



REQUEST FOR PROPOSALS:

COST-BENEFIT ANALYSIS OF TAXES AND DUTIES ON CLEAN COOKING SOLUTIONS IN KENYA

Summary

The United Nations Foundation's Clean Cooking Alliance (the Alliance) is accepting proposals for a Cost-Benefit Analysis of Taxes and Duties on Clean Cooking Solutions in Kenya.

The Alliance is issuing this Request for Proposals (RFP) to launch a comprehensive cost-benefit analysis to understand the likely impact of the reintroduction of a 14% value-added tax (VAT), along with other changes in taxes and duties on clean cooking products, on the cooking sector in Kenya. Data and findings from this work will help the Alliance create a strategic and evidence-based plan to advocate for favorable tax policies for clean cooking solutions to the Kenya Parliament, National Treasury, and other key stakeholders.

Background of Organization

The Clean Cooking Alliance works with a global network of partners to build an inclusive industry that makes clean cooking accessible to families around the world. Established in 2010, the Alliance supports the development, sale, distribution, and consistent use of clean cooking solutions that transform lives by improving health, protecting the climate and environment, and helping families save time and money. In alignment with the Sustainable Development Goals, the Alliance is working to achieve universal access to clean cooking by 2030 by supporting a sustainable industry of commercially viable, scalable businesses.

Objective

The main objectives of the study are to:

- Undertake a literature review to document global best practice on taxation for social goods and growing sectors, like clean cooking and broader energy access, and review the impact of tax changes on clean cooking and other social goods in other countries.
- Engage stakeholders to determine the direct impact of tax changes for actors along the supply chain.
- Undertake a cost-benefit analysis to estimate how the VAT and other taxes on clean cooking solutions affect access to clean cooking in terms of consumer demand, growth of businesses, and broader socio-economic impacts.

- Develop a comprehensive report outlining the expected impacts of the VAT and other taxes on the clean cooking sector in Kenya.
- Develop a policy brief based on the findings that outlines recommendations to the Government of Kenya.

Scope of Work and Deliverables

The Government of Kenya has an ambitious target of achieving 100% universal access to modern cooking solutions by 2028 as part of its commitment to achieving the SDG7 goals. Even though Kenya has made significant progress to date, currently only 30% of the Kenyan population uses modern, clean, and efficient cooking solutions¹.

To help facilitate access to clean cooking, the Government of Kenya has instituted various fiscal incentives that helped make cookstoves and fuels more affordable for low income households. These incentives included a VAT zero-rating on clean cooking solutions like liquid petroleum gas (LPG) and biogas stoves, a VAT exemption on improved cookstoves, and excise duty reduction on ethanol fuel for cooking. The VAT zero-rating, along with increases in affordability, has helped LPG usage in Kenya increase six times over the last two decades, from approximately 0.6 million to 3.7 million households using LPG for cooking.

Despite this progress, the sector experienced a significant setback in June 2020 when the Finance Act, 2020 was signed into law with the reinstatement of VAT on previously exempted items. These reinstatements were effective as of July 1st, 2020. LPG was granted a one-year extension of zero-rating; therefore, the effective date of the change in its VAT status is July 2021.

The Alliance worked closely with the Clean Cooking Association of Kenya (CCAK)² to prepare and present a petition on the Finance Bill, 2020 to the parliament through the Ministry of Energy and further partnered with other organizations to advocate and lobby for removal of the VAT on clean cooking products. Despite the concerted efforts by the sector, the VAT of 14% on goods locally purchased or imported by manufacturers or importers of clean cooking stoves and fuels was reinstated. Specifically, the Act provides for the deletion of paragraphs 45, 65 and 67 in the [Value added tax Act No 35 of 2013](#), which allows for tax exemption of the various clean energy and cooking-related products as follows:

- Paragraph 45: “specialized equipment for the development and generation of solar and wind energy, including deep cycle batteries which use or store solar power upon the recommendation of the Cabinet Secretary responsible for matters relating to energy.”

¹ Kenya Household Cooking Sector Study, 2019

² Clean Cooking Association of Kenya (CCAK) is a private, not for profit, business membership organization that represents the interest of clean cooking stakeholders by advocating for an enabling environment to promote the adoption of modern and clean cooking solutions in Kenya.

- Paragraph 65: “Taxable goods locally purchased or imported by manufacturers or importers of clean cooking stoves for direct and exclusive use in the assembly, manufacture or repair of clean cookstoves approved by the Cabinet Secretary upon recommendation by the Cabinet Secretary for the time being responsible for matters relating to energy”.
- Paragraph 67: “Stoves, ranges, grates, cookers (including those with subsidiary boilers for central heating) barbeques, braziers, gas rings, plate warmers, and similar non-electric domestic appliances, and parts thereof, of iron or steel of tariff numbers 7321.11.00, 7321.12.00, 7321.19.00, 7321.81.00, 7321.82.00, 7321.83.00 and 7321.90.00.”

