

REEP: Research on the Economics of Excisable Products

Newsletter #1, May 2019

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Message from the Director



Welcome to the first newsletter of REEP (Research on the Economics of Excisable Products), the newly-launched research unit that comprises the Economics of Tobacco Control Programme (ETCP) and the WHO FCTC Secretariat's Knowledge Hub on Tobacco Taxation and Illicit Trade.

You are receiving this letter because you have been involved in, or have had contact with, the ETCP in the past. We are still working on creating a logo and an exciting visual identity for REEP, thus the rather bland appearance of this first edition. We look forward to sharing a branded version with you next time.

We intend this e-newsletter to be published every two months, giving us an opportunity to showcase some of the research and capacity building activities performed by members of REEP. We also hope that this new channel of communication will inspire policy makers and researchers to contact us on matters related to tobacco tax and illicit tobacco trade.

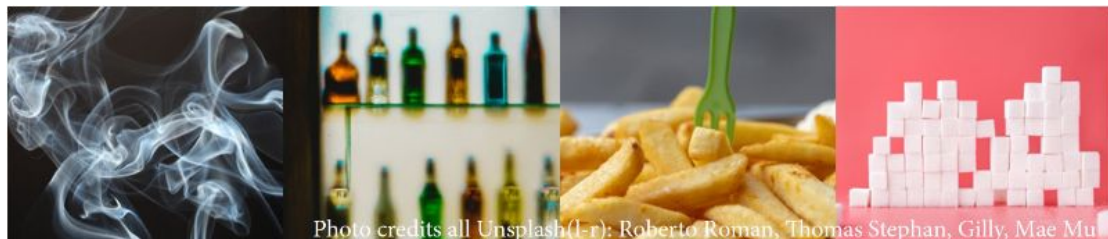
In this issue, which fortuitously coincides with World No Tobacco Day [#WNTD2019](#), we explain the [structure of REEP](#), and how it links to the ETCP and the Knowledge Hub. We discuss an exciting, newly-launched collaborative [project](#) focusing on tobacco taxation in West Africa. You can also read a profile of [Jean Tesche](#), a consultant for REEP, who has vast experience in tax administration systems. We highlight recent [publications](#) by members of REEP, covering research on the illicit trade in cigarettes in the Gambia, and the demand for cannabis in South Africa. Finally, we look back at some of the [highlights](#) from recent workshops and conferences, before looking ahead to our [upcoming events](#).

We trust that you will find this newsletter interesting. Feel free to [contact us](#) for more information.

Corné van Walbeek

Director: REEP

What is REEP?



Research on the Economics of Excisable Products (REEP) is a newly-established research unit in the School of Economics at the University of Cape Town. Its predecessors, the Economics of Tobacco Control Project and the Knowledge Hub on Tobacco Taxation and Illicit Trade, were projects in [Saldru](#), the oldest and largest research unit in the School of Economics at the University of Cape Town.

Whereas a project is time-bound, a research unit has longevity far beyond the lifespan of any individual project. It also has a management structure that makes it less dependent on any one particular person.

The primary focus of REEP is on tobacco control, however, as the name of the unit indicates, we deal with all excisable products. In the past, we have done some research on [alcohol policy](#); alcohol abuse in South Africa is a major challenge, and deserves more attention than it currently gets. In 2018, South Africa introduced a tax on sugar-sweetened beverages. We have done a limited amount of research on these products, and have been involved in some collaborative projects with colleagues at the Wits School of Public Health.

REEP has two main focus areas, academic and policy orientated, grouped into two major projects. The academic work, i.e. supervision of students and postdoctoral fellows, writing and publishing of papers, and academic capacity building, happens under the banner of the [Economics of Tobacco Control Programme](#) (previously the Economics of Tobacco Control Project). The policy work, i.e. supporting government officials in implementing better tax systems and more effective taxes, providing in-country technical assistance and running workshops for government officials, is done under the banner of the [Knowledge Hub](#).

The distinction between these focus areas is sometimes blurred. Our academic work gives REEP the credibility to speak with authority about tax and illicit trade. On the other hand, our interaction with policy makers alerts us to research opportunities that are relevant and appropriate. Many members of REEP are affiliated to both the Knowledge Hub and the ETCP.

