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REEP: Research Unit on the Economics of Excisable Products

with the

WHO FCTC Knowledge Hub on Tobacco Taxation & Illicit Trade

Newsletter #14, July 2021

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Director's Message



Dear Friends

The past month has been one of extreme emotions.

Many of us in South Africa have watched in horror as large parts of two provinces literally went up in flames. Many of our friends in other parts of the world would have seen the mayhem, and wondered what is happening. For the benefit of our foreign friends, please read [this very interesting analysis](#) of the situation.

During the past two months colleagues have been working on a number of research papers, and we hope to report on these in coming months.

Of those that have been published, one paper looks at the feasibility of a [minimum unit price on alcohol](#), in order to reduce drinking by heavy drinkers. Another considers the size of the [illicit market in Georgia](#), a country where REEP has had a number of interactions over the

years.

Two reports, under the banner of the Knowledge Hub, have been published in the past two months. The one considers the [size of the illicit market in Ethiopia](#), and the other looks at the cost of not increasing the tobacco excise tax in [four South-East Asian countries](#), in terms of premature deaths and lost revenue.

We are pleased to announce a [formal collaboration](#) with Tax Justice Network Africa (TJNA). We hope to support them and their members with dedicated support on how to use tobacco excise taxes as a force for good.

After missing out on two opportunities because of Covid-19, the [African Price Collection Project](#) is back in operation. Students from the University of Cape Town are currently collecting cigarette prices in South Africa and a number of other African countries. Given the turmoil in the tobacco market in 2020, it will be really interesting to see how the market has changed. Senzo Mthembu gives us an insight into this project.

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

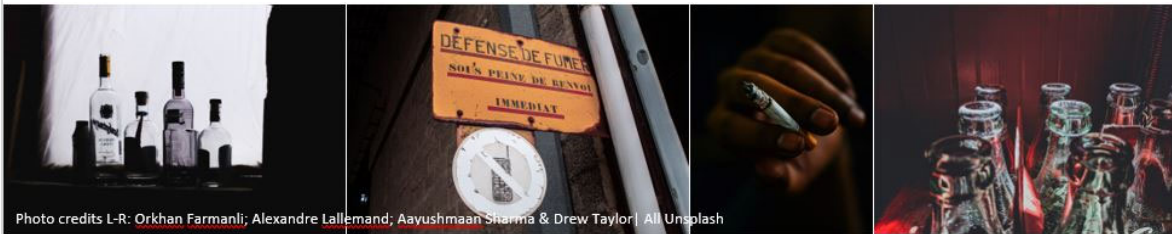


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Round 10 of African Cigarette Prices Project underway

The African Cigarette Prices (ACP) Project is back after a year-long pause due to the coronavirus pandemic. This is the tenth round of price collection. REEP has contracted 65 UCT students to collect tobacco prices in their hometowns in eleven African countries during the July/August 2021 university holiday. The price collection is particularly important in South Africa, because it occurs after the 20-week cigarette sales ban in 2020, and where the structure and dynamics of the market have changed quite substantially.



The ACP project collects cigarette prices across a variety of African countries. Although the data are not nationally representative, it enables researchers to estimate price differences across various brands, urban/rural divides and types of packaging, and price trends over time. Before each major holiday (i.e., June/July and December/January), we recruit fieldworkers from UCT. In particular, we recruit African students who spend their vacations in African countries (outside of South Africa), or in South African townships or rural areas. We provide them with thorough training on collecting and recording the data, and provide them with the necessary documentation.

Fieldworkers visit retail outlets, spaza shops and street vendors in their hometowns, where tobacco products are sold. Once fieldworkers receive permission from the owner/manager to collect the data, they record the prices of as many tobacco products as possible. To avoid fraud and to ensure the highest level of credibility of the data, the fieldworkers photograph all the products and the outlets with

their smartphones. Fieldworkers then capture this price information, as well as other information such as the brand and sub-brand of the product, the date and the type of outlet, in an Excel spreadsheet. The data from all fieldworkers is then compiled by the fieldwork coordinator, Senzo Mthembu, and is cleaned for analysis. The coordinator also checks for any discrepancies in data. The fieldworkers are paid piece-meal.

