



NIGER PROFILE REGARDING TOBACCO TAXATION

Increasing tax pressure on tobacco to curb smoking

Context

Tobacco control is a global public health priority.

Two of the five million annual deaths caused by smoking in the



Musée national du Niger

world occur in Africa and the WHO predicts that if nothing is done, this figure will reach ten million by 2030, 70% of which in developing countries. The Framework Convention for Tobacco Control (FCTC) initiated in 1999 and adopted in May 2003 is an arsenal of provisions aimed to reduce the supply and demand of tobacco and protect the current and future generations from its damaging economic, environmental and socio-sanitary effects. FCTC rests on information on these damaging effects, strong

political commitment, international cooperation, the multisectoral holistic approach, accountability, technical and financial assistance, to facilitate tobacco growers' reconversion and the participation of the civil society. Dozens of irrefutable studies confirm that the increase in tobacco selling prices thanks to a higher specific excise duty reduces smoking considerably among teenagers, young adults and poor people (Bader et al, 2011). A meta-analysis published by the WHO's Newsletter in July 2013 shows a reduction in the number of smokers by 14.8 million and the avoided premature deaths by 7.4 million, in 41 countries having adopted between 2007 and 2010, the strategies recommended by the MPOWER Initiative, as a result of the tax increase on cigarettes (3.5 million) and the anti-smoking laws (2.5 million) (Levy et al, 2013). The UEMOA and ECOWAS directives, which have been adopted to promote regional integration are in contradiction with the pertinent provisions of Articles 5 and 6 of the Framework Convention for Tobacco control (FCTC), and yet ratified by all member states. Smoking is a major socio-sanitary issue in Niger. In the absence of a steering and operational body for tobacco, the informa-

tion on the scale, the determining factors and the damaging effects of smoking is incomplete. The consumption of cigarettes is masculine, while the use of chewing tobacco and snuff is genderless, with a high prevalence in rural areas and poor families. In 2008, the prevalence was ranging from 10.9% to 34.8% depending on age, early initiation and the intensity was estimated at 52 cigarettes per adult and per year; out of ten households, seven have within their premises at least one smoker; heavy smokers (over 10 cigarettes/day) were manual workers (54%), civil servants (43%) and schoolchildren (33%). The World Health Organization (WHO) has announced that the chronic smoking-related diseases (cancer, heart diseases) were on the rise with 29,000 deaths. The



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addiction to tobacco impoverishes the households by engulfing 15 to 45% of their incomes. The health sector, which is currently in difficulty, will be even more wobbly in the face of the epidemic of chronic tobacco-related diseases. After the ratification of FCTC in 2005, the law No2006-12 adopted in 2006 was promulgated in 2008, but the ban on advertising is the only provision applied so far. The tobacco control plan for 2009-2014 remains a dead letter. Two draft texts should regulate the sale, the composition, the labeling and packaging of tobacco products. The imports estimated at 87 billion CFA francs between 2006 and 2010 exceeded 23 billion in 2011 from the ECOWAS region (Nigeria and Côte d'Ivoire) and outside ECOWAS. An annual turnover of 133.5 billion CFA francs during the period between 2007 and 2012 generated 23.1 billion CFA francs of tax revenues in 2011, including 30% of internal revenues and 60% of Customs duties. The tobacco industry redistributed 150 million CFA francs of salaries in 2010. There is a local production of tobacco leaves in the areas surrounding Maradi, Tillabery and Agadez. The cigarette marked is controlled by a trio of importers.

The problem: The ad valorem-based taxation of tobacco has failed to boost the price of cigarettes, whose consumption has increased by 513% in five years

The increase in tobacco taxes, which has taken the effective average rate to between 82.69% and 94.59% of the Customs value, was accompanied by an increase in the consumption of cigarettes to the tune of 513% between 2006 and 2010. The taxation of tobacco is complex and fragmented; it is compounded by the existence of a dozen taxes, which are all ad valorem-based. This tax system is only partly consistent with FCTC and the UEMOA and ECOWAS directives: (i) the excise duty set at 40% in 2007 remains below the UEMOA ceiling, the ECOWAS ceiling (100%) and that of Ghana (150%); raw tobacco is tax-exempt; (ii) a flat-rate tax on cigarette transit/re-exportation and the special re-export tax instituted since 2012 have taken the effective taxation to between 29.1% and 95.16% of the value declared by the importers. the price of the packet of 20 cigarettes has remained affordable [620 CFA francs to 100 CFA francs], and yet the trio of importers continues to reap huge profits.

