



## TERMS OF REFERENCE (TORS)

### PAPER SECTOR

#### TECHNICAL EXPERT IN THE FIELD OF PAPER AND PAPER PRODUCTS MANUFACTURING AND APPLICATION TO SUPPORT THE NATIONAL INDEPENDENT PAPER VERIFICATION COMMITTEE

|                      |   |
|----------------------|---|
| <b>Organization</b>  | Kenya Association of Manufacturers (KAM)          |
| <b>Project</b>       | NATIONAL INDEPENDENT PAPER VERIFICATION COMMITTEE |
| <b>Position type</b> | Technical support                                 |
| <b>Duration</b>      | 30 days   |
| <b>Reporting to</b>  | Policy Research and Advocacy (PRAU) Unit          |
| <b>Starting date</b> | 1 <sup>st</sup> August 2023                       |

#### I SUMMARY OBJECTIVE OF THE ASSIGNMENT

The Kenya Association of manufacturers (KAM) in seeks to inform the industry position on taxation structure of paper and paper products. Currently paper products are subject to 35% import duty including raw materials and intermediate products such kraft paper and sack kraft. Other intermediate paper products also attract Export Promotion and Investment Levy at 10% and Excise duty at 25% in addition to other domestic taxes such as VAT. Manufacturer have raised concerns with mixed impact of the current taxation regime on local manufacturing. KAM wishes to undertake an industry wide verification mission to establish the capacity to produce and supply various types of paper and demand for the same in the country. The verification exercise will provide a reference point for an effective taxation regime and support for local manufacturing of paper. The primary recipients of the verification mission outcome are various Government Agencies and private sector players in the industry.

#### 2 ABOUT KAM

Kenya Association of Manufacturers (KAM) established in 1959, is the representative organization for manufacturing value-add industries in Kenya. KAM plays a key advocacy role on behalf of manufacturers in Kenya by providing an essential link for cooperation, dialogue and understanding with the Government and related agencies. KAM has over 1000 members and represents over 40% of Kenya's manufacturing value add industries. KAM also represents Kenya's manufacturing

sector interests in the region and beyond e.g., East Africa Community (EAC). To achieve the 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 pursuit of these mandates, KAM prepares National and EAC budget proposals with the aim of promoting the Kenya manufacturing sector competitiveness both in Kenya and at the EAC level every year. The budget proposals are in line with Kenya’s Vision 2030 and Kenya Industrial Transformation Program (KITP) that seeks transform the country into an industrialized Nation by the year 2030 with a GDP contribution of 20%.

### 3 BACKGROUND OF THE EXERCISE

The Finance Act 2023 introduced excise duty on various grades of imported paper as shown in the Table below. The affected paper products are used by local manufacturers in the manufacture of cartons and boxes which are mainly used in fast moving consumer goods (FMCG), and some are used by the horticulture sector to export fresh produce. The Act also introduced Export Promotions and Investment Levy (EPIL) at 10% on the products listed in the table below.

Under the EAC Common External Tariff various products listed in Table I below have been gazetted to apply a higher rate of import duty rate. In the EAC Gazette of 30<sup>th</sup> June 2023, paper products have been moved to the fourth band rate of 35% under stay of application. The enhanced taxation was intended to protect and promote local manufacturing. However, manufacturers who use the affected products to produce finished goods such as cartons, boxes and other packaging materials have indicated that the enhanced duties have negative impact on manufacturing, stating that there is no sufficient local capacity to produce the affected products.

Table I shows the products affected by various taxes through the EAC Gazette of 30<sup>th</sup> June 2023 and the Finance Act 2023.

