



## REEP: Research Unit on the Economics of Excisable Products with the WHO FCTC Knowledge Hub on Tobacco Taxation

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## Director's Message

Dear Friends

The recently published Tobacco Atlas (<https://tobaccoatlas.org>) reports the positive news that global tobacco use has started decreasing. However, because of the delay between smoking and the onset of illness and death, this means that the number of people who die each year from tobacco-related diseases is still increasing. According to the Tobacco Atlas, 1.13 billion people were current smokers in 2019. The war against tobacco is far from over.

Addressing the tobacco epidemic requires a multipronged approach. This approach includes strong political will, effective advocacy, strong enforcement mechanisms, and relevant research. At REEP we see our role primarily in generating rigorous and independent research that can inform advocates and policy makers. Some research may not look obviously policy-relevant, but it is part of building a strong foundation on which the more policy-focused research can be built. Other research addresses issues that evaluate and/or inform policy quite explicitly.

In this newsletter we report on a University of Namibia [Master's student's thesis](#), that considers the impact of tobacco and alcohol consumption on health inequalities in Namibia. We also report on a recently published [paper](#) that considers an aspect of the 20-week tobacco sales ban that was in place in South Africa in 2020.

I had the privilege of travelling to Windhoek earlier this month to meet up with Alfred Mukong and Ernest Tingum, previously postdoc fellows at REEP and currently senior lecturers at the University of Namibia (UNAM). I also met the two REEP-funded Masters students who had been supervised by Alfred, and who wrote their theses on tobacco-related topics. Through Alfred and Ernest, we have been able to expand the reach of REEP beyond the University of Cape Town. We are very proud of these students, and are very happy with our relationship with UNAM. A number of UNAM students have indicated interest in doing a thesis on a tobacco-related topic.

In this letter we also report on a [webinar](#), where Hana presented, on mobilising health taxes for development.

We also report on a [working paper](#) that considers the likely health and fiscal effects of a sugar-based tax on sugar-sweetened beverages in Kenya.

I hope that you will find this newsletter interesting and useful. Please contact us if you have any queries or comments.



Best regards  
Corné van Walbeek  
Director: Research Unit on the Economics of Excisable Products



## Master's student at UNAM graduates with thesis on impact of tobacco and alcohol consumption on income-related health inequalities

Recently Martha Nghipandulwa, a Master's student at the University of Namibia, obtained her Master's degree in Economics, having written her thesis on estimating the extent to which tobacco and alcohol consumption contribute to income-related health inequalities. She was supervised by Dr Alfred Mukong, a former postdoctoral fellow and an affiliate at REEP. The research was financially supported by the African Capacity Building Programme, with a scholarship through REEP. The thesis received a distinction from both the internal and external examiner. This is what Alfred writes:



"In her Master's thesis "Estimating Income-related Health Inequalities associated with Tobacco and Alcohol Consumption in Namibia", Martha Nghipandulwa found that tobacco and alcohol-related diseases are significantly higher among the poor. Using appropriate techniques, she found that poor health is concentrated among tobacco users (and especially on heavy smokers). However, for alcohol-related health inequality, the prevalence of related ill-health is concentrated among non-alcohol consumers. Using Namibian statistics, she finds that consuming alcohol increases the probability of being sick by 0.8 percentage points and being diagnosed of a chronic disease by 2.5 percentage points. Tobacco consumption has no significant effect on the probability of having a chronic disease but increases the probability of being sick by 2 percentage points.

The study fills an important gap in the tobacco control literature in Namibia. It is one of the first comprehensive studies to estimate the contribution of tobacco and alcohol use on income-related health inequality. The study shows that while tobacco consumption is strongly related to the risk of ill-health, the simultaneous exposure to tobacco use and alcohol consumption had a strong multiplicative effect on health. Thus, any policy option that reduces the consumption of both goods are essential in reducing income-related health inequalities."

## When Cigarette Sales Suddenly Become Illegal: Evidence From an Online Survey of South African Smokers During COVID-19 Lockdown

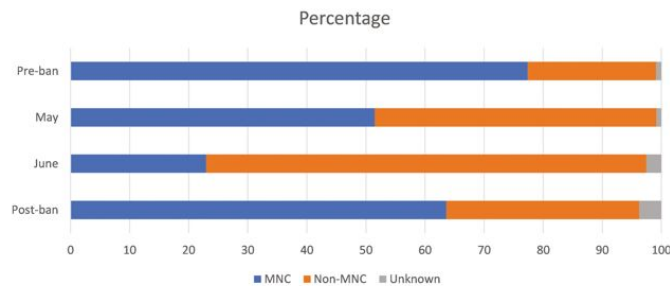
Recently three members of REEP, Kirsten van der Zee, Samantha Filby and Corné van Walbeek published a [paper](#) in *Nicotine and Tobacco Research* on the impact of the 2020 sales ban on the cigarette market in South Africa: "[When Cigarette Sales Suddenly Become Illegal: Evidence From an Online Survey of South African Smokers During COVID-19 Lockdown](#)".

