

## REEP: Research Unit on the Economics of Excisable Products

with the

### WHO FCTC Knowledge Hub on Tobacco Taxation

Newsletter #18, March 2022

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## Director's Message



Dear Friends

On 23 February 2022 the Minister of Finance delivered the Budget Speech in Parliament. As always, we are particularly interested in the magnitude of the excise tax increase on tobacco and alcohol. This year, more than in previous years, the alcohol industry lobbied hard for a zero or below-inflation increase in the excise tax on alcohol, on the grounds that the industry has been hit hard by Covid-19 and the associated restrictions on alcohol sales. The tobacco industry was surprisingly less vocal this year. The Minister increased the excise tax on alcohol by between 4.5% and 6.5% and on cigarettes by 5.5%. This was slightly higher than the inflation rate, but only marginally so. Sam Filby and I published an [op-ed piece in Business Day](#), where we unpacked the numbers and lamented the fact that an opportunity to improve public health has been missed.

In the week of 14 March 2022, the Knowledge Hub offered an [online workshop on tobacco taxation](#) to at least 200 delegates from more than 80 countries. There is a large demand for technical knowledge on tobacco taxation, and we are delighted that we, together with colleagues from a variety of international organisations, were able to address this need. When you receive this newsletter, we will be concluding a smaller Knowledge Hub workshop where we work with six countries that are part of the FCTC2030 project. For each country we build an individualized tax simulation model, that can be used to quantify the likely fiscal and public health effects of an increase in the excise tax and/or a change in the excise tax structure.

In February Kirsten and Hana were attended a [meeting](#), organized by [CRES](#) in Senegal, with officials of the ECOWAS and WAEMU economic blocs. The aim of the meeting was to highlight the importance of harmonized tobacco taxes in the region, and the importance of having the appropriate tax structure in place.

A number of projects that we have been part of are coming to an end in 2022. In this newsletter we report on the completion of two: the [Tobacco Control Capacity Project](#) and the [Global Alliance on Chronic Diseases \(GACD\) Project](#). These two projects have resulted in a substantial number of research papers, and have established research collaborations across many countries. We thank the funding organisations for their support. We are also glad and grateful to announce that [Cancer Research UK](#) has provided more funding for the Knowledge Hub, after their first round of funding came to end last year.

We have been working closely with Development Gateway for more than two years to develop user-friendly and up-to-date dashboards that provide policymakers and interested people with credible and well-researched data to support tobacco control. After the launch of the South Africa dashboard (link to dashboard) last year, the [Nigeria dashboard](#) will be launched soon.

Recently Hana and some colleagues published a paper in Tobacco Control on smoking initiation in Ghana. As a research unit we celebrate this. Please read a synopsis [here](#).

Our last contribution is a YouTube video of Professor Richard Van Zyl-Smit's inaugural [lecture](#). Every year a number of inaugural lectures, where newly appointed full professors discuss their research, are hosted by the university. Although Richard does not have an official affiliation with REEP, his research on tobacco smoking, cessation and novel tobacco products may be of interest to you. It is also good to see that tobacco-related research gets such high prominence in the university. We congratulate Richard, and wish him many more productive years of tobacco-related research.

With best regards



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## Tobacco Control Capacity Programme ends in March 2022



The **Tobacco Control Capacity Programme** (TCCP) is a collaborative programme, involving six UK universities and eight research organisations in Africa and Asia, 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, which is ending in March 2022, funded postdoctoral fellows and other researchers from the various research organisations. Chengetai Dare is the postdoctoral fellow in South Africa. He joined the programme in November 2019, replacing Ernest Tingum, who had taken up a position at the University of Lesotho.

On 2 February 2022, the TCCP held its final meeting, at which the various partners reflected on the programme as a whole. From Chengetai's perspective, the programme created a strong research network in public health, with colleagues across Africa and the Indian subcontinent. Coming from a background in public finance, Chengetai regards the skills gained from the TCCP as an invaluable lifetime asset.

