-established breweries, distilleries, and wineries that produce branded, quality-assured products. In contrast, the informal segment consists of numerous small-scale producers who primarily focus on traditional brews, which are widely consumed in rural areas.

The alcoholic beverages industry operates in an environment where guidelines and regulations have been developed to address public health concerns, maintain social order, and ensure effective revenue collection. These range from global to regional guidelines to national and county-specific laws. These include:

(i) The World Health Organization's Global Strategy to Reduce the Harmful Use of Alcohol, adopted in 2010, which provides member states with a comprehensive framework to minimize the health and social harm caused by alcohol;

(ii) The African Union's (AU) Plan of Action on Drug Control and Crime Prevention, which aims to strengthen the prevention and treatment of substance use, which includes use of alcohol;

(iii) The East African Community (EAC) Regional Policy on Alcohol, Drugs and Substance Abuse 2019; and

(iv) National legislations to regulate the alcohol industry in Kenya; that is, Alcoholic Drinks Control Act (2010), commonly known as the Mututho Law, which sets out the regulations for the production, distribution, and sale of alcoholic beverages; and the Public Health Act, which sets out health standards to protect consumers from harmful products, particularly those produced in the informal sector.

The taxation of alcoholic beverages in Kenya serves two primary objectives: generating government revenue and discouraging consumption. Alcoholic products are subject to both excise duties and value-added tax (VAT). The imposition of excise duties is governed by the Excise Duty Act, 2015, which applies to both domestically produced and imported alcoholic beverages. Excise duties are levied at varying rates based on factors such as the type of alcohol, its volume, and alcoholic content. Beer, wines, and spirits are taxed under specific excise duty rates, which are periodically reviewed and adjusted through various Finance Acts to reflect policy changes and economic considerations.

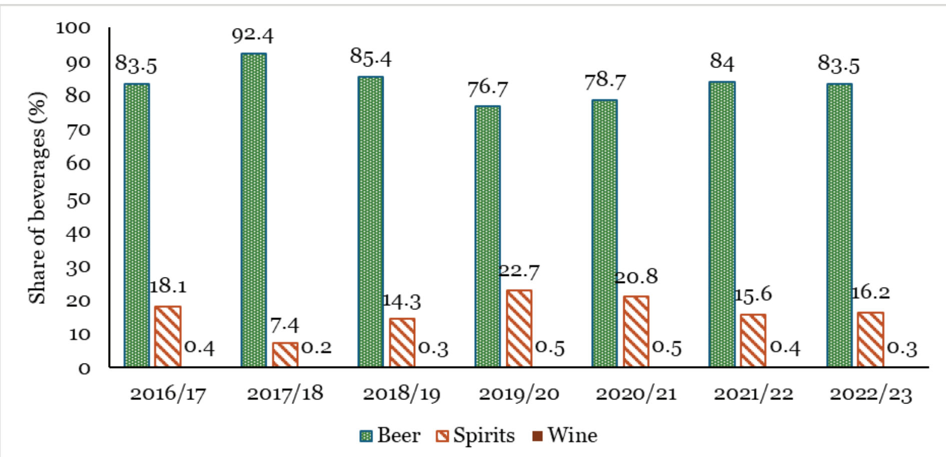
The extent of illicit alcohol production in Kenya has not been conclusively measured, making it difficult to determine whether it has expanded. However, weaknesses in enforcing existing regulations are often cited as contributing to its persistence. Additionally, the design of current regulations governing legal alcohol production may inadvertently push small-scale producers into informal, unregulated operations. According to the World Health Organization (WHO), unregulated alcohol poses significant public health risks, including poisoning and long-term health complications. Furthermore, the prevalence of illicit alcohol exacerbates social issues such as alcohol dependency and crime while undermining government revenue collection from excise taxes. Illicit manufacture and trade of alcoholic beverages bypasses regulatory and tax frameworks and, therefore, deny the government significant revenue. Unregulated production processes often result in products that are unsafe and sometimes lethal.

2. Production and Consumption Patterns of Alcoholic Beverages

2.1 Production Patterns of Alcoholic Beverages

The formal segment of the alcoholic beverage industry in Kenya is diverse and regulated, comprising various manufacturers that produce beer, spirits, and wine. As of 2023, there were 21 registered manufacturers of beer, 46 manufacturers of spirits, and one manufacturer of both spirits and wine (KRA, 2023). Among the notable beer manufacturers in Kenya, East African Breweries Limited stands out as a leading player in the market. Production of alcoholic beverages has fluctuated over time, with beer taking the largest market share while spirits and wines take up a smaller market share. There was a decline in the market share of beer to 76.7 per cent in 2019/20 from 85.4 per cent in the previous year (Figure 2.1). This was attributed to a shift towards lower-priced, higher-alcohol spirits. Notwithstanding, beer production is the largest alcohol category in Kenya, driven by the domestic demand arising from increased incomes combined with a growing young adult population (20-39 years) that has contributed an increased adoption of affordable entry-level brands.

