



2ND TOBACCO TAXATION *Conference*

Theme: **Tobacco Tax Reforms for Optimal Health and
Socio-Economic Benefits**



📍 **Aga Khan University, Nairobi-Kenya**

3rd October, 2023 | 8am - 5pm

LIST OF ACRONYMS AND ABBREVIATIONS

AKU-BMI	Aga Khan University-Brains And Mind Institute
CECM	County Executive Committee Member
CoG	Council of Governors
CSO	Civil Society Organizations
EAC	East Africa Community
EALA	East Africa Legislative Assembly
GDP	Gross Domestic Product
FCTC	Framework Convention on Tobacco Control
IILA	International Institute of Legislative Affairs
KCOA	Kenya Clinical Officers Association
KENCO	Kenya Network Of Cancer Organization
KETCA	Kenya Tobacco Control Alliance
KRA	Kenya Revenue Authority
KSA	Knowledge Sharing Alliance
NTA	National Taxpayers Association
NACADA	National Authority for the Campaign against Drugs and Substance Abuse
NCDs	Non-Communicable Diseases
NCDAK	Non-Communicable Diseases Alliance Kenya
SSA	Sub-Saharan Africa
TCB	Tobacco Control Board
UHC	Universal Health Coverage
WHO	World Health Organization

EXECUTIVE SUMMARY

The 2nd Annual Tobacco Taxation Conference took place on 3rd October 2023 at the Aga Khan University, Nairobi. The conference themed: “Tobacco Tax Reforms for Optimal Health and Socio-economic Benefits” brought together Civil Society Organizations, media, academicians, tobacco tax and cessation advocates, non-state actors, government officials, and the general public to discuss the need for taxation reforms on tobacco in order to optimize health provision and improve socio-economic performance. Additionally, it brought together more than one hundred participants from eight different African countries.

Globally, the effects of tobacco consumption cause over 8 million deaths annually. In Kenya, more than 8,100 individuals die annually. With governments worldwide spending a sizable amount of their health budgets to mitigate the effects of tobacco consumption, it is high time Kenya shifts the focus to progressive tax reforms to reduce the consumption of tobacco products. Kenya is still one of the highest consumers of tobacco in sub-Saharan Africa (SSA) in per-person terms. Insufficient financial resources for tobacco control is one of the most frequently reported constraints affecting the operations of established institutions and the implementation of interventions on tobacco control. The conference offered a great platform to deliberate on the need for progressive taxation reforms toward curbing tobacco consumption, supporting the health sector, and improving the socioeconomic well-being of the general public.

The conference was divided into sessions inclusive of a panel discussion on: “Tobacco Taxation and Health–Care Financing”, presentations and a plenary session. ; . The following were the topics discussed during the conference; “Best Practices in Tobacco Taxation”, “Intersection between Social Justice and Tobacco Tax Reforms” and “Tobacco Taxation and Health–Care Financing”. All the presentations were followed and supported by meaningful panel discussions.

Table of Contents

<i>LIST OF ACRONYMS AND ABBREVIATIONS</i>	<i>ii</i>
<i>EXECUTIVE SUMMARY</i>	<i>iii</i>
<i>INTRODUCTION</i>	<i>2</i>
<i>OBJECTIVES</i>	<i>2</i>
<i>OPENING REMARKS</i>	<i>3</i>
<i>PANEL DISCUSSION</i>	<i>8</i>
<i>THE INTERSECTION BETWEEN SOCIAL JUSTICE AND TOBACCO TAX REFORMS.</i>	<i>9</i>
<i>TOBACCO EXCISE TAX SIMULATION MODEL FOR KENYA</i>	<i>9</i>
<i>PRESENTATION OF THE RESEARCH PAPER</i>	<i>10</i>
<i>CLOSING REMARKS</i>	<i>12</i>
<i>ANNEXURE</i>	<i>13</i>

INTRODUCTION

The annual Tobacco Taxation Conference is an annual convening that brings together key stakeholders involved in curbing tobacco consumption, promoting public health and enhancing domestic resource mobilization through better tobacco taxation regimes. The platform draws together actors from governments, civil society, international organizations, legislators, media, academia, and national campaigners in sharing knowledge and insights on tobacco taxation in Africa and progress made through global, regional, and country-level initiatives. The conference seeks to also act as a platform to articulate challenges, propose solutions and explore opportunities for collaboration and joint standard action.

