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

with the  
**WHO FCTC Knowledge Hub on Tobacco Taxation**

Newsletter #26, July 2023

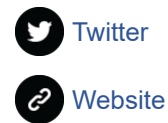
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## Director's Message

Dear friends,



Recently the government called for the public to [comment](#) on the **Control of Tobacco Products and Electronic Delivery Systems Bill**. This Bill has been gathering dust for nearly five years. It will replace the Tobacco Products Control Act of 1993, and its subsequent amendments. Should this bill be passed it will align South Africa's tobacco control legislation with the Framework Convention on Tobacco Control.

The deadline for submitting comments about the proposed legislation is Friday, 4 August 2023.

The main aspects of the proposed legislation are the following:

- Ban smoking in all indoor public places and certain outdoor areas,
- Ban the sale of cigarettes through vending machines;
- Implement plain packaging with graphic health warnings;
- Ban the display of tobacco products at point-of-sale; and
- Regulate electronic nicotine delivery systems (ENDS) and electronic non-nicotine delivery systems (ENNDS) as tobacco products.

REEP is finalising its submission at the time of writing this newsletter. We will place our submission on the REEP website in the next few days.

In this edition we report on a number of activities where REEP members have spoken: at the

International Health Economics Association Conference in Cape Town, at an online workshop on the funding of health awareness campaigns, and at a high-level meeting on tobacco taxation for the WHO Eastern Mediterranean region. On the alcohol front, we report on a set of consultations that were held between the Western Cape government and various stakeholders, where Sam and I were the main presenters.

For the past four years, REEP has been partnering with Development Gateway to support tobacco control advocates, government officials and the media, by providing them with user friendly “dashboards” on a variety of aspects related to tobacco and tobacco control. These countries include the **Democratic Republic of Congo (DRC)**, **Ethiopia**, **Kenya**, **Nigeria**, **South Africa** and **Zambia**. This project is drawing to a close. In this letter we publish some of the recent developments in the **DRC**, **Kenya** and **Nigeria** regarding this project.

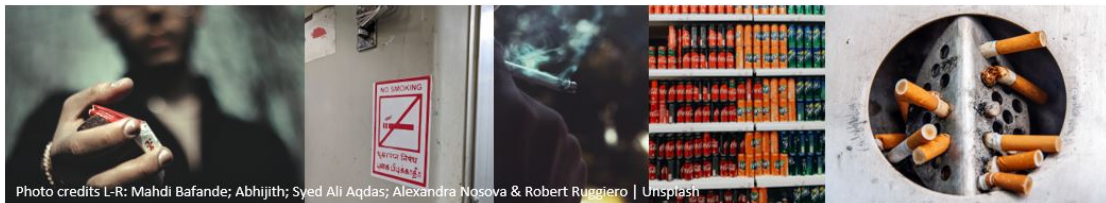
We also report on a **paper on e-cigarette taxation** published by Nicole and I in Econ 3x3, and highlight media coverage in the usual “**In the news**” slot. Finally, Zunda and Sam made us proud by being **awarded a competitive grant** by the WHO Alliance for Health Systems and Policy Research to investigate the development of health taxes in Zambia.

As always, feel free to contact us if you have any comments or suggestions.

Best regards

**Corné van Walbeek**

Director: Research Unit on the Economics of Excisable Products



## Knowledge Hub presents at EMRO High level meeting (for Ministers of Health and Ministers of Finance)

On 6 June 2023, Corné represented REEP and the Knowledge Hub at an online meeting for high-level officials of at least 19 countries of the Eastern Mediterranean region. Eleven Ministers of Health, two Ministers of Finance, and numerous other officials from a variety of Ministries, attended the meeting.



The aim of the two-day meeting (6-7 June 2023) was to provide an overview of the important public health and fiscal consequences of increasing tobacco taxes, and to encourage countries in the region to implement better tax structures and higher tax rates. The meeting was organized by the EMRO Regional Office.

Corné’s presentation was entitled “Illicit trade in tobacco products: Is it related to tax increases?”. In his presentation he emphasised the following:

- the various forms in which illicit trade can happen;
- the tobacco industry’s record of involvement in the illicit tobacco trade, either directly or indirectly;
- the fact that illicit trade is much more the result of poor enforcement and weak legislative and governance structures, than high and increasing tax rates;
- that, even when there is illicit trade, governments can get public health and fiscal benefits by increasing the excise tax (albeit to a lesser extent than if there is no illicit trade); and
- governments should ratify the Protocol to Eliminate Illicit Trade in Tobacco Products and implement its provisions.