In March 2020, the South African government imposed a ban on the sale of tobacco products as part of its COVID-19 lockdown response. The ban was only lifted on 17 August 2020, 20 weeks later. During the sales ban, REEP conducted three online surveys of smokers, wanting to understand the impact of the ban on the cigarette market.

The study revealed that most cigarette smokers continued smoking during the period. The sale of cigarettes was widespread despite the comprehensive sales ban. Cigarette prices skyrocketed, with reported prices increasing from an average price of R33.40 per pack of 20 cigarettes before the ban to an average price of R114 per pack in June 2020.

The sales ban also upended South Africa's previously well-established brand profile. Prior to the ban, brands produced by multinational companies like British American Tobacco, Philip Morris, and Japan Tobacco International made up more than three-quarters of the survey market. However, by June 2020 many consumers had shifted to brands made by local or regional producers. By this time, the local brands made up 75% of the market in the sample.

**Figure 2.** Sample market share, pre, during and postban. MNC (multinational company) status is determined using the reported brand purchased.



While most of these market effects were reversed after the ban was lifted, the ban did have some lasting effects. The multinational companies reclaimed their position as market leaders, but with a substantially lower market share (64%) than before the start of the sales ban (77%).

Before the sales ban, average cigarette prices were roughly similar across all nine provinces. However, during the ban very large price differences between the different provinces arose. Provinces closer to Gauteng, the home to many of the cigarette manufacturing plants, experienced substantially lower price increases than the more remote provinces, especially the Western, Eastern and Northern Cape.

Before the lockdown, illicit cigarettes were estimated to comprise between 25% and 30% of the total cigarette market in South Africa. The widespread sale of cigarettes during the ban, the development of new supply chains, and the lasting brand shake-up are likely to have further entrenched the already large illicit market.

The paper attracted a lot of [media attention](#). The full paper can be found [here](#).

## REEP researcher presents at a webinar on Mobilizing Health Taxes for Development



Hana Ross was recently a panelist on a virtual discussion on Mobilizing Health Taxes for Development. The webinar, held on 5 May 2022, was organized by the Center for Global Development and the Asian Development Bank.

Hana joined the expert panel to discuss tax design, demand responses, distributional consequences, the use of corrective tax revenues, and the role of the Asian Development Bank in supporting effective implementation of health taxes. She pointed out that there is scope for doing more on health taxes in developing Asia, but it is important to pay attention to both tax rates and tax structures. High rates cannot accomplish much without the proper tax structure. The tax administration also plays an important role, because without effective tax administration, policies alone cannot achieve the goals. The best recipe for success is (1) proper tax structure, (2) high tax rates and (3) effective tax administration.

Hana also talked about her [publication that analyses the tax gaps in South East Asia](#), and her technical assistance to tobacco tax policy reform in Indonesia. She pointed out that the [FCTC Knowledge Hub on Tobacco Taxation](#) at the University of Cape Town is a valuable resource available to countries to support the implementation of corrective tax reforms.

Read more [here](#).

## Knowledge Hub news

As indicated in our [previous newsletter](#), the Knowledge Hub on Tobacco Taxation held a very successful and well-attended workshop on tobacco taxation and tax modelling between 14 March and 1 April 2022.



The Knowledge Hub is in the process of developing policy briefs for the eleven countries that received training on the TETSIM model. The countries are Armenia, Burkina Faso, Eswatini, Fiji, Ghana, Iran, Mongolia, Pakistan, Panama, Syria and Yemen. The policy briefs succinctly summarise the simulation scenarios, their results and the policy recommendations. We hope that the documents will help the officials to argue for better tobacco tax structure and/or higher excise tax rates in their countries.

This support is being provided in collaboration with the FCTC Secretariat through the FCTC 2030 Project. Cancer Research UK provides overall financial support to the Knowledge Hub.

For more information about the Knowledge Hub, please visit the [website](#), or send an email to the Acting Director of the Knowledge Hub, Zunda Chisha at [tobaccotaxationkh@gmail.com](mailto:tobaccotaxationkh@gmail.com).

