



**Policy Dialogue
Communique:
A Scoping Study of
Nigeria Tobacco's
Market and Policy
Space**

ABOUT CSEA

The Centre for the Study of the Economies of Africa (CSEA) is a non-profit think tank that conducts independent, high quality applied research on economic policy issues in Nigeria and the rest of Africa. CSEA's mission is to enhance development outcomes through evidence-based research. CSEA was borne out of the need to bridge the gap caused by the paucity of rigorous empirical research that affects the quality of policies implemented in the African countries.

CSEA serves as a forum for quality research analyses, and policy dialogue by stakeholders from the private sector, government, national assembly, and civil society. The policy-oriented research carried out by the Centre, including the articulation of policy choices, tradeoffs and implications, is put forward to the general public and decision-makers to stimulate rigorous debates on the effects of government policies on economic growth and development in Nigeria and Africa.

CSEA is poised to assist in disseminating best practices to enable African governments improve their public financial management systems. The Centre carries out applied research and presents policy options to enhance macroeconomic stability, fiscal transparency and accountability. Similarly, CSEA advocates for greater fiscal transparency and accountability, reduction in leakages of public funds and improvements in governments' delivery of social and public services. In addition, CSEA engages in capacity building with the goal of fostering rapid economic growth and alleviating poverty on the African continent.

The Centre is one of the few think tanks in Africa under the Think Tank Initiative (TTI) of the International Research Development Centre (IDRC), Canada, and has been consistently ranked as one of the leading think tanks in Africa by the University of Pennsylvania's Global Go to Think Tank Initiative, since 2008. Also, in 2013, CSEA was named the 'Best Research Institution in Africa' by the Global Development Network (GDN) for its work on a 5-year DFID funded project titled 'Strengthening Institutions to Improve Public Expenditure Accountability (SIIPEA), which evaluated Nigeria's government policy interventions and programmes in education, water, and health sector.



Introduction

On Thursday, 13 December 2018, the Centre for the Study of the Economies of Africa (CSEA) with support from Campaign for Tobacco-Free Kids (CTFK) held a policy dialogue on **A Scoping Study of Nigeria's Tobacco Market and Policy Space**. The dialogue which was well attended by 30 participants from government, academia, civil society organizations, development partners as well as the media was held at the Josto Hall of the NAF Conference Centre, Kado, Abuja, Nigeria.

CSEA's policy dialogue are organized to disseminate research carried out by the Centre, facilitate policy-oriented discussions, articulate policy choices, tradeoffs and implications to decision makers, stakeholders and the general public. Additionally, CSEA's policy dialogues are designed to stimulate rigorous debates on economic growth and development in Nigeria and the rest of Africa.

Objectives

The main objective of the policy dialogue was to disseminate CSEA's research findings on **A Scoping Study of Nigeria's Tobacco Market and Policy Space**- a study commissioned by the CTFK. The study examined four dimension of the tobacco market and policy space:

- Snapshot of Prices and Taxes on Tobacco Products;
- Simulation of the Effect of Tax Increase;
- Prospects for Earmarking Revenue from Taxes on Tobacco Products;
- Understanding Political Will for Tobacco Control in the Nigerian Context.

Opening Remarks

The Executive Director of CSEA, Dr. Chukwuka Onyekwena welcomed participants to the policy dialogue which he explained was essentially organized to disseminate CSEA's research findings and to stimulate debates on policy choices. Dr. Chukwuka noted that evidence-based research on tobacco was particularly essential as smoking prevalence in Nigeria was rising at 4 percent yearly with corresponding implications on public health and government revenues. He noted that tobacco remained the single largest cause of preventable deaths worldwide with 17, 500 deaths recorded each year from tobacco-related diseases.