To date, we have had nine successful rounds of data collection, and the number of prices collected per round has increased significantly since the first round in 2016. Countries that are typically included in the data collection are Zimbabwe, Namibia, Botswana, Lesotho, Uganda, Malawi, Zambia, Kenya, Tanzania and South Africa. The link to our DataFirst report can be accessed at: <https://www.datafirst.uct.ac.za/dataportal/index.php/catalog/582/study-description>

Collaboration between REEP and Tax Justice Network Africa



We are happy to announce a formal collaboration between REEP and **Tax Justice Network Africa (TJNA)**. The collaboration started in March 2021, when REEP was invited to present a workshop on tobacco taxation in Ghana. We reported on this workshop in our [March 2021 newsletter](#).

TJNA is a robust network of civil society organisations founded in 2007 with the united effort of leading tax justice voices across the continent, committed to promoting an accountable and progressive taxation system. Tobacco is a global public health problem. Since tobacco use often concentrates among the poor and vulnerable, these groups carry the heaviest health burden associated with tobacco use. One hundred eighty-one countries, including 39 sub-Saharan African countries, have signed the WHO Framework Convention on Tobacco Control. The treaty recognises the centrality of raising tobacco taxes to mitigate the damaging impacts of tobacco consumption. Tobacco taxation is highly effective at reducing smoking prevalence, especially among the poor. As such, it is a pro-poor policy.

TJNA is a growing regional network with over 40 member organisations spread across 22 African countries. Its tobacco taxation program focuses on the Democratic Republic of Congo, Kenya, Nigeria, and Zambia. Within the broader lens of tax justice, TJNA disseminates targeted data and analysis at the national level. The data analysis ensures that policymakers and advocates have a shared understanding of the potential role that tobacco taxes can play in reducing tobacco use, improving health outcomes, and mobilising domestic resources. REEP will be supporting organisations in Ghana, Kenya, Nigeria, Zambia, and the Democratic Republic of Congo to perform relevant in-country research on aspects related to tobacco taxation in these countries. This support will entail presenting at dedicated tobacco tax workshops and supporting the in-country organisations with their research.

Webinar on tobacco taxation in sub-Saharan Africa

On 21 July 2021, Tobacconomics, based at the University of Illinois in Chicago, organized a webinar on tobacco taxation in sub-Saharan Africa.

Speakers from the WHO Afro regional office, WHO HQ in Geneva, Tobacconomics and REEP gave presentations on a number of related topics. The discussion introduced recently developed resources on tobacco



taxation such as the Tobacco Tax Scorecard and the new WHO tobacco taxation manual.

Tobacco Taxation in Sub-Saharan Africa

*Regional Roundtable Webinar**

Wednesday, July 21st

12h Dakar/ 13h Lagos/ 14h Cape Town/ 15h Nairobi



Experts from Tobacconomics, University of Cape Town, World Health Organization, and WHO AFRO will be discussing **tobacco taxation, success stories, and recommendations** for the region.

Learn about the region:

<https://www.tobacconomics.org/research/cigarette-tax-scorecard-africa/>

Zunda Chisha represented REEP and presented on the technical support available to Parties to the FCTC via the Knowledge Hub on Tobacco Taxation and Illicit Trade. The full webinar recording is available at: https://www.youtube.com/watch?v=s8P1BqZ3g-g&ab_channel=Tobacconomics

REEP researchers publish a paper on the rationale for a minimum unit price on alcohol

A minimum unit price on alcohol would be a particularly effective means to reduce alcohol consumption by heavy drinkers. This is the main message of a paper published by Corné van Walbeek and Grieve Chelwa in the July 2021 issue of the [South African Medical Journal](#).



