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Economics for Health Cigarette Tax Scorecard: *Results from the African Region*

Jeffrey Drope, PhD
Johns Hopkins Bloomberg School of Public Health

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Thank you

To:

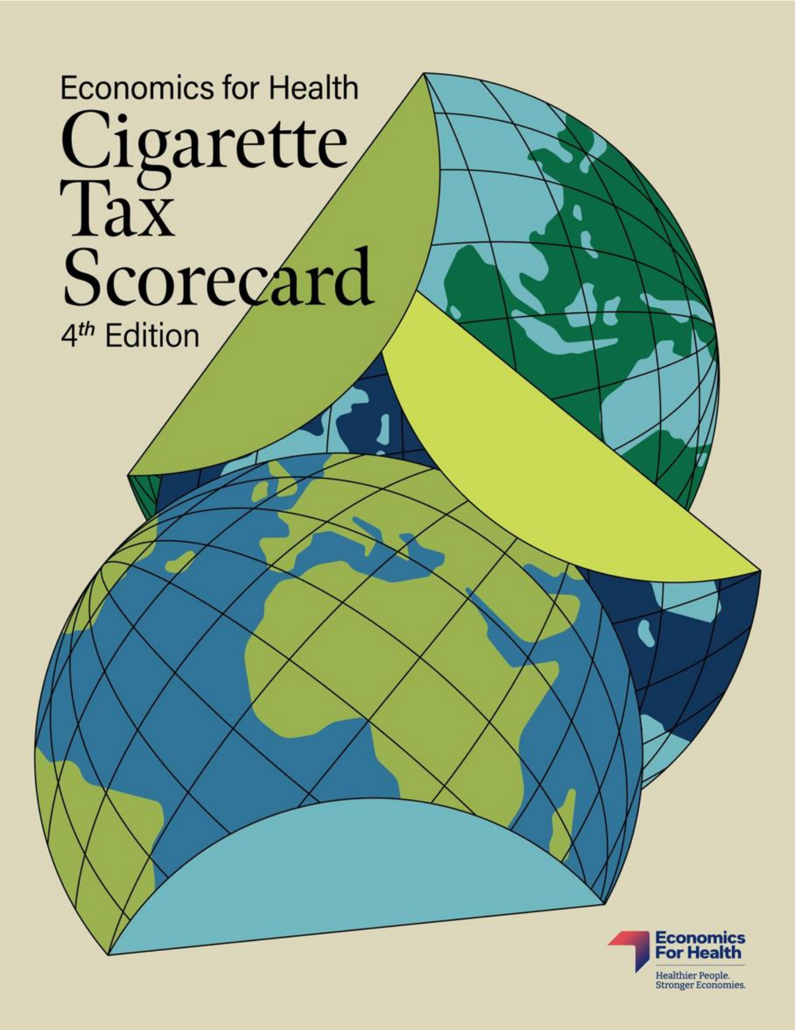
- Co-organizer: Africa Tobacco Control Alliance
- Today's esteemed panelists
- Scorecard co-authors: Saw Min Thu Oo, Margaret Dorokhina, Carlos Guerrero, Germán Rodriguez-Iglesias, Ana Mugosa, Anita Bontu, Sehr Malik, Tatiana Villacres, and Frank Chaloupka.
- The WHO Tax team in Geneva for their tobacco tax data collection & generous support and sharing.
- External reviewers.
- YOU!

Why are we here?

Four Components

The Scorecard focuses on four key dimensions of cigarette tax systems:

- Cigarette prices
- Changes in cigarette affordability over time
- Share of taxes in retail cigarette prices
- Cigarette tax structure