Other presenters of technical sessions were:

- Ms Anne-marie Perucic, WHO. Taxing tobacco and nicotine products is a key regulatory approach for tobacco use in the Eastern Mediterranean Region.
- Ms Ceren Ozer, The World Bank. Taxes are essential for continued national growth.
- Dr Jeffrey Drope, University of Illinois at Chicago. Using new tax revenues to support health service provision.

According to Ms Fatimah el-Awa, the Tobacco Free Initiative Regional Adviser for the WHO EMRO region, this is the first high level meeting that exclusively focused on tobacco taxation. Whereas the region was lagging the rest of the world in tobacco taxation for many years, the introduction of tobacco excise taxes in many Gulf Cooperation Countries in 2016, has improved the situation. It is hoped that this high-level meeting will provide additional stimulus to countries to implement higher excise taxes.

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## REEP members present at health economics conference in Cape Town

The International Health Economics Association (IHEA) holds a congress every second year, where health economists from around the world engage around the latest methodological developments, present recent research findings, and explore the implications of this research for health policy and practice. Nicole, Kirsten and Zunda attended the 15th IHEA World Congress on Health Economics at the Cape Town International Convention Centre from July 8-12, 2023.



On 10 July, Kirsten presented a paper titled: '**How Much to Pay for a Track and Trace System: A Simulation Model for South Africa**'. The presentation outlined a simulation model that estimates the maximum amount that the authorities should pay for a track and trace system, given a certain level of efficiency of such a system.

The study provides a “break-even” track and trace stamp price, which is the price (per pack) at which the total cost of the track and trace system would be exactly equal to the additional revenue generated by implementing such a system. Based on the scenario analysis, this price was between R2.68 (US\$0.17) and R5.24 (US\$0.34) in 2020. The break-even price would have increased in recent years, given the rise in illicit trade in the country.

If the government were to implement a track and trace system at a price below the break-even price, there would likely be a net gain (in terms of revenue) of implementing such a system. Other benefits would be a reduction in tobacco use, and a reduction in the illicit trade. The simulation model can be customised to any country context with sufficient data. The published paper, on which the conference presentation was based, was authored by Kirsten, Corné and Hana, and can be found [here](#).

On 12 July, Nicole presented findings from one of her PhD thesis chapters at the same conference. The title of her presentation was 'The Impact of Cigarette Packaging and Price on University of Cape Town Students' Smoking Behaviour'. The aim of the study was to investigate whether plain cigarette packaging reduces smokers' and potential smokers' utility from smoking. Preferences were elicited using a discrete choice experiment. Data were collected in 2021 from University of Cape Town students. Both smokers and non-smokers were sampled.

Nicole found that smokers reported preferring not to buy plain packs and non-smokers preferred not to try plain packs. In terms of health risk, both smokers and non-smokers perceived plain packs to be the most risky to health. These results strongly support the proposed legislation (currently the Control of Tobacco Products and Electronic Delivery Systems Bill) that aims to introduce plain packaging in South Africa. The thesis is available [here](#).

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## Knowledge Hub Programme Director participates in webinar on financing public awareness programmes

On 1 June 2023, the WHO FCTC Secretariat's Knowledge Hub for Article 12 held a webinar on financing public awareness programs and actions in tobacco control. Article 12 of the FCTC is about raising awareness among the public about the harms of tobacco. The webinar aimed to explore effective mechanisms to raise awareness about tobacco control programmes, and provided valuable examples of how to implement and structure such mechanisms.

Zunda Chisha, representing the Knowledge Hub, presented on the potential of tobacco taxation to raise domestic resources for an effective awareness campaign. The webinar also featured presentations from esteemed organizations like the French Ministry of Health, Vital Strategies, and UNDP. They shared

valuable insights into governance mechanisms for existing funds and effective advocacy techniques to target decision-makers to obtain funds for awareness raising programs.

