

REEP: Research Unit on the Economics of Excisable Products

with the WHO FCTC Knowledge Hub on Tobacco Taxation

Newsletter #20, July 2022

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Director's Message



Dear Friends

Recently, high-level results of the 2021 South African Global Adult Tobacco Survey (GATS) were released. Congratulations to Catherine Egbe, Charles Parry and their team at the Alcohol, Tobacco and Other Drug Unit at the South African Medical Research Council for running an excellent survey in a difficult and uncertain period. Given all the societal changes of the past years, new data is very valuable. Unfortunately, the results of the GATS are sobering. Nearly 30% of South African adults indicate that they currently consume (smoked and non-smoked) tobacco products. More than 25% of adults indicated that they smoke tobacco products.

Based on a variety of surveys and studies, smoking prevalence was estimated to be less than 20% in the period 2015 to 2020, and had been slowly decreasing in the preceding decade. The GATS results indicate that South Africa has surrendered most of the (modest) gains achieved between 2005 and 2020. This is highly regrettable, but should serve as a call to action to implement policies and actions that can effectively reduce smoking in South Africa.

While REEP has not formally investigated the causes of the recent increase in smoking prevalence, the massive increase in illicit trade in South Africa since 2015 is likely to be a significant cause. The inflation-adjusted prices of cigarettes sold in formal outlets are increasing slowly, making them less affordable, but millions of smokers have access to cheap illicit cigarettes. Based on preliminary results from a survey of smokers in six South African townships, conducted by REEP earlier this year, a substantial proportion of smokers have permanently switched to brands that are generally regarded as illicit. It seems likely that a large number of smokers who were introduced to cheap illicit brands during the sales ban of 2020, have developed a taste for them and have stuck with them.

I believe that, of all the tobacco control challenges facing South Africa, the single most important one is the illicit trade in cigarettes. All other tobacco control interventions (tax increases, and the passing of the Control of Tobacco Products and Electronic Delivery Systems Bill) will fail (or, at the minimum, be significantly curtailed) if we do not get the illicit market under control. We call on the authorities, and especially SARS, to implement effective measures that will address the illicit tobacco trade crisis in South Africa. A good starting point would be to ratify the Protocol to Eliminate Illicit Trade in Tobacco Products and implement its provisions.

In this newsletter we report on some REEP activities of the past two months. On 30 June 2022, the government released a [report on the Covid pandemic](#), where the 20-week tobacco sales ban of 2020 was discussed in some detail. The Tobacco Control Data Initiative (TCDI) [dashboard for Nigeria was launched](#). At the launch, the Minister of State for Health announced an increase in the tobacco excise

tax in Nigeria. We also report on an IDRC-funded four-year project in West-Africa that was concluded earlier this year. The IDRC and Cancer Research UK recently held a capstone webinar where they concluded the Economics of Tobacco Control Research Initiative. Zunda recently attended a workshop on policy-making in Lebanon, and reports on it [here](#).

The Knowledge Hub is planning another two-week workshop on tobacco taxation in September 2022. Please click [here](#) for further details.

Lastly, we also report on REEP's participation at a [workshop on sugar-sweetened beverage taxation](#) held in Nairobi.

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

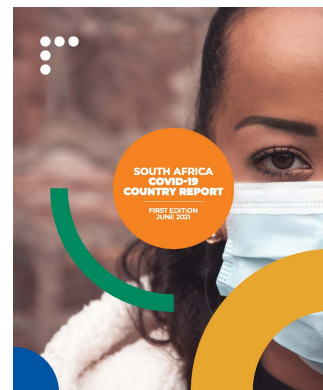
Director: Research Unit on the Economics of Excisable Products



Government's Covid-19 report acknowledges that tobacco sales ban entrenched illicit trade in cigarettes

On 30 June 2022, the South African government published a [report](#) on the impact of Covid-19 on various spheres of society and the economy. Experts in a variety of fields wrote the report. The Department of Planning, Monitoring and Evaluation, with support of other government institutions, coordinated the writing of the report. In chapter 6, on economic and infrastructural responses to the pandemic, the tobacco sales ban is discussed. REEP provided input on this section, that is introduced by the editors of the report as follows:

"The tobacco sales ban seems to have been counterproductive. It had only a limited impact on the prevalence of smoking, but the already strained fiscus lost about R6 billion in excise revenue during the ban. More significantly, the sales ban entrenched illicit distribution channels."



In a 2021 [paper](#) published in *Tobacco Control*, we argued that the conditions to successfully implement a sales ban in South Africa were not in place. Our surveys, conducted in the first two months of the sales ban, indicated that most people were able to access cigarettes on the illicit market during the sales ban. Although we are strongly opposed to smoking, we argued that the government should stop the sales ban, because it was not working. The recently released [GATS report](#) indicates that more than 25% of South African adults currently smoke tobacco products.