The research team in REEP consists of the Director [Corné van Walbeek](#), one principal research officer [Hana Ross](#), one senior research officer (Laura Rossouw), four full-time research officers [Samantha Filby](#), Senzo Mthembu, [Kirsten van der Zee](#) and [Nicole Vellios](#), two part-time research officers [Zunda Chisha](#) and Vanessa Darsamo), two consultants (Megan Little and Jean Tesche) and five postdoctoral fellows (Bertha Bangara, Michael Boachie, Abel Nyagwachi, Ernest Tingum and Nana Yaa Ayifah). Toughedah Jacobs is the Director of the Knowledge Hub, and Ntombi Mbawa and [Sharon de Bruyns](#) are the administrators.

Our funding comes from a variety of sources. Our single biggest funder is the Bill & Melinda Gates

Foundation, who fund tobacco control efforts in Africa through the [African Capacity Building Foundation](#). Other important funders are Cancer Research UK and the International Development Research Centre in Canada. We receive no funding from the tobacco or alcohol industries.

Launch: IDRC/CRUK project in West Africa



Tobacco tax reform in West Africa

Project funded by IDRC and CRUK

REEP, together with partners *the Consortium pour la recherche économique et sociale (CRES)* and *The International Centre for Tax and Development*, will be undertaking a three year project focusing on tobacco taxation in West Africa. The project will focus on the adoption of the new tax directive by ECOWAS (Economic Community of West Africa States), and provide both regional analysis and in-depth diagnostic and modelling studies in three key countries: Nigeria, Senegal and Ghana.

Designing and conducting the research, and translating it into specific recommendations to be communicated more broadly in order to promote effective policy implementation, will entail the close involvement of West African researchers and policymakers.

The project was officially launched in May, 2019 in Dakar Senegal, following an inception workshop between project partners.

About the Knowledge Hub on Tobacco Taxation & Illicit Trade



FCTC
WHO FRAMEWORK CONVENTION
ON TOBACCO CONTROL

The **Knowledge Hub (KH)** was established on behalf of the World Health Organization (WHO) Framework Convention on Tobacco Control (FCTC) Secretariat, by the ETCP, from a nomination by the SA National Department of Health. We are funded by Cancer Research United Kingdom (CRUK). Our role is to support the Parties to the FCTC by facilitating training, capacity building, technical assistance and knowledge dissemination in the areas of taxation (Article 6) and illicit trade (Article 15).

The KH facilitates workshops and training for government officials (and sometimes employees from civil society organisations) from a variety of countries through its global network. Specific topics include how to: design an efficient tobacco tax system; to measure the size of and/or trends in illicit trade in tobacco products; or to model the likely impact of a change in the excise tax on tobacco consumption, smoking prevalence, and tax revenue.

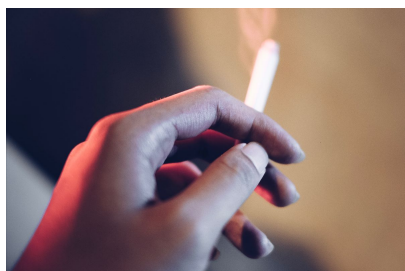
We also provide technical support to individual countries on issues related to tobacco taxation and/or illicit trade, either through the core knowledge hub team, or through members of the KH's global network. This often takes the form of assistance in the development and implementation of priority

projects that begins part of the Knowledge Hub workshops/training programmes. Rather than simply offering Parties technical expertise as an external support, the KH focuses on building capacity – helping governments and civil societies to develop relevant internal capabilities.

The Knowledge Hub also facilitates knowledge dissemination, offering practical insights on the topics of taxation (Article 6) and illicit trade (Article 15) – and provide interested parties with relevant best-practice guidelines. We collate and communicate the latest and most cutting-edge research in these areas. Online resources are separated into those that are publicly accessible (by any member of the public) and those that are available only to approved members of the WHO FCTC Knowledge Hub network. To access our knowledge dissemination platform, visit:

<https://untobaccocontrol.org/kh/taxation/knowledge-dissemination/>

Knowledge Hub: July 2019 Workshop



The Knowledge Hub's workshop on tobacco taxation and tax modelling is planned for 15-19 July 2019, in Cape Town, South Africa. Six countries have been invited to attend - Myanmar, Sierra Leone, Georgia, Samoa, Ethiopia and South Africa.