The economic losses incurred by tobacco in Nigeria was pegged at US\$591 million in 2015. The fiscal and health implications of tobacco necessitated the need for more effective tobacco control policies. Among the several tobacco control policies such as restriction of sale to certain populations, effectively manning porous borders, Dr. Chukwuka explained that taxation has been identified as the most effective control policy tool. For effectiveness, Dr. Chukwuka stated that the tobacco control policies need to be well-designed and high enough to discourage consumption and improve public health.

Dr. Chukwuka also commended the efforts of the government on the change in tobacco tax policy which came into effect in June 4, 2018. The new tax policy maintains the current 20 percent ad valorem excise duty rate on tobacco products while introducing an additional N1 specific tax on each stick of cigarette in 2018, which would increase the price per stick to N2 in 2019, and eventually N2. 90 per stick in 2020. This corresponds to a gradual increase in excise duty rate of N58 per pack, spread over three years. Dr. Chukwuka while appreciating the increase of the excise tax burden from 12% to 17%, added that the change was still insufficient enough to bring about significant decrease in consumption rate, and was still a long way from the WHO- recommended 75% of retail price tax burden.



In order to support ongoing efforts toward better tobacco control interventions, there is need for a better understanding of the economics of tobacco control in Nigeria including the demand and supply aspects as well as the interactions between tobacco use, economic growth and government policies. Dr. Chukwuka stated that the dialogue would focus on: the dynamics of cigarette prices and taxes across time and regions; the fiscal and health implications of tobacco taxation; the political will for implementation of tobacco taxes; and the prospects and guidelines for earmarking tobacco revenues.

Goodwill Message

Ms. Hilda Ochefu, Sub- Regional Coordinator West Africa, Campaign for Tobacco- Free Kids (CTFK)

In her goodwill message, Ms. Hilda Ochefu, the Sub- Regional Coordinator for West Africa Campaign for Tobacco Free Kids (CTFK) lauded the efforts of the CSEA Research team for the successful completion of the scoping study. She explained that CTFK was actively involved in supporting the implementation of better tobacco policies in and out of Africa. In Nigeria specifically,

the CTFK has been involved in the ongoing efforts toward more effective tobacco control interventions since 2007, including the implementation of the National Tobacco Control Act (NTCA) in 2015.

Ms. Hilda also highlighted that Tobacco remains the single largest cause of preventable deaths globally causing an approximate 7 million deaths yearly. Additionally, second-hand smoking is responsible for 890, 000 deaths worldwide. Tobacco use has also been identified as the leading preventable risk factor for non-communicable diseases such as cancer and cardiovascular diseases.

Ms. Hilda noted that Africa has been described as the new playground for tobacco companies, adding that while African countries are making slow but steady efforts towards better tobacco control policies in order to prevent their citizens from the dangers associated with tobacco use, tobacco companies are effectively making inroads into the African continent. Tobacco companies are increasingly migrating from the West because of stringent tobacco control policies. The teeming youth population in Africa particularly in Nigeria where the youths are estimated to constitute 60 percent of the population serves as a potential market for the tobacco industry's current and emerging products.



Inadequate funding for tobacco control has also been identified as one of the barriers to progress on the continent. There is an urgent need to explore innovative approaches to mobilize resources for tobacco control and sustainable development in Nigeria. Increasing tobacco taxes result in increased prices which hold the promise of decreased consumption rate especially among the youths, possibly cessation, improved public health and substantial increase in government revenues for public sensitization, research, enforcement of tobacco policies and the establishment of cessation centers across the country.

Ms. Hilda commended the effort of the Government on the recent tobacco tax increase in spite of the pressure from tobacco industries. She urged the Federal Government not to renege on its

efforts towards the implementation of better control policies. Tobacco taxes should not just be increased for its sake; there is a need to understand the implications of tobacco tax increase on consumption rate, public health and government revenue. Ms. Hilda also added that for tobacco tax increase to be effective, the tax increase must be substantial and the tax systems need to be simplified. She expressed her optimism that CSEA's research would be disseminated widely with the government, stakeholders, and civil society practitioners and will also add to existing data on tobacco tax in Nigeria.