Current trends in smoking prevalence indicate that South Africa has regressed in terms of tobacco control policy. There is much to do. First and foremost, the government should implement measures to curb illicit trade. A good start would be to ratify the [Protocol to Eliminate the Illicit Trade in Tobacco Products](#), and implement its articles. The Protocol would require the country to implement measures to secure the supply chain – including licensing requirements – and a Track and Trace system. These systems have been introduced in other countries with great success. While the industry has used the threat of illicit trade to stall any tobacco control intervention, the situation at this point is dire, and is threatening current and proposed tobacco control interventions.

Dashboard on tobacco control launched in Nigeria



On 28 June 2022, the Minister of State for Health in Nigeria launched the **Tobacco Control Data Initiative (TCDI) Nigeria Dashboard**. The dashboard is a website that is a “one-stop-shop” to access the relevant data that Nigeria’s policymakers need to advance tobacco control legislation.

The Dashboard is designed to support decision makers by collating validated and reliable information around prevalence, taxation, and tobacco harm. Three other themes: industry interference, illicit trade, and shisha, will be finalized and included on the dashboard by the end of 2022.

At the launch, the Minister **announced** that the government would substantially increase the excise tax on cigarettes. The ad valorem component of the excise tax will increase from 20% to 30%, and the specific component would increase from 58 naira (0.14 USD) to 84 naira (0.20 USD) per pack, with promises to increase this to 94 naira in 2023 and 104 naira in 2024. While the specific component of the excise tax is still well below the ECOWAS standard (0.40 USD per pack), the announced increases are a step in the right direction.

We are particularly pleased that the Minister chose to announce the tax increases at the launch of the TCDI dashboard. While it seems likely that the tax increases would have happened at some point in any case, in this instance the launch of the dashboard was the catalyst.

The dashboard has been designed by Development Gateway (an IREX venture), in collaboration with REEP, the Federal Ministry of Health of Nigeria, and policy makers, advocacy groups, and academics. The project is funded by the Bill & Melinda Gates Foundation.



For more information about the dashboard and for some discussions with the designers of the dashboard see "[Filling Tobacco Control Data Gaps in Nigeria](#)" and "[Advancing Tobacco Control in Nigeria: The TCDI Website](#)".

To access the dashboard, click here: <https://nigeria.tobaccocontroldata.org/en>

REEP & CRES conclude 4-year project on tobacco tax reform in West Africa



From L-R: Dr. Pape Yona Mané (CRES); Rhiannon McCluskey (ICTD); Prof Abdoulaye Sakhó (CRES); Kirsten van der Zee (REEP); Dr. Hana Ross (REEP); Diama Ndiaye (CRES); Prof Abdoulaye Diagne; Hassana Diallo (CRES)

In May 2022, REEP wrapped up a four-year project, *Tobacco Tax Reforms for Health and Economic Development in sub-Saharan Africa*. The project aimed to empower policymakers in the West African region by providing tools and evidence to improve tobacco tax policy in West Africa. In this project, REEP partnered with the Consortium pour la Recherche Économique et Sociale (CRES), based in Senegal, and the International Centre for Tax and Development (ICTD), based in the UK. The project was funded by the IDRC, in partnership with CRUK.

For a more comprehensive report on this project, [click here](#).

Thank you, IDRC, for your funding support over the past decades

On the 29th of June 2022, the International Development Research Centre (IDRC), based in Ottawa, Canada, and its partner Cancer Research UK (CRUK), held an online capstone webinar entitled "Demystifying the economics of tobacco control".



The webinar marked the conclusion of the Economics of Tobacco Control Research Initiative, which was co-funded by IDRC and CRUK between 2017 and 2022. A recording of the webinar will shortly be available at idrc.ca/tobacco-control. At the webinar, a variety of speakers, including Hana Ross of REEP, gave presentations on various aspects of tobacco control research, focusing on the economics. This was an opportunity for funding recipients to showcase some of the work that has been supported by IDRC, as well as to thank the IDRC (and CRUK) for their funding support over the years.

The IDRC was the first funding organisation to support research into the economics of tobacco control in South Africa. In the mid-1990s, the IDRC provided funding to Professor Iraj Abedian at the University of Cape Town. That funding to the Economics of Tobacco Control Project (ETCP) was used to support research which provided much of the economic backing for the Minister of Health in passing relatively progressive tobacco control legislation in 1999.

I was not involved in this phase of the research, but Iraj approached me in early 2000 to conduct a second IDRC-funded study on the economics of tobacco control in South Africa. The primary aim of this phase was to investigate the role that increasing excise taxes had played in reducing tobacco use in South Africa. Whereas the focus of the first phase was primarily inward, the aim of the second phase was to illustrate to other low- and middle-income countries how effective large tax increases can be. It did not take long for me to become "hooked" on tobacco control, and in 2005 I received my PhD on a thesis entitled "The economics of tobacco control in South Africa". The thesis had, as its foundation, the research I did for the IDRC-funded study.

Subsequent grants by the IDRC have attracted people like Evan Blecher, Nicole Vellios, Grieve Chelwa and others into this space, and they are still working in tobacco control. Together with other funders, the funding received from IDRC has allowed the ETCP to develop from a small project into an internationally recognised research unit at UCT.