The workshop will focus on the various economic concepts and theories of tobacco taxation, and will also have practical sessions which will allow attendees to apply the theory learnt at the workshop. It is designed to accommodate a limited number of policy makers, and to address challenges to tobacco taxation in

their countries. Attendees will be able to engage with one another on specific concerns within their country, thereby learning from the other's experience, and strengthening relationships within the region.

Profile: Jean Tesche



In February 2019, Dr Jean Tesche joined the Knowledge Hub on Tobacco taxation and Illicit Trade as a special consultant. Jean brings experience on tax policy, administration, and modeling: particularly tobacco tax modeling. She has taught economics in the US, Hungary and Bosnia and Herzegovina, and has worked with US Treasury's Office of Technical Assistance, the World Bank and the World Health Organization, mostly in the Balkans, Eastern Europe and Africa.

Jean is fluent in Russian and Bosnian/Serbian/Croatian, as well as French - which will provide valuable support to Francophone countries in matters related to tobacco tax modelling, tax administration and illicit trade.

Recently, Jean presented an insightful session on tax administration during a recent ETCP brown bag session. As ETCP has traditionally focused on tax structures, she concentrated on extending the team's understanding of the broader tax environment in most countries.

We had an opportunity to ask Jean some questions about what impacts she thinks the WHO FCTC can make, and learned what surprised her when she first started studying the economic impact of tobacco taxes. We were also keen to find out what she believes the greatest challenges might be, for countries implementing higher excise taxes. To read the full interview, please visit:

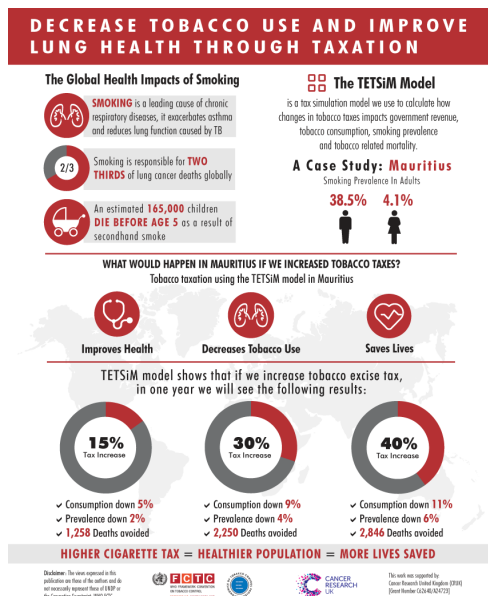
<http://www.tobaccoecon.uct.ac.za/news/interview-with-dr-jean-tesche>

Infographic: World No Tobacco Day #WNTD2019

Every year, on 31 May, the World Health Organization (WHO) and global partners celebrate World No Tobacco Day (WNTD).

In honour of **#WNTD2019**, ETCP published an infographic emphasizing that countries can decrease tobacco use and improve lung health, through tobacco taxation.

Click [here](#) to see a full size version.



Recently published papers:

Corné Van Walbeek's editorial: [Economics of tobacco control \(part 3\): evidence from the ITC Project](#) in *Tobacco Control BMJ*. This supplement contains nine papers based on data collected by the International Tobacco Control Policy Evaluation Project (ITC Project). A key finding is that the excise tax structure is a crucial ingredient in an effective tobacco tax strategy, and that simply increasing the level of the excise tax is not sufficient; the tax system need to be appropriate.

Shaun Riley, Nicole Vellios & Corné van Walbeek's paper: [An economic analysis of the demand for cannabis: some results from South Africa](#), in *Drugs: Education, Prevention and Policy*. The authors estimate the conditional price elasticity of demand for cannabis using data on price, quantity, and quality from a cross-sectional survey of cannabis consumers across SA. Medium-quality cannabis is almost double the price of low quality, while the price of high-quality cannabis is nine times that of low-quality cannabis. Depending on the model specification, the authors estimate that a 10% increase in the price per gram of cannabis is associated with an approximate 5–6% decrease in the quantity demanded.

