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REEP
Research Unit on the Economics
of Excisable Products

REEP: Research Unit on the Economics of Excisable Products

with the
WHO FCTC Knowledge Hub on Tobacco Taxation & Illicit Trade

Newsletter #10, November 2020

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Director's Message

Dear Friends

A most tumultuous year is rapidly ending. 2020 might well prove to be an epoch-changing year, in the same league as 1776, 1789, 1914 and 1945.

As you know the tobacco sales ban in South Africa has made 2020 a most interesting year for REEP. We conducted two online surveys among smokers about their smoking and quitting behaviour during the sales ban. In the last two weeks of September 2020 we conducted our third online survey, with the aim to see to what extent the market has returned to "normal", after the sales ban was lifted on 17 August 2020. We hope to report on this survey in the next two weeks.

The sales ban and the associated cigarette price increases have given us an unprecedented insight into what levels of cigarette prices are possible, should the government decide to aggressively increase the excise tax. Recently REEP wrote to Parliament's Select Committee of Finance, where we argued for substantial increases in the excise tax on tobacco. See our letter [here](#). Our letter was substantially informed by the sales ban experience. While our argument does not have universal support from the Select Committee, members from National Treasury were happy to "hear the other side" (i.e. not just the industry's argument) of the tax debate, and have much sympathy for our views.

Over the past two months members of REEP, and the Knowledge Hub in particular, have been involved in a number of online webinars. We report on webinars that we ran for government officials in [Indonesia](#), [Bangladesh](#) and [FCTC 2030 countries](#). We also conducted a four-day [workshop](#) on the economics of tobacco control for African-based think tanks. Some members of the team were involved in a two-day meeting of the [Tobacco Control Capacity Programme](#), bringing together researchers from the UK, five African and three Asian countries.

E-LIBRARY Over the past two years, Sam Filby has been busy collating and curating the existing literature on tobacco taxation and illicit trade. The E-library will be launched officially early in the new year, but the library is currently available at <https://untobaccocontrol.org/taxation/e-library/>. Feel free to have a look. If you have any comments or suggestions, please contact Sam at samantha.filby@uct.ac.za.

Sadly, we are saying goodbye to Micheal Boachie at the end of this year. Micheal did his undergraduate studies in Ghana, and his PhD in India, and joined the Economics of Tobacco Control Project as a postdoctoral fellow in July 2018. During the past two and a half years, he became a much-loved and appreciated member of the team. His superb technical skill, modelling ability and dry sense of humour will be remembered long after he has left us. His biggest contribution, in my eyes, was his [paper](#), co-authored with Hana Ross and Laura Rossouw, on the cost of smoking in South Africa. This will become a much-cited paper in years to come. Our loss is Wits' gain. We wish him well as he embarks on a new phase of his life.



As this year comes to a close, I would like to thank my colleagues in REEP, the members of the advisory board, our funders and partners, and the people with whom we have interacted for their hard work, support and friendship during the past year. Tobacco control is a group effort. If you are taking a break (and I hope that you do), please rest well and come back refreshed in the new year.

With best regards

Corné van Walbeek

Director: Research Unit on the Economics of Excisable Products

Dissemination webinar on measuring illicit trade in low- and middle-income countries

On 21 October 2020, Cancer Research UK and the University of Illinois in Chicago held a dissemination webinar on measuring illicit trade in low- and middle income countries. This webinar was the culmination of a four-year effort to assess the impact of tax increases on illicit trade in tobacco products, funded by the Cancer Research UK. The webinar was organized to draw attention to Supplement 4 of the Tobacco Control journal published in October 2020 https://tobaccocontrol.bmj.com/content/29/Suppl_4.



CANCER
RESEARCH
UK



The REEP team wrote five articles for the Supplement, in which they assessed the illicit market in four countries (the Gambia, Georgia, Mongolia and South Africa). The articles are as follows:

1. [The Impact of Tax Increases on Illicit Cigarette Trade in Mongolia.](#)
2. [Illicit Tobacco Trade in Georgia: Prevalence and Perceptions.](#)
3. [Cigarette Trade in South Africa: 2002 – 2017.](#)
4. [Consumption of legal and illegal cigarettes in the Gambia.](#)
5. [The illicit cigarette market in six South African townships.](#)

To 'disseminate' comes from a Latin word disseminare, or planting seeds. For the seeds to thrive, they need the expertise of experts who are intimately familiar with the techniques and the material used, similar to a farmer who knows how to nourish seeds so that they can thrive. REEP's disseminators fit the profile: both Dr. Tsetsegsaikhan Batmunkh from Mongolia and Dr. George Bakhturidze from Georgia, were deeply engaged in studies conducted in their respective countries, and each organized prior dissemination events in their respective countries.