During his 29 months in the TCCP, Chengetai was involved in the writing of two published articles. The first looked at tobacco growing in Zimbabwe's Manicaland province as a **case study**. Together with his co-authors, Chengetai established that, contrary to claims by the industry and government that tobacco farming is a lucrative enterprise, 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, leading to a vicious cycle of poverty. Thus, farmers are the victims rather than the beneficiaries of the sector.

Chengetai's **recent publication** in *BMJ Open* emphasises that the government can reduce cigarette use and increase revenue if it raises the excise tax, because the price elasticity of demand falls into the inelastic region. However, the paper makes it clear that this can only happen if the illicit market is under control. This is important for policy.

We would like to thank Linda Bauld and her team for the opportunity to be part of this research programme and for her dynamic leadership in running the programme. We also want to thank UK Research and Innovation, and the Global Challenges Research Fund, for funding this programme.

## REEP members attend taxation meeting with policy-makers in Senegal



Hana Ross and Kirsten van der Zee travelled to Saly, Senegal, for a regional tobacco taxation workshop from 21 to 24 February 2022. The meeting was attended by roughly 20 representatives, including those from the West African Economic and Monetary Union (WAEMU), the Economic Community of West African States (ECOWAS) and various Senegalese government ministries. WAEMU consists of eight countries sharing the same currency, and is a subset of the 15-member ECOWAS region.

A key aim of the meeting was to motivate for the harmonisation of the two blocs' tax directives, and for the adoption of a specific excise tax on tobacco products. While the ECOWAS Directive requires its members to have a specific excise tax component on their tobacco products, together with an ad valorem tax component, the WAEMU directive does not.

Specific excise taxes (those levied on the volume of the product) have been shown to be effective at increasing the retail price of tobacco, and thus reducing tobacco use and harms. Currently, only a handful of the 15 ECOWAS countries impose a specific tax on tobacco. As a result, tobacco taxes and prices in the region are very low by international standards. The workshop provided an opportunity to urge the adoption of the stronger ECOWAS directive, and an overall increase in tobacco taxes.



Hana presented the research that was done by REEP during the Tobacco Tax Reform project, and Kirsten presented a new model that quantifies the financial costs and benefits of a track and trace system on tobacco. The meeting provided a key and rare opportunity for the stakeholders to meet and engage with each other on the topic of tobacco taxation.

The meeting, which was part of the IDRC-funded Tobacco Tax Reform in West Africa project, was hosted by our project partners, CRES (Consortium pour la Recherche Économique et Sociale).



## New paper looks at impact of cigarette affordability on smoking initiation among adolescents in Ghana

Even though Ghana has a relatively low smoking prevalence, more than 5,000 children (10-14 years old) and 804,000 adults (15+ years old) continue to use tobacco each day. A recent article, [Effect of relative income price on smoking initiation among adolescents in Ghana: evidence from pseudo-longitudinal data](#), published by REEP's researchers in the *BMJ Open*, analyzed the impact of cigarette affordability on smoking initiation among young people of Ghana. Hana Ross of REEP and two former REEP members (Micheal Kofi Boachie, currently at University of the Witwatersrand, and Ernest Tingum, currently at University of Namibia) are three of the five co-authors of this paper.



GTSS | GYTS

The authors found that the probability of smoking initiation falls significantly when cigarettes become less affordable. For every 10% decrease in the affordability of cigarettes, smoking initiation among youths is expected to decrease by between 3.7% and 4.9%.

The authors created a pseudo-longitudinal data set for smoking behaviour from the Global Youth Tobacco Surveys (GYTS (2000–2009 and 2017)), and an affordability index, based on the most sold cigarette brand in Ghana. They used a hazard model to determine the impact of a variety of variables on smoking initiation. This was the first study examining the impact of cigarette affordability on smoking initiation in Sub-Saharan Africa. The authors concluded that raising tobacco taxes in line with income growth would make cigarettes less affordable and dissuade adolescents from initiating smoking.

The paper was also co-authored by Mustapha Immurana (from the University of Health and Allied Sciences, Ghana) and Noreen Dadirai Mdege (from the University of York, UK). The research was funded by Canada's International Development Research Centre, Cancer Research UK, the Global Challenges Research Fund, as well as PRICELESS SA.

