



TERMS OF REFERENCE

KAM study on implication of the African Continental Free Trade Area on Kenya's manufactured products and their impact on Kenya's trade.

1.0 Background to the KAM Study

The Kenya Association of Manufacturers is a member of the National Inter-Ministerial Coordination Committee housed at the National Treasury which oversees Kenya's Regional Integration Implementation Programme (RIIP) which is sponsored by Common Market for Eastern and Southern Africa (COMESA) through National Treasury.

Under the RIIP program, KAM is mandated to implement specific regional integration indicators which are geared towards enhancing EAC, COMESA, Tripartite Free Trade Area and AfCFTA regional integration agenda. Some of the regional integration indicators which are critical to KAM members are elimination of non-tariff barriers imposed by each member State per annum, harmonization national standards with regional standards, progressive signing of double taxation agreements (DTAs), harmonization of Axle load limits among COMESA member States, implementation of COMESA harmonized vehicle dimension(HVD), implementation of COMESA Carrier License, reduction in total number of documents to export and import a consignment among others.

KAM has a RIIP Work Plan that is developed annually to implement various KAM activities on regional integration initiatives. The work plan is approved by National Coordinating Committee under National Treasury. For the annual RIIP work plan to be implemented, KAM receive funds from National Treasury to implement various regional integration activities. KAM has utilized RIIP resources to organize EAC manufacturers forums, now transforming into Confederation of East Africa Manufacturers Association (CEAMA), train SMEs on becoming competitive in the regional markets, organize KAM workshops to discuss regional cross cutting issues which affect industry and to organize trade missions and exhibitions targeting regional markets.

One of the activities under KAM RIIP Work Plan for 2020/2021 is to undertake a study on the implication of the Africa Continental Free Trade Area on Kenya's manufactured products offered for tariff liberalization by EAC to the AfCFTA member States and their impact on Kenya's trade. KAM RIIP work programme for July 2020 to June 2021 has allocated a budget of Kshs. 1.9 Million for the above study.

1.1 Objectives of the study

The overall objective of this study is to establish the implications of the 79.1 percent tariff lines of EAC tariff liberalization offer to AfCFTA members aligned to the agreed AfCFTA rules of origin in terms of export opportunities and threats for Kenya's manufactured goods, Specifically, this study seeks to:

- i. Estimate the Trade potential for Kenya's manufactured products among the AfCFTA State Parties.
- ii. Establish the level of competition for Kenya's manufactured products in the domestic market.
- iii. Analyse how the agreed Rules of Origin in the AfCFTA are likely to affect trade in manufactured goods.

1.2. Benefit of the study to KAM members

The study will provide insights to various KAM sectors covering both manufactured and agricultural products through the revealed comparative advantage analysis for Kenya's products at both HS 6 digit and 8 digits levels within the African continent. This will help the KAM sectors to know the tariff lines where Kenya has strong growth in exports and where Kenya can compete with established exporters in the African continent. The study will identify products for which Kenya will require to boost its competitiveness. The revealed comparative advantage analytics will guide KAM members strategy on maintaining competitiveness. The study will also assist KAM members to understand possible threats arising out of the EAC tariff liberalization for category A products for 10 years tariff phase down and for the proposed draft of the EAC list of sensitive products which will be phased down in 13 years for AfCFTA members.

The study findings and recommendations will inform to KAM's position in the remaining phase of EAC-AfCFTA tariff liberalization offers. It will incorporate manufacturers' interests since industrial sub-sectors will be consulted including suggesting safeguard measures which KAM can ask Government to implement on identified products.

Finally the study recommendations on value chain issues for Agriculture Chapters 4 -15 where dairy products, vegetable oils and products of milling industry and agro processed products will be discussed for liberalization will give KAM some insight on EAC CET structure in case EAC CET review which is expected to take place periodically.