On the Snapshot of Prices, Taxes & Affordability of Tobacco Products in Nigeria

Dr. Adedeji Adeniran, Senior Research Fellow at CSEA who presented the findings on the study: **Snapshot of Prices and Taxes on Tobacco Products** noted that the study was conducted before the Federal Government approved a new tax regime in Nigeria. Price variability across regions is important to understand the tobacco market structure and assess where and when tobacco taxation will be more effective. Higher price gap across brands could increase the substitution rate between brands and dampen the effectiveness of tobacco taxation.

Across cigarette brands, the findings indicate that economy brands have the highest variability, while premium brands have the lowest variability. Cigarette price and variation is lowest in the North-East (8.9%) followed by North-Central (13.1%), South-West (15.2%), South-East (15.3%), South-South



(15.3%) and North-West (16%). Cigarettes are also less affordable in Northern States relative to states in the south of the country. Dr. Adedeji added that these findings mirror the disparity of affluence across the country and buttresses the need for policymakers to pay closer attention to cigarette affordability rather than just nominal prices in adjusting excise tax on tobacco products.

On the Simulation of the effect of a Tax Increase

Precious Akanonu, Research Fellow at CSEA gave the second presentation which was focused on estimating the impact of tobacco tax increase on public health and government revenues. CSEA used the Tobacco Excise Tax Simulation Model (TETSIM) which was developed at the Economics of Tobacco Control Project (ETCP) at the University of Cape Town and adapted by CSEA to fit the Nigerian setting. The model used two set of simulations: one-off policy changes over a 1 year period and consistent policy changes over a 3 year period which. Both simulations had 12 possible scenarios showing four possible growth rates.

Findings from the proposed policy intervention revealed that changes in tax/duty policy need to be substantial and operate under specific tax system to have a more desirable effect on cigarette consumption. Ms. Precious highlighted that the primary focus of tobacco tax should be more about



public health goals than about fiscal gains. She added that political will for tobacco control policies needs to be strong and consistent to gradually raise excise duty burden to meet up the WHO-recommended 75% of retail price. There is a need to raise taxes given the dangers of tobacco use to public health, benefits to public finance and currently low tobacco tax levels. A substantial upward review of excise duty levels + a change to specific tax system yields the most desirable outcomes.

On the Prospects for Earmarking Revenue from Taxes on Tobacco Products

CSEA's Senior Research Fellow, Dr. Grace Onubedo and Research Fellow, Precious Akanonu gave the third presentation stating that earmarking was ideal for countries where the public financial management (PFM) is weak and policy priorities are not aligned with budget allocation. In Nigeria, there is currently no earmarking of tobacco products for health purposes. The survey revealed that there was more support for increased tobacco taxation and earmarking from higher income earners than from the lower/middle income earners. There is also more support for increased tobacco taxation from females than from males. The respondents supported earmarking for general public health costs (as 1st and 2nd priority, tobacco-related diseases (as 3rd priority), and social programs (4th priority) amongst others. Earmarking tobacco tax revenues for tobacco control measures had the lowest support from the respondents. Additionally, a majority of key government officials with the exception of the Ministry of Health supported tobacco tax increase but prefer that the revenue is added to the national revenue pool rather than earmarking.



On Understanding Political Will for Tobacco Control in the Nigerian Context

CSEA's Executive Director, Dr. Chukwuka Onyekwena and Research Associate, Mma Amara Ekeruche in the next presentation explained that political will was a key enabler of policy instruments for tobacco control among actors in the policy space. In Nigeria, the government efforts in initiating and implementing better tobacco control policies has been slow. In 2008, the Senate put forward the National Tobacco Control Bill (NTCB), which was approved in 2011 after much lobbying. The full implementation of the NTCB has been interrupted by the enforcement of ban on sale to minors; ban on interference of tobacco industry in public health issues; and ban on sale in childcare, educational and healthcare facilities.