The authors used the data from the fourth wave of the National Income Dynamics Study to calculate the unit values (a proxy for average price) for different categories of drinkers. They found that heavy drinkers purchase substantially cheaper alcohol than moderate drinkers. Should the government impose a minimum unit price this will increase the price of alcohol that heavy drinkers typically purchase. The impact of such a policy on the consumption habits of moderate drinkers would be modest, because they typically purchase more expensive alcohol. A minimum unit price is based on the alcoholic content of the beverage, not on the volume of the beverage itself. It creates a floor price, below which the beverage cannot be sold. Although heavy drinkers are typically less price responsive than moderate drinkers, the large increases in the retail price will cause heavy drinkers to reduce their consumption by a greater percentage than moderate drinkers. As such, a minimum unit price is a particularly sharp instrument.

In October 2020, the Western Cape Premier, Mr Alan Winde, announced that the Western Cape Government wants to implement a minimum unit price on alcohol in the province as part of a strategy to reduce the unacceptably large social and economic burden associated with alcohol abuse. This study provides an empirical rationale for this policy. The paper is available [here](#).

REEP colleagues publish paper on trends in illicit cigarette market in Georgia

In May 2021, a paper authored by Megan Little, Hana Ross and others, entitled “[An Analysis of the Illicit Tobacco Market in Georgia in Response to Fiscal and Non-fiscal Tobacco Control Measures](#)”, was published in *Tobacco Control*. The paper analyses the impact of tax and non-tax measures on illicit tobacco trade in five regions in Georgia. The analysis was based on three household surveys. The baseline was conducted in 2017, the midline survey was conducted in 2018 (after the tobacco control law took effect) and the endline survey was conducted in 2019 (after tobacco taxes increased). Survey respondents reported their tobacco use and were asked to present a cigarette pack in their possession. These packs were examined for tax stamps and health warnings to establish legality.

The authors found no evidence of a country wide increase in illicit trade in Georgia after non-fiscal tobacco measures took effect and cigarette taxes increased. There was no increase in illicit cigarette consumption in four of the five regions, namely Tbilisi, Kutaisi, Akhaltsikhe and Gori. However, in Zugdidi (near the Russian occupied territory of Abkhazia), illicit trade increased to 30% by 2019, but illicit trade had been increasing even before the taxes were increased. This result highlights the role of disputed territories and border administration in illicit cigarette supply.

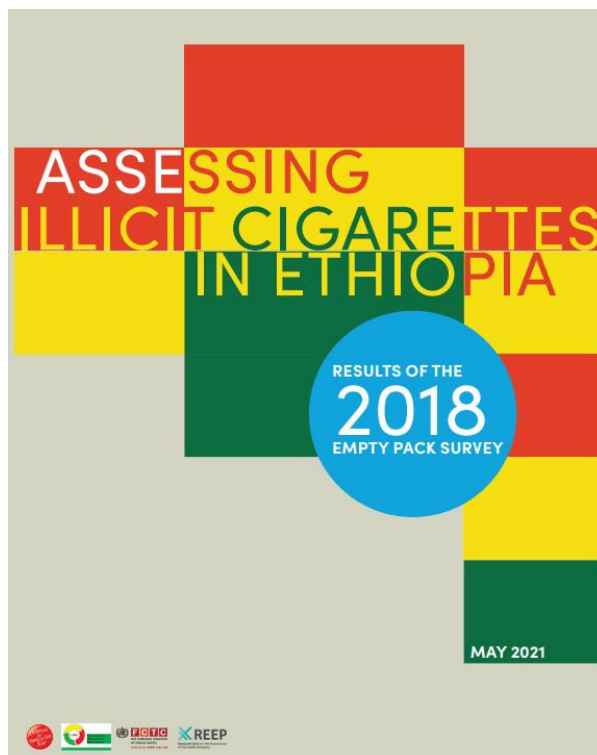
In addition, after the tax was increased in 2018, the authors identified a country wide shift towards roll-your-own tobacco (whose tax remained unchanged) from manufactured cigarettes. This demonstrates the importance of equalising taxes on tobacco products in order to improve public health.

Knowledge Hub: Study on illicit trade in Ethiopia published

In a recently published report: [Assessing Illicit Cigarettes in Ethiopia, Results of the 2018 Empty Pack Survey](#), Hana Ross, in collaboration with colleagues at the Campaign for Tobacco-Free Kids (CTFK), considers the prevalence of illicit cigarettes in Ethiopia. The prevalence of illicit cigarettes was determined by collecting empty cigarette packs.