Figure 2.1: Share of alcoholic beverages produced locally (percentage of litres produced)

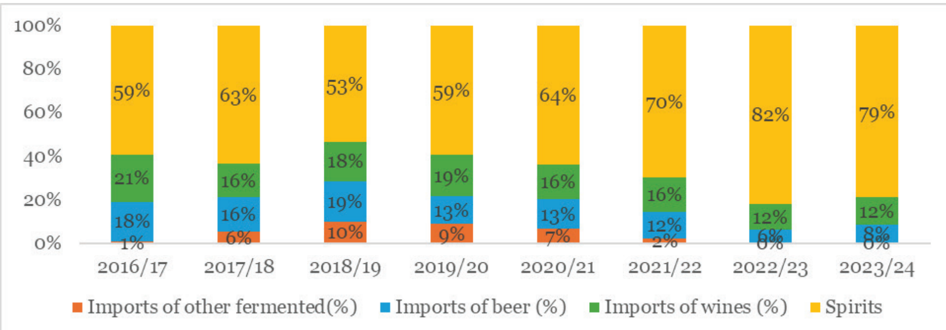


Data source: Kenya Revenue Authority (Various)

2.2 Importation of Alcoholic Beverages

The share of imported beer and wines by volume has declined since 2016 while that of spirits has increased. The share of imported beer declined from 18 per cent in 2016/17 to 8 per cent in 2022/23, mainly attributed to the change in consumer preferences of the large young adult population (20-39 years) that has shifted consumption of imported brands of spirits, and also the preference for local beer brands because of their affordability. Wine accounted for 18 per cent of total alcoholic import volumes in 2016/17 but has since declined to 12 per cent in 2022/23. The proportion of spirits imports increased from 59 per cent in 2016/17 to 79 per cent of import volumes in 2022/23 (Figure 2.2).

Figure 2.2: Import volume proportion of alcoholic beverages (percentage of litres imported) 2016/17-2023/24



Data source: Kenya Revenue Authority (Various)

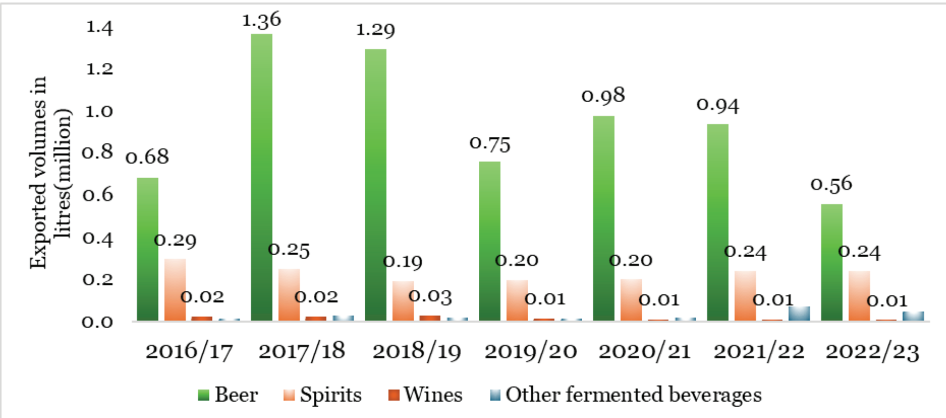
2.3 Trends in Export of Alcoholic Beverages

Kenya's exports of beer, wine, and spirits have experienced fluctuations but have decreased over the period from 2016/17 to 2023/24. Beer exports have fluctuated significantly over the past decade. There was an increase from 678,907 litres in 2016/17, reaching a high of 1,363,806 litres in 2017/18 (Figure 2.3). This later declined to 754,490 litres in 2019/20, and this decline was driven by increased domestic consumption and competition from imported beer brands. However, beer exports have since recovered, reaching

975.114 million litres in 2020/21 before declining again to 557,364 litres in 2022/23.

Exports of wines and other fermented beverages, such as ciders and meads, have been low compared to beer. Wine exports peaked at 27,374 litres in 2018/19 before declining to 6,012 litres in 2022/23. Similarly, exports of other fermented beverages reached a high of 72,286 litres in 2021/22, but have since fallen to 48,644 litres. The low and inconsistent export volumes for these product categories may suggest that Kenyan producers face challenges in developing competitive wine and fermented beverage industries for the export market.[1]

Figure 2.3: Export of alcoholic beverages in litres



Data source: Kenya Revenue Authority (Various)

Exports of undenatured spirits, which include vodka, gin, and other high-strength spirits, have also been volatile. Exports of spirits in 2016/17 were 293,768 litres, which later declined to 192,301 litres in 2018/19. The decline in exports of undenatured spirits is because of increased domestic consumption and the increase in the prevalence of illicit trade. In 2022/23, the total export volume increased to 240,489 litres.