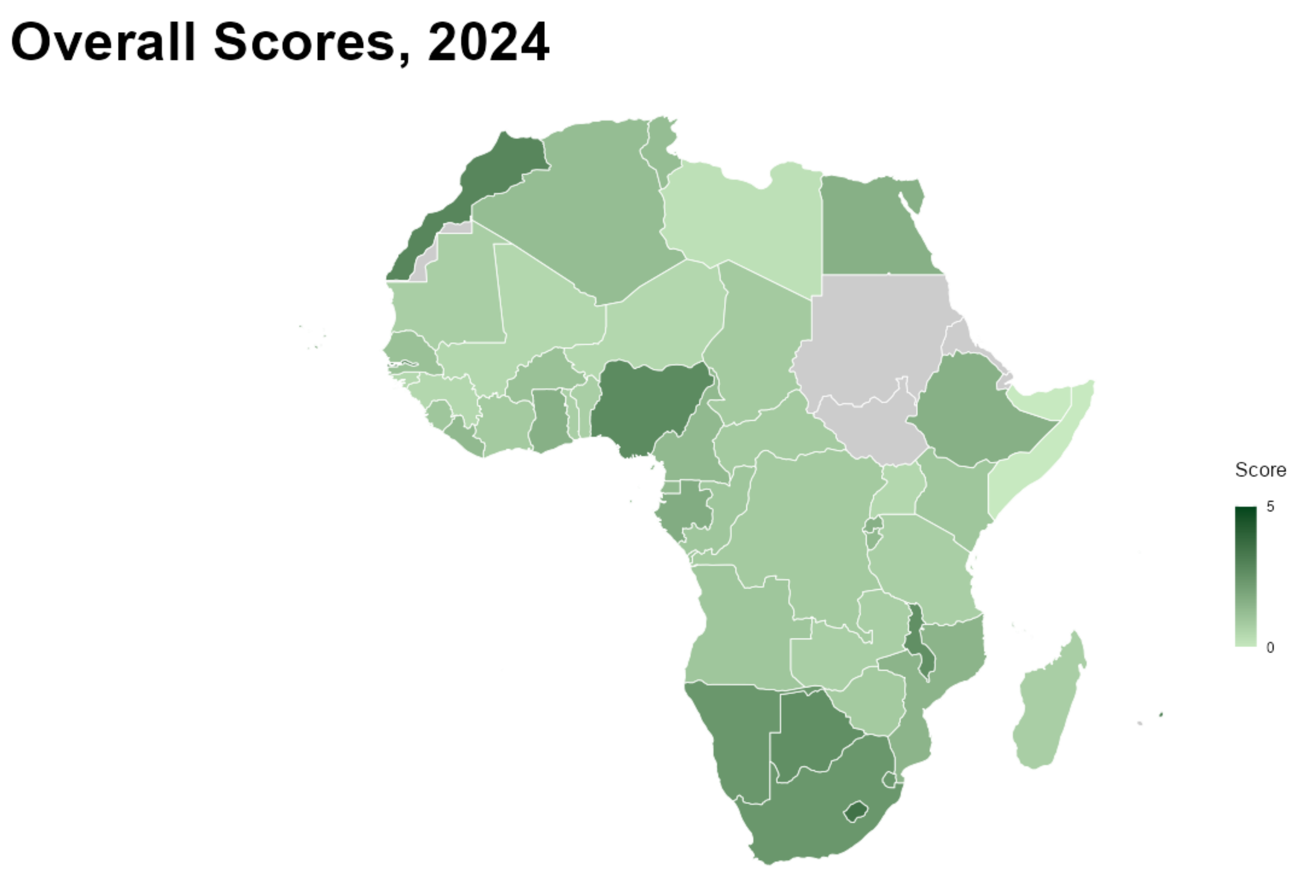


Cigarette Tax Scorecard

- Uses data from WHO’s biennial reports on the global tobacco epidemic
- Scores for 2024, 2022, 2020, 2018, 2016, and 2014
- Extensive peer review
- Based on recommendations and guidance from multiple sources