## Simulation model for excise tax on sugar-sweetened beverages in Kenya published as a working paper



Recently Corné van Walbeek and Senzo Mthembu published a working paper published by the International Centre on Trade and Development, titled [The Likely Fiscal and Public Health Effects of an Excise Tax on Sugar-sweetened Beverages in Kenya](#).

The authors develop and report on an Excel-based model, in which they simulate the impact of an SSB tax on the prevalence of overweightness and obesity in Kenya. Currently Kenya imposes an excise tax of 10 shillings (about 0.10 USD) per litre of soft drinks. The primary aim of the excise tax is to raise revenue, rather than to discourage the use of sugar-sweetened beverages. The current tax is based on the volume of the beverage, rather than the sugar content.

The model starts with a baseline scenario, which takes cognisance of the existing excise tax on all soft drinks. A *sugar-based* SSB tax is then introduced. The tax is levied as an amount per gram of sugar. Besides reducing the demand for SSBs through its impact on the retail price, a sugar-based SSB tax also creates strong incentives for manufacturers to reformulate their products to reduce the sugar content. This has happened in South Africa. After the Health Promotion Levy was imposed on SSBs in South Africa in 2018, the average sugar content of these products have decreased by nearly 50%.

The model predicts that the average body-mass index, and thus the prevalence of overweightness and obesity, would decrease across all age groups. The magnitude of the decrease in the prevalence of overweightness and obesity depends on the size of the SSB tax. For realistic and politically feasible values of the SSB tax, it is expected to decrease by between 5% and 10%.

Should the government of Kenya implement a sugar-based tax on SSBs, over and above the current excise tax on soft drinks, the government should clarify that such a tax aims to enhance public health; raising additional revenue should be a secondary consideration. In fact, it is possible that, through a process of product reformulation, the excise tax revenue may decrease, as has happened in South Africa. This should be seen as a sign of public health success, rather than failure. Furthermore, implementing a sugar-based SSB tax should be part of a more comprehensive strategy to reduce overweightness and obesity because, by itself, the impact of the tax is modest.

The paper is an output of a research collaboration with the [International Institute for Legislative Affairs](#) in Kenya, and part of the [WHO RECAP project](#), funded by the IDRC.

Read the paper in full [here](#).

## REEP in the News

Prof. Corné Van Walbeek featured on Cape Talk in April, discussing the sugar tax in South Africa on 'Breakfast with Refilwe Moloto'. Listen to the interview in full [here](#).

The publication of the paper, "[When Cigarette Sales Suddenly Become Illegal: Evidence From an Online Survey of South African Smokers During COVID-19 Lockdown](#)" published on 2nd May 2022 in *Nicotine and Tobacco Review*, attracted a substantial amount of media attention. Several radio interviews were conducted in the month of May, focusing on the impact of South Africa's cigarette ban during the lockdown period of 2020:

- 4 May: Corné was interviewed on the Afternoon Drive with John Maytham, *Cape Talk*: [Study finds excise tax a better option than cigarette ban in 2020](#).
- 4 May: Kirsten van der Zee was on *Voice of the Cape*, VOC Breakfast: [Almost all South African smokers have been able to buy cigarettes during covid-19 lock-down](#).
- 5 May: Corné was on *Islam Radio*: [Study Shows That Tobacco Ban Effected South Africa's Revenue Stream](#).
- 5 May: Sam Filby and Corné were joined by Sharon Nyatsanza from the National Council Against Smoking in a mediated radio interview on the *SAm* Sunrise show: [Study has found the 20-week national ban on the sale of cigarettes in 2020 has greatly disrupted the market in SA](#).



A number of online publications also picked up on this story:

- 3 May: The Sowetan: [Study finds government's ban on cigarette sales in 2020 has lasting effect](#).

- 4 May: The Sunday Times: Study finds government's ban on cigarette sales in 2020 has lasting effect.
- 4 May: BizCommunity: [How SA's tobacco sales ban distorted the cigarette market - study](#).
- 10 May in News 24/People's Post: [Study: 5-month tobacco ban had 'lasting effects'](#).

Kirsten, Sam and Corné were invited to write an Op-ed on this topic by the Business Day, published on the 9th May 2022: [Roaring '20s of the illicit cigarette trade](#).



Regards,  
The REEP team

If you have any comments or feedback on this e-newsletter, or suggestions for possible story ideas for our next issue, please get in touch with the REEP team, by emailing us at:  
[tobaccoecon@gmail.com](mailto:tobaccoecon@gmail.com)

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