The paper can be downloaded [here](#).

## Tobacco Control Data Initiative to launch second dashboard soon



Tobacco Control  
Data Initiative

Following the launch of the [South Africa dashboard](#) in 2021, a second dashboard, for Nigeria, will be launched soon.

At least 16,100 Nigerians die annually because of illnesses linked to tobacco use. One factor that can contribute to a decline in tobacco use is the provision of information and data that inform readers of the effects of tobacco.

Through the [Tobacco Control Data Initiative \(TCDI\)](#), [Development Gateway](#), the Research Unit on the Economics of Excisable Products (REEP), and the Nigerian Ministry of Health are working together to develop dashboards and tools to improve, manage, and visualize data on tobacco use and its effects in Nigeria. Stakeholders from different sectors came together to identify data gaps needing to be filled. Secondary data were collected from verifiable sources and at least two expert tobacco-control academics per theme were selected to review the quality and reliability of the content. The dashboard, which is targeted primarily at policy makers, government officials and the media, presents the data and information in a highly digestible way.



The dashboard will feature six themes: (1) Tobacco Prevalence, (2) Tobacco Harm, (3) Illicit Trade, (4) Taxation, (5) Industry Interference, and (6) Shisha Use. The launch of the dashboard is expected to take place in May 2022. For more information about the Nigeria dashboard and the proposed launch, contact Seember Joy Ali at [sali@developmentgateway.org](mailto:sali@developmentgateway.org).

## Study on tobacco pricing and packaging strategies concludes

A five-year project, which examined the impact of tobacco pricing and packaging strategies on tobacco use and equity in middle-income countries, came to an end in March 2022. This project was a collaborative project between REEP members and colleagues in South America and Vietnam. While some of the work was done separately by each country team, some was collaborative.

The aim of the project was to examine the impact of tobacco pricing and packaging strategies on tobacco use and equity in Chile, Colombia, Ecuador,



South Africa, and Vietnam. The team studied the impact of tobacco prices on smoking onset, smoking cessation, and tobacco consumption. The team also investigated the impact of plain cigarette packaging on cigarette demand using a discrete choice experiment. Corne van Walbeek, Hana Ross, and Nicole Vellios were involved in this project over the full five years. Several postdocs have been involved at various times, including Abel Nyagwachi, Alfred Mukong, Zachary Gitonga, and Micheal Boachie.



The final two research papers from South Africa are on smoking cessation and plain packaging. The results are being finalised and will be submitted as part of Nicole's PhD dissertation. The smoking cessation paper focuses predominantly on the effect of price on a smoker's decision to quit. The results indicate that a 10% increase in the price of cigarettes results in a 5.5%–8.6% increase in quitting. The results from the discrete choice experiment indicate that, among smokers and non-smokers, plain packaging with graphic health warnings decreases consumers' utility from cigarettes and increases perceptions of health harm. The results of the discrete choice experiment will be used to advance the implementation of plain packaging in South Africa. Although plain packaging was proposed four years ago in the draft Control of Tobacco Products and Electronic Delivery Systems Bill, it has not been passed.

The global team is currently finalising two systematic reviews. The one is on choice experiments that examine plain packaging, and the other is on socioeconomic differences in the effect of price and tax increases on tobacco use in low- and middle-income countries.

The South African team was funded by the International Development Research Centre and the South African Medical Research Council, and the research was conducted under the umbrella of the Global Alliance for Chronic Diseases, a global alliance of health research funders. We thank them for their support. To date (March 2022), 18 research papers funded by this grant have been published in peer-reviewed journals. 11 of these involve UCT researchers. Read the full list [here](#).