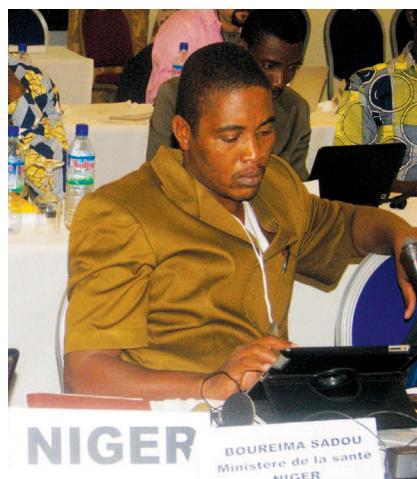
The increase in the consumption is facilitated by: (i) the improvement of the purchasing power (ratio income index/tobacco selling price index jumped from 0.9 to 1.1 between 2009 and 2011); (ii) the ad valorem-taxation, which enables importers to fix sales prices; (iii) aggressive advertising towards the youth; (iv) paltry cigarette prices; (v) the strong addictive power of low-price cigarettes with a higher nicotine content; (v) the lack of training materials on smoking; (vi) the absence of a mechanism

to mobilize community stakeholders and ensure the cultural adjustment of tobacco control; (vii) the local production of tobacco leaves is exempted from tax.

The use of taxes as an anti-smoking tool should lead to such a dissuasive increase in the selling price that smokers are forced to reduce or stop their consumption of tobacco and potential smokers are discouraged from starting smoking. This impact should be maximal among young people and the poor in Niger, where the prevalence of the economic vulnerability is 58%. For the ad valorem excise duty to cut smoking and boost tax revenues, the declaration of the customs value should be sincere. The argument on the devastating economic consequences of the tax increase is an exaggerated claim (Chaloupka et al, 2012).

What to do? Three additional measures are suggested to increase tobacco prices.

(i) Simplify the nomenclature of tobacco products and subject them to single tax system, which can either be an ad va



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lorem system using a 5th Band at 35%, with a minimum collection defined by the community authorities, or a flat-rate Customs duty



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per unit of weight (kg) to reduce fraud on the declared value;

(ii) Replace the ad valorem excise duty by a specific excise duty aligned on inflation, in the form of an excise stamp on every packet of cigarettes, in order to improve traceability, curb smuggling, increase tax revenues, fund the health system and improve consumption statistics, and

(iii) Support the efforts at the regional level aimed at harmonizing and simplifying the regional

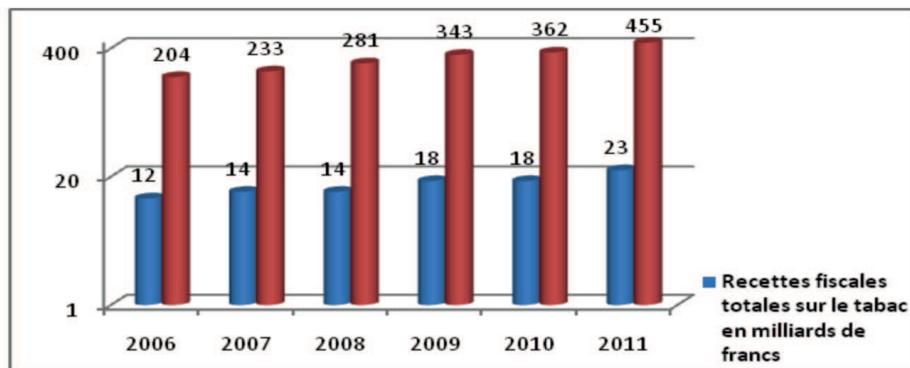
tax system on tobacco and align it on the pertinent provisions of FCTC and the strategies of the MPOWER Initiative.

What considerations should be taken into account for the implementation?

Though the proposed measures are legitimate and consistent with FCTC, their application requires an all-inclusive synergy between actors in the field. The potential opponents are cigarette importers and retailers and tobacco growers and small craftsmen, for financial reasons. The frustration of smokers addicted to nicotine requires the setting up of cessation-support units. The latent resistance of the tax and Customs administrations is predictable, due to higher transparency that will reduce the opportunities for corruption. Though there has not always been multisectoral collaboration,

the public administrations (Customs, Taxes, Treasury, Trade, Industry, and regional integration, Agriculture, Rural Development, Environment, Youth, Education, Security and Health) should collaborate with civil society organizations (CSOs). This body will ensure institutional visibility, advocacy and sensitization efforts to speed up the application of the anti-smoking provisions, the mobilization of resources, capacity building for community actors and the coordination of research on smoking. The cultural commitment to traditional tobacco farming will require anthropological investigations to identify the roots and reconversion alternatives. A collaborative follow-up and evaluation framework is crucial for the perpetuation of tobacco control actions.