Tobacco as an excisable product stands as a potential source of higher revenue through its taxation and at the same time serves the public health goal by reducing tobacco consumption considerably. Conversely, the progress in Kenya has been inconsistent, for instance, the current Finance Act, 2023, repealed Section 10 of the Excise Duty Act, 2015, on inflation adjustment. Informed by past tobacco tax policy changes and their effects on cigarette consumption and revenue in Kenya, the Finance Act 2023 might negate the gains made towards a harmonized tax system and ultimately incur greater losses in public health. Potentially higher levels of cigarette consumption and smoking prevalence as well as lowered levels of revenue might arise from this decision. It is therefore of greater interest to understand the current taxation regime and how it can be improved.

OBJECTIVES

The main objective of the conference was to offer a platform for engagement on how to leverage progressive reforms in tobacco taxation to support the health sector and socio-economic wellbeing of the public.

Sub objectives

- To engage and discuss the nexus between revenue and public health matters.
- To highlight the social justice intersection to taxation reforms in tobacco control
- Share evidence-based research on the need for tobacco taxation for healthcare financing.

The conference kicked off with the MC, Mr. Johnson Mwakazi welcoming the participants to the conference and assessed the participants' understanding of Tobacco Taxation and asked them if they believed enough was being done to promote Universal Health Care(UHC) for all in regard to Tobacco Taxation.

OPENING REMARKS

Ms. Irene Otieno (National Coordinator, National Taxpayers Association)



Ms. Otieno thanked all the guests in attendance and also thanked The Tax Justice Network Africa for the support they have shown for the conference to be held. She highlighted some of the players who were present including the chair NTA, the COGs, NACADA, CECM Health – Laikipia County, KCOA, NCDAK, KENCO, KRA, KSA, IILA, AKU – BMI, CIN, and KETCA.

Noting that NTA majorly deals with issues of taxes and how they match service delivery, which promotes tax accountability.

She highlighted that running the Tobacco Tax Advocacy in Africa project tries to give the government a solution on where to raise the tax in an equitable and just manner by taxing a product that has been known to have negative health externalities, and therefore erodes the efficiency of health budgets.

Also noting that there is a negative backdrop in the Financial Act 2023 in regards to Tobacco products taxation. Meanwhile, essential goods have been taxed which inhibits the existing safeguards around tobacco. Therefore, NTA advocates for the adoption of uniform taxation of tobacco in order to reduce the affordability of tobacco and its products.



Board Chair NTA - Mr. Peter Kubebea

Mr. Kubebea supported the conference theme by highlighting the role it plays in addressing the burden that the country's public health and economic sectors bear as a result of tobacco and cocaine consumption. In his remarks, he viewed the conference as a platform for engagement on how to leverage on progressive reforms in tobacco taxation. This will support the health sector and ensure the social and economic well-being of the people.

He further echoed that the tax reforms for tobacco products will be a gain to our country, encouraging the cessation of tobacco consumption resulting from reduced affordability as well as increased revenue.



Despite the progress made in global recognition of the importance of tobacco control in the development agenda and to the protection of public health. New tobacco control challenges are constantly emerging and arising which include but are not limited to tobacco industry interference. Therefore, there is a need to continuously review existing laws and regulations specifically on Tobacco control will ensure that we progressively improve the existing regulations framework and the laws on taxation.

He also ascertained that the research and presentations carried out will complement the Government's plan of transforming the public health sector as well as improving domestic revenue mobilization channels.

KEYNOTE ADDRESS

Dr. Zuli Morale – Founding Director, Brain and Mind Institute



Dr. Zuli briefly explained what BMI does and how the consumption of tobacco affects cancer patients. The Brain and Mind Institute mainly focuses on mental and brain health, research and care. He mentioned that Tobacco and substance use has a lot to do with the brain. He welcomed Dr. Samim to give a few highlights on the same.