2.0. Back ground to the Africa Continental Free Trade Area

The Agenda 2063 spells out the broad-based aspirations of the African continent complete with a framework for its implementation. It identifies the milestones we aim to achieve as a continent and measures to be instituted to achieve these milestones. More importantly, this document aspires to improve Africa's geopolitical positioning among its continental peers. This alongside the Action Plan for Boosting Intra African Trade (BIAT), aims to use trade as a vehicle to alleviate poverty and promote societal development. These documents laid the foundations for the formation of the Africa Continental Free

Trade Area (AfCFTA), whose major objective is to create a single market for goods and services within the African continent where capital, labour and investments move freely to spur economic development.

Signing of the AfCFTA by 44 countries on March 21st 2018 set the journey towards achievement of economic and political integration for African states. It lay the grounds for ratification of the agreement and deposition of instruments by 24 countries effectively marking the entry into force of the agreement. Trading under the AfCFTA was set to begin on July 1st 2020 following the entry into force of the agreement. Preferential terms of the AfCFTA were to be accorded to state parties once the schedule of tariff concessions, Rules of Origin and Schedule of Specific commitments in Trade in Services were finalized. Due to challenges caused by the COVID-19 pandemic, the commencement date was pushed to 1st January 2021.

Actual trading under preferential terms is yet to begin pending finalization of tariff liberalization, Rules of Origin (RoO) for textiles, motor vehicles, milk products and edible oils just to name a few; trading instruments and the information sharing platform.

The African Union Commission (AUC) recognizes 8 Regional Economic Communities (REC) as the building blocs for the AfCFTA. These are namely the Arab Maghreb Union (UMA); Economic Community of West African States (ECOWAS); East African Community (EAC); Intergovernmental Authority on Development (IGAD); Southern African Development Community (SADC); Common Market for Eastern and Southern Africa (COMESA); Economic Community for Central African States (ECCAS); and the Community of Sahel Saharan States (CENSAD). These are not only the building blocs of the AfCFTA but also vehicles through which the AU will implement its integration agenda. These regions are characterized by unique political, economic, social and cultural characteristics that often determine the continent's trade patterns. These factors will largely influence Kenya's trade patterns in the AfCFTA.

2.1 Agreed AfCFTA tariff liberalisation Modalities

% of trade liberalization			Timeframe	
Modalities	DCs	LDCs	DCs	LDCs
Level of Ambition	90%	90%	5yrs	10yrs
Sensitive list	7%	7%	10yrs to start liberalization from the 7 th year.	13yrs- to start liberalization from the 7 th year.
Exclusion list	3% not more than 10% of intra-trade imports from African countries.	3% not more than 10% of intra-trade imports from African countries	Review after 5 years subject to negotiations.	Review after 5 years subject to negotiations.

3.0 Purpose

The main purpose of the study is inform KAM sectors on the implication and likely impact of the Africa Continental Free Trade Area on Kenya's agricultural and manufactured products in terms of threats, opportunities and potential to export once tariff liberalization is operationalized between state parties.

4.0 The scope of the study

- i. The study will consider the 54 member states who have signed the AfCFTA treaty. It will specifically consider the EAC tariff offers to the AfCFTA.

5.0 Specific Terms of reference (expected outputs)

- i. Inform KAM on the specific products based on Harmonized System on likely impact of EAC tariff liberalization offer of 79.1 percent in terms of export opportunities and threats.
- ii. Inform KAM whether the agreed AfCFTA rules of origin aligned to 79.1 percent of the EAC tariff liberalization offer to AfCFTA members would stimulate Kenya's manufacturing sector to add value and export.
- iii. Identify products Kenya offered to the EAC under the non-sensitive list (Category A 90%) that were not included in EAC's 79.1% offer to the AfCFTA under the same category.

- iv. Establish whether the previous Kenya's draft offer which was initially adopted as a model based on 90 percent tariff liberalization for category A products for 10 years, 7 percent tariff liberalization for Category B product marked as sensitive list with liberalization period marked for 13 years starting from the 7th year and the 3 percent of Category C products marked as exclusion list that should not be more than 10 percent of intra-trade imports from African countries will safeguard the Kenya manufacturers if the list of products is adopted at the EAC level.
- v. Establish internally whether the liberalized tariff lines of 90 percent category A products offered by ECOWAS, SACU and CEMAC offers export potential to Kenya's manufactured exports based on the agreed AfCFTA rules of origin.
- vi. Inform KAM on the magnitude of blockage for trading for immediate intra-trade based on the following:
 - a. sensitive lists of SACU, ECOWAS and CEMAC and
 - b. Exclusion lists by the above three RECS.
- vii. Determine the potential competition Kenyan manufacturers are likely to face in the domestic market.
- viii. With the use of relevant trade indicators, establish Kenya's comparative advantage in relation to the rest of the 54 AfCFTA member states.