[1] This assumes that exported alcoholic beverages includes proportions of domestic production and imports.

[2] Apparent consumption is defined as production plus imports minus exports of the product or material (UN, 1997)

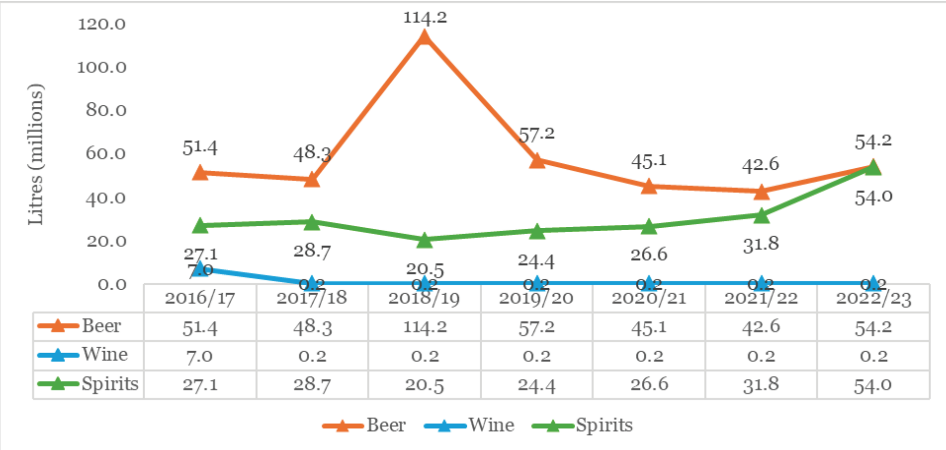
2.4 Consumption of Alcoholic Drinks

Kenya's apparent national consumption of alcoholic drinks has shown significant fluctuations in recent years, with beer and spirits being the dominant categories.[2] Beer consumption reached a high of 114.2 million litres in 2018/19 before declining to 45.1 million litres in 2020/21 (Figure 2.4). The KRA tax administration data shows that beer consumption peaked in the period 2018/19 when the East Africa Breweries Limited (EABL), the largest alcohol producer in Kenya, aggressively marketed a brand of beer made from malt known as Alvaro to compete with Novida, another non-alcoholic drink manufactured by Coca Cola Company. There was also aggressive marketing of keg beer by the EABL, which led to its increased consumption during the same period.

The subsequent decline was due to the impact of the COVID-19 pandemic on the hospitality industry and consumer spending. However, beer consumption has since rebounded, reaching 54.2 million litres in 2022/23. Consumption of spirits has been fluctuating, reaching a high of 31.8 million litres in 2021/22 before surging to 54.0 million litres in 2022/23. The growth in the consumption of spirits has been driven by a change in consumption patterns where the consumers jointly purchase and share in the consumption of spirits, some of which are of prestigious brands. This is driven by increased uptake by low-income and lower-middle income consumers, who are attracted to the affordability and variety of spirits. Wine consumption has been low compared to beer and spirits, but has shown steady growth, increasing from 179,505 litres in 2017/18 to 228,091 litres in 2021/22. This growth reflects the increasing popularity of wine among Kenya's middle-class consumers (ACA, 2023).[3]

[2] Apparent consumption is defined as production plus imports minus exports of the product or material (UN, 1997).
[3] https://www.aca.go.ke.

Figure 2.4: Apparent national consumption of alcoholic beverages in litres (millions)



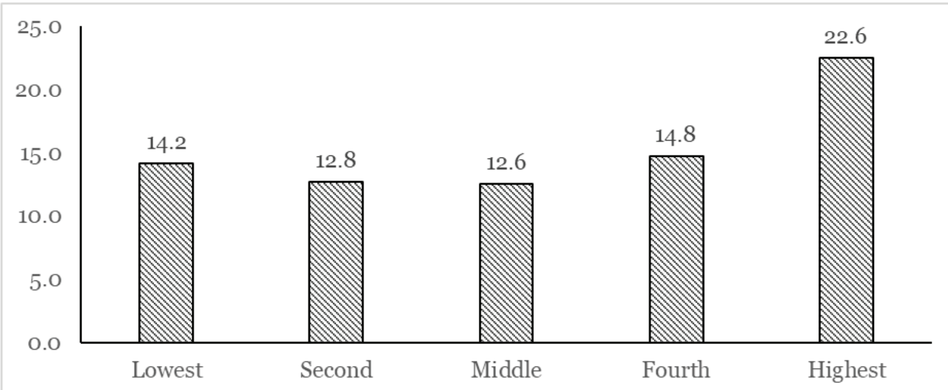
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Beer	51.4	48.3	114.2	57.2	45.1	42.6	54.2
Wine	7.0	0.2	0.2	0.2	0.2	0.2	0.2
Spirits	27.1	28.7	20.5	24.4	26.6	31.8	54.0

Data source: Kenya Revenue Authority

The consumption of spirits had grown at a faster rate than beer but, by 2022/23, the consumption volumes of beer and spirits were equal. The increase in the consumption of spirits points towards a change in alcohol consumption patterns driven by fiscal policies, change in the tastes and preferences and demographic shifts because of the growing young population of drinkers who consume bottle(s) of spirits in groups and share the costs. As beer prices rise due to the higher excise taxes, consumers have shifted towards cheaper alternatives, particularly spirits.

