Adopt more effective taxation and better information on the prevalence of tobacco products

Context
Smoking is a pandemic that will cause 10 million deaths in 2030 of which 70% in developing countries if nothing is done. To curb this trend, the Framework Convention on Tobacco Control was set up in 2005 with a set of monitoring indicators to assess the progress made by each country. These indicators focus on the monitoring of consumption, the protection of individuals, the prevention of harmful effects, the ban on advertising and a considerable increase in prices through higher taxation. The 15 ECOWAS countries have all ratified this Framework Convention. However, the adoption of laws and measures to make it operational in each member country is timid. One of the reasons for this situation is that the public authorities are generally confronted with a lack of information on the different aspects of tobacco that can inform their decision-making. It was in order to fill this need for evidence that CRES had developed a country profile on smoking in each of the 15 ECOWAS countries for the period 2007 to 2011. It provides reliable information on the market for tobacco products, the tax system applied to them, their importance in the economy and smuggling. CRES updated these country profiles for the period 2011-2016 in six of the 15 ECOWAS countries. The purpose of this policy brief is to share the main stylized facts obtained in the country profile of Nigeria between 2012 and 2016.

1. PREVALENCE AND CONSUMPTION OF TOBACCO PRODUCTS

Low prevalence among adults
Nigeria is one of two countries with Senegal to have an exclusive survey on adult smoking. This one, named Global adult tobacco survey and conducted in 2012 throughout Nigerian, shows that the prevalence on adult tobacco consumption is 5.6%. It is 10% for men and 1.1% for women.
An alarming prevalence among young people

Several studies, conducted separately in various states and urban centers of the country, on smoking among Nigerian youth show that the prevalence of smoking is higher among young people than among adults. In 2000, this prevalence was estimated in schools at 20% for adolescents aged between 13 and 15. In 2008, it reached 23%.

2. MEASURES AGAINST TOBACCO

A regulatory framework well put in place at institutional and organizational levels

In Nigeria, the legal and institutional framework for tobacco control is characterized by:
- the adoption in 1990 of the decree prohibiting the consumption of cigarettes in public places, prohibits advertising on cigarettes and imposes the display of health warnings on cigarette packaging;
- the partial ban in 2002 on tobacco advertising by the Advertising Practitioners Promotion Council of Nigeria (APCON);
- ratification of the Framework Convention on Tobacco Control (FCTC);
- the creation of the National Smoking Cessation Committee for tobacco control with a short-term action plan.

Insufficient application of the texts and regulations

Despite a regulatory system well in place in this country, the fight against smoking has not yet yielded the expected results. This situation is partly due to insufficient enforcement of the texts and regulations. Indeed, among the three main provisions of the 1990 Decree, only the one concerning the warnings has really been respected. This lethargy in the application of texts and laws is due mainly to the powerful lobby of the tobacco industry which aims to undermine the health policies by distributing consistent rewards for media coverage, and expensive gifts to regulators and government authorities.

3. TOBACCO ECONOMY IN NIGERIA

Ambitions and achievements of the powerful tobacco industry in Nigeria

Cigarette production reached 18,000 billion sticks on average, per year, between 2011 and 2016. It did not significantly increase during this period. We even see that it decreases slightly between 2014 and 2016. This production just covers Nigerian domestic consumption of cigarettes. On average per year, imports amount to nearly 2000 billion sticks of cigarettes while exports are estimated at nearly 1200 billion sticks (Figure 1).

Figure 1: Evolution of production, imports and exports of manufactured cigarettes (billions of sticks)
Revenue and tax revenue collected on tobacco consumption

Figure 2 shows that Nigeria’s tax revenues on tobacco products are very insignificant and represent less than 1% of the country’s total tax revenue. They were close to 10 billion naira in 2011 while total revenue amounted to 1150 billion. The evolution of these tax revenues shows that they decreased between 2011 and 2015, from almost 10 billion to 8.5 billion.

Figure 2 : BATN fiscal position and total tax revenue, 2011-2015 (in billions of Naira)

4. TAXATION OF TOBACCO PRODUCTS

From a less binding taxation ....

The low tax revenues of Nigerian tobacco products can be explained by a tax system that is not adapted to an effective policy. Indeed, while the World Health Organization advocates a tax system in which excise taxes represent 70% of the price of a pack of cigarettes, these taxes represent only 33% of the selling price in Nigeria. Three factors explain this low share of taxes in the price. Firstly, the tax base on which excise taxes are applied is the manufacturer’s price. The latter is very low to allow a significant share of taxes in the sales price. Second, the excise taxes applied in Nigeria are exclusively of ad valorem type. It is recognized that this type of tax is less efficient than the specific tax. Third, the applied rates of this ad valorem tax are very low. Nigeria applies a 20% ad valorem tax rate while the ECOWAS directive governing these taxes allows it up to 100%.

... towards a tobacco tax system for the fight against smoking

This situation of low interest, even stagnation, made the civil society react and stood up for the adoption of a more restrictive taxation. Thing started to move in this direction because in March 2018, the President of Nigeria approved an upward revision of excise duties on tobacco to discourage their consumption. The new tax regulation retains the ad valorem rate of existing excise duties while associating it with another specific type of excise duty. The amount of this new tax will increase gradually. From one Naira on each cigarette sticks in 2018, it will grow to two Naira per sticks in 2019 and eventually reach 2.90 Naira per sticks in 2020.
5. KEY LESSONS TO LEARN

Three main lessons can be drawn from this country profile.

- Youth smoking is a concern in Nigeria with a prevalence of over 20%.
- A regulatory system already in place, but not much respected and without strict enforcement measures.
- Taxation is not used efficiently to combat the consumption of tobacco products.

**Recommendations**

- Conduct regular youth awareness campaigns on the negative effects of tobacco use
- Increase ad valorem tax rates to make tobacco products less accessible, especially to young people
- Change the tax base of tobacco products. The ad valorem method of taxation has little effect on the price of tobacco products. The final sales price must be the basis of taxation to have a significant increase in the price of tobacco necessary to lower consumption.