



REEP: Research Unit on the Economics of Excisable Products

with the

WHO FCTC Knowledge Hub on Tobacco Taxation & Illicit Trade

Newsletter #13, May 2021

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Director's Message



Dear Friends

On 31 May 2021 we celebrate World No Tobacco Day. This day has been commemorated since 1988. This year's theme is "Commit to Quit". Despite its addictiveness, many smokers have successfully quit smoking. We saw that during the sales ban in 2020, when [between 8% and 15% smokers quit smoking](#), at least temporarily.

The evidence is undisputed that raising the excise tax is a particularly effective way of encouraging smokers to quit smoking, and discouraging people from starting smoking. Some are able to quit cold turkey. However, many people require support in the form of counselling, nicotine replacement therapies, or both. Sadly, in South Africa, these support networks are not well developed. There are a few quitlines run by health NGOs, but none by government. In an opinion piece published yesterday in [The Conversation](#), we call on government to be more proactive in providing support for smokers to quit

smoking.

An exciting event on World No Tobacco Day on Monday 31 May is the launch of the South African [Tobacco Control Data Initiative \(TCDI\) website](#). This website, which provides easily accessible tobacco-related data, has been developed by Development Gateway and REEP, in consultation with numerous partners including the National Department of Health. For more details on this project, please see [below](#). The launch of the TCDI is one of a number of events happening on Monday, 31 May 2021 starting at 10am. If you have not already done so, please register to join the online launch [here](#).

In this newsletter we report on a [virtual workshop on illicit trade](#) with officials from the Ministry of Finance in Georgia. We also report on the launch of the [WHO manual on tobacco tax policy and administration](#) in April. Although this publication is completely independent of REEP, some REEP members were involved in the writing of this manual. It is a great resource for policymakers, tax officials and other people with an interest in tobacco control.

Although it is still early days for them, four Economics Honours students at UCT are writing their [long papers](#) on various aspects of tobacco, alcohol and sugar-sweetened beverages. We briefly profile their work in this edition of our e-newsletter.

Recently REEP was awarded a contract to perform a [study on implementing a minimum unit price \(MUP\) on alcohol in the Western Cape Province](#) in South Africa. A [previous study](#) by REEP members has shown that an MUP on alcohol is particularly effective in reducing alcohol use among heavy drinkers in South Africa, primarily because heavy drinkers tend to consume very cheap liquor. This study has a lot of political backing; in October 2020 the Premier announced that the Western Cape Government intends to implement an MUP.



We trust that you will enjoy this newsletter. As always, if you have any questions or comments, please contact us.

With best regards

Corné van Walbeek

Director: Research Unit on the Economics of Excisable Products



Photo credits L-R: Zuriela Benitez; Anaya Katlego; David Becker; hopefilmphoto | Ali Unsplash

The South Africa Tobacco Control Data Initiative website launches on World No Tobacco Day, 31 May 2021



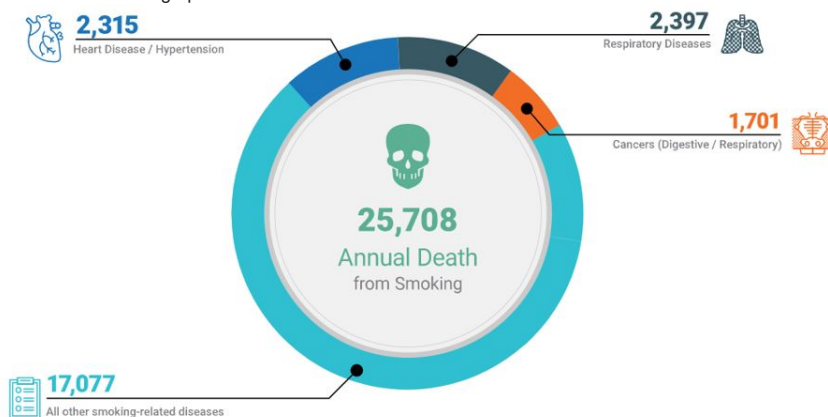
Since early 2020, Development Gateway, in partnership with REEP, has engaged many individuals in South Africa about their data requirements in tobacco control. That information, combined with primary and secondary research, has culminated in a brand-new public website with local information on tobacco control – the [South Africa Tobacco Control Data Initiative](https://southafrica.tobaccocontroldata.org/).