At the household level, 25.9 per cent of men and 5.4 per cent of women consume alcohol at least once a month, with patterns varying across age groups. In urban areas, 29.9 per cent of men and 8.6 per cent of women reported alcohol consumption (KNBS, 2023). Although rural areas show lower rates—23.4 per cent of men and 3.2 per cent of women—the gap may be smaller if unrecorded alcohol consumption is fully accounted for. The higher rates in urban settings can be attributed to several factors, such as greater accessibility to alcohol, higher disposable incomes, and social norms that promote drinking. Urban areas also have a higher concentration of bars, clubs, and other venues where alcohol is readily available. In terms of income levels, individuals in the highest income bracket are the largest consumers of alcohol (22.6%), driven by their higher purchasing power and access to a wider variety of alcoholic drinks. However, individuals in the lowest income bracket also exhibit significant alcohol consumption at 14.2 per cent, due to the prevalence of illicit alcohol, which offers cheaper alternatives (Figure 2.5).

Figure 2.5: Alcohol consumption patterns by wealth quintile, 2022



Data source: Kenya National Bureau of Statistics (2022), Kenya Demographic and Health Survey - KDHS 2022

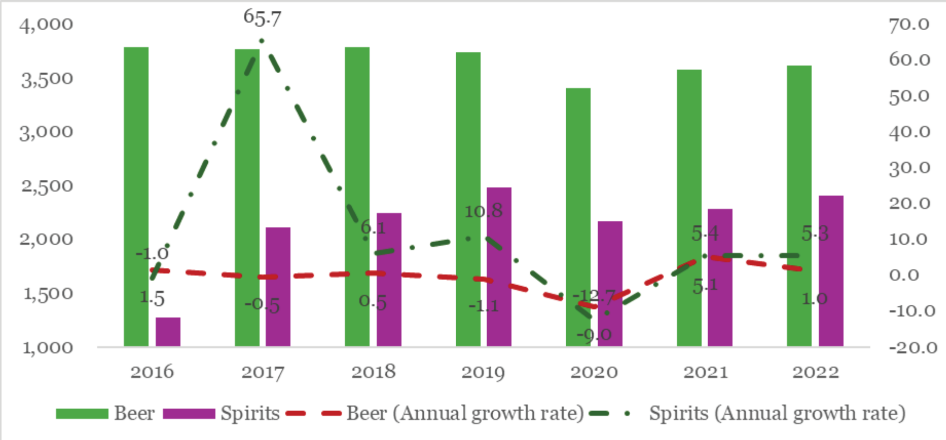
3. Employment in the Alcoholic Beverages Sector

The alcoholic beverage industry makes a modest contribution in job creation within the manufacturing sector or the broader economy. The share of formal employment in the alcoholic beverage sub-sector averaged 1.70 per cent of the manufacturing sector employment (and 0.20% of total employment) in the period 2016 through 2022.

The beer sub-sector has shown stable formal employment levels between 2016 and 2022, with the number of people employed fluctuating between 3,400 and 3,778 during the 2016-2022 period (Figure 3.1). The average annual growth rate in employment in the beer sub-sector was -0.4 per cent, indicating a slight decline in employment over the 7-year period. The year-on-year growth rates ranged from -9.0 per cent to 5.1 per cent, suggesting some variations in employment levels.

In contrast, the spirits sector has experienced more substantial changes in employment. The number employed in the spirits sub-sector increased from 1,274 in 2016 to 2,482 in 2019. However, this growth was not sustained, as employment subsequently declined to 2,167 in 2020. This decline can be attributed to various factors, including the economic impacts of the COVID-19 pandemic and subsequent decline in the consumption of alcoholic beverages. The year-on-year growth rates were more volatile, ranging from -12.7 per cent to 65.6 per cent, with the largest increase of 65.6 per cent occurring between 2016 and 2017. This suggests a significant expansion in employment patterns within the spirits sub-sector during the review period.