Although government have expressed their commitment to better tobacco control policies, CSOs in the tobacco space are left to initiate and advocate for changes in tobacco policy. Tobacco sanctions on violators of tobacco policies are not applied and are largely symbolic in nature. The efforts of the Nigerian Customs Service to effectively man porous borders is largely hindered by inadequate equipment and facilities, power shortage and financial constraints. Political will among state actors is weak but momentum is building among CSOs. Political support is largely undermined by capacity constraints, the absence of senior- level champions, powerful tobacco industry as well as high priority given to other public health areas such as malaria, tuberculosis and AIDs.



Discussions and Recommendations

Government Efforts and Political Will

- In Nigeria, tobacco efforts is largely driven by CSOs and Think-tanks such as CSEA. The Government has to step up to the responsibility of initiating and effectively implementing tobacco control policies.
- There is a need for policymakers to pay closer attention to cigarette affordability rather than just nominal prices in adjusting excise tax on tobacco products.
- Increasing tobacco tax should not be seen as a way to substantially increase government revenue but as an effective tool in improving public health. A substantial upward review of excise duty levels + a change to specific tax system yields the most desirable outcomes.
- In addition to increasing tobacco tax, there is need for effective manning of porous land borders which allow for smuggling and undermines tobacco control measures. To achieve this, the capacity of the Nigeria Customs Service needs to be enhanced through provision of equipment and facilities, stable electricity as well as finance.

- Increase in tobacco tax may have no significant impact on cigarette prices and consumption rate if tobacco industries absorb the price. However, if the increase in tax is substantial enough, the Tobacco manufacturing companies would have no option but to pass it down to the smokers in form of increased price.
- Tobacco control should be comprehensive; it should not just be about increasing tax burden, but also effectively manning porous borders, restricting of sale to certain populations, banning of smoking in public places etc.



Earmarking

- Government needs to be aware of the merits of earmarking tobacco tax revenues as well as the demerits. The merits includes: guaranteed funding, better planning, lower costs and speedy completion of projects while a major demerit is the creation of budget rigidity.
- For effectiveness, earmarking should be tenured and its impact, periodically assessed.
- Projects proposed on earmarked funds should be efficiently supervised.
- Earmarking tobacco tax should be infrastructure-based including the establishment of cessation centers across the country.
- Earmarking should also be specific in order to prevent ambiguity.
- Dr. Malau from the Federal Ministry of Health acknowledges that it has proven difficult to get policymakers to assent to the earmarking policy for tobacco control and health. The Nigerian Customs official present at the meeting, recommends starting with a small percentage:

- As an earmarking policy is stipulated in the 2015 Nigerian Tobacco Control Act, to effectively implement this, there is need to start small; propose only a 1% of funds to be earmarked, that will gain more buy-in from policymakers.

Policy Support

- Civil Society Organizations/Advocacy Groups in the tobacco control policy space should increase efforts to clamor for more stringent tobacco control policies, including the taxation of public advertisement and movies with scenes of tobacco use.
- Religious organizations should be involved in the ongoing efforts pushing for better tobacco



control policies.

- There is need for a general education on the dangers of tobacco to public health in order to gain the buy-in of citizens, stakeholders and government in implementing better tobacco control laws.

Further Research

- There is a data gap and a need for a study to be conducted on the impact of increased tobacco taxation and prices on future smokers.
- Tobacco is addictive, therefore people may not respond substantially to the changes in price but may rather switch to the illegal products. There is therefore the need for research on the potential impact of increased tobacco prices on the youth. Is there a probability of switching

to drugs like Tramadol if tobacco price increase? What implications would this have on public health? These questions need to be answered for a robust discussion on tobacco control policies. Other competitive brands need to be taken into consideration for a robust discussion on tobacco control policies.