Dr. Samim Hasham – Chief Operating Officer - AKU-BMI

Dr. Samim emphasized that mental health and substance use such as tobacco, concerns are now at the top of the list of threats to economic and social well-being of the people and communities served by the Aga Khan University. “Cigarettes are the only product which will kill you if used correctly,” she quoted. Giving statistics, she explained that for those who quit just after a few weeks, lung function increases



up to 10%, and circulation improves, and the risk of heart attack is half that of a smoker after one year of quitting. A higher cost of tobacco products reduces its consumption. This is known especially among the young and the poor, while also increasing government revenue, which can then be used to offset budget gaps in the health sector, including supporting plans to revitalize social health insurance. Tobacco are formidable, she encouraged that there is importance and weight for having the conversations to push the agenda of having effective tobacco control like tobacco taxation, this will support health and also bring economic gains to Kenya

Mr. John Mwangi Ngugi – Representative Tobacco Control Board



Tobacco use remains one of the leading causes of preventable deaths and diseases globally. Therefore, the conference reflects the collective commitment to addressing multifaceted challenges posed by tobacco consumption and its profound impact on our society. The economic burden imposed by tobacco-related healthcare costs is substantial. Putting immense pressure on our healthcare systems.

In addition, the devastating health consequences of tobacco consumption are well documented, ranging from various cancers to respiratory and diseases.

One of the most effective tools at our disposal to curb tobacco consumption and its associated costs is through strategic taxation. Increasing tobacco taxes has proven to be a powerful deterrent, particularly among vulnerable populations, such as young people and low-income individuals.



By raising the price of tobacco products, we can discourage initiation and encourage cessation and ultimately save lives. Tobacco taxation has been a cornerstone of global tobacco control efforts. For over a decade with Article 6 of the WHO FCTC (Framework Convention on Tobacco Control) recognizing tactics as an important and effective means of demand reduction for tobacco.

The UN General Assembly's endorsement of the Sustainable Development Goals (SDGs) in 2015 further strengthened the links between tobacco control in the global development agenda

Ms. Nancy Abisai – Former Member of the East African Legislative Assembly.

Ms. Nancy Abisai shared the laws in the East African Legislative Assembly that affect the national governments and national parliaments to give us an understanding of even when we discuss national issues, we understand the Laws that are passed at the East Africa Legislative Assembly at the community level automatically become law at the national level and must be implemented. She also stated the 4 pillars in The East African Community that aid in attaining the implementation of the laws and treaties; the Common market pool, the Customs Union, the monetary union, and lastly the Political Federation. All these pillars are important as the protocols that have been put in place result in policies and the policies result in laws and these laws affect what happens at the national level. She gives three recommendations for the conferences' agenda; Enforcing strict cross-border rules, to curb illicit trade and entry of drugs like tobacco. Awareness to the East African Community Secretariat under the East African Legislative Assembly just as a national organization, and having a collaborative conference.

Ms. Mebo Abuor; Acting Director Council of Governors Health Committee (Represented the Chief Guest – H.E Hon. Muthomi Njuki, Chair Health Committee)



Ms. Mebo. echoed the increase of NCDs due to the high consumption of tobacco and emphasized on resource appropriation towards health to ensure a positive correlation between tobacco taxation and sustainable healthcare. She also pointed out how tobacco taxation serves as a powerful tool not only for curbing tobacco consumption but also for generating the much-needed revenue to finance the health care

system and to combat health issues arising from tobacco use. The funding can therefore be channeled into improving health, infrastructure, expanding access to health services and supporting public health campaigns that promote healthy lifestyles. Therefore, it's important that we balance between revenue generation for the country and also discourage tobacco consumption. Additionally, much more efforts need to be made to combat the illicit

tobacco trade which undermines both public health objectives, those that are very vulnerable, and revenue collection therefore it's critical that we look at both sides of the coin.

PANEL DISCUSSION



The panelist discussion aimed to address the theme on "Tobacco Taxation and Healthcare Financing," featuring a distinguished panel comprising Mr. Vincent Kimosop (Policy Consultant), Ms. Celine Awuor (CEO – IILA), Dr. Leon Oguti (TCB Board Member), and Prof. Cyprian Mostert (Prof. at AKU-BMI) and moderated by Dr. Samim Hasham (Director BMI). Dr. Shamim Hasham expertly moderated the conversation. Among the various perspectives put forward by the panelists, a key point was the significant health cost burden imposed by the tobacco industry, despite claims that it contributes 1% to our country's GDP and serves as one of the nation's leading employers. Prof. Cyprian Mostert reinforced these claims, emphasizing that the revenue generated by the industry falls far short of the costs incurred in healthcare. Dr. Leon Oguti addressed the issue of the increasing adoption of novel tobacco products and stressed the necessity for stricter regulations in this regard. He also pointed out the alarming statistic that 70% of deaths in Kenya result from Noncommunicable Diseases (NCDs), with tobacco playing a significant role in their prevalence. Ms. Celine Awour reiterated the fact that increased tobacco taxes reduce tobacco consumption, adding that the strategy has borne fruits in other countries and is highly recommended by the WHO FCTC. Mr. Vincent Kimosop contributed by highlighting the

