

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

Newsletter #16, November 2021

### In This Issue

- [Director's Message](#)
- [Track & Trace in Lithuania](#)
- [Student Update](#)
- [REEP Parody: Dragons & Knights](#)

### News & Events

- [TCCP Stakeholder Meeting](#)
- [Knowledge Hub & FCTC 2030 Project](#)
- [African Cigarette Prices Data Project](#)

### Follow Us



## Director's Message



Dear Friends

And so we are nearing the end of another year. Like last year, 2021 has been challenging in many respects. We miss the physical interaction of the office. The strength of REEP is that it builds on the varied strengths of its members, and despite the wonders of technology, that synergy is to some extent lost when we are not physically together. Fortunately, it seems that the university will be opening again next year, at least partially.

In this newsletter we report on some of the activities of the past two months. In October 2021, we held a stakeholder meeting for the [Tobacco Control Capacity Project \(TCCP\)](#). The TCCP is a multi-country collaborative research project initiated four years ago. The aim was to develop researchers working on the economics of tobacco control, specifically tobacco taxation and illicit trade. At the [stakeholder meeting](#) we reported on some of the activities that were conducted in this project.

In the last week of October 2021, the Centre for Tobacco Control in Africa, the African Capacity Building Foundation, and other partners hosted the first [Africa Conference on Tobacco Control and Development](#). Most REEP members presented some of their research. The virtual conference was attended by hundreds of delegates from across the continent and from further afield.

Research remains a cornerstone of REEP. We have a number of papers under review, which we will report on when they are published. Recently, Hana and a colleague from Lithuania published a brief report in [Tobacco Control](#) about the implementation of [track and trace in Lithuania](#).

In December 2021, two Master's students will be receiving their degrees. Our colleague, Vanessa Darsamo, will receive a Master's in Applied Economics (she already has a Master's in Economic Development). Her thesis considers the [demand for sugar-sweetened beverages in Nigeria](#). Retselisitsoe Pokothoane will also receive a Master's in Economics with a thesis that considers the [determinants of youth smoking in Lesotho](#).

Sadly, we are saying goodbye to Toughedah Jacobs at the end of this year. Toughedah has directed the Knowledge Hub with distinction for nearly three years. She has interacted with hundreds of people during this time: funders, government officials, FCTC Secretariat staff, and other stakeholders. We will miss your friendly smile, Toughedah, and your willingness to help and to go the extra mile. Zunda Chisha, who has been with REEP for five years, will be the acting Programme Director of the Knowledge Hub for the coming months.

We welcome Joshua Magero as a new postdoc fellow in REEP, starting in January 2022. Joshua did his PhD in Economics at the University of Cape Town, and hails from Kenya.

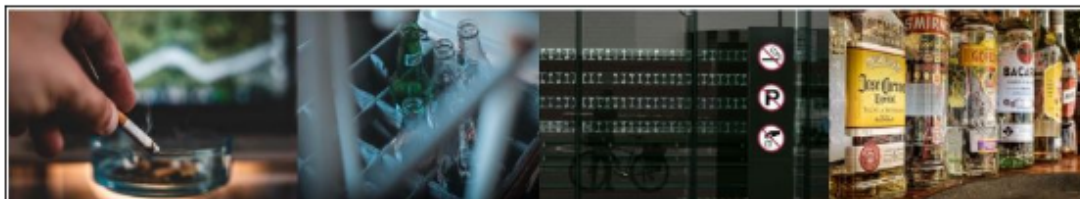
Our last contribution is a [parody](#) of the tobacco control landscape in South Africa, written by our ace editor, Dr Elizabeth Baldwin. Have a read and a smile.

We wish you all a very happy holiday season and all the best for 2022. If you celebrate Christmas, I trust that you will experience the true meaning of this important Christian feast.

With best regards

**Corné van Walbeek**

Director: Research Unit on the Economics of Excisable Products



## Knowledge Hub collaborates with the FCTC 2030 Project

The WHO FCTC Knowledge Hub on Tobacco Taxation & Illicit Trade recently learnt that it was awarded a contract by the WHO FCTC Secretariat to facilitate a virtual workshop to be delivered to 12 FCTC 2030 Project countries. In addition to hosting the workshop, the Knowledge Hub will facilitate an in-depth subsequent engagement with a selected country from the pool of 12 countries.