The study found that the share of illicit cigarettes in the market varied considerably across the country. Whereas packs obtained in the South, the South-West, and the North were mostly legal (between 96.8% and 99.56% of the total market), a very large proportion (86.6% - 97.7% of the market) of cigarette packs collected in the Eastern parts of Ethiopia were illicit.

The study also found that foreign brands made up the bulk of packs classified as illicit. Some illicit brands such as Green Apple and Oris cost more than Nyala, the domestic legal brand. However, the legally imported foreign brands such as Marlboro or Rothmans are even more expensive.



The study concluded that the presence of illicit cigarettes on the market undermines both the public

health and the fiscal goals of the government. Therefore, it is important to monitor the size of illicit cigarette market regularly and take the appropriate actions to control it. The authors recommended that Ethiopia should ratify and implement the WHO Protocol to Eliminate the Illicit Trade in Tobacco products (ITP). Furthermore, the government should not be afraid to increase tobacco taxes, but controlling the illicit trade is an important proviso.

The report is available here: [Ethiopia_Illicit_Cigarettes_Report.pdf \(tobaccofreekids.org\)](#)

Southeast Asian countries loose revenue by not raising tobacco excise taxes



A recently published report "**Lost Funds: A Study on the Tobacco Tax Revenue Gap in selected ASEAN Countries**", by Hana Ross and colleagues of the Southeast Asia Tobacco Control Alliance (SEATCA) found that if governments of selected countries had implemented substantial tobacco tax changes, many premature deaths would have been averted, and could have collected billions of dollars in additional revenue. The countries studied were Cambodia, Indonesia, Myanmar, and Vietnam.

The goal of the report was to assess the magnitude of fiscal shortfalls in these four countries due to their failure to raise tobacco taxes to the recommended levels, as recommended by the World Health Organisation. The WHO recommends that governments remove complex tax structures, remove tobacco companies' tax benefits, and increase the excise tax to reduce the affordability of smoking.

The report found that, if the taxes in these four countries were set to the recommended levels, 1.3 million future premature deaths would be prevented and an additional USD 4.81 billion in tax revenue could have been

collected in the last 2 years.

The study found that, unsurprisingly, the tobacco industry interfered in tax policies by opposing the tax increases, or proposing low rates in these countries. A list of tailored policy recommendations is discussed in the report, in line with tobacco tax best practice.

The report can be accessed [here](#), and will be available in the Knowledge Hub's [E-library](#) soon.

REEP in the News

An opinion piece, by Hana Ross and Sophapan Ratanachena-McWhortor, on [Increasing Revenue & Protecting Public Health during the COVID-19 Pandemic](#), was published via Inter Press Service on 2 August 2021. They suggest that there is a simple recipe to boost the population's health and increase

revenue to pay for vaccines and economic recovery – the implementation of evidence-based tobacco tax policy.

Selected recent media coverage includes:

- 5 July 2021: Corne was interviewed on eTV, where he discussed [REEP's work on the minimum unit pricing \(MUP\) on alcohol in the Western Cape](#).
- 23 July 2021: Bhekisisa correspondent Joan van Dyk wrote an article on the long-term effects of the South Africa's tobacco ban during lockdown in 2020. The [article quotes extensively from REEP's research on the ban conducted last year](#). A YouTube video on this article can be found [here](#). Please note that one of the findings is misrepresented in this report and YouTube video. We did not find that 30% of smokers quit smoking during the sales ban, but rather that the *number of cigarettes smoked per day decreased by 30%*. About 9% of smokers quit smoking during the ban.
- 31 July 2021: The Joan van Dyk article caught further attention in the online publication The South African. The [article also highlighted some of the long-term effects of the tobacco ban](#).
- 30 July 2021: Cambodian news outlet The Phnom Penh Post published "[How governments can protect people and earn more revenue](#)", citing the Southeast Asia Tobacco Control Alliance and REEP.



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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