A study in *Addiction*, by Estelle Dauchy and Hana Ross, titled [“The Effect of Price and Tax Policies on the Decision to Smoke among Men in Kenya”](#). Published 6 May (doi:10.1111/add.14623).

Members of the ETCP served as co-authors for the World Bank's Report titled [“Confronting Illicit Tobacco Trade: A Global Review of Country Experiences”](#). The report was launched in Thailand.

Ernest Ngeh Tingu's blog titled [Tobacco taxation in-country technical assistance mission in Chad](#) on the KH Blog.

Forthcoming papers in *Tobacco Control BMJ* include:

- **Consumption of legal and illegal cigarettes in The Gambia**, by Zunda Chisha, Mohammed L. Janneh and Hana Ross. Despite recent excise tobacco-tax increases, the use of illicit cigarettes in the Gambia is low (about 8.6% of the cigarette market could be illicit) and does not represent a significant obstacle to reaching either the public health or fiscal goals of higher tobacco taxes.
- **The impact of tax increases on illicit cigarette trade in Mongolia**, by Hana Ross, Nicole Vellios, Tsetsegsaikhan Batmunkh, Myadagmaa Enkh-tsogt and Laura Rossouw. The Mongolian government increased import tobacco tax by 30% in May 2017 and excise tobacco tax by 10% in January 2018. To assess the impact of these tax increases on illicit cigarette trade, we estimated illicit trade before and after tax increases by collecting data over 3 rounds. The share of illicit cigarettes declined between rounds 1 and 2 despite the import tax increase, and this trend continued in round 3 despite the excise tax increase.

In the news:

Op-eds in the national press by Corné van Walbeek and Grieve Chelwa:

- Business Day: [SA ranks sixth globally as a nation of drinkers](#) 4 March 2019.

Business Day: Is it time to introduce a minimum unit price on alcohol? 14 April 2019.

Sunday Times: No more cheap drinks could mean fewer cheap drunks 19 May 2019.



Radio interviews:

- SA-FM, 27 May: Corné Van Walbeek featured in a discussion on whether raising the price of alcohol would reduce alcoholism. Panelists included Ms Fanny Mokoena, President of the Gauteng Liquor Forum, and Dr Jan Chabalala, Psychiatrist SADAG (South African Depression and Anxiety Group). Listen [here](#).

Events: recent

13-14 May, Bangkok: Toughedah Jacobs attended the Knowledge Hub Directors' meeting, with six out of the seven KHs attending. The aim of the meeting was to address managerial issues, and increase efficiency of and the coordination among the hubs. It was a great opportunity for the KHs to meet, learn from each other, and draw on support from the Secretariat. In addition, issues such as fundraising, improved information exchange, web management, collaboration between Knowledge Hubs and analysis of Parties' FCTC reports were discussed.



14 May, The Gambia: Hana Ross attended a stakeholders meeting organized by the Tobacco Control Capacity Program (TCCP), which represented an opportunity to disseminate our illicit cigarette trade study conducted in The Gambia. The meeting was attended by about 25 participants, including a representative from the Ministry of Health.

Events: upcoming

8-12 July, Pretoria: Kirsten van der Zee, Sam Filby and Corné **Van Walbeek** (all members of the ETCP) will give a presentation at the **GTAC Winter School**; an initiative by National Treasury to stimulate interest in public sector economics. One strand of the workshop will look at how policy makers can use taxes to influence behaviour and improve public health. The ETCP team will discuss excise taxes on tobacco, alcohol and sugar-sweetened beverages in South Africa. Click [here](#) for more information.

September 2019, Johannesburg: The REEP team will submit a proposal for a study of SA's progress in tobacco control, for the **Economic Society of South Africa's biennial conference**. This year's theme is "25 years of democracy in South Africa". For more information visit: <https://2019.essa.org.za>.



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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