Dr. Hana Ross, the Principal Investigator of the REEP project, summarized the lessons learned, and pointed out that all research studies clearly demonstrated that tax increases were not related to the size of the illicit cigarette market.

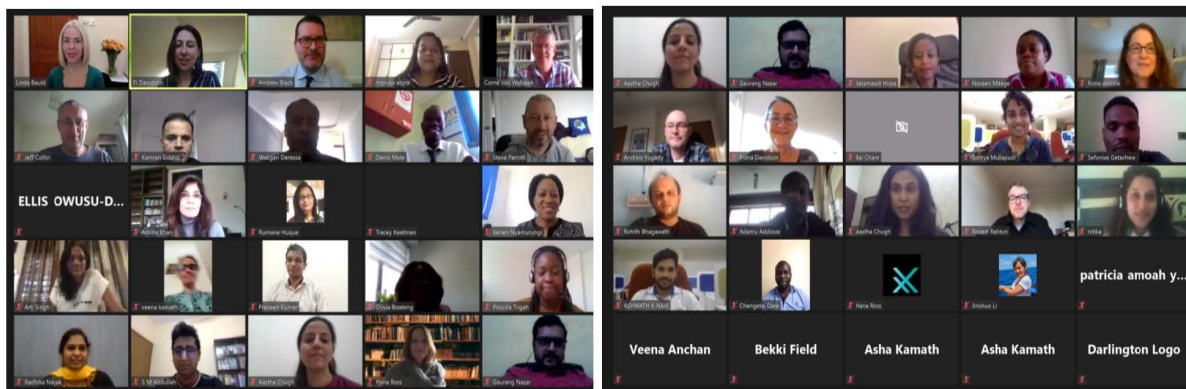
REEP delegates attend TCCP workshop

Corné van Walbeek, Hana Ross and Chengetai Dare attended the Tobacco Control Capacity Programme (TCCP) team meeting between 23 and 24 November 2020. The TCCP is a collaborative research project between the University of Edinburgh (as the lead university), a number of UK universities, five African and three Asian research institutions (<https://www.ed.ac.uk/usher/research/projects/tobacco-control-capacity>).

The meeting was a platform of interaction between research fellows and their supervisors/mentors across the different countries. The overall aim of the meeting was to provide the teams with an opportunity to share experiences and findings of their research projects in tobacco control, with three focus areas: tobacco taxation, illicit trade and industry interference (Article 5.3 of the Framework Convention on Tobacco Control). The meeting was held virtually and was attended by 43 participants. Corné and Chengetai gave an update on their research on taxation, while Hana presented on illicit trade.

The programme, which has been running since 2017, is coming to an end in December 2021. The stream of research outputs is building up steadily, and will become even stronger in the next year. An important aspect of the programme is the interaction with policy stakeholders. Many research

projects have a strong local focus, which could have an impact on tobacco control policies in the countries where the researchers are based.



REEP co-hosts workshop on the economics of tobacco control for African Think Tanks

From 3 to 6 November 2020, REEP, in collaboration with the Consortium pour la Recherche Economique et Sociale (CRES)-Senegal and the African Capacity Building Foundation (ACBF), conducted a four-day online workshop on the economics of tobacco control for ACBF-affiliated think tanks and some civil society organizations. Over 40 participants, representing sixteen organizations across fourteen countries, participated in the workshop. Many of the think tanks are well established in their countries, but do not necessarily have much experience in, or exposure to, tobacco control research. The workshop gave them an appreciation of the tobacco control issues, and possible research ideas. The main focus of the training included: concepts in economics of tobacco control, tax and price measures, illicit trade, cost of smoking, sustainable livelihoods, and emerging research questions.

The workshop provided theoretical background for the think tanks required for them to prepare and submit research project concept notes for possible funding by ACBF. As part of mentorship and continued capacity building, REEP will review these concept notes and provide guidance to the think tanks in performing this research. REEP was successfully involved in a similar project two years ago with positive impact. Scaling up this project in a similar approach, REEP believes that it will substantially enhance the quality and rigour of the research and also contribute to policy change in the respective countries. REEP is confident that this project will be successful, and is honoured to be part of such an intervention that creates the much-needed local evidence in Africa in the economics of tobacco control.



Consortium pour la Recherche Economique et Sociale

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Knowledge Hub presents a Workshop for the Indonesian government officials

The FCTC Secretariat's Knowledge Hub conducted virtual training workshop on tobacco tax, organized by the Indonesian Ministry of National Development Planning (Bappenas), spread over three days between 20 October and 22 October 2020. Each day, the Knowledge Hub presenters

(Corne, Sam and Hana) spent about three hours with participants from Bappenas and the Ministries of Health and Finance.