## Knowledge Hub workshop on tobacco taxation attracts more than 200 delegates

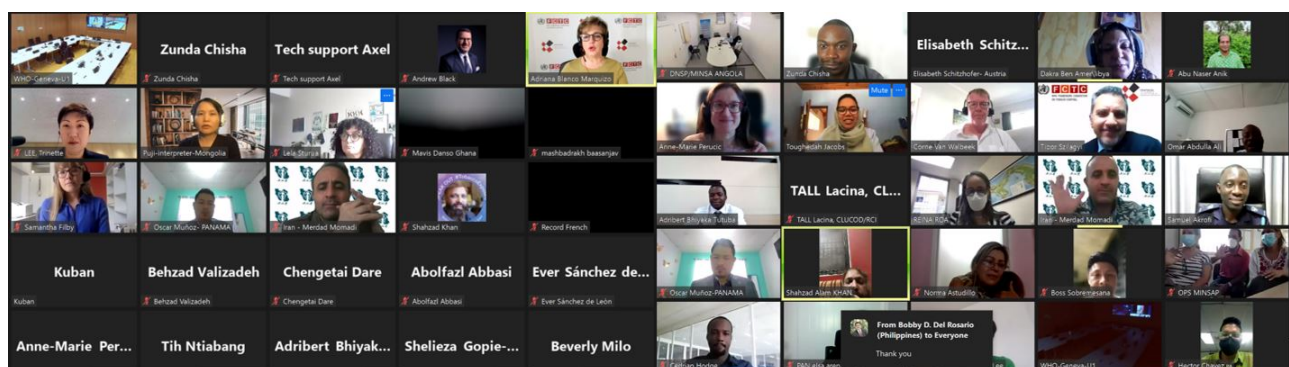
In the week of 14-18 March 2022, the WHO FCTC Knowledge Hub on Tobacco Taxation, together with the WHO FCTC Convention Secretariat, conducted a 5-day virtual workshop on tobacco taxation. The workshop was designed for policy makers, government officials from Ministries of Finance and from Tax Authorities, Customs and Health.

Dr. Adriana Blanco Marquizo, Head of the WHO FCTC Secretariat, opened the workshop. Partners from the WHO's Fiscal Policies and Health Promotion Unit, the United Nations Development Programme (UNDP), together with members of REEP, presented papers on a range of issues. These included basic economic concepts, the rationale for tobacco taxation, how to counter the industry's claims that tobacco taxation is detrimental, and basic excise tax modelling. The three-hour sessions were lively and very interactive, attracting about 200 participants from over 80 countries on any given day.

The workshop was funded by the FCTC 2030 Project.

In the subsequent week, a more focused workshop was held for six countries, i.e., Armenia, Eswatini, Fiji, Ghana, Mongolia, and Panama. A Tobacco Excise Tax Simulation Model was developed for each country, under the individualised guidance of a member of REEP. The aim of the model is to describe the current tobacco tax situation in each country, but also to quantify the likely impacts on consumption and government revenues should these countries decide to change the excise tax structure and/or level. The results from the simulation models can then be used to lobby for appropriate changes in excise tax policy.

Another week of focused workshops is planned for the week of 28 March 2022. The countries that will be hosted are Burkina Faso, Iran, Pakistan, Syria, and Yemen, while Tanzania will have a separate session in early April.



The WHO FCTC Knowledge Hub on Tobacco Taxation was recently awarded a new grant by Cancer Research UK. The grant will allow the Knowledge Hub to continue providing technical support with great depth of focus to LMICs around the world and will run for 18 months. We are very grateful to Cancer Research UK for their continued support.



## Inaugural lecture by Richard Van Zyl Smit



On Wednesday, 9 March 2022, Prof Richard van Zyl-Smit presented his inaugural lecture entitled: “Where there is smoke there is fire: Facing the giants of Tobacco, Industry and Academia without getting burnt”, as part of the Vice-Chancellor’s Inaugural Lecture Series at UCT.

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## REEP in the News

- The budget speech was delivered on 24 February 2022. Sam Filby and Corné van Walbeek wrote an opinion piece that was published in Business Day: [Health taxes: some observations from the 2022 budget](#). They argued that this year’s tax increases are so small they will have only a limited impact on public health.
- Sam Filby was interviewed on SAFM radio, talking about the excise tax increases from the Budget Speech in a mediated conversation. Listen to the segment [here](#).



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:

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