



## TERMS OF REFERENCE (TORS)

### TEXTILES & APPAREL SECTOR

#### CONSULTANCY IN THE FIELD OF TEXTILES AND APPAREL PRODUCTS MANUFACTURING AND APPLICATION TO SUPPORT THE NATIONAL INDEPENDENT TEXTILES VERIFICATION COMMITTEE

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<b>Organization</b>	Kenya Association of Manufacturers (KAM)
<b>Project</b>	NATIONAL INDEPENDENT TEXTILES 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>	25 <sup>th</sup> November 2024

### I SUMMARY OBJECTIVE OF THE ASSIGNMENT

The Kenya Association of Manufacturers (KAM) in seeks to inform the industry position on duty remission of textiles and apparel products. An EAC gazette notice dated 30<sup>th</sup> June 2022, provided for an annual duty remission scheme (DRS) on raw materials and inputs for the manufacture of garments and other textile made-up products for textile manufacturers for the for 18 tariff codes. Sector Members, that is, Textile Mills and Garment Manufacturers failed to reach an agreement on the extension of annual DRS of tariff lines. KAM wishes to undertake an industry wide verification mission to establish the capacity to produce and supply various types of fabrics 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 textiles and apparel. 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 ON THE 3 BUDGET PROPOSALS

#### a) DRS on Raw Materials and inputs for the manufacture of garments and other textile made-up products for textile manufacturers for 18 tariff codes.

An EAC gazette notice dated 30<sup>th</sup> June 2022, provided for an annual Duty Remission Scheme (DRS) on raw materials and inputs for the manufacture of garments and other textile made-up products for textile manufacturers for 18 tariff codes.

This remission was extended for another one year through an EAC gazette notice dated 30<sup>th</sup> June 2023. However, this remission was revoked by the EAC Sectoral Council on Trade, Industry, Finance, and Investment (SCTIFI) meeting and effected through an EAC Gazette notice dated 17<sup>th</sup> February 2024 and later reinstated through an EAC Gazette notice dated 30<sup>th</sup> June 2024 (Table I).

During Textile Sector budget consultation meetings for the financial year 2024/25, Sector Members, i.e. Textile Mills and Garment Manufacturers failed to reach an agreement on the extension of the annual DRS of tariff lines listed in Table I. Hence, the matter had to be escalated to TTC for arbitration. During the arbitration meeting held on 31<sup>st</sup> May 2024, Textile Mills confirmed that they cannot produce 3 tariff lines out of the 18 for which Kenya has a country-specific remission. They include 5407.10.00; 5602.10.00; and 5604.90.00.

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

HS code	CET rate	DRS rate	HS code	CET rate	DRS rate
5208.31.00	25%	10%	5208.52.90	25%	10%
5208.32.00	25%	10%	5208.59.00	25%	10%
5208.33.00	25%	10%	5309.21.00	25%	10%
5208.39.00	25%	10%	5309.29.00	25%	10%
5208.41.00	25%	10%	5407.10.00	25%	10%
5208.42.00	25%	10%	5513.11.00	25%	10%
5208.43.00	25%	10%	5513.21.00	25%	10%
5208.49.00	25%	10%	5602.10.00	25%	10%
5208.51.90	25%	10%	5604.90.00	10%	0%

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

**b) Budget ruling on PolyPropylene (PP) yarn (5402.34.00)**

The Common External Tariff (CET) rate for PP yarn (5402.34.00) is 10%. In 2019, the East African Community (EAC) through an EAC Gazette dated 30<sup>th</sup> June 2019 provided for an EAC-wide duty remission at 0% duty for selected industrial inputs; PP yarn was one of the inputs. In 2023, five manufacturers applied a total of 780MT in the April and July 2023 Gazette notices.

Several engagement meetings were held between the beneficiaries of the duty remission and those who import the product at 10% (about 80MT in 2023) but not under duty remission and manufacturers of PP yarn on the proposed increase of duty from 10% to 25% and no agreement was reached.

**c) Proposed introduction of specific duty on multiple (folded) or acrylic yarn (5509.32.00)**

During the 2024/25 budget cycle, one manufacturer proposed to introduce a specific duty of \$600/MT on multiple (folded) or acrylic yarn (5509.32.00). The EAC common external tariff (CET) for this is yarn is 10%. However, Uganda, Tanzania, Rwanda and Burundi have an annual duty remission for this yarn at 0% for the manufacture of garments and other textile made up products.

**Table I: Importation of multiple (folded) or cabled yarn (MT)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Kenya	3,634	2,914	3,531	4,506	3,956
Tanzania	N/A	1.4	N/A	N/A	N/A
Uganda	100	53	23	158.6	284.5
Rwanda	N/A	N/A	N/A	N/A	N/A
Burundi	N/A	N/A	N/A	8	N/A

*Data source: International Trade Centre (ITC)*

During the budget process for FY 2024/25, a proposal was submitted to introduce a specific duty of \$600/MT on the yarn. After several engagement meetings, the sector could not agree and hence this calls for a verification exercise.