Figure 3.1: Employment in the alcoholic beverages sector (2016-2022)

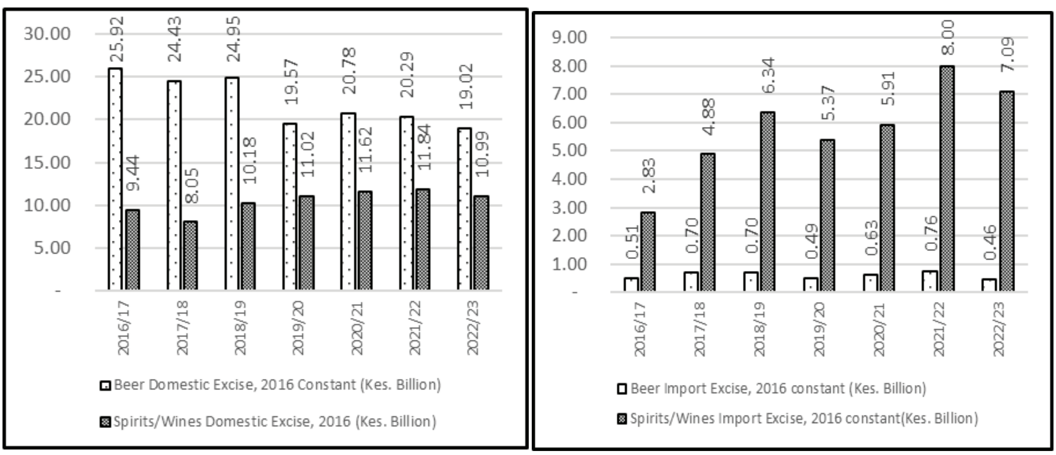


Data source: KNBS Various (Statistical Abstracts)

4. Tax Revenue Generated

Although the total tax revenue generated from alcoholic beverages increased in nominal terms from Ksh 38.69 billion in 2016/17 to Ksh 52.18 billion in 2022/23, there was a decline in real terms. In the period 2016/17 to 2022/23, in real terms, the total excise collection (domestic and import combined) decreased from Ksh 38.69 billion in 2015/16 to Ksh 37.56 billion in 2022/23 (Figure 4.1). Total domestic excise revenue from beer, spirits, and wines in 2022/23 amounted to Ksh 30.01 billion (measured in 2016 constant prices) and Ksh 43 billion in current prices. The excise revenue from beer was primarily from domestic production. Domestic excise tax on beer decreased from Ksh 25.92 billion in 2016/17 to Ksh 19.02 billion in 2022/23. Similarly, import excise for beer showed a slight decline from Ksh 0.51 billion in 2016/17 to Ksh 0.46 billion in 2022/23 (Figure 4.2). Domestic excise tax on wines and spirits initially dropped from Ksh 9.44 billion in 2016/17 to Ksh 8.05 billion in 2017/18 but then stabilized and reached Ksh 10.99 billion in 2022/23. In contrast, import excise tax on wines and spirits grew dramatically from Ksh 2.83 billion in 2016/17 to Ksh 7.09 billion in 2022/23.[4]

Figure 4.1: Domestic and import excise taxes from alcoholic beverages

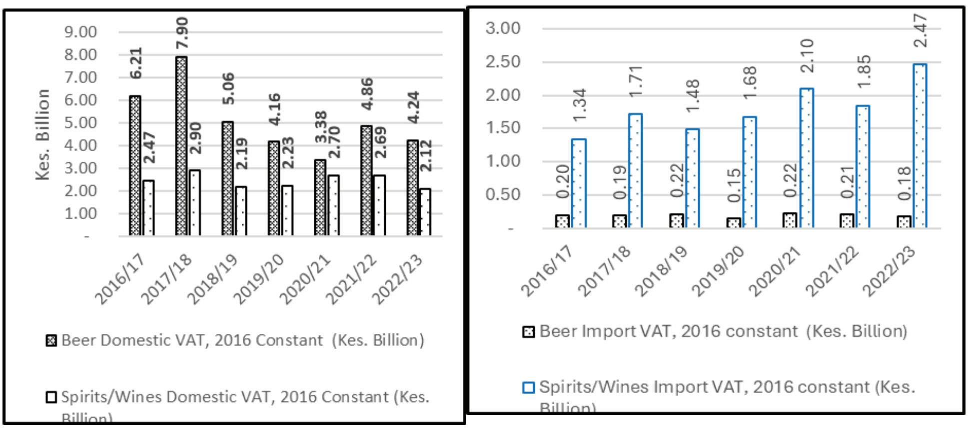


Data source: Kenya Revenue Authority

[4] Domestic taxes converted to 2016 constant prices using WDI consumer price index for Kenya. Import taxes converted to 2016 constant prices using import value index for Kenya, also obtained from WDI.