These changes will undoubtedly result in a significant impact on demand for clean cooking products in Kenya, as the tax will increase prices for consumers. Small and medium clean cooking enterprises will also be affected, as the decrease in demand for their products may make their business models less commercially viable. Amidst the COVID-19 pandemic, most businesses in the cooking sector have already experienced financial and operational challenges, forcing some of them to close their operations, limit their production, and lay off workers.

In addition, addressing lack of access to clean cooking remains as important as ever, if not more so, as many Kenyans are cooking more at home amidst social distancing policies. It is well documented that household air pollution from cooking increases susceptibility to respiratory infections, such as pneumonia, and aggravates respiratory illnesses like asthma – which may, in turn, lead to poorer outcomes after a COVID-19 infection. Many families face the impossible decision of risking increased exposure to the virus – including to collect or purchase cooking fuel – or foregoing the income needed to buy other necessities. Even for households that have already transitioned to cleaner cooking fuels like electricity, LPG, or ethanol, the current economic slowdown could mean a necessary return to firewood or other polluting cooking methods. Statistics show that some households have already increased usage of polluting fuels, e.g. consumption of kerosene rose to 15.4 million litres in May, up from 13.9 million litres in April 2020 in Kenya.

In support of developing a strategic and evidence-based advocacy plan for engagement with the Government of Kenya, the Consultants will carry out the following activities:

1. Develop detailed methodology and activity based workplan

The Consultant will develop an inception report outlining the approach they will take to carry out the cost-benefit analysis. The inception report is expected to be between 10 to 15 pages and will include:

- Description of the proposed approach to developing the model for the cost-benefit analysis, including identifying key datasets. The Consultant should also outline a strategy for how to estimate key parameters where there is a shortage of data.

- A brief literature review of global best practice on taxation for similar growing sectors that facilitate access to social goods.
- A stakeholder engagement plan, to be developed in conjunction with the Alliance and the Clean Cooking Association of Kenya.
- An activity-based workplan.
- A risk mitigation strategy

2. Undertake a cost-benefit analysis

The Consultant will undertake a cost-benefit analysis using a mixed method approach of quantitative and qualitative information. This analysis will include semi-structured interviews with key stakeholders along the supply chain and supporting quantitative data to determine how the VAT amendments and other tax changes are likely to impact the sector.

The key impacts that should be investigated and quantified under a range of plausible assumptions and scenarios include:

- The changes in cost of clean cooking solutions resulting from the VAT and other taxes and duties and projected changes in demand as a result of these price changes.
- Change in fiscal revenue generated as a result of the VAT amendment.
- Cost of compliance to companies due to the imposition of VAT.
- Social, health, and economic impacts associated with the reintroduction of the VAT and sustained taxes on clean cooking fuels.
- The impact on the national target of achieving 100% universal access to modern cooking solutions by 2028.

In considering these impact types, the Consultant will develop a methodology that will take into account the following key research questions:

What are the impacts on different clean cooking stakeholders? For example, how are current clean cooking product manufacturers impacted? How are the consumers of clean cooking products impacted?

How will the policies affect the overall growth of the clean cooking sector, and what are the broader socio-economic impacts? How was the clean cooking sector expected to develop under the previous policy regime with VAT exemptions? What impacts will the introduction of the VAT policy have on the size of the clean cooking sector over a five-year period? What are the likely impacts on jobs, incomes, and health? What is the impact on achieving national targets of 100% universal access to modern cooking solutions by 2028 and on increasing tree cover from the current 7% to 10% by 2030? What is the impact on the overall Kenyan economy?

What is the likely impact on total tax revenue in the short and medium term? In particular, what taxes have been paid by the clean cooking sector before the Finance Act, 2020? How is the sector likely to grow in the light of the new tax policy? How will this new growth trajectory impact tax revenues over the next five years compared to projections of tax revenues from the sector growth

pre-VAT changes? What are the foregone tax revenues resulting from slower clean cooking sector growth as a result of the current policies?

What is the likely impact on Kenya's trade with other countries specially within region? How would the VAT or duties impact Kenya's trade within the region and also regional trade agreements like the African Continental Free Trade Agreement (AfCFTA)?

Finally, the Consultant will develop a concise report to summarize the approach taken and results from the socio-economic impact assessment. This report will be developed as a knowledge product to be reviewed by the Alliance team, along with other stakeholders in Kenya, but should be of a quality that could support external publication.