## A minimum unit price on alcohol and trading times restrictions in the Western Cape?

The Western Cape Government has identified alcohol misuse in the province as a serious issue, and is considering implementing a minimum unit price (MUP) and imposing restrictions on the trading times of onsite liquor outlets. In the week of 17 July 2023, two REEP members involved in these studies made online presentations to various stakeholders: Western Cape government officials, industry, and civil society organisations.



With the support of the DG Murray Trust, Corné and colleagues from the UK and South Africa investigated the rationale for an MUP and aspects related to its practical implementation. An MUP will raise the price of the cheapest alcohol; it has no impact on more expensive alcohol. Based on data obtained from the National Income Dynamics Study of 2014, they found that, in line with the international experience, heavy drinkers tend to purchase much cheaper alcohol than moderate drinkers. This makes an MUP a particularly well targeted measure to reduce heavy drinking.

Sam conducted a study on the likely impact of a reduction in trading hours of onsite liquor outlets, e.g. bars, shebeens and taverns. Specifically, she considered three closing times: midnight, 1:00 am and 2:00 am. Unsurprisingly, she found that earlier closing times would result in a reduction in alcohol-related harms, and that the impact would be greater the earlier these outlets close.

Both Corné and Sam emphasised that while these two interventions are effective at reducing alcohol-related harms, they should not be seen as silver bullets. By themselves, their impact is modest. However, they would be important pillars in a comprehensive alcohol harms reduction strategy.

The papers on which Corné and Sam's presentations were based, are available here:

- Trading Hours Phase 1 – [Final DGMT Report](#)
- Trading Hours Phase 2 – [Final DGMT Report](#)
- Minimum Unit Pricing – [Phase 1.1 Modelling Impact of MUP](#)
- Minimum Unit Pricing – [Phase 1.2 Case Study Report](#)
- Minimum Unit Pricing – [Phase 2.1 Research and Drafting of Minimum Unit Price Implementation Guidelines for Western Cape Government](#)
- Minimum Unit Pricing – [Phase 2.2 Health and Economic Impacts](#)

## Website to support tobacco control initiatives in Kenya launched



In partnership with Kenya's Ministry of Health, Development Gateway created the Tobacco Control Data Initiative (TCDI) Kenya dashboard ([kenya.tobaccocontroldata.org](https://kenya.tobaccocontroldata.org)).

The dashboard was launched in Nairobi on April 19, 2023. This is a "one-stop shop" to access the relevant data that Kenya's policymakers need to advance tobacco control implementation. The dashboard is one of several country-specific platforms that Development Gateway designed in collaboration with REEP.

Specifically, the dashboard highlights smoking prevalence, tobacco taxation, tobacco industry interference, tobacco farming and cessation of the use of tobacco products. Detailed information about two more topics, namely enforcement of existing tobacco laws and health burden of tobacco use, will be published in the coming months

In addition to Kenya's dashboard, TCDI country dashboards exist for [South Africa](#), [Zambia](#), [Nigeria](#), [Ethiopia](#) and [the Democratic Republic of Congo](#); all were developed as part of the TCDI

**Program** that Development Gateway implements, and which is supported in partnership with the Bill & Melinda Gates Foundation.

## First phase of TCDI dashboard is launched in the DRC

On May 29, 2023, Development Gateway, in partnership with the Ministry of Health launched the first phase of the Tobacco Control Data Initiative (TCDI) **dashboard** for the Democratic Republic of Congo. This launch is the culmination of a long process of consultation, research and the development of content for the dashboard.

Development Gateway initiated the process by assessing the gaps and needs related to tobacco control data in the country by interviewing various stakeholders in the government and the public health community. These interviews were followed by a co-design workshop in 2021. Discussion with stakeholders resulted in the identification of six priority areas for tobacco control data: (1) prevalence of tobacco use, (2) tobacco control legislation, (3) industry interference, (4) health effects, (5) illicit trade, and (6) taxation.

The first three thematic sections were launched in May 2023 in French. The remaining three sections are under construction and are planned for release in September 2023. The dashboard will be available in English as well as French soon after. The dashboard has been received well by tobacco control stakeholders in the country.



According to one user *"Data on smoking in the DRC is old and scattered! Fortunately, the project with Development Gateway provides a solution and enables us to update smoking data in the DRC"* and *"This tool will be very important for researchers, humanitarians and the government to access data that was previously difficult to access - it will be used for fundraising and making decisions related to tobacco control in the country"*.