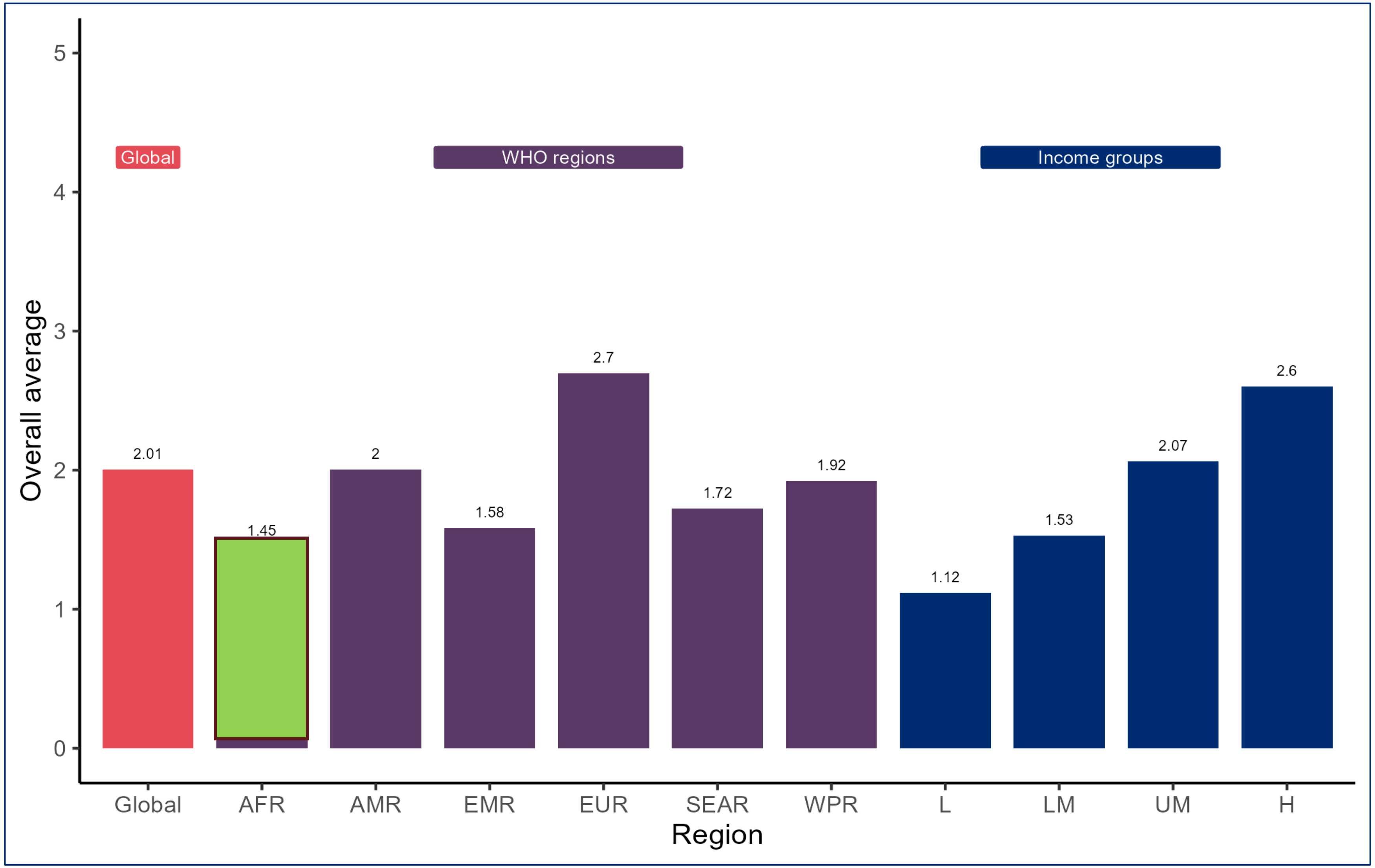
Overall Score

Overall Cigarette Tax Scores, 2024

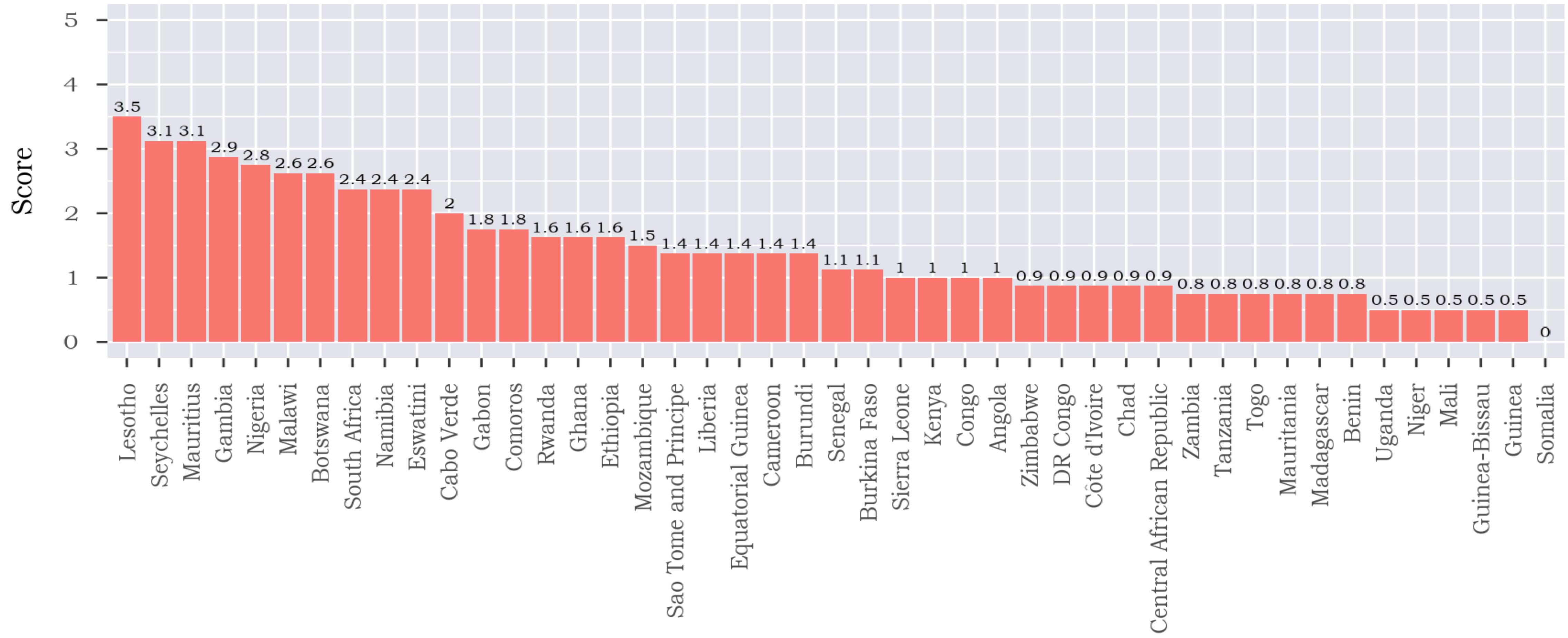


Note: Countries in gray lack necessary data to generate the measure

Overall Cigarette Tax Scores, 2024

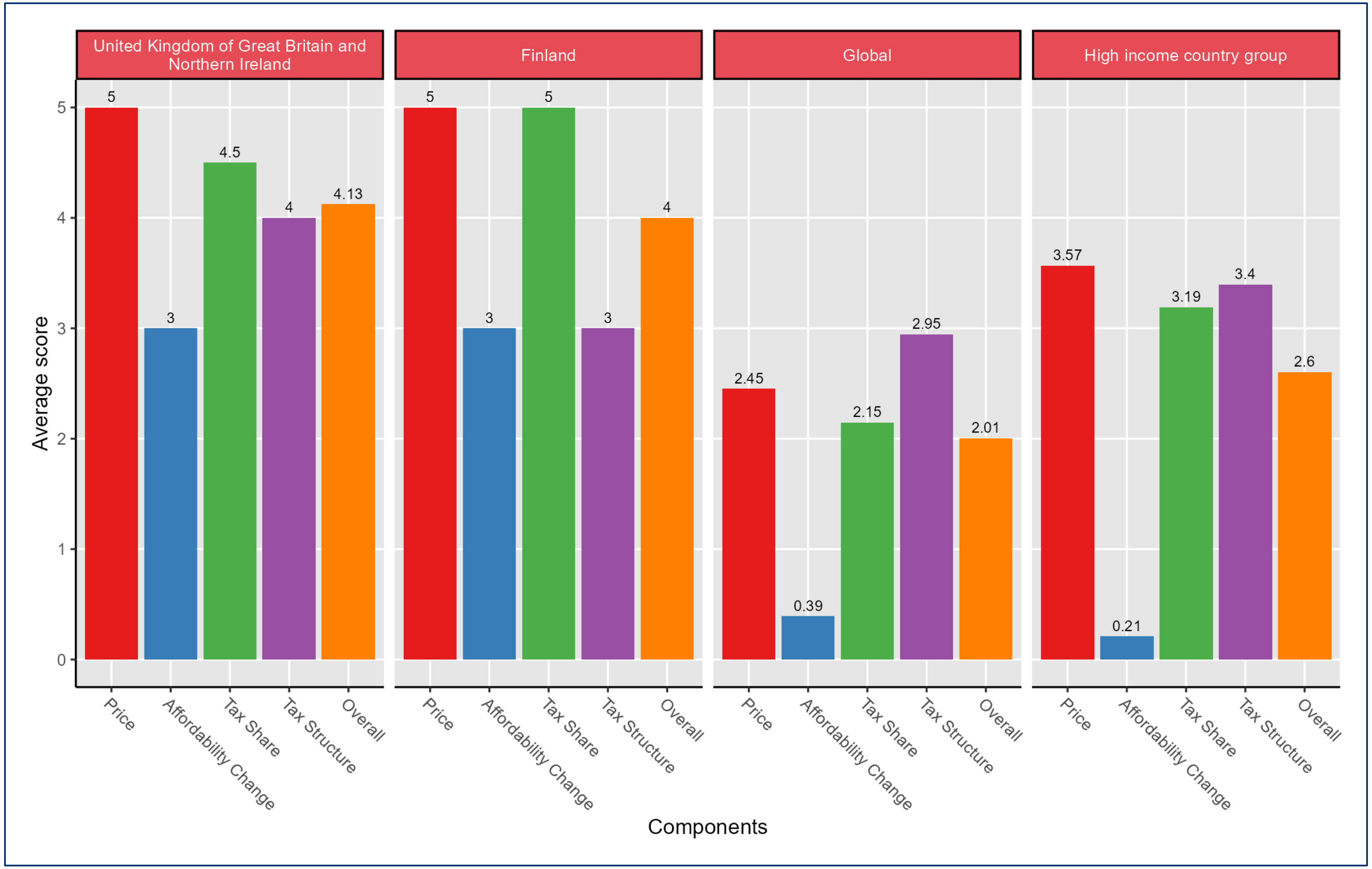


Overall scores by countries in Sub-Saharan Africa (2024)



Note: Insufficient data to calculate overall average score in Djibouti, Eritrea and Sudan.
Data source: EfH Cigarette Tax Scorecard 4th Edition

Top Performing Countries, 2024



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Score Component: Price

Why is Cigarette Price Important?

- Cigarette price is a key variable affecting smoking behavior.
- Higher prices generally reduce cigarette consumption.
- However, cigarettes are relatively price inelastic (an increase in price will result in a less-than-proportional decline in consumption) → Large price increases are necessary to affect consumption.
    - Inelastic means that consumption goes down, but tax revenues generally go up.
- Even when tax structure and tax share of price are ideal, tax systems will not be optimally effective in discouraging consumption if prices remain low.
- Youth and individuals in lower socioeconomic groups are more price sensitive.

