



**RESEARCH PROJECT ON TOBACCO TAXATION IN WEST AFRICA « FISCAL SOLUTIONS FOR OPTIMAL REDUCTION OF SMOKING IN WEST AFRICA »**

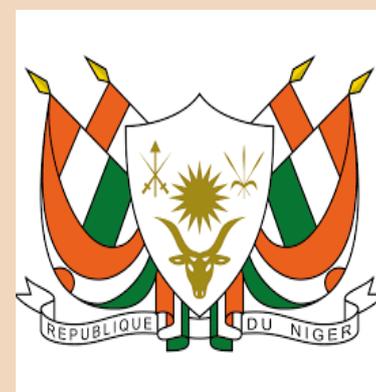


### NIGER PROFILE ON TOBACCO TAXATION

## *Adopt a more effective taxation and better inform tobacco products prevalence*

#### 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 seven (7) of the 15 ECOWAS countries. The purpose of this policy note is to share the main stylized facts obtained in the country profile of Niger between 2012 and 2016.



### 1. PREVALENCE AND CONSUMPTION OF TOBACCO PRODUCTS

#### ***Non-exclusive data on tobacco, but a fairly high prevalence***

In Niger, statistics on the prevalence of smoking are old. No specific nationwide survey has been undertaken to collect such information from adults. With the Demographic and Health

Survey and Multiple Indicators (EDSN / MICS 2012), the prevalence of smoking among adults is estimated at 17.7% for men and 2.4% for women.

#### ***An increasingly alarming situation among young people***

The only tobacco-specific surveys are the Global Youth Tobacco Survey (GYTS) surveys for students aged between 13 and 15, and in 6th, 7th and 8th grades of the urban community of Niamey. The last school survey available dates back to 2009, since in 2011 no survey was conducted.

The GYTS 2009 results show that 8.6% of them consume tobacco products frequently.

Cigarettes are commonly smoked by 3.5% of students and 5.4% frequently use other tobacco products. Among non-smokers, 9.9% are likely to start smoking in the year following the survey. For quite a few years now, young people have increasingly used hookah, which is classified by experts among the most dangerous tobaccos in the world.

## 2. MEASURES AGAINST TOBACCO

### *A strengthened regulatory system at the institutional and organizational levels*

In Niger, the legal and institutional framework for tobacco control is characterized by:

- The adoption and ratification of the Framework Convention on Tobacco Control (FCTC);
- The anti-smoking law (Law N° 2006-12 of May 15, 2006) and its promulgation decree;
- The 1984 decree prohibiting the advertising of tobacco and cigarettes throughout the country;

- The 1992 decree prohibiting the advertising of tobacco on the radio, television, in newspapers, on billboards, etc. ;
- The 1996 decree providing for the mention on cigarette packages of a warning «Tobacco seriously harms health» and the amount of tar and nicotine;
- A text prohibiting smoking in public places

### *A demonstrated willingness to regulate the sector*

Niger has taken a decisive step in drafting complementary texts to the Anti-smoking Law. For the first time, texts are enacted to regulate tobacco consumption in addition to measures regulating tobacco trade. Now, tobacco products must be labeled to alert consumers about the dangers of tobacco use, and the opening of

outlets is also regulated.

Between 2011 and 2015, a new text that increases excise duties from 40% to 45% was adopted.

However, Niger has still not signed the protocol on illegal trade.

### *More needs to be done in the implementation of the measures taken*

In Niger, efforts to support the rigorous implementation of the measures taken are still timid. There are laws that prohibit smoking in public places, selling cigarettes in detail or advertising tobacco products, but these laws are not fully enforced and sometimes people are not

aware of them. Of the four provisions of the Anti-smoking Law, only one is satisfactorily applied, while two others are partially applied. The measure fully implemented is the total prohibition of all forms of direct or indirect advertising on national television, radio and in the print media.

### *A highly committed civil society to the fight against tobacco*

The civil society in Niger is active in strengthening awareness campaigns (television spots, posting of information posters, etc.) with limited resources. One of its flagship initiatives is the

establishment in 2015 of a parliamentary anti-smoking network made up of 15% of MPs. The journalists' network being installed is another one network.

## 3. THE ECONOMY OF NIGER IS DEPENDENT ON TOBACCO

Niger does not produce cigarettes but produces raw leaf tobacco in the Maradi and Agadez regions. Tobacco consumption is mainly fueled by cigarette imports and Niger Briques has a monopoly on the market. These imports have increased from CFA 18,720 million to CFA 21,973 million between 2011 and 2013. After going down to 18,936 million in 2014, the imports went up again to 21,560 million in 2015. Re-exports of cigarettes are insignificant compared to the imports. They are declining with the

economic and financial crisis in Nigeria with only CFA 6.5 million in 2014 and 5.2 million in 2015. Re-exports of cigarettes are declining with the economic and financial crisis in Nigeria. With a chronically deficit trade balance, Niger loses revenues in the tobacco industry. Globally, the tobacco trade provides 2.4 billion tax revenues to the Government. But with a trade balance of tobacco products largely in deficit, Niger loses revenues in the tobacco industry.