Having considered submissions from all parties and TTC findings on the 3 proposals, the TTC ruled that a verification exercise under the leadership of the Ministry of Investment, Trade & Industry (MITI) to be carried out to determine domestic capacity to produce different grades of imported fabrics and yarns.

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

The purpose of the expert is to provide technical support to the National Independent Fabrics 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 the lead in report writing under the guidance of the committee.

## 5 SCOPE OF THE ASSIGNMENT

The scope of work will cover the following areas:

- I. Assess the manufacturing process of textiles and apparels products in Kenya:
  - a. Ascertain process conformity to international standards.
  - b. Ascertain grading system of fabrics to conform to international standards.
- II. The national production capacity (supply) of textiles.
  - a. Installed capacity for different grades of fabrics and the selected 2 yarns.
  - 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
- III. Determine the national demand for different grades of fabrics and the selected yarns.
  - a. Determine national consumption of fabrics across garment manufacturers.
  - b. Examine the grades of fabrics being produced locally.
  - c. Examine the pricing structures of the producer(s)
- IV. Value chain mapping of various textile products from raw materials to finished products and the duty remission of various fabrics and the selected 2 yarns.
  - a. Map the various value chains in the textile sector.
  - b. Identify the taxing structure at each level in the various textile value chains.
  - c. Identify the quality and quantity challenges along the value chain.
- V. Tariffs
  - a. Establish the risk to investments in textiles sector with duty remission on imported yarns, fabrics and textiles products.
  - b. Establish the risk to employment, global competitiveness, and revenue contribution of the textiles sector with and without duty remission schemes on the fabrics and the selected 2 yarns.
  - c. Explicitly define the complex nature of interconnected HS codes and the impact of changes to specific codes, which can create imbalances across the sector.
  - d. Possible risks and impact of any dominance to the industry including significant controlling the price level, terms of delivery of resins, and competitive conditions.
- VI. Markets
  - a. Examine if there exists alternative market within EAC for textiles imports and export from Kenya.
- VII. Address issue of illicit trade
  - a. including identifying source countries, types of products, and failure points within authorities like KEBS, KRA, etc.

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 expert understanding of the scope of work.
- b. A desktop review brief on the textile 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 on:
  - i. the confirmed verified products produced by textile mills and recommendations on various uses of the produced fabrics and the selected 2 yarns.
  - ii. Verify the fabric and the selected 2 yarns demand requirements for the garment industry.
  - iii. the process manufacturing of fabrics and the selected 2 yarns in Kenya and its compliance with international standards
  - iv. the production capacity of textiles and apparel in Kenya and compliance with international standards.
  - v. clear recommendations on the effective policy options to support local manufacturing of textiles and apparel products.

## 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 textile/industry in Kenya and a set of data collection tools (targeting various stakeholders within the value chain) for adoption and use by the committee during the exercise	8 working days
	A Validation of the report	11 working days
Output 3	A draft report with clear recommendations from the verification exercise for validation and adoption by the committee	6 working days
	Final report	30 working days after

## 8 QUALIFICATIONS AND SKILLS LEAD CONSULTANT

The lead consultant should be a firm, or a partnership made up of at least 1 expert in **each** of the following fields:

- a) Fabrics,
- b) PP Yarn
- c) Acrylic Yarn

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

### **8.1 Academic Qualification Requirements**

- a. University degree in textile technology, textile engineering, International Trade Policy, or any other business specialization.
- b. Postgraduate qualifications (Masters and PHD) would be an added advantage.

### **8.2 Experience Requirement**

- a. A good knowledge and experience of the textiles and apparel sector. Knowledge of the manufacturing sector will be an added advantage.
- b. Strong analytical and report-writing skills
- c. Experience in policy formulation and development
- d. Good understanding of Regional and Domestic taxation environment
- e. 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 firm or partnership, demonstrating years of experience in operations as experts 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 firm has carried out in related field of engagement.
- d) A detailed CV of at least three individual experts in the fields of fabrics, PP yarn, and acrylic yarn, stating academic qualifications, relevant experience, experience in producing research products, data collection and analysis skills and the overall technical capacity of the 3 individual experts.
- e) A description of the proposed approach and methodology including, (a) the firm'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.

## **I0 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.

## **I1 SUBMISSION OF DOCUMENTS**

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

- i. Firm KRA PIN Certificate
- ii. Valid Tax Compliance certificate
- iii. Certificate of incorporation
- iv. Company CR 12

## **I2 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 25th November 2024 stating “Technical Support – Expert in Textiles Verification.”