The website is available [here](#).





## Study on shisha smoking in Nigeria is published on TCDI dashboard

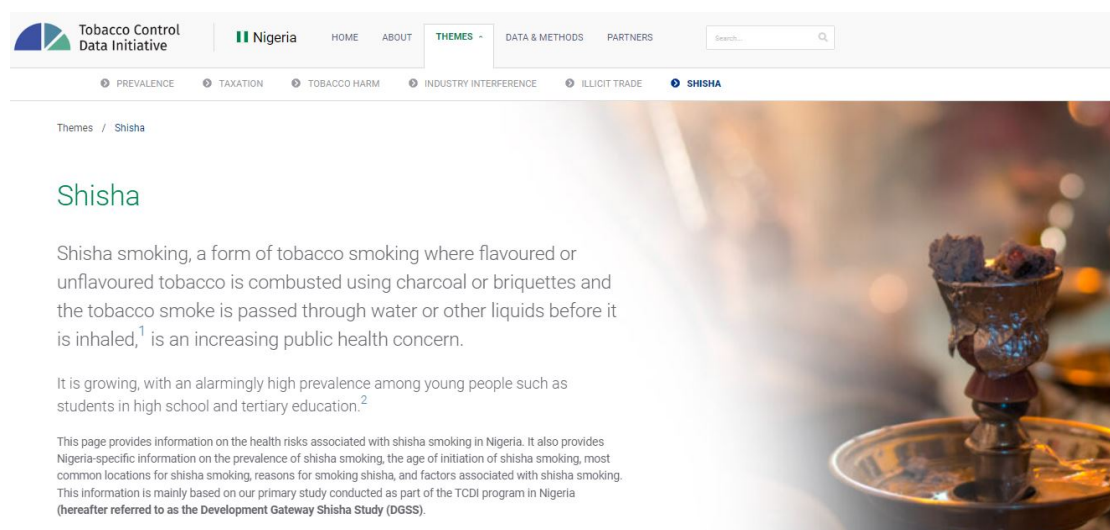
Recently the Tobacco Control Data Initiative published the results of a study that investigated a number of aspects related to shisha smoking in Nigeria. The study was based on a quantitative survey of 611 shisha smokers and 667 non-smokers, and qualitative interviews with 78 current shisha smokers.

The study found that about 13.5% of current shisha smokers smoked it daily, while the remaining 86.5% smoked it less than daily. About a quarter of male shisha users smoked it daily or on most days of the week; a substantially greater percentage than among female shisha users (10.7%).

Like cigarette smoking, most shisha users start using the product in adolescence or early adulthood. The mean age of shisha smoking initiation was 22.6 years; 90% of shisha smokers started the habit before age 30.

The survey indicated that the most common places where shisha is smoked is in bars, clubs, lounges, cafés or restaurants. The main reasons why people use the product is because of the flavours, perceived pleasure, perceived social benefits, perceived physical and neurological benefits, curiosity about shisha, using it as a coping mechanism, and availability of the product. For more information about the survey and the underlying data, go to:

<https://nigeria.tobaccocontroldata.org/en/home/shisha/>



## REEP researchers raise concerns with the new e-cigarette excise tax

On 10 July 2023, Econ3x3 published an article titled '[New vaping tax misses the mark](#)', written by Nicole and Corn . In this paper, they analyse the vaping industry's claims regarding the impact that the new vaping tax, introduced on 1 June 2023, would have on e-cigarette prices.



In [one article](#) the industry claims that the excise tax will increase the retail price of e-cigarettes by more than 100%. [Another article](#) claims that the retail price will increase by 217%.

The analysis shows that the new tax will affect disposable the prices of e-cigarettes the least, and the prices of e-liquids sold in large containers the most. Under the current tax of R2.90 per ml, a 3ml AirsPops disposable e-cigarette is subject to an excise tax of R8.70, plus 15% VAT on excise (R1.31), which would increase the price of a unit from R95 to R105.01. The excise tax incidence is only 10%.

Per millilitre of e-liquid, the larger containers are currently relatively cheaper than the smaller containers, and their prices are thus more affected by the e-cigarette tax. For example, Vaperite sold 100 ml of Spook e-liquid for R280 (irrespective of nicotine strength) before the imposition of the excise tax. The new tax on 100ml of Spook e-liquid will be R290. Adding the VAT on excise ( $R290 \times 0.15 = R43.50$ ), implies that the retail price would increase to R613.50 (assuming full pass-through), a more than 119% price increase, and a total tax incidence of 54%.

