



EXPRESSION OF INTEREST

Title of consultancy:	Fiscal and Public Health Impact of a Change in Tobacco Excise Tax in Kenya
Type of Contract:	Individual/ Company
Duration of Assignment:	5 working days
Supervisor:	National Coordinator
Date of Issue:	29 th June 2021
Closing date:	5 th July 2021

I. Introduction/Background

Tobacco Taxation

Tobacco use remains the leading cause of preventable death globally, killing 8 million people every year and contributing significantly to the incidence of noncommunicable diseases. Approximately 80% of deaths attributable to tobacco use occurred in low- and middle-income countries in 2011¹.

In recognition of the global threat posed by tobacco use, the global community under the auspices of WHO had established the Framework Convention on Tobacco Control (FCTC) in 2003. The WHO FCTC provided countries with evidence-based guidelines, international accountability, and technical assistance for tobacco control implementation. The framework outline both demand and supply based strategies to mitigate against tobacco use and exposure.

Article 6 of the FCTC provides for the use of Tax and Price Measures. It has been proven that tax is the most effective measure in reducing tobacco consumption. High tax on tobacco products is effective particularly among the youth and low-income earners. Article 6:2. a state that *“implementing tax policies and, where appropriate, price policies, on tobacco products so as to contribute to the health objectives aimed at reducing tobacco consumption.”*

¹<https://www.who.int/publications-detail-redirect/9789240019188>

Scientific statistics reveal that chronic diseases contribute about 50% of all hospital admissions in Kenya. They are also reported to cause over 30% of total deaths. Smoking related diseases overstretch the health system that is also overburdened by communicable diseases.

Tobacco business is counter-productive to the health status of a country. It is estimated that for every dollar earned from tobacco revenue, three dollars are used to mop up tobacco related ailments. For instance, Kenya gathers about 5 billion shillings every year as tobacco proceeds but ends up using 15 billion shillings to treat tobacco related diseases in the country²

Currently, National Taxpayers Association (NTA) is implementing a 3-year tobacco taxation project with other implementing partners in Zambia, Nigeria, Ghana, and DRC Congo. The project seeks to; a) *Make partners essential and trusted government resource on tobacco tax and tobacco economics* (b) *reduce affordability of tobacco in Kenya* (c) *A broader tax and economic justice community in Kenya supportive of tobacco taxation* (d) *reduce tobacco industry's influence in the development and implementation of tobacco tax policies.*

II. Purpose of the consultancy

Kenya has made efforts to reduce the use of tobacco and tackle its serious consequences, particularly tobacco related diseases. It actively participated in the negotiation of WHO Framework Convention on Tobacco Control (WHO FCTC) and it ratified in 2004. A comprehensive Tobacco Control Act was developed and enacted in 2007 and tobacco control board was established to provide advise on tobacco control to the Minister of Health responsible for public health.

In as much as Kenya has a comprehensive Tobacco Control Act (2007) and Tobacco Control Regulations (2014). Implementation of tobacco control activities have been difficult; Tobacco Control Board and Division of Non-Communicable Diseases have continuously been underfunded hence jeopardizing efforts to effectively enforce and implement Tobacco Control Legislations as mandated by the Tobacco Control Act 2007 and the Tobacco Control Regulations 2014. The budget for tobacco control comes from NCDs budget line but the funding is insufficient to deal with the increasing demand generated by the Tobacco Control Act.

In 2001, Kenya became a signatory to the Abuja Declaration, pledging to allocate at least 15% of its annual budget to improve healthcare in Kenya. While the country's health budget allocation has been increasing, achievement of the 15% target set by the Abuja Declaration which is bound to accelerate Kenya's journey towards UHC still requires a significant amount of funds.

The purpose of this study, therefore, is to highlight and illustrate the fiscal and public health impact of a change in tobacco excise taxes. The policy brief will be used to engage the policy makers during the project implementation period.

² <https://www.scirp.org/journal/paperinformation.aspx?paperid=94149>

Scope of work

The overall scope of work is simulating the effect of tax policy change under the current tax administration policy in Kenya.

The benchmark scenario will be the structure that prevailed in 2019 when the last tax changes were made. The simulations performed shall estimate effects of the taxes based on the following scenarios.

Assume that the laissez faire condition i.e., the tiered specific excise tax continues in 2020 and compare (consumption, tax revenue, etc) with:

- I. A shift from the two-tiered specific excise tax (the two tiers of Ksh. 2,630 per mille for cigarette with filters and Ksh. 1,895 per mille for plain cigarettes) to a uniform specific excise tax for all tobacco products of about Ksh. 2,262.5 (average of two-tiers – we can use weighted average).
- II. A scenario in which the uniform specific excise for cigarettes is increased to Kshs. 3,500 per 1,000.

IV. Overall Objective

The objective of this study is to simulate the effect of a tax policy change under the current excise tax for tobacco products which will be used as a basis for policy intervention.

V. Specific Objectives

- I. Review existing provisions of taxation of tobacco products under the Excise Duty Act, 2015
2. Drafting alternative provisions of the Excise Duty Act, 2015, in respect of tobacco tax

VI. Outputs

- Develop a policy brief providing justification for the alternative tax provisions which should include the following:
 - I. Executive statement/summary statement
 - II. Introduction
 - III. Methodology
 - IV. Discussion of the different scenarios-Estimate effects of the taxes based on the scenarios as explained under the scope of work.
- I. Remuneration/Consultancy Fees**

The consultancy fees shall be as agreed with the consultant based on best value for money. The consultancy fees shall be inclusive of statutory tax deductions. Payable by cheque or EFT transfer as the consultant may prefer.

II. Bid Requirements

Interested consultants should submit an Expression of Interest which should include the following:

- a) Brief statement on the proposed methodology.
- b) Financial proposal with daily costs

Application Process

Expression of Interest that clearly articulates the consultant(s) understanding of the terms of reference, methodology for executing the work including key deliverables and tentative budget should and clearly indicated “Expression of Interest for Consultancy to undertake a study on *“Fiscal and Public Health Impact of a Change in Tobacco Excise Tax in Kenya”*”. This should be submitted to **admin@nta.or.ke** on or before **1700 hours local time on 25th June 2021**.