In 2016 constant prices, VAT collection on alcoholic beverages in Kenya fluctuated between 2016/17 and 2022/23. Total VAT revenue from beer, both imports and domestic production increased from Ksh 6.40 billion in 2016/17 to Ksh 8.09 billion in 20217/18 (Figure 4.2). This, however, was not sustained, and was followed by a decline to Ksh 4.42 billion in 2022/23. Domestic VAT on beer declined in real terms from Ksh 6.21 billion in 2016/17 to Ksh 4.24 billion in 2022/23. Import VAT on beer also fell from Ksh 0.20 billion to Ksh 0.18 billion over the same period. Spirits and wines experienced the most significant import VAT increase, rising from Ksh 1.34 billion in 2016/17 to Ksh 2.47 billion in 2022/23. Domestic VAT on wines and spirits decreased from Ksh 2.47 2016/17 billion to Ksh 2.12 billion in 2022/23. The general observation is that tax revenues tend to decline or stagnate when adjusted for price changes, except for import VAT on wines and spirits, which exhibited increasing trend between 2015/16 and 2022/23.

Figure 4.2: Domestic and import VAT from alcoholic beverages



Data source: Kenya Revenue Authority

4.1 Tax Avoidance and Evasion

Tax evasion is defined as the illegal act of deliberately misrepresenting tax obligations, such as under-reporting income or overstating deductions. Tax avoidance, on the other hand, involves legal strategies to minimize tax liabilities, often exploiting loopholes in tax laws. The Tax Procedures Act of 2015 defines tax avoidance as "a transaction or a scheme designed to avoid liability to pay tax under any tax law.[5] The Kenya Revenue Authority (KRA) defines tax avoidance as transactions designed to avoid tax liability, and engaging in such schemes is considered illegal under the current tax framework. For instance, companies may engage in asset stripping to render themselves unable to meet tax obligations.

In Kenya, smaller unrecorded producers are more commonly discussed than any large-scale unregistered producers. Studies such as Mkuu, Barry, Swahn, and Nafukho (2019) examine the extent of the problem associated with unrecorded alcohol but rarely break down the data to specify the number of large producers operating without tax compliance. This scenario suggests the need for a multi-agency approach to better quantify and address both large-scale and small-scale producers in the illicit market, as they collectively have a significant impact on public health and tax revenues.

The sole estimate of tax revenue losses from illicit alcohol comes from industry sources, highlighting a lack of unbiased data on these losses. Nonetheless, reviews indicate that revenue loss is considerable, due to tax evasion by illicit alcohol producers. These producers sell their products at much lower prices, creating an unfair competitive edge over legitimate manufacturers who comply with tax regulations. This distorts market dynamics, disadvantaging compliant businesses.

To curb tax evasion and avoidance, the Kenya Revenue Authority (KRA) has amended the 2010 Alcoholic Drinks Act to establish a minimum input cost for alcoholic beverages. This amendment prohibits the sale, manufacture, or distribution of alcoholic drinks below a specified price threshold, thereby discouraging the production of illicit alcohol. This is aimed at enhancing tax compliance and reducing opportunities for tax evasion within the industry. This policy is designed to curb price undercutting and uncompetitive behaviour.

4 https://kra.go.ke/images/publications/TaxProceduresAct29of2015.pdf

4.2 Illicit Alcohol Trade

Illicit or unrecorded trade in alcohol is a significant issue in Kenya, with counterfeit and smuggled beverages being key categories (Mkuu et al., 2019). Based on seizure information, the volume of illicitly produced artisanal spirits and home brew pose challenges for the government in terms of revenue loss and enforcement. The government has taken steps to address this issue, with proposals to tax manufacturers of alcoholic beverages more heavily. The illicit alcohol trade in Kenya encompasses a range of activities that undermine the legitimate alcoholic beverage industry, such as counterfeit and illicit brands, contraband/smuggling, tax leakage, and illicit artisanal. Addressing these diverse forms of illicit trade is crucial for safeguarding consumer health and ensuring optimal revenue collection.

Table 4.1: Illicit category definition

Illicit Category	Definition
Counterfeit and Illicit Brands	Fraudulent imitations of legitimate branded products, including refilling, falsification, and tampering. These beverages infringe the intellectual property rights of legitimate producers.
Contraband/Smuggling	Alcohol with original branding that has been illegally imported/ smuggled into a jurisdiction and sold, evading tariffs/customs. It includes beverages brought across the border either more than the applicable traveler's allowance regulation or through "anti-smuggling".
Tax Leakage	Legally produced alcohol beverages on which the required excise tax was not paid in the jurisdiction of production.
Illicit Artisanal	Artisanal alcoholic beverages made for commercial purposes (sold at lower prices than recommended legal prices).