I thank IDRC for their huge contribution to my career. On behalf of all REEP staff that have benefitted from IDRC funding over the years, thank you! Your funding has contributed to research that, during this time, has saved many millions of people from a premature death. I am grateful to have been partners with you.

Corné van Walbeek

Zunda Chisha attends workshop on policy translation in Beirut



From L-R: Zeina Sleem, Ruba Abla, Rima Nakkash, Clara Abou Samra, Blanca Llorente, Zunda Chisha and Andrea Alcaraz.

The **Knowledge to Policy Centre (K2P)** based at the American University in Beirut (AUB) held a workshop on translating research to policy from 5 to 7 July 2022. The acting Programme Director of the WHO FCTC Knowledge Hub, Zunda Chisha, attended the event. The K2P team is led by Dr Rima Nakkash from the Faculty of Health Sciences at AUB. K2P is dedicated to making research evidence accessible to policy makers, and the team have experience in areas ranging from tobacco control, to policies on medical errors, and early child nutrition.

Over the course of 3 days, participants learned about K2P's methods and tools, and how to apply them to achieve success in translating research knowledge to policy. The workshop started with a general introduction to the policy making cycle. Participants were introduced to different theories about policy making and learned how to develop strategies to influence policies. They were also introduced to various research databases: mostly systematic reviews in different areas of health systems research, as well as to the various tools the K2P uses. The workshop concluded with sessions on data visualization, using the media, and developing knowledge uptake plans.

In addition to an excellent workshop, the overall experience in Lebanon offered a rich panoply of culture, exotic tastes, wonderful people, and amazing natural and historical sites.

Knowledge Hub Workshop Invitation

The **WHO FCTC Knowledge Hub on Tobacco Taxation** is currently receiving applications and registrations for the virtual **Workshop on Tobacco Taxation #8**.



This 10-day online event aims to support Parties to the WHO FCTC; specifically in taxation policy. Parties can choose to participate in one or both of the following workshop tracks:

- **Track 1** will be an **introduction to economics of tobacco control** with specific relevance for tobacco taxation. It will run from **5 to 9 September 2022**. Interested participants will only be required to **register** for this workshop. There is no limit on the number of people that can register and attend Track 1.
- **Track 2** will specifically focus on developing and tailoring a **tobacco tax simulation model** for each participating country using the TETSIM model. It will run from **12 to 16 September 2022**. Participants will be required to **apply** for this track using the **form provided**. Please note that only a **maximum of six countries** will be selected for this session. The deadline for application is **5 August 2022**.

This workshop is designed for policy makers. Government officials from Ministries of Finance and Health, and Tax and Customs Authorities are encouraged to join.

The workshop will be conducted in English, and simultaneous interpretation will be available in French and Spanish.

The Zoom link will be sent to registered delegates before the event.

For any questions, please, contact the Knowledge Hub on Tobacco Taxation at: tobaccotaxationkh@gmail.com.

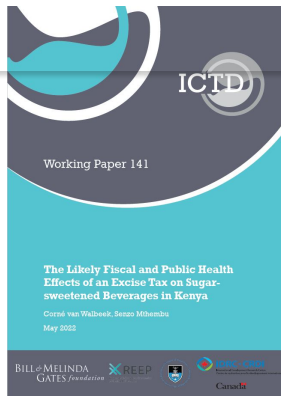
REEP members present modelling results at workshop about SSB taxes in Kenya

Corné van Walbeek and Senzo Mthembu recently attended a workshop of government officials and other stakeholders during which options to address the growing obesity prevalence in Kenya were discussed. The event was organized by the **International Institute for Legislative Affairs (IILA)** as part of their knowledge translation activities for a recently completed IDRC-funded project. At the meeting Corné and Senzo presented some results of a model that aimed to quantify the likely fiscal and public health impacts of a sugar-sweetened beverage tax.

Kenya currently levies a specific excise tax on soft drinks, primarily to raise extra revenue. The tax is not levied on the sugar content of these drinks, which means that manufacturers have no incentive to reduce the sugar content in their products. Based on the experience of South Africa and the UK, among others, the model considered an excise tax that specifically focused on taxing the sugar in the beverage, rather than simply the volume of the beverage (irrespective of the sugar content). A sugar-based excise tax will create the incentive for manufacturers to reduce the sugar content in these beverages.

At the meeting, Corné and Senzo discussed the findings of a recently published working paper: "**The likely fiscal and public health effects of an excise tax on sugar-sweetened beverages in Kenya**". The model makes it clear that a sugar-based SSB tax is not a silver bullet, but that it can support a comprehensive strategy to reduce overweight and obesity in Kenya.

The workshop was attended by officials from the Kenya government, including the Ministry of Health (Division of Nutrition



and NCDs Department), Ministry of Finance, and the Kenyan Revenue Authority, as well as research units, think tanks and CSOs, including the African Population and Health Research Centre (APHRC), Kenya Legal and Ethics Issues Network on HIV and Aids (KELIN), and the Kula Vyema Centre of Food Economics.

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



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