CHART 1:TREND IN CIGARETTE IMPORTS FROM 2011 TO 2015 (IN MILLIONS FCFA)



**Low redistribution of income from tobacco marketing**

Revenues redistributed by the tobacco product marketing industries are low. They account for just 2.3% of the payroll paid by the mobile phone operators MOOV and AIRTEL combined. Based on their overall turnover, the total payroll

redistributed in 2015 by the three largest operators of the tobacco industry represents on average 0.6% against 21% for mobile operators (Table 1).

Table1 : Evolution of the payrollweightin relation to turnover by type of company en %

	2011	2012	2013	2014	2015
<b>TOBACCO*</b>	0.45	0.55	0.56	0.48	0.56
<b>TELEPHONY**</b>	23.8	20.2	13.8	17.0	20.6

\* Together 3 major operators of the tobacco industry; \*\* Together Airtel and Moov telephone operators.

A survey of a few business units reveals that the tobacco sales activity is generally a secondary activity that employs less than three (3) agents

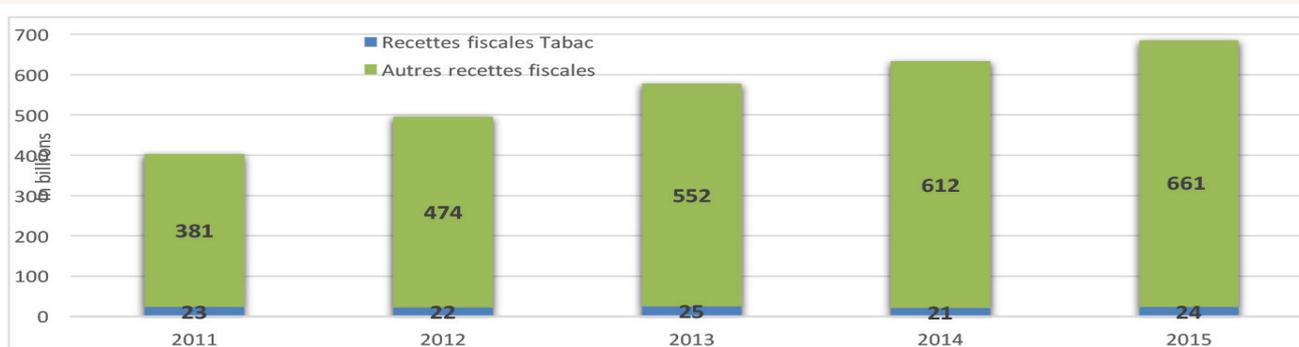
and represents between 30% and 50% of the global activity of the operators.

**Low tax revenues in the total tax revenues**

The share of tobacco products in the total tax revenue of the country is low, it was 3.2% in 2015 against 5.7% in 2011. Chart 2 below shows that other non-tobacco receipts rose by more

than 50% over the period while tax revenues from tobacco activities remained almost stable at around 23 billions.

Chart 2 : Structure and evolution of tax revenue on tobacco and weight in overall tax revenue (in billions of CFA)



Sources : DGI, DGD, Niger.

## 4. TAXATION OF TOBACCO PRODUCTS

### *An inefficient tax system*

In Niger, tobacco products are among the most heavily taxed products. Since 2015, the country has applied the 45% ceiling rate for excise duties and a higher rate of VAT for tobacco products compared to mass consumption products. However, with the method of taxation ad valorem, tax increases are not always passed on to the selling price by the tobacco industry. As a proof, the price of cigarettes has remained almost unchanged in the market and there has been an increase of only 4% since 2008, while the tax rates went from 40 to 45% between 2008 and 2015.

The recommendation of the World Health Organization is a tax system where excise taxes account for 70% of the price of a pack of cigarettes. In Niger, excise duties represent only 25% of the retail price.

Since 2012, reflections have been initiated on the creation of a Social Health Fund in Niger. The initiative is to introduce a health levy on cigarette packs rather than additional taxation. This levy, which will be 50 CFA francs per pack of cigarettes imported and consumed in Niger, must be seen as an insurance, a free treatment for smokers who would like to quit smoking. It will be used to finance the fight against tobacco (40%), to contribute to the financing of health policy in the broad sense (40%) and to sell expertise from Niger (20%).

### *Recommendations*

- Organize an exclusive survey of adult tobacco product use to have a more accurate measure of prevalence.
- 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.
- Apply an ad valorem tax rate of at least 50%.
- Add a specific tax to the type of ad valorem tax applied to have a significant increase of tax shares in the final selling price.
- Sign the protocol on illegal trade that promotes the consumption of tobacco products by low-income populations.
- Discourage local production of raw leaf tobacco.

The Research Center for International Development (IDRC) has funded the Consortium for Economic and Social Research (CRES) to conduct an action research on the taxation of tobacco products. As part of this project, Niger's country profile is developed by a team composed of Dr. Sangaré Alkassoum Saadatou of the Public Policy Analysis and Evaluation Unit of Government Action (CAPEG) and of HAMMADOU Karim of the General Tax Directorate of Niger. This policy note is drawn from this country profile by SANGARE A. Saadatou.