The webinar covered topics like the principle of demand, price elasticity of demand, the affordability of tobacco products, illicit trade in cigarettes and the relationship between tobacco tax policy and the Sustainable Development Goals. The presentation on the tax administration was shared between Hana and her Indonesian colleague Dr. Abdillah Ahsan from the University of Indonesia.

The last day of the workshop was devoted to tobacco tax modelling using the Tobacco Excise Tax Simulation Model (TETSIM) developed specifically for Indonesia. The tobacco tax structure in Indonesia is particularly complex and developing the model required sophisticated programming skills. Once developed, the model is quite user-friendly. An important goal of the workshop was to get government officials sufficiently familiar with the model so that it can be used for planning purposes. The model currently predicts the impact of the 2020 tax increase and estimates the impact of possible tax increases and tax simplification for 2021- 2024.

The webinar was the second interaction between Bappenas and the Knowledge Hub. The first one occurred in November 2019 when two representatives of Bappenas attended a Knowledge Hub workshop in Cape Town. The Webinar occurred during a critical week for tobacco control in Indonesia; the government was expecting to announce the tobacco tax increase for 2021. Bappenas was heavily involved in the negotiations about the tax increase, proposing at least a 20% tax increase. The rationale for the increase, and the likely impact on consumption and revenue, was derived from the TETSIM model.

Knowledge Hub members present at webinar about taxation in Bangladesh

On 25 November, the WHO FCTC Knowledge Hub, in collaboration with the Bangladesh Network for Tobacco Tax Policy (BNTP) and the Bangladesh Anti-Tobacco Alliance (BATA), presented an online webinar entitled "Trends in Tobacco Taxation in South East Asia". The webinar looked at trends in tobacco taxation for South East Asia with a special focus on Bangladesh's experience. The webinar attracted 65 participants from varying backgrounds and countries in South East Asia.

Toughedah Jacobs, the KH Director and Sam Filby, the Programme Director, talked about the fact that tobacco taxation could offer governments a steady stream of revenue which could be used to fund, among other things, a well-functioning public health system. Furthermore, they argued that a simple excise tax structure, like a uniform specific tax, yield better health and fiscal outcomes than more complex tax structures. Importantly, the excise tax needs to be increased by at least the inflation and the economic growth rate to ensure that cigarettes become less affordable over time.

Rumana Huque, a Professor in Department of Economics, University of Dhaka, spoke about tobacco taxation in Bangladesh, highlighted areas where it could be improved on and briefly outlined a proposal for Bangladesh Tobacco Tax Policy.



Knowledge Hub online webinar on tobacco taxation and tax modelling

Because global travel restrictions prevented the Knowledge Hub from hosting its biannual workshops this year, Knowledge Hub and the Convention Secretariat, through the FCTC 2030 Project, plans to present a condensed version of the workshop via Zoom. The online workshop is due to take place on 30 November, 1 December 4 December 2020. While the original focus of the workshop was on the 24 countries that are part of the FCTC 2030 Project, the online nature of the workshop has allowed us to allow other countries to join the workshop. The RSVP deadline closed on 27 November 2020, with more than 130 delegates registered. The oral presentations will be interpreted and made available in Arabic, French and Spanish.

This workshop provides policy makers with essential tools to illustrate the benefits of tobacco taxation using taxation modelling. These simplified, mathematical models will allow attendees to estimate the fiscal and consumption impact of changes in the level or the structure of the tax. Other topics that will be covered include the basic concepts used in the economics of tobacco control and illicit trade.

The links to the recordings and the PowerPoint presentations will be made available on the KH [website](#). If you would like access to this material, please register [here](#) - it only takes a couple of minutes.



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ACBF/REEP-sponsored student at University of Namibia gets distinction for thesis

In 2018, Alfred Mukong joined the University of Namibia, after a three-year stint as a postdoctoral fellow in REEP (then the Economics of Tobacco Control Project). With moral and financial support from ACBF, he was able to provide a scholarship to Laili Lipumbu, a Masters student at his new university. She wrote her thesis on an important aspect of the economics of tobacco control in Namibia, namely to what extent tobacco and alcohol expenditures impact households' spending patterns on other products and services. We recently heard that Laili completed her thesis, and received a distinction from both the internal and external examiner. Well done Laili! This is what Alfred writes:

"In a recently completed Master thesis "*The Crowding-out Effects of Tobacco and Alcohol Expenditure on Household Resource Allocation in Namibia*", Laili Lipumbu found that households that spend on tobacco and alcohol allocate fewer

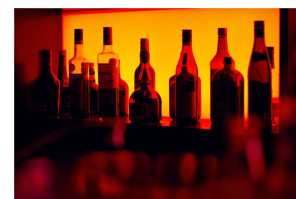
resources to household basic needs. About 19% of Namibians consume tobacco and 10% consume alcohol. Using the 2015/16 Namibia Household Income and Expenditure Survey (NHIES) dataset, the study finds that tobacco- and alcohol-consuming households spend less on housing, furnishing, transport, recreation, education, accommodation and health, and spend more on food, clothing and communication.