3. Develop a policy brief

Based on the findings from the assessment, the Consultant will develop a policy brief that can be used by the Alliance and its partners to strengthen its policy advocacy. The Policy brief should include recommendations for policymakers across different countries and consider highlighting the lessons learnt from Kenya. The Consultant will also participate in a webinar with the Alliance to discuss the research findings with key stakeholders.

Project Period of Performance

The following deliverables are expected at the end of the research period. All deliverables will be in English. Given the urgency of the situation and the need to have considerable analysis to develop policy briefs before the next budget discussion sessions, this work will have to be completed by March 2021.

Deliverables include:

- An inception report with a detailed workplan, description of the assessment methodology, and initial literature review of various policies, past studies and assessments, trade agreements, etc.
- An interim draft report and PowerPoint presentation to support engagement during the initial budgeting process in November/December 2020.
- Final report outlining the findings of the cost-benefit analysis and an accompanying PowerPoint presentation.
- Final policy brief.

Technical Requirements

All Consultants submitting proposals should specify the methodologies they plan to use to gather the required information. The selected Consultant should start with a comprehensive literature review of all existing data, including studies conducted by the Alliance and others. The selected Consultant will also be expected to coordinate closely with CCAK and other stakeholders in Kenya.

The selected Consultant should also plan to conduct primary research with stakeholders, which could include, but is not limited to, in-depth interviews and focus groups. Ideally this research will also include interviews with consumers. The feasibility of interviews will be discussed after the contract is finalized and designed in accordance with the latest COVID-19 guidelines.

Consultant proposals should specifically address how uncertainties relating to the current COVID-19 situation will impact the implementation of this work and how those can be potentially mitigated.

Timeline

Date	Deliverable
10/12/20	Proposals due
10/26/20 - 10/30/20	Virtual meetings/interview process
11/3/20	Consultant(s) selected and notified via email
11/17/20	Kick-off meeting with the selected Consultant (s)
11/24/20	Inception report with detailed workplan and methodologies
12/1/20	Interim draft report and PowerPoint
3/31/21	Final report and policy brief

Budget

A detailed budget in US Dollars must be submitted with the proposal. The budget should include both pre-tax and net of tax values. The budget should include direct costs (Personnel, Fringe Benefits, Travel, Sub-Agreements, Equipment, Supplies, etc.) as well as indirect costs (overhead). For indirect costs, please indicate a list of expenses covered by the indirect rate. For all direct costs, please include assumptions that were made to arrive at line item costs (e.g. 2 trips @ \$1,500/trip = \$3,000 or 20 staff hours @ \$40/hour = \$800).

If a bid has a mathematical discrepancy, the Alliance may correct the discrepancy and notify the Consultant of the adjustment. In such circumstances, the Consultant may choose to withdraw their bid.

Evaluation process

The Clean Cooking Alliance will review all written proposals and may request a phone interview and/or updated submission to address questions or provide clarification. The Alliance will use the following criteria in our evaluation.

Evaluation criteria	Score (1-5)
Approach: the analytical framework and methodology answering the project's key questions and deliverables	
Subject matter expertise: relevant experience in the cookstove sector	
Project management: an achievable action plan that will deliver the project on time and on budget	
Capabilities and experience: demonstrated experience with similar projects	
Cost: the proposed pricing is within budget	

Value: the proposed pricing demonstrates a competitive price and good value for the money	
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Intent and disclaimer

This RFP is made with the intent to identify a Consultant to deliver results as described in this RFP. UNF/the Clean Cooking Alliance will rely on the Consultant's representations to be truthful and as described. The Clean Cooking Alliance assumes it can be confident in the Consultant's ability to deliver the product(s) and/or service(s) proposed in response to this RFP.

If the Clean Cooking Alliance amends the RFP, copies of any such amendments will be sent to all respondents to the proposal.

Proposal Guidelines and Requirements

- This RFP is open to multiple partners and is a competitive process.
- Proposals received after 10/12/20 at 11:59 pm EST will not be considered.
- The price provided should be in US dollars and should contain both pre-tax and net of tax values. If the process excludes certain fees or charges, the applicant must provide a detailed list of excluded fees with a complete explanation of the nature of those fees.
- The Alliance prefers a single point of contact who manages deliverables. If the execution of work to be performed by the Consultant requires the hiring of sub-contractors, the Consultant must clearly state this in the proposal. Sub-contractors must be identified, and the work they will perform must be defined. Subcontractors are subject to vetting and approval of UNF/the Alliance.
- The Alliance will not refuse a proposal based upon the use of subcontractors; however, the Alliance retains the right to refuse the sub-contractors that have been proposed.
- Provisions of this RFP and the contents of the successful responses are considered available for inclusion in final contractual obligations.