Adopted from Anti-Counterfeit Authority (2023)

The information regarding small alcohol producers in Kenya may be gleaned from various sources, including: the National Campaign Against Drug Abuse (NACADA) and research articles that explore the socio-economic aspects of alcohol production in Kenya, particularly focusing on traditional brews. These sources collectively indicate that small-scale producers, particularly of traditional brews, are numerous and play a significant role in the alcohol market, especially in rural areas (Mkuu et al., 2019 and Takahashi et al., 2017). Mkuu et al (2019) notes that culture and traditions are major influencers of alcohol drinking behaviour in Kenya and homebrew consumption is an integral part of social and religious events, such as wedding celebrations, circumcisions, funerals, and recreational events and entertainments, such as sports competitions and music concerts. Even so, there is a paucity of research providing insight into the specific prevalence and context of homebrew use, risk factors for use, and/or production, distribution, or consumption.

Spirits dominate all forms of illegal alcohol trade. Anecdotal evidence indicates that Chang'aa, a traditional spirit, is the most widely consumed illicit alcohol in Kenya. A study conducted in Busia County in Western Kenya revealed that Chang'aa is prevalent in local markets, with significant consumption patterns observed among various demographics. The study also noted that illicit spirits, including those smuggled from Uganda (such as Waragi and Coffee), also contribute to the illegal alcohol trade, particularly in border regions where access is easier (Okedi and Wakali, 2023). Moreover, a report by the National Authority for the Campaign Against Alcohol and Drug Abuse (NACADA) indicated that Chang'aa, Busaa and other traditional brews are being produced and consumed particularly in Bungoma and Kakamega counties in Western Kenya.

Illicit alcohol consumption is notably high among economically disadvantaged groups as illicit alcohol serves to meet demand gaps for cheaper and readily available alcoholic beverages for the lower socio-economic segment of the society (Opondo, 2024). Additionally, peer pressure and cultural influences play a crucial role in perpetuating the consumption of illicit alcohol. In many communities, drinking is deeply embedded in social practices and cultural traditions such as traditional rites of passage. Cultural acceptance creates a cyclical pattern that reinforces consumption of unregulated alcohol. Consequently, effectively addressing illicit consumption of alcohol would call for not only economic interventions but also an understanding of and countering the cultural dynamics that drive the growth of the illicit market.

Illicit trade is also fuelled by ineffective enforcement of existing laws and regulations on licensing and consumption of alcohol. Although there are laws and regulations that regulate the licensing and consumption of alcohol, such as the Alcoholic Drinks Control Act (Mututho Law), 2010, these are ineffectively enforced. Ineffective enforcement of licensing laws such as the Alcoholic Drinks Control

Act (Mututho Law), 2010, has led to the growth of unlicensed producers and retailers, who operate in informal settings, thus evading regulatory oversight. Despite restrictions under the Standards Act, Cap 496, there are gaps in monitoring and enforcing production standards, particularly for small-scale and informal producers, resulting in the sale of unsafe, counterfeit, or adulterated alcoholic products.

In addition, the country faces inadequate customs control due to weak border controls and porous borders that allow smuggling, leading to an influx of untaxed, unregulated alcohol into the market. Again, this is linked to insufficient enforcement, since the Anti-Counterfeit Act, 2008, is in place. This undermines efforts to control the sale of illicit alcoholic beverages that do not meet the health and safety standards.

Kenya also faces coordination challenges between regulatory agencies. Regulatory overlap and a lack of coordination between agencies such as the Kenya Revenue Authority (KRA), Anti-Counterfeit Authority (ACA), and National Police Service (NPS) have resulted in weak enforcement, providing loopholes for illicit alcohol producers and distributors to operate. Addressing these regulatory challenges would require better enforcement, more robust monitoring systems, and enhanced collaboration between regulatory agencies to stem the tide of illicit alcohol in Kenya.

An important aspect of illicit brews is the nature of the legislative frameworks that could have impact on the extent of the problem. A review of the different pieces of relevant legislation and stakeholder consultation indicate that there are gaps in the legal and legislative frameworks, thus requiring reforms to tackle counterfeit/contraband trade effectively. A few of these gaps are summarized in Box 1.

Box 1: Some of the gaps in Kenya's legislative frameworks, including the Anti-Counterfeit Act

The legislations including the Kenya Anti-Counterfeit Act, 2008 face several gaps and challenges that limit their effectiveness. These include:

(i) Insufficient coverage of digital counterfeiting – the Acts were drafted before the widespread adoption of e-commerce and, as a result, the legal and legislative frameworks do not sufficiently address the challenges posed by online trade in counterfeit and contraband goods. The rise of digital platforms has made it easier for counterfeiters/contrabands to distribute fake products, which the Acts do not adequately address.

(ii) Limited scope on intellectual property infringement – the current frameworks primarily focus on tangible counterfeit/contraband goods but do not provide comprehensive coverage for intellectual property (IP) infringement in digital content or software, areas that are increasingly important in the digital economy.

(iii) Jurisdictional challenges and inadequate support for victims of counterfeiting – the counterfeit/contraband trade often involves cross-border activities, but the laws in place lack strong mechanisms for international cooperation. The Act does not provide sufficient provisions for protecting or compensating victims of counterfeit goods, particularly consumers who suffer harm or businesses that lose revenue due to counterfeit trade.