The study fills an important gap in tobacco control policy in Namibia. It is the first comprehensive analysis of the effects of tobacco and alcohol on household resource allocation. The study shows that tobacco and alcohol consumption are not only unhealthy, but also potentially burn a hole in households' disposable income: and especially among poor and vulnerable households."



Western Cape Government is considering a minimum unit price on alcohol

In a recent speech to the provincial legislature, Mr Alan Winde, the premier of the Western Cape, indicated that the province was seriously considering the introduction of a minimum unit price (MUP) on alcohol products. This would raise the price of very cheap alcohol products to a certain minimum level. The rationale for such a policy is that most very cheap alcohol is consumed in hazardous ways; in particular with binge and regular heavy drinking.



In 2018 and 2019 Corne van Walbeek and Grieve Chelwa conducted a [study](#), funded by the DG Murray Trust, on the viability of a Western Cape-specific excise tax on alcohol or an MUP on alcohol. They concluded that a province-specific excise tax would not be feasible, but that an MUP would be a very targeted intervention, and could substantially reduce alcohol consumption in households that are classified as binge or regular heavy drinkers (i.e. where a person consumes five or more standard drinks on a typical drinking day). By increasing the retail price to R5 or R8 per unit of alcohol (typically 15 ml), alcohol consumption by such households would decrease by at least 10%.

This report, which was based on wave 4 data of the National Income Dynamics Study, provided the conceptual rationale for an MUP in the province, but potentially also in the country. The experience of the two alcohol sales bans during the lockdown, which was associated with a substantial decrease in unnatural deaths during the times that these were in place, has created more evidence that the government should act against hazardous drinking.

Alcohol abuse in South Africa is a very serious problem, and it is encouraging to see that at least one provincial government wants to act against it. We are delighted to learn that the government is acting on independent research, and REEP is particularly thrilled to have been part of the process.

The premier's announcement resulted in some media coverage, amongst others, some interviews with Corne. For more on the news coverage see [here](#).

REEP Brownbag sessions



REEP has held three brownbag sessions in the past two months. In October, [Senzo Mthembu](#) presented a historical analysis of the determinants of smoking in South Africa. The study provided insights on the historical impact of remittances on household expenditure patterns and trends in tobacco use from 1948 to 1950. The main findings thus far are: (1) remittances played a significant role in determining expenditure patterns, (2) remittances induced the household to decrease the budget allocated for tobacco. From these initial findings, households receiving remittances tend to have lower budget shares for tobacco than those not receiving them.

The first November BBS was taken by [Nicole Vellios](#) who presented some preliminary results from one of her PhD chapters. The topic was "Determinants of smoking cessation in South Africa using survival analysis: 1970 – 2017". Her results currently highlight some of the gender and racial differences in the determinants of smoking cessation in South Africa.

In the following session, [Hana Ross](#) presented results from the second paper on illicit trade in Georgia. The study showed results from three surveys conducted in Georgia over the last two years, all focused on determining whether various changes in both the taxation and overall tobacco control environment had an impact on the illicit cigarette market. The primary conclusion was that, although there were increases in illicit trade over the period, they were not driven by the tax change or the new legislation, and were geographically concentrated.

If you have comments or want to discuss the research that was presented at the brownbag seminars, feel free to contact the presenters.

REEP in the News

2 November 2020: Kyknet: [Stricter liquor laws may be waiting in the Western Cape](#) (in Afrikaans).

27 October 2020: CapeTalk Radio: [Pricing is proven as an effective way to reduce alcohol consumption, says prof](#)

23 October 2020: Dispatch Live: [Western Cape considers pricing changes to cut binge drinking](#)

22 October 2020: Business Day: [Western Cape considers minimum pricing to cut binge drinking](#)



Strenger drankwette wag moontlik in die Wes Kaap | KN VERSLAG | 2 NOV 2020 | kykNET



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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For further information please contact Sharon at sharon.debruyvns@uct.ac.za Tel: +27 (0)21 650 3608

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