The website provides policy makers, civil society, academia and the public with accurate, representative and comprehensive data on a variety of topics pertinent to tobacco control in South Africa. These include disaggregated smoking prevalence, the health burden of tobacco on the South Africa economy, effective tobacco control policies, illicit cigarette consumption and e-cigarette use in South Africa. The website can be accessed at <https://southafrica.tobaccocontroldata.org/>.

The website will be launched on World No Tobacco Day, 31 May, in partnership with the National Department of Health, the Campaign for Tobacco Free Kids and many other partners. Please join us for this virtual event on Monday 31st May from 10am to 12pm SAST by registering via this [link](#).



Website features include the [Health Burden of Tobacco Page](#), which indicates that tobacco use costs South Africa R42 billion every year due to healthcare expenses and productivity loss. In 2016 there were an estimated 25,708 deaths from smoking-related causes in South Africa. The website uses charts and infographics to contextualise the results.



The [Impact of Policy Page](#) explores the policies that are effective for helping people quit tobacco. The website provides information and success stories from other countries to provide context for the situation in South Africa.



Lessons Learned from the Global Tobacco Control Movement

Increasing numbers of countries are implementing tobacco control policies, ranging from graphic warnings and advertising bans to increases in excise taxes and the introduction of smoke-free laws.

15% (1 billion)

of the world's population was covered by at least one tobacco control measure in 2007



65% (6 billion)

of the world's population was covered by at least one tobacco control measure in 2019⁹

There is a wealth of information on the website, and we encourage you to explore. Over time, the site will be updated with additional information.

DG and REEP would like to thank all the partners that worked with us in building this website, including the National Department of Health, the National Council Against Smoking, Sefako Makgatho Health Sciences University, the Campaign for Tobacco-Free Kids, the Human Sciences Research Council, the Cancer Association of South Africa, the Heart and Stroke Foundation of South Africa, the TAG (Tobacco, Alcohol and Gambling Advisory, Advocacy and Action Group), and others.

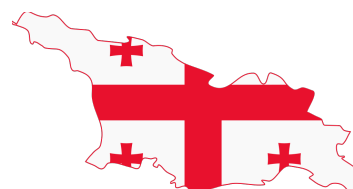
The UCT Knowledge Hub hosts a virtual workshop on measures to minimise illicit trade in Georgia



In April 2021, members of the Knowledge Hub hosted a three-day online workshop on measures to minimize illicit trade in Georgia. The workshop was conducted in collaboration with the FCTC Convention Secretariat through the FCTC2030 Project and the WHO Country Office in Georgia. The workshop was attended by more than 30 participants from the Georgian Ministry of Finance.

Although the size of the Georgian illicit market is small, Georgia is a transit country for illicit tobacco products destined for its neighbouring countries. Tax avoidance is also major problem in the country because of forestalling by the tobacco industry. Forestalling occurs when the tobacco industry clears a large quantity of cigarettes just before a newer, higher excise tax comes into effect. This industry tactic undermines the public health impact of tobacco taxation, and decreases the amount of revenue accruing to the government.

The purpose of the event was to disseminate knowledge on existing measures to combat illicit trade (including new technologies, IT services, risk profiling, etc); to highlight the dangers of obtaining assistance from the tobacco industry in this respect (e.g. receiving training for custom officers); to explain international best practice for customs control measures and inspection methods to prevent illicit trade of tobacco products; and to showcase the successes of other countries around the world in their responses to tackling illicit trade in tobacco products.



Participants engaged eagerly with the workshop content. The next step is for Georgia to ratify the Protocol to Eliminate Illicit Trade in Tobacco Products to accelerate the progress that the country has already made in combatting the illicit trade in tobacco products.

WHO launches updated edition of a technical manual on tobacco tax policy and administration



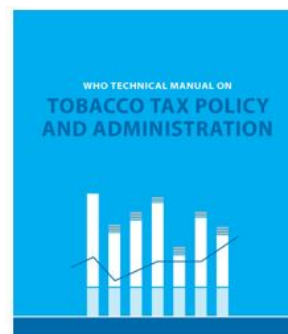
By invitation: **Evan Blecher, Economist, Fiscal Policies for Health, World Health Organization**

The World Health Organization recently launched the [WHO technical manual on tobacco tax policy and administration](#) at an online event in April. Members of REEP were involved in the development of the manual.