- The geographic scope of the research should be expanded to include other states such as Oyo, Kano, Nassarawa, Borno and Enugu States which all have high smoking prevalence. Additionally, other products aside cigarettes such as shisha and snuff should be included in the research to capture the complete substitution effect of a change in tobacco price.
- The effect a change in tobacco tax has on other groups other than smokers such as youths/new smokers and the variation in effect of tobacco tax increments across states should also be examined.
- There is need for a research to be conducted on the impact of the June 4, 2018 tobacco policy change in Nigeria on government revenue and public health.



AGENDA FOR POLICY DIALOGUE:

A Scoping Study of Nigeria's Tobacco Market and Policy Space

DATE: Thursday, 13th December 2018

VENUE: NAF Conference Centre (Josto Hall), Abuja, Nigeria

S/n	Time	Description	Facilitator/Moderator
1.	10:00am - 10:30am	Opening Formalities (30 mins) i. Arrival & Registration	Ms. Drusilla David <i>Communications and Institutional Advancement Officer, CSEA</i>
2.	10:30am - 10:40am	Opening Remarks (10 mins) i. Welcome Address ii. Background to the Meeting	Dr. Chukwuka Onyekwena <i>Executive Director, CSEA</i>
3.	10:40am - 11:00pm	Key Note Address on the Tobacco Industry and Tobacco Control in Nigeria (20 mins)	Ms. Hilda Ochefu <i>Sub-Regional Coordinator for West Africa, Campaign for Tobacco-Free Kids (CTFK)</i>
4.	11:00am - 11:45am	Presentation I - Presentation of findings on the study: "Snapshot of Prices and Taxes on Tobacco Products" (15 mins) <i>Presenters:</i> <ul style="list-style-type: none"> • Dr. Adedeji Adeniran, <i>Senior Research Fellow, CSEA</i> Panel Discussion I and Q&A – (30 mins) <i>Other Panelists:</i> <ul style="list-style-type: none"> • Mr. Philip Jakpor, ERA • Dr. Eniola Bamgboye, Lecturer/Consultant Clinical Epidemiologist, University of Ibadan 	Dr. Ogbo Okiti, <i>President/CEO, Time Economics Ltd</i>
5.	11:45am - 12:00pm	Tea Break (15 mins)	
6.	12:00pm - 12:45pm	Presentation II – Presentation of findings on the study: "Simulation of the Effect of Tax Increase" (15 mins) <i>Presenters:</i> <ul style="list-style-type: none"> • Ms. Precious C. Akanonu, <i>Research Fellow, CSEA</i> Panel Discussion II and Q&A – (30 mins) <i>Other Panelists:</i>	Dr. Nonso Obikili <i>Policy Associate, Economic Research Southern Africa</i>