The workshop will be similar to one held in August 2021, where officials from the Ministries of Health, Finance, lawmakers and Customs departments learned about the economics of tobacco taxation. As was the case previously, each country will be partnered with a REEP Researcher who will teach and guide officials on how to model the impact of better tobacco tax structures and higher tax levels on government revenue and tobacco consumption. The model quantifies these impacts. This knowledge is vital to support officials and advocacy groups to advocate for stronger tobacco tax policies. At the workshop we will also touch on the role of illicit trade, and address many of the myths that are often peddled by the tobacco industry.

A key element of the project involves members of the Knowledge Hub writing policy briefs with key recommendations that officials can use when advocating for higher taxes. We look forward to sharing more information on this project early next year.

The FCTC 2030 Project is delivered with generous contributions from:



## Knowledge Hub Director presents at a tobacco control webinar with CRUK

On 29 October 2021, Toughedah Jacobs, the Programme Director of the Knowledge Hub, presented at a webinar facilitated by Cancer Research UK (CRUK), titled *Tobacco Control: a critical piece of the global health puzzle*. She shared the platform with CRUK research partners from Vietnam, Sri Lanka and Lebanon, and spoke about the role of the Knowledge Hub in implementing the FCTC. The presenters discussed the efforts being made to further progress in tobacco control across the globe. Toughedah shared insights into the role that the Knowledge Hub has played, in terms of advocating for better tax systems and higher tax levels. Alex Wright, the Head of Global at CRUK, facilitated the webinar.

## The tobacco industry's partial compliance with the EU Track & Tracing System

A recent paper in *Tobacco Control*, co-authored by Hana Ross of REEP, found that the tobacco industry in Lithuania disregarded the European Union's regulations for tobacco tracking and tracing (T&T) that were put in place in 2019. The T&T system requires all cigarette packs to be appropriately marked so that they can be uniquely identified.

The European Union's T&T system for tobacco products became operational in May 2019, but the Union allowed for a year-long transitional period until May 2020. The aim of the transitional period was to provide enough time for all economic operators to install the T&T system, and to sell the pre-May 2019 stocks.

Between September 2019 and September 2020, empty cigarette packs were collected in Lithuania to estimate the size of illicit cigarette market. The period for collecting these empty packs was greatly extended due to the disruption caused by the Covid-19 lockdown. The collection period happened to capture both the transitional period and the period when the T&T system was supposed to be fully functional in the European Union. The data analysis revealed that none of the packs collected during the transitional period had the unique identifier required by the T&T system. Even after the end of the transitional period, almost 6% of legal packs were without the required unique identifiers. Most of these non-compliant packs were intended for the Lithuanian market.

The authors concluded that the tobacco industry in Lithuania tried to delay compliance with the T&T as long as possible, and issued unique identifiers for cigarette packs according to the EU regulations only after the transitional period was over. As a result, the EU T&T system was not fully functional at the set date in May 2020.

Read the full paper "[Tobacco industry compliance with the EU track and tracing system in Lithuania](#)" co-authored with Dr Vaida Liutkute-Gumarov, Health Research Institute Faculty of Public Health.





## REEP hosts stakeholder meeting on Tobacco Control Capacity Programme



On 21 October 2021, the Research Unit on the Economics of Excisable Products (REEP) hosted an online stakeholders' meeting of the **Tobacco Control Capacity Programme (TCCP)**. The TCCP is a collaborative programme with six UK universities and eight research organisations or universities in Africa and Asia, and ends in March 2022. It aims to develop research capacity on some of the crucial issues in tobacco control: tobacco taxation, illicit trade, and tobacco industry interference.

The four-year programme funded postdoctoral fellows at various institutions, including Chengetai Dare, the post-doc fellow in South Africa. The recent stakeholders' meeting reported back on the work conducted by REEP with TCCP partners over the past three years.

The meeting was attended by 28 representatives from various organizations, including academia, civil society, government, and research institutions. Further details about the programme can be found [here](#).

Corné van Walbeek, Hana Ross, Chengetai Dare and Linda Bauld (the principal investigator of the TCCP), made presentations at the meeting. Some of the key takeaways include:

- The illicit trade problem in South Africa is real and deserves to be taken seriously. The dismantling of specialized units at SARS between 2015 and 2018 has been disastrous and gave the tobacco industry free rein to do as they pleased.
- A track and trace system, as adopted in many countries, is an important tool to combat the illicit tobacco trade.
- Despite the tobacco industry's rhetoric, there is no evidence that increases in excise taxes necessarily result in increases in the illicit market.
- If the South African government were to increase the excise tax, this would reduce tobacco use while boosting tax revenue.