This manual builds upon the 2010 WHO technical manual on tobacco tax administration by further detailing the strategies for effective tobacco tax policy development, design, implementation and administration. This 2021 edition also serves as an update to the 2010 manual, incorporating the latest developments in science, technology and policy, as well as providing illustrative recent examples from a variety of countries. The best practices are designed to inform governments on the development of their tobacco taxation policy, facilitating the achievement of their health and revenue objectives while also supporting their overall development strategy.

The evidence is clear: significant increases in excise taxes that lead to price increases have consistently proven to be the most effective, as well as the most cost-effective, mechanism for reducing tobacco consumption. Despite this undeniable fact, tobacco tax increases remain the least implemented policy in the package of effective tobacco control policies globally. Tobacco industry interference remains a major stumbling block to significant tax increases. Government resolve and commitment to protect people's health is needed to counter powerful vested interests long opposed to tobacco taxation reform.

This manual guides readers through the necessary steps to create and implement the strongest tobacco



taxation policies for their specific countries, including practical pointers on how to navigate through the political process and ensuring the right support for tax policy change.



This manual will be complemented by the forthcoming WHO technical manual on alcohol tax and price policies. Expected to be completed by the end of this year, this manual will be the first from WHO that provides countries to clear guidance on how to design, implement and administer alcohol tax and price policies. It helps countries navigate the complexity in alcohol tax design, specifically through the choices that countries have in designing tax structures. While significant evidence supports the role that taxes play in affecting the affordability of alcohol, there is still a limited understanding of how to design taxes in different countries.

WHO values the contribution that REEP has made to both of these manuals as authors, reviewers and contributors to expert meetings. The expertise of academics with significant experience conducting research on critical topics is invaluable to the development of these manuals.

Knowledge Hub at UCT collaborates with Knowledge Hub on Legal Challenges



The **WHO FCTC Knowledge Hub on Legal Challenges** invited the Knowledge Hub on Tobacco Taxation and Illicit Trade to produce a video explaining Article 6 of the WHO FCTC as part of the resources for their online legal training programme.

The Knowledge Hub was also invited to participate in a one-hour live question and answer session on Article 6 of the WHO FCTC for the same training programme. Participants came from various regions in the world, including Africa, the Caribbean, the Middle East, and South-East Asia. Even among non-economists, there is much interest on a variety of aspects related to tobacco taxation, including theoretical concepts and practical application. We enjoyed the interaction with participants, and look forward to future collaborations with the Knowledge Hub on Legal Challenges.

Knowledge Hub to host a virtual workshop on tobacco taxation in August 2021

The WHO FCTC Knowledge Hub on Tobacco Taxation and Illicit Trade is preparing to host our sixth tobacco taxation workshop, where we plan to work with six countries, in August this year. The format of the workshop will be slightly different as we adapt it to a virtual setting; it will be spread over two weeks, with three-hour slots of teaching per day. The first week of the workshop will cover the theory of the economics of tobacco taxation. During the second week countries will work closely with REEP researchers to develop country-specific models to predict the likely consumption and revenue consequences of a change in the structure of level or the excise tax. The workshop will be practical and relevant to officials from the Ministries of Health and Finance, as well as to tax authorities.



In the past, at the physical events only two participants per country could attend. Given that these workshops are now being hosted online, up to ten participants per country may participate. If you want to know more or are interested in applying to attend, please contact Ms Toughedah Jacobs at toughedah.jacobs@uct.ac.za. She will share an application form with you. Please note that there will be a charge for country representatives to attend, but scholarships are available for countries who may need financial support.

REEP to lead study on the implementation of a Minimum Unit Price on alcohol in the Western Cape



In October 2020 the Premier of the Western Cape announced that the provincial government wants to implement a minimum unit price (MUP) on alcohol. Recently, a consortium of researchers, led by REEP, won a tender to perform an implementation study for this work. The study is funded by the DG Murray Trust.