Cigarette Price Scoring Rubric

5: Price ≥ 10.0 Intl$ PPP*

4: 8.0 ≤ price < 10.0

3: 6.0 ≤ price < 8.0

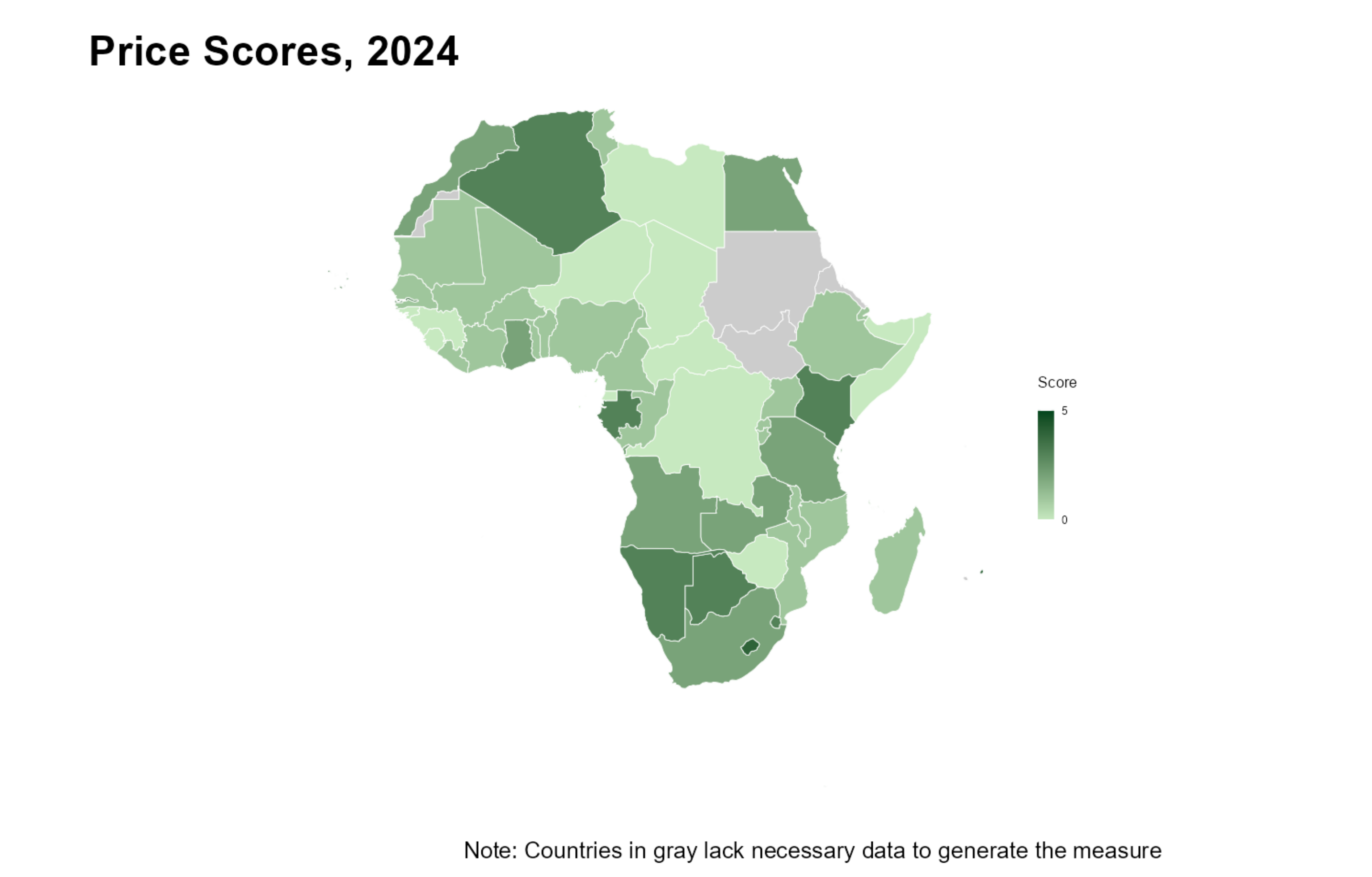
2: 4.0 ≤ price < 6.0

1: 2.0 ≤ price < 4.0

0: Price < 2.0 Intl$ PPP

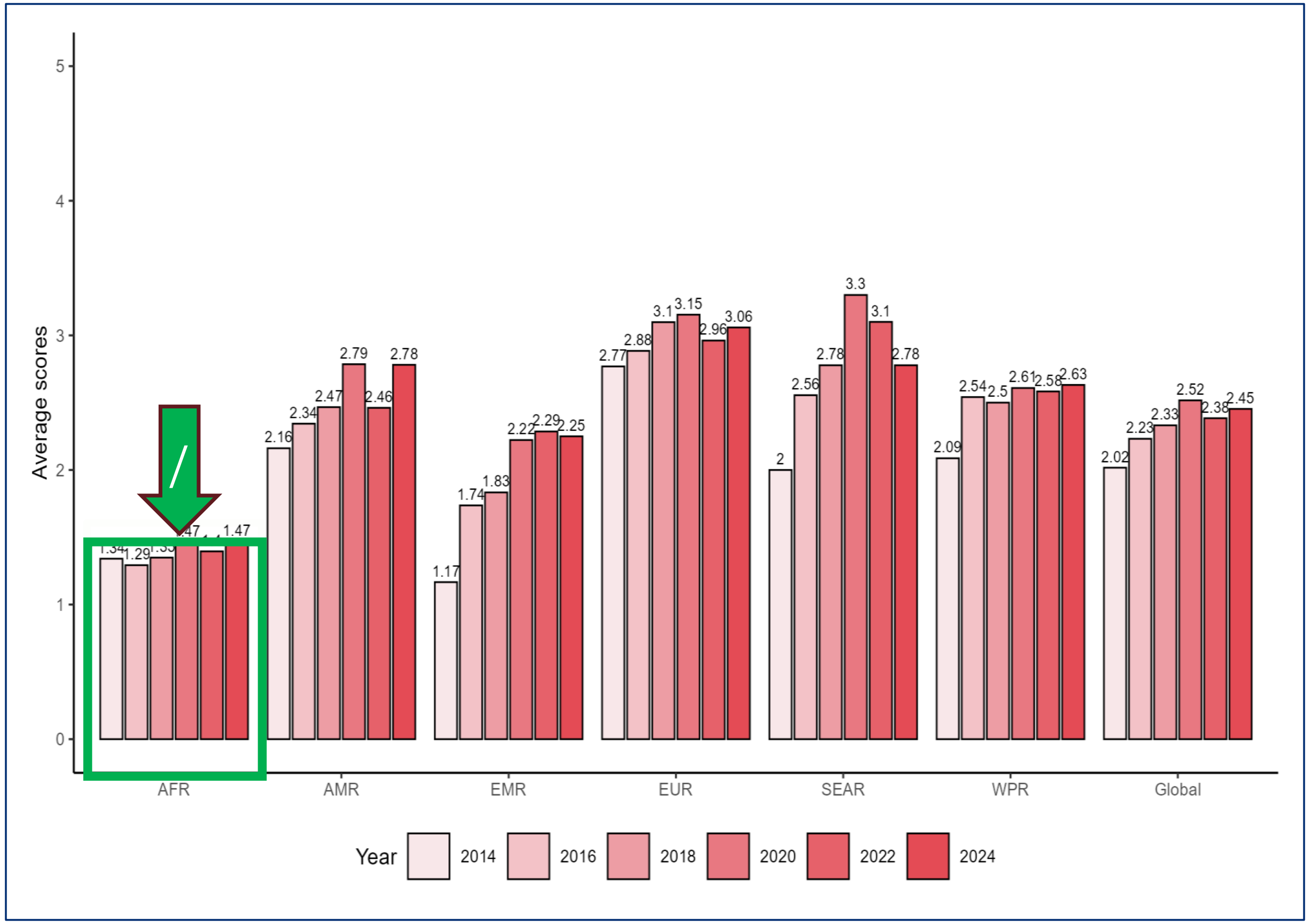
* Note: prices are in 2018 Intl$ PPP so we can compare across editions of the Scorecard.