(iv) Inadequate or potentially insufficient monetary penalties – although the fines suggested in the frameworks could be a deterrent for smaller counterfeit operations, for large-scale counterfeit operations, especially those involving international networks, the maximum fines may be considered low relative to the profits generated by these operations. Many offenders may view fines as part of the cost of doing business, which diminishes the deterrent effect. While the Kenya Anti-Counterfeit Act, 2008, for instance provides fines and penalties for offenders, their adequacy is questionable, particularly for large-scale counterfeit operations. The maximum fine of Ksh 10-15 million may not be sufficient to deter high-profit offenders, and inconsistent enforcement further weakens their impact. Strengthening enforcement mechanisms and adjusting the fines based on the scale of the offense could improve the Act's effectiveness in combating counterfeit trade.

5. Conclusion and Policy Recommendations

Kenya's alcoholic beverages sector has shown dynamic consumption patterns over time, amid tight regulatory space. Recent trends in apparent national consumption show stable beer consumption alongside a significant rise in consumption of spirits. Persistent challenges are posed by the illicit alcohol trade in the country. Therefore, the following recommendations are made.

(i) Sustain the shift towards the tax system based on alcohol content, following the amendment in December 2024, to better reflect the negative externalities of alcohol consumption.

(ii) Consider periodic reviews of excise tax rates to reflect inflation and changes in income levels to ensure that the real value of taxes is not eroded, and to assess the impact of current tax policies on consumption patterns and revenue generation to ensure they remain effective and equitable.

(iii) Strengthen a multi-stakeholder collaboration between law enforcement agencies such as KRA, Kenya Bureau of Standards (KEBS), and NACADA to curb illicit practices, protect consumer health, and minimize revenue losses emanating from production, trade, and consumption of illicit alcohol.

(iv) Estimate the size of the illicit alcohol trade through a multi-stakeholder approach involving the Kenya Revenue Authority (KRA), the Kenya Institute for Public Policy Research and Analysis (KIPPRA), the Kenya Bureau of Standards (KEBS), the Anti-Counterfeit Authority (ACA). This is to ensure the existence of robust, credible data that reflects the scale and impact of illicit alcohol trade, thus facilitating informed policy making and effective enforcement strategies.

(v) Enforce the implementation of the Alcohol Control Act amendment on minimum input cost by setting up regulations.

(vi) Introduce legislative reforms, allocate additional resources for enforcement, and strengthen collaboration with international bodies to combat illicit trade and the increasing prevalence of counterfeit and contraband alcoholic beverages. Additionally, fines and penalties should be revised to align with the severity and scale of the offense.

References

Anti Counterfeit Authority (2023), Anti Counterfeit Authority. Retrieved from Past Symposiums: https://isippe.aca.go.ke/past-symposiums/isippe-1-symposium/131-presentations-isippe-1.

Kenya National Bureau of Statistics (2023), Kenya Demographic and Health Survey 2022, Volume 1. Nairobi, Kenya.

Kenya National Bureau of Statistics (2019), *Statistical Abstract*. Nairobi, Kenya.

Kenya National Bureau of Statistics (2023), *Statistical Abstract*. Nairobi, Kenya.

National Authority for the Campaign Against Alcohol and Drug and Abuse (2023), Quarterly Newsletter. Nairobi, Kenya.

Mkuu, R.S., Barry, A.E., Swahn, M.H. and Nafukho, F. (2019), "Unrecorded alcohol in East Africa: A case study of Kenya". *International Journal of Drug Policy*, 63: 12-17. https://doi.org/10.1016/j.drugpo.2018.07.017.

Okedi, W.N. and Wakoli, C.O. (2023), "Impact of alcoholic drinks control policies on the consumption of illicit alcohol in Angorom Ward, Busia-Kenya". *Arch Epidemiol Pub Health Res*, 2(3): 244-254.

Opondo, V.O. (2024), Enforcement challenges to illicit alcohol in Kenya. National Crime Research Centre.

Takahashi, R., Wilunda, C., Magutah, K., Mwaura-Tenambergen, W., Wilunda, B., and Perngparn, U. (2017), "Correlates of alcohol consumption in rural western Kenya: A cross-sectional study". *BMC Psychiatry*, 17(1): 175. https://doi.org/10.1186/s12888-017-1344-9.

United Nations (1997), *Studies in methods: Glossary of environment statistics*. Series F. No 67.

ISBN 978 9914 738 90 2

Kenya Institute for Public Policy Research and Analysis
Bishops Garden Towers, Bishops Road
PO Box 56445, Nairobi, Kenya
tel: +254 20 2719933/4, 2714714/5, 2721654, 2721110
fax: +254 20 2719951
email: admin@kippra.or.ke
website: http://www.kippra.org