The lockdown has highlighted the detrimental health and societal effects of alcohol abuse in South Africa. Alcohol sales bans have been associated with dramatic decreases in trauma cases at South Africa's hospitals, while the lifting of the bans saw trauma cases return to their elevated levels.

A previous study on the **feasibility of an MUP on alcohol in the Western Cape** clearly showed that such a policy would substantially decrease the alcohol consumption of regular heavy drinkers. The main reason is that heavy drinkers tend to purchase very cheap liquor. Occasional heavy drinkers (i.e. binge drinkers) and intermediate drinkers were also shown to substantially decrease their consumption if an MUP is introduced. The impact of an MUP on moderate drinkers is limited. As such, an MUP is a very sharp instrument in targeting problematic drinking.

The first phase of the study entails the development of two models – one by REEP and one by Sheffield University in the UK - to estimate the likely impact of an MUP on drinking patterns and the associated health effects on heavy drinkers and moderate drinkers in the Western Cape. The first phase will also take lessons from other jurisdictions that have implemented MUPs on alcohol. These include Scotland, Russia and Northern Territory in Australia.

The second phase of the project, which will start in the second half of this year, will focus on political economy and legal aspects related to the implementation of an MUP in the Western Cape.

For more information about this project, please contact Nadine Harker at nadine.harker@mrc.ac.za.

Honours long papers look at various aspects of excisable products

A significant requirement of UCT's Economics Honours degree is for students to write a "long paper" on a research topic of their choice. This year, four students are writing their long papers on various aspects of tobacco, alcohol, and sugar-sweetened beverages. These students will be supervised by Corn , with support from other REEP researchers where necessary.

- **David Golding** will conduct a survey of UCT students, where he investigates the use of electronic cigarettes, the prices they pay, and in what environments they typically use these products. This study follows a similar methodology adopted by a previous UCT Masters student, who did a [survey on waterpipe smoking among students at the four Western Cape universities](#).
- **Almaas Behardien** will update a previous study by Caitlan Russell in 2015, that investigated the [tax pass-through in the beer market](#). The excise tax was found to be substantially overshifted; thus, a given increase in the excise tax on beer resulted in a substantially higher increase in the retail price of beer. The degree of tax pass-through determines to what extent the increase in the excise tax has the potential to reduce the consumption of these products through an increase in the price.
- **Buhle Toni** will estimate the tax pass-through coefficients for the various spirits categories, including brandy, whisky, rum and vodka.
- **Daniel Heneck** will investigate the impact of the Health Promotion Levy, which was introduced on the sugar content of sugar-sweetened beverages in South Africa in April 2018. Anecdotal evidence indicates that many manufacturers have reformulated their products in order to reduce the tax liability. He will investigate this aspect more formally.

We wish these students all the best with their long papers and hope that their research will be published, and make a valuable contribution to the scientific literature and the policy debate.



Personnel movements at REEP



Mr Nur Toffar will join REEP as the Grants and Operations Coordinator, starting on 1 June 2021. He has taken over from Ntombi Mbasa, who left REEP at the end of February 2021. He comes with many years of experience in financial reporting in another department at UCT. His email is nur.toffar@uct.ac.za.

We wish him a long, happy and productive stay in REEP.

After a four-month maternity leave, Kirsten van der Zee is back in her role as Research Officer, also from 1 June 2021. Kirsten will be working primarily on the Development Gateway project and the West Africa project.

Welcome back Kirsten!



REEP in the News

Selected recent media coverage includes:

- April 13: REEP's work on the illicit cigarette market in South Africa during the lockdown was cited in a [Moneyweb article on the growth of the illicit cigarette market in South Africa](#).
- April 15: An article in an [online publication based in New Zealand called "Scoop"](#) cited Hana's presentation during virtual expert panel session hosted by the 2021 World Conference on Tobacco or Health (WCTOH) and International Union Against Tuberculosis and Lung Disease (The Union).
- April 28: Corn  was cited in an article in the [Financial Times on the illicit cigarette and alcohol market in South Africa](#).
- May 27: Corn  and Sam wrote an op-ed published in The Conversation, titled "[Tobacco control: South Africa must do more to help people quit smoking](#)".





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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