6.0 Deliverables

The following are the expected outputs

- i. A detailed inception report within 7 working days of signing of the contract.
- ii. A detailed draft report within 45 working days after signing the contract.
- iii. Validation workshop report.
- iv. Revised draft report days after validation workshop.
- v. Final report and presentation.

7.0 Methodology

7.1 The consultant will collect both quantitative and qualitative information from KAM members who trade in the African continent to understand the nature of the prevailing trade regime and cross reference with the tariff offers which both parties have offered each other in order to assess.

7.2 It is expected that the study will be combination of both desk research and field research.

8.0 Timeframe and Implementation Schedule

The consultant will work under the supervision of Kenya Association of Manufacturer's Policy Research and Advocacy Unit. The consultancy is to be carried out over a period of (45) working days. The proposed timelines excludes the time gap in between relevant meetings between the consultant and stakeholders; as well as time that may be required for KAM to review the output for approval purposes.

9.0 Qualifications of Consultant

The Lead Consultant must have at least Master's degree in economics, statistics, international trade, with demonstrable knowledge and experience in conducting research on Regional Economic Communities and existing customs unions in the African region. Knowledge in analysing effects of trade agreements on specific sectors will be an added advantage.

10.0 PROPOSAL CONENT

10.1 Statutory requirement

- i. Copy of Company Certificate of incorporation in case of firm.
- ii. Tax Compliance Certificate (Valid & up to date)
- iii. Statutory KRA PIN and VAT certificate copies.

10.2 The Technical Proposal should include the following details:

- i. A detailed profile of the consultant, demonstrating years of experience in operations as a consultant in the required field.
- ii. Details of at least three similar assignments, with a focus on technical advisory services on government institutions, public relations, standards and General under PPEs field relations
- iii. Samples of at least two assignments which the consultant has carried out in each of the fields of policy, legislation, strategy and cross border relations development.
- iv. A detailed CV stating academic qualifications, relevant experience, experience in producing research products, data collection and analysis skills and the overall technical capacity of the individual consultant.
- v. A description of the proposed approach and methodology including;
 - the individual consultant's understanding of the objectives of the assignment,
 - The approach to be taken to deliver the services, and
 - The proposed workplan which includes the main activities of the assignment, their content and duration, milestones, and report delivery dates.
- vi. Technical capacity of the individual consultant.

10.3 Financial proposal requirements

The following are the financial proposal requirements:

- i. A detailed breakdown of both the proposed fees for the consultancy services and any reimbursable costs.
- ii. All the prices should reflect the different types and utilization of resources as envisaged by the consultant.
- iii. The Financial Proposal should incorporate prices inclusive of all taxes.
- iv. All prices shall be in Kenya shillings.

10.4 Proposal Evaluation and Award

KAM will evaluate all proposals submitted and award the contract based on both the technical and financial feasibility. KAM reserves the right to accept or reject any proposal received without giving reasons and is not bound to accept the lowest or the highest bidder.

11.0. Confidentiality:

Great discretion will be taken to ensure the confidentiality of the information collected and discussions with the consultant.

12.0. The contacts for this study are:

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- ii. Mr. Manaseh Oiro – Manager – Trade and Policy
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1.0 DEADLINE FOR SUBMISSION

Please submit separate technical and financial proposals. Hard Copies should be sent to KAM Official address (5th floor, KAM House, Opp. Westgate Shopping Mall, Westlands) and copies of the same send via email to (Procurement@kam.co.ke) with the subject line as follows:

“KAM study on implication of the African Continental Free Trade Area on Kenya’s manufactured products and their impact on Kenya’s trade.” on or before the close of business of 22nd April 2021, at 2.00 p.m. late submissions will not be opened.

Physical address: KAM Procurement
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