progress made in tobacco control advocacy but emphasized the need for a strategic approach to tackle the next phase of tobacco control advocacy.



THE INTERSECTION BETWEEN SOCIAL JUSTICE AND TOBACCO TAX REFORMS.

Joel Gitali; Chairman – Kenya Tobacco Control Alliance (KETCA)

Social Justice being the fair and equitable distribution or division of resources, opportunities, and the privileges in the society. The concept of distributive justice, where those who suffer most in regards to the consumable tobacco products are the most vulnerable in the society. However, when it comes to Health accessibility the rich are more advantaged because they are able to access healthcare services.

TOBACCO EXCISE TAX SIMULATION MODEL FOR KENYA

Prof. Corne Van Walbeek – University of Cape Town



Prof. Corne supported the development of a Tobacco Excise tax simulation model to help policymakers in government, to implement better tax systems and to know the impact of tax structure change. The idea initially was to support countries that have limited information to try and be able to estimate what the likely impact of a taxation change would be.

Noting that if the excise tax is increased, there would be two main effects. Firstly, there will

be reduced consumption, secondly increased revenue. That is promoting both public health and positive fiscal consequences. Hence the model gives a baseline to determine the state of the tobacco market by breaking up the retail price decomposition into the various tax and non-tax components.

The impacts of implementing an increase in the excise tax as presented in the model would be both an economic component and an epidemiological component. The model is able to demonstrate that by changing the tax regime, in 5 years' time, we would have prevented 91,000 premature deaths which is quite impressive. Countries need to regularly and ideally, automatically adjust the excise tax to inflation.

PRESENTATION OF THE RESEARCH PAPER

Professor Cyprian Mostert - Lead Mental Health Economist at the Brain and Mind Institute of the Aga Khan University

Prof. Cyprian from BMI made a presentation based on preliminary findings of a research commissioned by the NTA on new-generation products. The research titled *The Landscape of E-cigarette consumption in Kenya*, using Secondary data from Statista Consumer Insight Survey, conducted from January to December 2022 and about 2,097 people participated.



The objective of the research is; To provide a comprehensive consumption overview of E-Cigarette and Vaporizer in Kenya; and to propose policy measures to avert E-Cigarette and Vaporizer consumption.

Some of the key findings from thematic areas

- E-Cigarettes and Vape are consumed by middle and high-income households
- Tax on nicotine pouches is minimal
- There is evidence that these products are traded illicit
- Most products are traded online so enforcement is a challenge
- The vaping tax regime in Kenya is not effective because it is not designed to avert consumption (too low)
- There is evidence of under-age consumption

NEW-GENERATION PRODUCTS CONSUMPTION ANALYSIS



1 billion
people in the
world smoke
cigarettes



LOREM IPSUM DOLOR SIT AMET, CONSECTETUR ADIPISCING ELIT. PELLENTESQUE VENENATIS, LACUS VITAE FRINGILLA HENDRERIT, NISI ENIM SAGITTIS NULLA, IN ADIPIS RINGILLA HENDRERIT, NISVN ULLA. SIT AMET LACUS VITAE IPSUM.

**Nearly
12%**
of people
smoke cigars



LOREM IPSUM DOLOR SIT AMET, CONSECTETUR ADIPISCING ELIT. PELLENTESQUE VENENATIS, LACUS VITAE FRINGILLA HENDRERIT, NISI ENIM SAGITTIS NULLA, IN ADIPIS RINGILLA HENDRERIT, NISVN ULLA. SIT AMET LACUS VITAE IPSUM.