Evolution of the total tax revenues on cigarettes and the overall tax revenues (billion CFA francs)



Source: Niger Report from DGI and DGD data.

Structure and evolution of tax revenues on tobacco and share in the overall tax revenues

Designation	2006	2007	2008	2009	2010	2011	2012
Overall tax revenues in billion CFA (million US\$)	204.0 (412.1)	233.2 (471.1)	281.1 (567.9)	343.0 (692.9)	361.7 (730.7)	381.7 (919)	467.6 (1,125.8)
Total tax revenues on tobacco in billion CFA (million US\$)	11.65 (23.5)	14.08 (28.4)	13.82 (27.9)	18.28 (36.9)	18.27 (36.9)	23.12 (46.7)	25.3 (51.1)
- Taxes on tobacco & cigarettes	2.81	3.74	3.99	5.17	5.71	7.97	6.23
- TFEAR*	2.77	3.7	3.94	5.11	5.57	7.94	6.2
<i>External taxation</i>	0.04	0.04	0.05	0.06	0.04	0.03	0.03
	874	10.34	9.83	13.11	12.66	15.15	19.07
Share in overall tax revenues	5.2	5.7	4.8	5.3	4.6	6	5.4

* Flat-rate tax on special transit and/or re-exportation

Source: Tax Department, Customs Department

KEY MESSAGES

- The specific excise tax to make tobacco more expensive is the most effective strategy to combat smoking and prevent chronic tobacco-related diseases. Its effectiveness increases as the regional tax system becomes more coherent. This is not the case yet, in the ECOWAS region, where disparate taxes on tobacco wreck all tobacco control efforts and encourage smuggling.

- In Niger, a raw tobacco producing and cigarette importing country, seven out of ten households have at least one smoker, with a prevalence of 10.8% to 34.8% depending on the age, which encourages pauperization and an increasing number of chronic cardio-respiratory diseases. From 2006 to 2012, the incidence of taxes increased to 95% of the declared market value of the tobacco products was accompanied by a multiplication by five of the consumption, due to the manipulations of the Customs values, the increase in the households' purchasing power,

smuggling and the lack, of coordination of tobacco control initiatives. The tobacco industry contributed 23 billion CFA francs (6%) to the tax revenues in 2011. The existing legal and regulatory arsenal, which has been poorly implemented, is not in line with some of the provisions of the UN Framework Convention for Tobacco Control (FCTC). Likewise, the UEMOA and ECOWAS directives on the taxation of tobacco, which were meant to promote regional integration, do not integrate the provisions of FCTC.

- Three additional measures are proposed to increase tobacco prices.

- Subject all tobacco products to a simplified flat-rate tax system per unit of weight (kg) during import and re-export operations, to replace the system of the declared value.

- Institute a specific excise tax on all tobacco products, in the form of an excise stamp aligned on inflation and affixed to every packet of cigarettes on sale, in view of increasing tax

revenues, improve tobacco traceability, curb smuggling and fund the health system.

- Support the efforts to simplify and harmonize the regional tax system on tobacco, in order to index it to FCTC.

- The potential opponents are the tobacco industry, importer, cigarette retailers and tobacco growers, for financial reasons. The frustration of nicotine addicts also requires the setting up of cessation-support units. The helplessness of tobacco farmers requires assistance for reconversion. A multi-sectoral participatory development of the reform, advocacy efforts and sensitization will be crucial. The setting up of a national multisectoral body to spearhead a fight grounded on convincing evidence is crucial for the participatory development of the reform, the advocacy and public-awareness efforts. A collaborative follow-up and evaluation framework is essential for the perpetuation of tobacco control.

ELEMENTS OF METHODOLOGY

The International Development Research Centre (IDRC) has given a grant to the Consortium for Economic and Social Research (CRES) to conduct a research-action, in order to make a profile of national and regional tax systems on tobacco within the ECOWAS region. The dissemination of the findings in late November 2012 in Ouagadougou has informed national and regional leaders of regional tax disparities and led to recommendations for their harmonization. Each country team, with CRES support has made an overview of tobacco smoking and its consequences, of the tobacco sector, of the taxation of tobacco and of the contextual challenges. The present policy note is prepared from this overview and from recent studies of universal scope, in view of paving the way for the discussions between the various stakeholders of the fight against tobacco in Niger and in West Africa.

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This document has been published thank to a subvention of the International Development Research Center, Ottawa, Canada.

The full text of the reference document of this policy brief is available at the following address :

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