Cigarette Price Scores in 2024



- Sub-Saharan Africa average price score: 1.39/5.
- Only one country (Seychelles) scored 5 out of 5 (> Intl$ 10).
- Most countries were in the Intl$ 2-4 range in price.
- 11 countries (out of 49) received a score of zero in 2024.

Average cigarette price score, globally and by WHO region, 2014–2024



- Broadly, from 2014 to 2024, average cigarette price scores rose across WHO regions.
- But in the African region, prices haven't changed much since 2020 on average.

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Score Component:
Change in Affordability

Why is Change in Affordability Important?

- Affordability change is a key variable affecting smoking behavior.
- Cigarette consumption typically increases when prices decrease, while increases in income often result in greater consumption. Cigarette affordability addresses both price and income by reflecting an individual's ability to purchase cigarettes.
- In recent decades, many LMICs have seen rapid growth in incomes and inflation, and these increases in inflation and purchasing power can erode the impacts of tax and price increases on consumption.

Change in Affordability Scoring Rubric

5: 7.5% average annual change or higher

4: 5.0% $\leq$ average annual change $<$ 7.5%

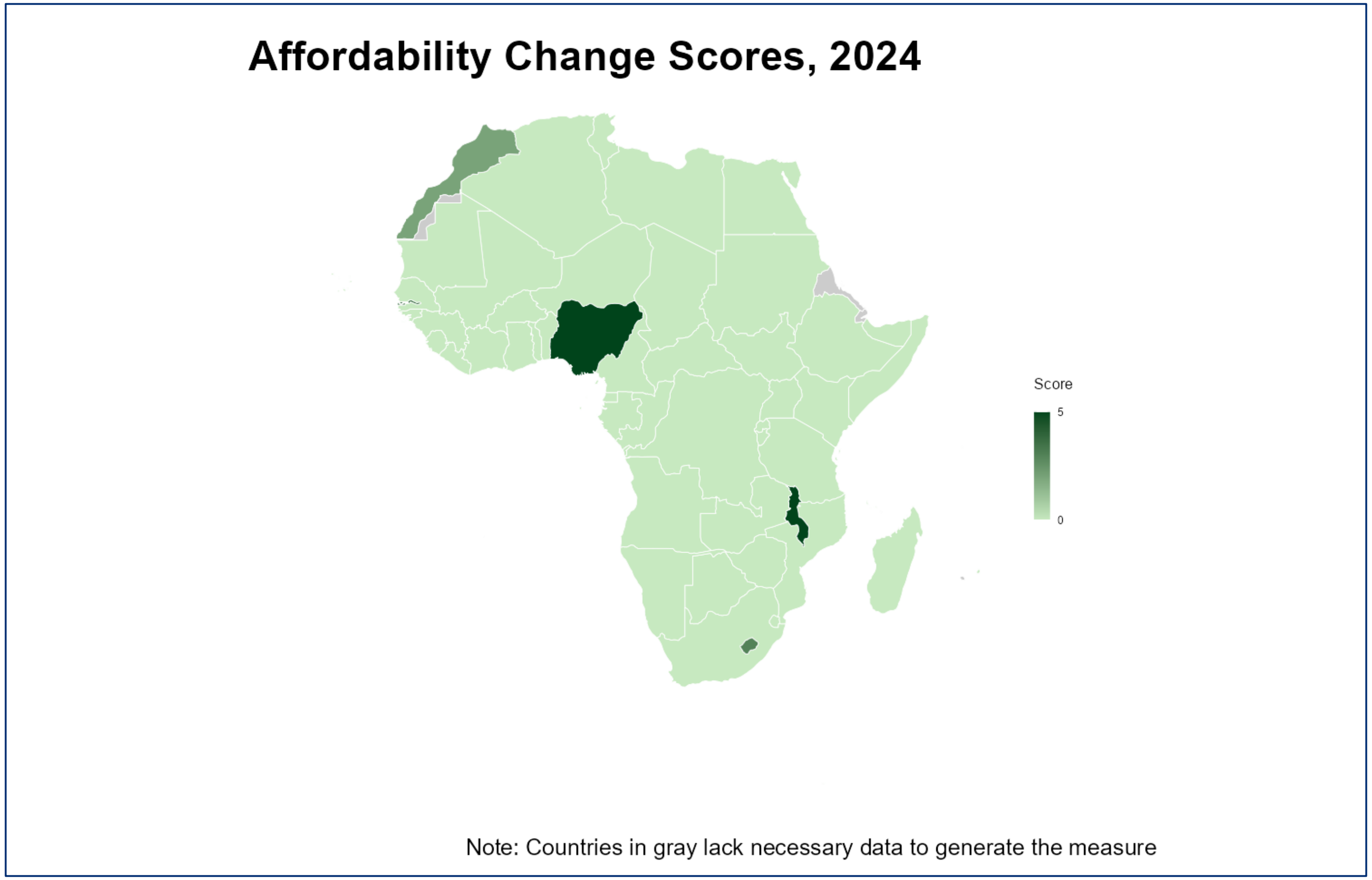
3: 2.5% $\leq$ average annual change $<$ 5.0%