**Table I: Affected intermediate products by HS codes.**

| HS Codes   | Description   | CET rate | Before 30 <sup>th</sup> June 2023 | After 30 <sup>th</sup> June 2023 | EPIL 2023 | EXCISE 2023 |
|------------|---|----------|-----------------------------------|----------------------------------|-----------|-------------|
| 4804.11.00 | Kraft liner <b>Unbleached.</b>                                    | 25%      | 10%                               | 35%                              | 10%       | -           |
| 4804.19.00 | Other Kraft Liner (IS THIS CODE FOR <b>BLEACHED</b> DKRAFT LINER) | 10%      | 10%                               | 35%                              | -         | -           |
| 4804.21.00 | Unbleached Sack Kraft paper                                       | 25%      | 10%                               | 35%                              | 10%       | -           |
| 4804.29.00 | Sack kraft <b>other (IS THIS BLEACHED SACK KRAFT)</b>             | 10%      | 10%                               | 35%                              | -         | -           |
| 4804.31.00 | other <b>Unbleached</b> Kraft paper weighing 150 gsm and less     | 25%      | 10%                               | 35%                              | 10%       | -           |

|            |   |     |     |     |   |     |
|------------|---|-----|-----|-----|---|-----|
| 4804.39.00 | Other other Kraft paper weighing 150g or less( IS THIS BLEACHED)                | 10% | 10% | 35% | - | -   |
| 4804.42.00 | other kraft <b>bleached</b> uniformly chemical, weighing 150 and more to 225gsm | 10% | 10% | 35% | - | -   |
| 4804.49.00 | Others Other kraft  | 10% | 10% | 35% | - | -   |
| 4804.52.00 | other kraft <b>bleached</b> weigh 225 or more <b>unbleached</b>                 | 10% | 10% | 35% | - | -   |
| 4805.11.00 | Semi Chemical <b>Fluting paper</b>  | 10% | 10% | 35% | - | -   |
| 4805.12.00 | Straw fluting paper   | 10% | 10% | 35% | - | -   |
| 4805.19.00 | <b>Other Fluting paper</b>  | 10% | 10% | 35% | - | 25% |
| 4805.24.00 | <b>Testliner</b> weighing 150 or less   | 25% | 25% | 35% | - | 25% |
| 4805.25.00 | <b>Testliner</b> weighing more than 150gsm                                      | 25% | 25% | 35% | - | -   |

**Source: EAC CET, 2022; EAC Gazette, 30<sup>th</sup> June 2023 & Finance Act; 2023**

KAM therefore seeks to undertake a National Independent paper verification to inform the industry position on effective taxation structure paper to ensure a win-win situation for both paper millers and paper converters without compromising Government revenue. As such, a multi-stakeholder paper verification committee has been formed to spearhead the exercise. The committee comprises of officers from The National Treasury, The State Department of Industry, Kenya Bureau of Standards and the Kenya Revenue Authority.

#### **4 OBJECTIVE OF THE ASSIGNMENT**

The purpose of the expert is to provide technical support to the National Independent Paper verification committee; Specifically, the expert will be responsible of:

- a) Providing technical support to the verification exercise;
- b) Take lead in verification visits and data collection;
- c) Provide analytical input to data collected; and
- d) Take lead in report writing under guidance of the committee.

#### **5 SCOPE OF THE ASSIGNMENT**

The scope of work will cover the following areas:

- I. Design data collection tools for exercise
- II. Collection, collation and analysis of information and data on paper manufacturers and users in Kenya
- III. The national production capacity(supply) of paper.
  - a. Installed capacity for paper.
  - b. Average running hours per year
  - c. Reasons for under/over production if any
  - d. Projections for the next five years.

- e. Production for the last five years or where applicable
- IV. Determine the national demand for different grades of paper.
  - a. Determine national consumption of paper across various industries
  - b. Examine the grades of paper being produced locally.
  - c. Examine the pricing structures of the producer(s)
- V. Value chain mapping of various paper products from raw materials to finished products and the taxation structure at each stage.
  - a. Map the various value chains in the paper sector.
  - b. Identify the taxing structure at each level in the various paper value chains.
  - c. Identify the quality and quantity challenges along the value chain.
- VI. Tariffs
  - a. Establish the risk to investments in paper sector with enhanced tariff on imported paper products.
  - b. Establish the risk to employment, global competitiveness, and revenue contribution of the paper sector considering the existing excise duty, export promotion and investment levy.
  - c. Possible risks and impact of any dominance to the industry including significant controlling the price level, terms of delivery of resins, and competitive conditions.
- VII. Markets
  - a. Examine if there exists alternative market within EAC for paper imports and export from Kenya.