37%
of young people
smoke
hookahs



LOREM IPSUM DOLOR SIT AMET CONSECTETUR URRESUS ADIPISCING ELIT. PELLENTESQUE VENE NATILACUS VITAE FRINGILLA HENDRERIT NIS ENI SAGIT IN ADIPSIT AMET LACUS VITA.

5%
of smokers
use a vaporizer



LOREM IPSUM DOLOR SIT AMET, CONSECTETUR ADIPISCING ELIT. PELLENTESQUE VENENATIS, LACUS VITAE FRINGILLA HENDRERIT, NISI ENIM SAGITTIS NULLA, IN ADIPIS RINGILLA HENDRERIT, NISVN ULLA. SIT AMET LACUS VITAE IPSUM.

**Some people
smoke
Bong**

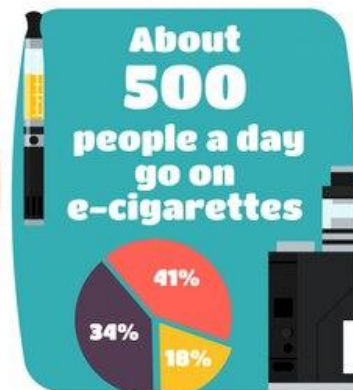
LOREM IPSUM DOLOR SIT
AMET LACUS CONSECTET
URRESUS ADIPISCING
ELIT. PELLENTESQUE



**Roughly
100
thousand
people
smoke
a pipe**



**About
500
people a day
go on
e-cigarettes**



The report makes the following recommendations;

- i. Aggressive taxation;
- ii. Track and Trace system to be expanded to cover E-Cigarette products to minimize illicit trade;
- iii. Capacitate Tax Revenue Authority to monitor online trade;
- iv. Tailor-made messaging directed at Middle-class to caution about the dangers of e-cigarettes; and
- v. Schools need to play a more active role in screening for the consumption of these products.



CLOSING REMARKS

The conference indeed served its purpose of bringing together the players in taxation, health, and advocacy from different backgrounds. The discussions enabled and bettered the understanding and perception of a better taxation regime for tobacco and tobacco products. The expected action by the attendees was to ensure that the discussions and resolutions are transformed into policies adopted by the Kenyan government. The attendees were further encouraged to use tools such as tax simulation models and research to offer facts and evidence-based advocacy.

NTA appreciated the attendees, panelists, and chief guests for making the conference a success and looked forward to the next conference where gains resulting from the conference would be presented.



ANNEXURE

List of Organizations Present

Kenya Tobacco Control Alliance (KETCA)

Tobacco Control Board (TCB)

Students Campaign against Drugs (SCAD)

Aga-Khan University—Brain and Mind Institute (AKU-BMI)

International Institute of Legislative Affairs (IILA)

Kenya Revenue Authority (KRA)

Council of Governors (CoG)

Kenya Clinical Officers Association (KCOA)

National Agency for the Campaign against Drug Abuse (NACADA)

Kenya Network of Cancer Organizations (KENCO)

Den of Hope

Research Unit on the Economics of Excisable Products – University of Cape Town (REEP
UCT)

Youth Serving Organizations Consortium (YSO)

Rotary Club

Kenya Institute of Special Education (KISE)

Technical University of Kenya (TUK)

Kenya Institute of Public Policy Research and Analysis (KIPPRA)

Africa Cancer Foundation (ACF)

Consumer Information Network (CIN)

Nairobi City County Government (NCCG)

Initiative Locale pour le Developement Intégré (ILDI—DRC)

Links for post-conference Interviews

https://youtu.be/76XOwKZL8F4?si=pps_OOUJWO bq4ehd

<https://youtu.be/ldw6J8lSbhc?si=sdpbCBNmWc-azbRa>

https://youtu.be/HpWhoU_3Kw0?si=yCanLfA463ieie9I

https://youtu.be/v_7ucohDdok?si=Lu-jk10sKgrtCDRs

<https://youtu.be/H32DMuWVRkg?feature=shared>

<https://youtu.be/YOYm9oLbja4?feature=shared>

<https://youtu.be/df5SMb6-CNM?feature=shared>

<https://youtu.be/HQg2G2juTvs?feature=shared>

<https://youtu.be/nKV8NoTzVI4?feature=shared>

<https://youtu.be/ldw6J8lSbhc?feature=shared>