2: Average annual change $<$ 2.5%

1: Reduced affordability, but no excise tax increase

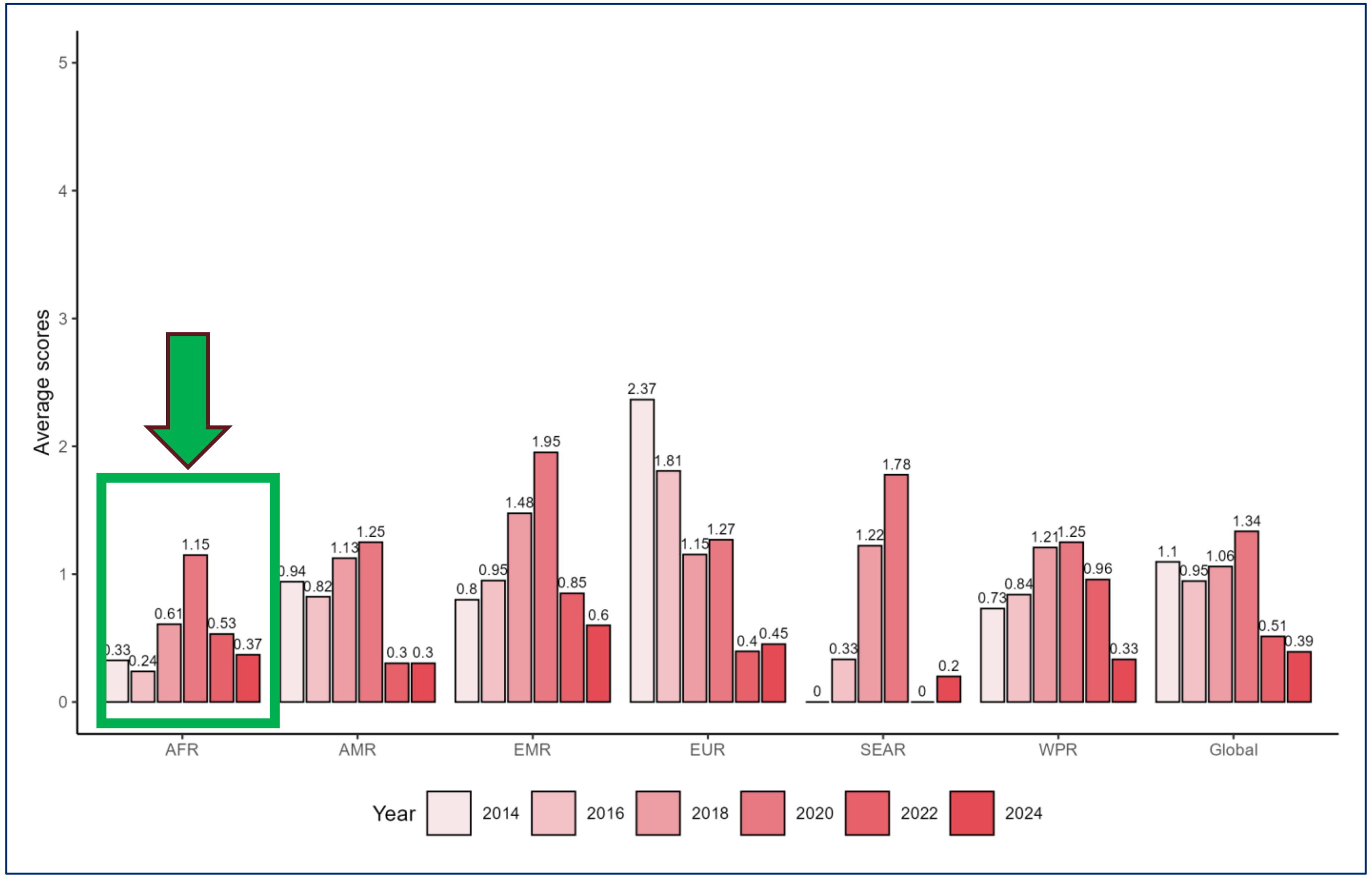
0: Increased affordability or no statistically significant change

Affordability Change Scores in 2024



- This component requires the most significant improvement in Sub-Saharan Africa (SSA).
- The regional average score is only 0.37 points out of 5.
- All countries scored zero except Malawi (5), Nigeria (5), Gambia (4), and Lesotho (3).
- Globally,164 of 186 countries scored zero.

Average affordability change score, globally and by WHO region, 2014–2024



- African, Eastern Mediterranean and Western Pacific regions experienced declines in average score.
- European and South-East Asia regions saw a slight increase in 2024.
- The African region's best year for change in affordability was 2020.

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Score Component:
Tax Share

Why is Tax Share Important?