Format for Proposals

Proposals must include applicant signature as well as a signed declaration form. Proposals must include the full legal name of the applicant as well as the legal formation and ownership structure (e.g., incorporation certification, tax status, and ID, etc.).

Contracting and Compliance

The Alliance will negotiate contract terms upon selection. A copy of the contract terms and conditions will be provided upon selection. All contracts are subject to review by the UN Foundation's Business Services and Budget Reporting team. The project will start upon the complete execution of the contract. The contract will outline terms and conditions, scope, budget, and applicable flow down terms. Selected recipient(s) must comply with the Alliance, United Nations Foundation, and funder compliance requirements. The selected recipient(s) must also undergo detailed legal, financial, and commercial due diligence.

Release

The Consultant understands that the Clean Cooking Alliance has chosen to solicit an RFP for consulting services and that the Consultant's response does not guarantee that the Clean Cooking Alliance will enter into a new contract with the Consultant or continue any current contract(s) with the Consultant.

The Consultant agrees that Clean Cooking Alliance may, at its sole discretion:

- Amend or cancel the RFP, in whole or in part, at any time
- Extend the deadline for submitting responses
- Determine whether a response does or does not substantially comply with the requirements of the RFP
- Waive any minor irregularity, informality, or nonconformance with the provisions or procedures of the RFP
- Negotiate with all Consultants UNF deems acceptable
- Issue multiple awards
- Photocopy the responses for evaluation/review

This RFP is not an offer to contract. The Clean Cooking Alliance assumes no responsibility for the Consultant's cost to respond to this RFP. All responses become the property of the Clean Cooking Alliance.

The Consultant, by submitting a response to this RFP, waives all right to protest or seek any legal remedies whatsoever regarding any aspect of this RFP.

The Consultant represents that it has responded to the RFP with complete honesty and accuracy. If facts provided in the Consultant's response change, the Consultant agrees to supplement its response in writing with any deletions, additions, or changes within ten (10) days of the changes. The Consultant will do this, as necessary, throughout the selection process.

The Consultant understands it may receive proprietary and confidential information from the Clean Cooking Alliance during the RFP process ("Confidential Information"). The Consultant and the Alliance agree to not use Confidential Information for any purpose other than the Consultant's participation in the RFP process and to not reveal Confidential Information directly or indirectly to any other person, entity, or organization without the prior written consent of the other party. The Consultant and the Alliance further agree to exercise all reasonable precautions to maintain the proprietary and confidential nature of Confidential Information where it can best demonstrate its value and capacity to deliver ecosystem-wide, meaningful value.

Grounds for Exclusion

Material misrepresentations, including omissions, may disqualify the Consultant from a contract award.

Submissions will be rejected in the Clean Cooking Alliance's sole discretion if it finds that the Consultant has engaged in any illegal or corrupt practices in connection with the award.

The Consultant will be excluded from participation for the reasons below. By submitting a proposal in response to the RFP, the Consultant confirms that none of the below circumstances apply:

- The Consultant is bankrupt or being wound up, is having their affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is subject of proceedings concerning those matters, or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations.

- The Consultant or persons having powers of representation, decision-making, or control over them have been convicted of an offense concerning their professional conduct by a final judgment.
- The Consultant has been found guilty of grave professional misconduct, proven by any means which the Alliance can justify.
- The Consultant has not fulfilled obligations relating to the payment of social security contributions or taxes in accordance with the legal provisions of the country in which they are established, or within the United States of America, or those of the country where the contract is to be performed.
- The Consultant or persons having powers of representation, decision-making, or control over them have been convicted for fraud, corruption, involvement in a criminal organization, or money laundering by a final judgment.
- The Consultant makes use of child labor or forced labor and/or practice discrimination, and/or do not respect the right to freedom of association and the right to organize and engage in collective bargaining pursuant to the core conventions of the International Labour Organization (ILO).

Principal Point of Contact

Questions should be sent by email to info@cleancookingalliance.org and atowfiq@cleancookingalliance.org by September 30th, 2020. Responses will be posted to <http://cleancookstoves.org/funding-opportunities/> by October 7, 2020.

Submission details

The application should be submitted as a PDF to the Alliance by email with the subject line ‘**Cost Benefit Analysis of Taxes and Duties on Clean Cooking Technologies In Kenya**’ – [Consultant name]’ to info@cleancookingalliance.org and atowfiq@cleancookingalliance.org no later than October 12, 2020, 11:59 pm EST.