Using Zimbabwe's Manicaland province as a **case study**, Chengetai presented the results of research that indicated that the majority of tobacco farmers' pay-outs do not cover the expenses incurred in growing tobacco. Most contract farmers incur losses, which perpetuates their indebtedness to the contracting company. The debt compels them to grow tobacco in the following farming season, in an often vain attempt to repay the debt. The cycle is usually repeated, making tobacco growing a debt trap. Thus, farmers are victims rather than beneficiaries of the sector.

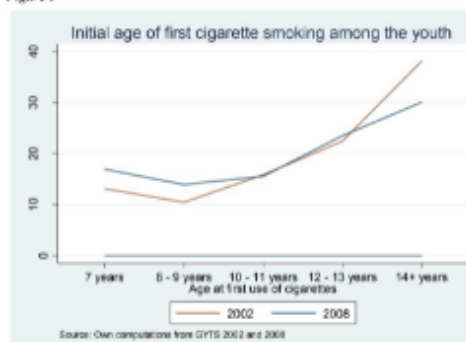
## Student Update

### Retselisitsoe Pokothoane

Retselisitsoe will receive his Master's degree in Economics in December 2021. His master's thesis is entitled "**Econometric analysis of youth tobacco use: Evidence from the Lesotho Global Youth Tobacco Surveys.**" The aim of the thesis is to inform national tobacco-control policy interventions in Lesotho. Lesotho has a relatively high smoking prevalence and has weak tobacco control laws.

Using two waves (2002 and 2008) of Global Youth Tobacco Survey (GYTS) data, Pokothoane estimates the prevalence of tobacco products' use and investigates their associated factors. For cigarettes, other smoked tobacco, and smokeless tobacco, prevalence of use is higher among males than females. Overall, the prevalence of use is highest for smokeless tobacco (16.9%), followed by other smoked tobacco (13.9%) and cigarettes (12.2%).

Figure 1



His study also revealed that children may start experimenting with cigarettes as young as seven years old. He found that cigarette smoking has a strong positive association with peer pressure and the availability of single cigarette sticks at retail stores. Furthermore, youth smoking is more common among adolescents who have repeated their school grades.

This research concludes that Lesotho should abolish the sale of loose cigarettes, and that the government should discourage smoking through strong anti-smoking messages. Lastly, the study recommends introducing tobacco education as part of the subject of Science in the early primary school grades.

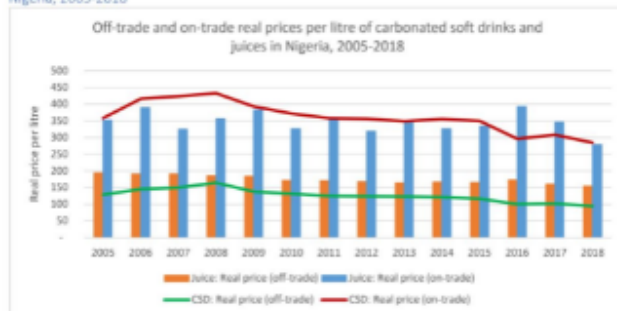
The dissertation can be accessed [here](#) and will be available in the open UCT library repository soon.

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## Vanessa Darsamo

For her Masters in Applied Economics, which will be awarded in December 2021, Vanessa's dissertation was titled: "[Sugar-sweetened beverages in Nigeria: Affordability and Expenditure and Price Elasticities](#)". Her research examines how consumers in Nigeria respond to income and price changes of carbonated soft drinks (CSDs), using the Nigeria Household Survey, Panel (2013 and 2016) data. The study aims to identify the potential effectiveness of a sugar tax in curbing the demand for sugar-sweetened beverages.

Figure 4.1: Off-trade and on-trade real prices per litre of carbonated soft drinks (CSD) and juices in Nigeria, 2005-2018



Source: Author's estimates based on Ezomonitor, 2020.

In the first part of the study, Vanessa analysed the trend in CSD and fruit juice affordability between 2005 and 2018 for both off-trade and on-trade consumption. Carbonated drinks and juices became relatively more affordable in Nigeria, and per capita consumption of both products increased over time.

For the second part of the study, Vanessa used Deaton's Almost Ideal Demand System to estimate the income, price and quality elasticities of demand for CSDs, chocolate drinks, milk, sugar

and packaged water. The own-price elasticities of CSDs range from -0.8 to -1.8, while the income elasticity of demand is approximately 0.4. For the other beverages, all income elasticities were positive, indicating that they are normal goods.