In the article, Nicole and Corn  argued that in order to address the anomaly that the new tax affects disposables the least and e-liquids sold in large containers the most, the government should implement a minimum excise tax amount per unit or container. They suggested a minimum tax amount of R50 per unit/container. Such a minimum amount would have no additional tax impact for e-liquid containers containing more than 17.5 ml of e-liquid, but would have an impact on small-volume containers, especially disposables. For example, should a minimum specific tax of R50 per unit be introduced, the tax incidence on a 2ml Vuse disposable e-cigarette would increase from 6% to 37%. The tax incidence of e-liquid sold in units of 17.5 ml or more, would remain the same.

By focusing only on large containers, the industry has created the impression that the tax increases will have a large impact on the prices of all vaping products. However, these large containers comprise only a modest proportion of the market. Most vaping products will experience only limited price increases under the new tax. A concern for the public health community should be that vaping products that are most used by youth (i.e., the disposables) are subject to the lowest tax burden.

The full article is available [here](#).

## Two REEP colleagues win competitive grant to study health taxes in Zambia



Zunda and Sam recently heard that they have been awarded a competitive grant by the WHO Alliance for Health Systems and Policy Research to conduct a research study on health tax policy development in Zambia. The study aims to understand the political economy aspects of the development of health taxes in Zambia, focusing on alcohol and tobacco. While REEP often focuses on the technical aspects related to health taxes, this study focuses on the process of policy making. The study aims to conduct an in-depth analysis of the factors influencing the development of optimal health tax reforms in Zambia.

Zunda is the Programme Director and Sam is the Programme Manager of the Knowledge Hub on Tobacco Taxation. They will collaborate with researchers from the University of Zambia, including Prof. Felix Masiye from the Department of Economics and Dr. Chitalu Chiliba from the Institute of Economic and Social Research. The study's findings are expected to provide valuable insights to policymakers and stakeholders, paving the way for advancing health tax reform in the country.

## Goodbye to Chengetai Dare

## Goodbye to Chengetai Dare

Stellenbosch University. Chengetai joined REEP in November 2019, and, with his gentle and kind demeanour, became a much appreciated member in the unit. During the nearly four years that Chengetai was with us, he worked on the Tobacco Control Capacity Project (TCCP), with colleagues from the UK, Africa and Asia.



He co-authored a number of papers, among others on [debt among tobacco farmers in Zimbabwe](#), [smoking experimentation in the Gambia](#), the [price elasticity of demand for cigarettes in SA](#), and a short chapter on a [minimum unit price for alcohol in the Western Cape](#). He currently has a paper under review that considers media exposure on the 2020 tobacco sales ban.

Chengetai has joined [Priceless](#), a public health research unit led by Professor Karen Hofman. The unit consists of a number of public health specialists. They have conducted research in various fields, including an evaluation of the Health Promotion Levy on sugar-sweetened beverages, reducing the quantity of salt in bread, and in alcohol policy. Chengetai will join the Priceless team as their economist.

Priceless's gain is our loss, but at least it is not a loss to the South African public health community as a whole. We wish Chengetai all the best as he ventures a new phase of his life.

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## In the news

- Kirsten van der Zee wrote an [opinion piece](#) for Daily Maverick, published on 10th July, where she discussed results of a recent e-cigarette survey in South Africa. This survey was conducted for the Tobacco Control Data Initiative project in collaboration with Development Gateway. The article was also cited in [Juta Medical Brief](#).

DAILY MAVERICK

DEFEND TRUTH

VAPING OP-ED

### Legislative limbo on e-cigarettes must end to close the information gap on health risks



(Phelelo Chigizak / Qu Intere de Graaf)

By Kirsten van der Zee

10 Jul 2023

- Corné Van Walbeek spoke to Lester Kiewit on [Cape Talk Radio](#) on 2 June, about South Africa's newly-introduced e-cigarette tax and why it may not be enough to reduce vaping.



Sam Filby wrote an article for The Conversation, published on the 29th May, about the results and likely health and economic impacts of restricting the hours of onsite alcohol consumption in the Western Cape.



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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