		<ul style="list-style-type: none"> • Mr. Babatunde Oladapo, WATAF • Dr. Dozie Okoye, Associate Professor, Dalhousie University 	
7.	12: 45pm - 1:30pm	<p>Presentation III - Presentation of findings on the study: “Prospects for Earmarking Revenue from Taxes on Tobacco Products” (15 mins)</p> <p><i>Presenters:</i></p> <ul style="list-style-type: none"> • Dr. Grace Onubedo, <i>Senior Research Fellow, CSEA</i> • Ms. Precious C. Akanonu, <i>Research Fellow, CSEA</i> <p>Panel Discussion III and Q&A – (30 mins)</p> <p>Other Panelists:</p> <ul style="list-style-type: none"> • Dr. Malau Mangai Toma, Branch Head (Cardiovascular & Tobacco Control), Federal Ministry of Health • Mr. Olufemi Olarinde, Manager (Tax Policy and Advisory), FIRS 	Dr. Chike Nwangwu <i>Executive Director, NOI Polls</i>
8.	1:30 pm – 2: 00pm	Lunch (30 mins)	
9.	2:00pm - 2:50pm	<p>Presentation IV - Presentation of findings on the study: “Understanding Political Will for Tobacco Control in the Nigerian Context” (15 mins)</p> <p><i>Presenters:</i></p> <ul style="list-style-type: none"> • Dr. Chukwuka Onyekwena, <i>Executive Director, CSEA</i> • Ms. Mma Amara Ekereuche, <i>Research Associate, CSEA</i> <p>Panel Discussion IV and Q&A – (35 mins)</p> <p>Other Panelists:</p> <ul style="list-style-type: none"> • Mr. Ogunlade Olamide Martins, NISD • Mr. Tunde Balogun, Director, Health and Sanitation, Ekiti State 	Mr. Olu’Seun Esan <i>Programme Coordinator, Nigeria Tobacco Control Alliance (NTCA)</i>
10.	2:50pm - 3:20pm	<p>Way Forward for Tobacco Control in Nigeria (20 mins)</p> <p>Engage the audience on:</p> <ol style="list-style-type: none"> Identifying future tobacco research needs Policy-making and Implementation Tobacco Control Advocacy 	Ms. Mma Amara Ekereuche <i>Research Associate, CSEA</i>
11.	3:20pm - 3:30pm	<p>Closing Remarks (10 mins)</p>	Dr. Grace Onubedo <i>Senior Research Fellow, CSEA</i>
12.	3:30pm	Logistics & Administrative Specifics	Ms. Ekenemchukwu Onwumere <i>Financer Officer, CSEA</i>

Attendance

S/N	Title	First Name	Last Name	Organization
1.	Dr.	Adedeji	Adeniran	Centre for the Study of the Economies of Africa (CSEA)
2.	Dr.	Chike	Nwangwu	NOIPolls
3.	Dr.	Chukwuka	Onyekwena	Centre for the Study of the Economies of Africa (CSEA)
4.	Dr.	Dozie	Okoye	Dalhousie University
5.	Ms.	Drusilla	David	Centre for the Study of the Economies of Africa (CSEA)
6.	Ms.	Ekenechukwu	Onwumere	Centre for the Study of the Economies of Africa (CSEA)
7.	Dr.	Eniola	Bangboye	University of Ibadan
8.	Ms.	Godsgift	Dinade	Business Day
9.	Dr.	Grace	Onubedo	Centre for the Study of the Economies of Africa (CSEA)
10.	Mrs.	Hilda	Ochefu	Campaign for Tobacco- Free Kids (CTFK)
11.	Mr.	K	Isiyaku	Nigeria Customs Service
12.	Mr.	K. C	Okonkwo	Time Economics
13.	Mr.	Malau	Toma	Federal Ministry of Health
14.	Ms.	Mma	Amara Ekeruche	Centre for the Study of the Economies of Africa (CSEA)
15.	Dr.	Nonso	Obikili	Economic Research Southern Africa
16.	Dr.	Ogho	Okiti	Time Economics
17.	Mr.	Ogunlade	Olamide Martin	New Initiative for Social Development
18.	Mr.	Olarinde	Olufemi	Federal Inland Revenue Service
19.	Mr.	Olu'Seun	Esan	Nigeria Tobacco Control Alliance
20.	Ms.	Onome	Oraka	Centre for the Study of the Economies of Africa (CSEA)
21.	Mr.	Peter	Obianugu	Cedars Refugee Foundation
22.	Mr.	Peter	Unekwu Friday	African Independent Television (AIT)
23.	Mr.	Philip	Jakpor	Environmental Rights Action
24.	Ms.	Precious	Akanonu	Centre for the Study of the Economies of Africa (CSEA)
25.	Mr.	Solomon	Adoga	Civil Society Legislative Advocacy Centre (CSEA)
26.	Mr.	Tunde	Balogun	Ministry of Environment, Ekiti State
27.	Mr.	Victor	Oluwafemi	Nigeria Tobacco Control Alliance