The results suggest that Nigeria can curb the demand for excess sugar, in particular in CSDs, by raising the price by implementing an excise tax on the sugar content in CSDs. Future research should estimate the health gains and government revenue that can be generated from such a tax.

The dissertation will be available in the open UCT library repository soon, but can currently be accessed [here](#).

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## African Cigarette Prices Data Project

During the July/August 2021 university holiday, REEP's African Cigarette Prices Project was relaunched after a year-long pause. A total of 40 UCT students from 10 African countries collected tobacco prices in their respective hometowns. The collected data enables researchers to estimate price differences across brands, urban/rural divides, and types of packaging, as well as analysing price trends over time. Fieldworkers collect these data from formal and informal tobacco retailers.



The project was initiated in 2016 and to date, there have been ten rounds of data collection, with the eleventh currently underway. The tenth round is important as it provides some insight on South Africa's tobacco market, following the 2020 tobacco sales ban. Although Covid-19 and civil unrest in KwaZulu-Natal and Gauteng has impacted the data collection, fieldworkers were still able to collect more than 24 000 tobacco prices. The number of prices collected and fieldworkers contracted per round has increased significantly since the first round in 2016. In Round 10 we collected data in Botswana, Cameroon, Chad, Eswatini, Ethiopia, Lesotho, Malawi, Namibia, South Africa and Zimbabwe. Data for rounds 1 through 9 is available on [DataFirst](#).



Although the price data collected through the African Cigarette Price Project is not nationally representative, it is an affordable and simple way to get some insight into the cigarette market in various African countries.

**Table 1: Prices Collected and Fieldworkers by Round**

Round	Number of observations	Number of fieldworkers	Number of countries
1 (Jan. 2016)	1 025	6	5
2 (July 2016)	9 301	28	7
3 (Jan. 2017)	7 701	8	5
4 (July 2017)	10 901	23	7
5 (Jan. 2018)	22 184	38	8
6 (July 2018)	23 125	34	8
7 (Jan. 2019)	18 770	36	10
8 (July 2019)	24 002	36	10
9 (Jan. 2020)	39 139	65	13
10* (July. 2021)	24 363	40	10

\* Round 10 will be available online between December 2021 and January 2022.

## REEP parody: In the land of dragons and knights

At the recent REEP staff retreat, we invited our editor, Elizabeth Baldwin, to talk about good and bad writing habits. Elizabeth knows the work of REEP extremely well. This parody of the world in which we operate was written by her:

"Once upon a time there was a country that was being ravaged by a fearsome dragon. Its fiery breath hung over the land and poisoned the air. Many people fell under the dragon's spell, for whoever looked into its eyes forgot everything else and served it willingly. When the dragon spoke, whatever it said seemed to them to be real, and everything else, even the cries of their own hungry children, became just distant murmurs.

From those who served it the dragon demanded gold, for dragons love gold above all things. When the dragon grew hungry, it would eat even its most devoted followers. Some managed to escape from the dragon, but they were few, and never could they forget the dragon's spell.

The name of the dragon was Big Tobacco, and its power was great. Not everyone fell under Big Tobacco's spell, however, and many people grieved to see the devastation that Big Tobacco wrought in the land. They petitioned the rulers of the land to drive the dragon out of the land and free the people. But it is not so easy to get rid of dragons.



Credit: <https://drawception.com/silver/508936/taastel/>



The rulers sent delegations to Big Tobacco, with little success. Big Tobacco, being old and cunning as dragons are, arranged to give some gold to the rulers so that they were less willing to drive it away. The rulers also felt the effect of Big Tobacco's spell-binding voice, so that what it said to them seemed true..."

Click [here](#) to continue reading.

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## REEP in the News

Prof. Corné Van Walbeek and Zunda Chisha wrote an op-ed ahead of the Africa Conference on Tobacco and Development for *The Conversation*: [We unpack what some African countries are doing about tobacco control](#) (October 20, 2021).

The piece was also published by other media outlets on the continent:

- [All Africa](#)
- [ATCA](#)
- [ZBCnews](#)
- [News24](#)
- [Afro News](#)
- [News in Africa](#)
- [Swift Headline](#)



Corné also gave a radio interview with *Cape Talk* to discuss the role of taxes in reducing tobacco consumption, during the [Morning Review](#), on 26 October 2021.

He also talked about tobacco control - and specifically tobacco taxation - and the impacts of SA's hard lockdown sales ban of cigarette products.

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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