Prepare a report on the outcome of the verification exercise with clear recommendations for adoption by the Committee.

## 6 EXPECTED OUTPUTS

- a. Inception Report to demonstrate his understanding of the scope of work and
- b. A desktop review brief on the paper industry in Kenya (status, challenges, and opportunities), proposed methodology and a set of data collection tools (targeting various stakeholders within the value chain) for adoption and use by the committee during the exercise.
- c. A report with clear recommendation from verification exercise for validation and adoption by the committee

## 7 TIMEFRAME AND IMPLEMENTATION SCHEDULE

The assignment is to be undertaken within 30 working days from the date of signing the contract. The proposed timeline excludes the time gap in between relevant meetings between the expert and committee members and stakeholders; as well as time that may be required for the Committee for approval purposes.

| Output(s) | Deliverable   | Timelines - after signing the contract |
|-----------|---|--|
| Output 1  | Inception Report  | 5 working days                         |
| Output 2  | A desktop review brief on the paper industry in Kenya and a set of data collection tools (targeting | 8 working days                         |

|                 |  |                       |
|-----------------|--|-----------------------|
|                 | various stakeholders within the value chain) for adoption and use by the committee during the exercise           |                       |
|                 | A Validation of the report   | 11 working days       |
| <b>Output 3</b> | A draft report with clear recommendation from verification exercise for validation and adoption by the committee | 25 working days       |
|                 | Final report   | 30 working days after |

## 8 QUALIFICATIONS AND SKILLS OF THE EXPERT

The expert must have extensive experience in international trade, manufacturing process and a clear understanding of wide usage or application of various paper products in the industry. In addition, the expert should have the following:

### 8.1 Academic Qualification Requirements

- a. University degree in International Trade Policy or any other business specialization.
- b. Be a holder of a master's qualifications in Trade Policy. A PhD in the Trade Policy would be an added advantage.

### 8.2 Experience Requirement

- a. A good understanding of the paper and paper products manufacturing and their various uses
- b. Good knowledge of paper processing, batch manufacturing/processing in all its aspects including quality properties
- c. Strong analytical and report writing skills
- d. Experience in policy formulation and development
- e. Good understanding of Regional and Domestic taxation environment
- f. Ability to engage with a cross-section of stakeholders in the public and private sectors.

## 9 PROPOSAL CONTENT

### 9.1 Technical proposal

The Technical Proposal should include the following details:

- a) A detailed profile of the expert, demonstrating years of experience in operations as a expert in the required field.
- b) Details of at least three similar assignments, with a focus on technical advisory services on related assignments

- c) Samples of at least two assignments which the expert has carried out in related field of engagement.
- d) 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 expert.
- e) A description of the proposed approach and methodology including, (a) the individual expert's understanding of the objectives of the assignment, (ii) the approach to be taken to deliver the services, and (iii), the proposed work plan which includes the main activities of the assignment, their content and duration, milestones, and report delivery dates.
- f) Technical capacity of the individual expert.

## **9.2 Financial Proposal Requirements**

The expert shall provide the total professional fee, inclusive of taxes and any disbursement costs in Kenya shillings.

## **10 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 bidders.

## **11 SUBMISSION OF DOCUMENTS**

Qualified individuals should submit the following **MANDATORY** documents alongside other application requirements:

- i. Copy of National ID
- ii. KRA PIN Certificate
- iii. Valid Tax Compliance certificate

## **12 APPLICATION FOR TECHNICAL SUPPORT**

Interested individual experts are requested to submit separate technical and financial proposals to [procurement@kam.co.ke](mailto:procurement@kam.co.ke) on or before close of business 22<sup>nd</sup> September 2023 stating "Technical Support – Expert in Paper Verification."