- The share of tax in retail price is a critical tax performance measure.
- Higher tax shares generally result in higher retail prices, reduced tobacco consumption, and greater government gains in revenue
- When taxes are increased to the recommended share of price, prices typically increase significantly, motivating many users to quit and deterring large numbers of youth from starting to use tobacco

Tax Share Benchmarks

- There are two common and related benchmarks of tobacco tax performance that many practitioners and proponents of tobacco taxation use:

1. The WHO currently recommends that the sum of all taxes is greater than 75% of the average retail price of a tobacco product (for example, cigarettes).

2. The second benchmark, whether excise taxes account for at least 70% of tobacco product retail prices, is derived from the 2010 WHO Technical Manual on Tobacco Tax Administration.
   - Excise taxes are particularly useful because increases change the price of cigarettes relative to other goods.

Tax Share Scoring Rubric

The Tax Share score averages the Total Tax Share and Excise Tax Share sub-scores.

Scoring – Total Tax Share:

5: 75% total tax share or higher

4: 65% ≤ share < 75%

3: 55% ≤ share < 65%

2: 45% ≤ share < 55%

1: 35% ≤ share < 45%

0: Total tax share < 35%

Scoring – Excise Tax Share:

5: 70% excise tax share or higher

4: 60% ≤ share < 70%

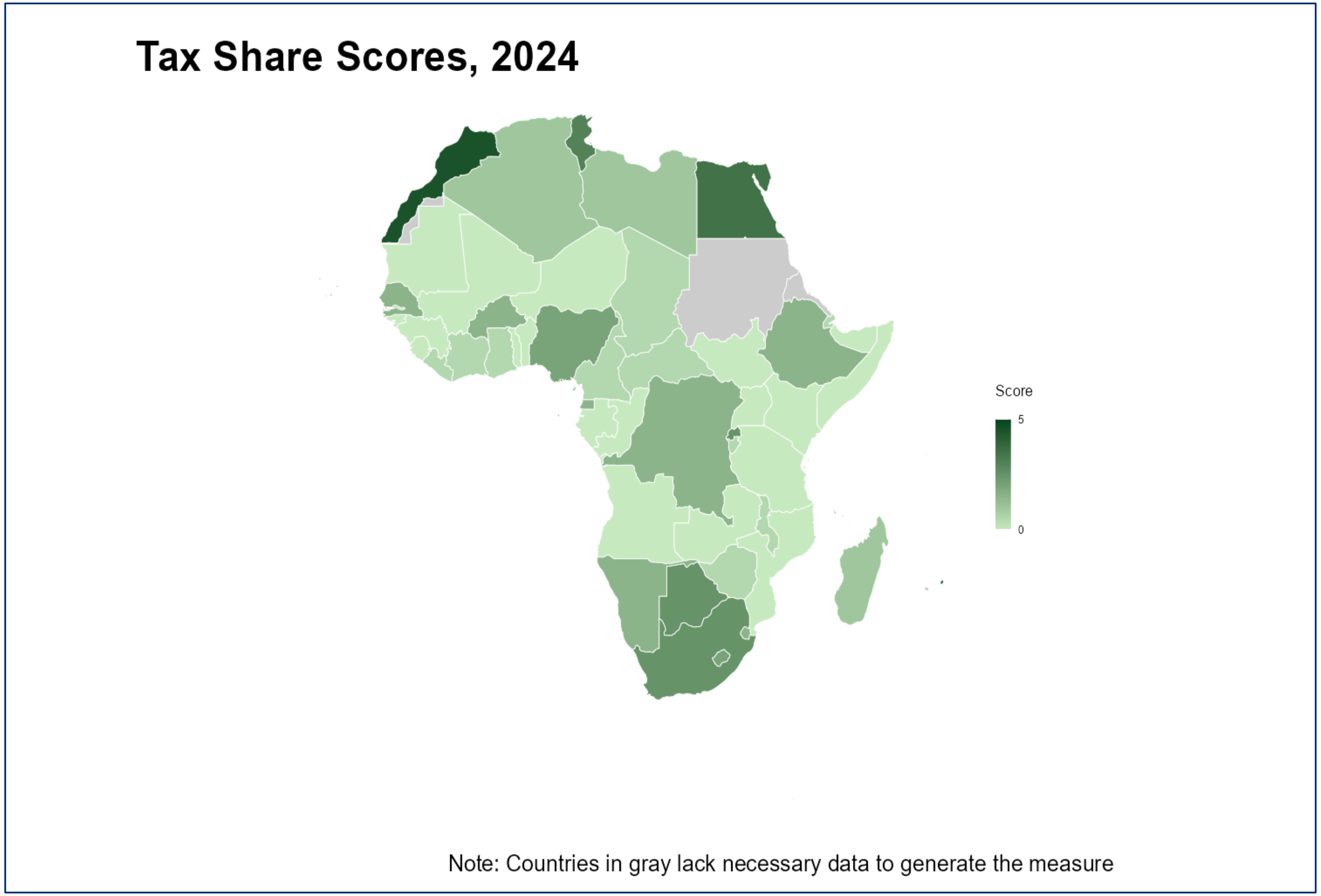
3: 50% ≤ share < 60%

2: 40% ≤ share < 50%

1: 30% ≤ share < 40%

0: Excise tax share < 30%

Tax Share Scores in 2024



- The tax share average score in Sub-Saharan Africa is 0.94.
- There is a handful of higher performers in SSA: Mauritius (4.5), Comoros (4) and Seychelles (3.5).
- On the other end of the spectrum, 17 countries in SSA scored zero.
- Most governments could be reaping significantly more revenues from cigarette tax

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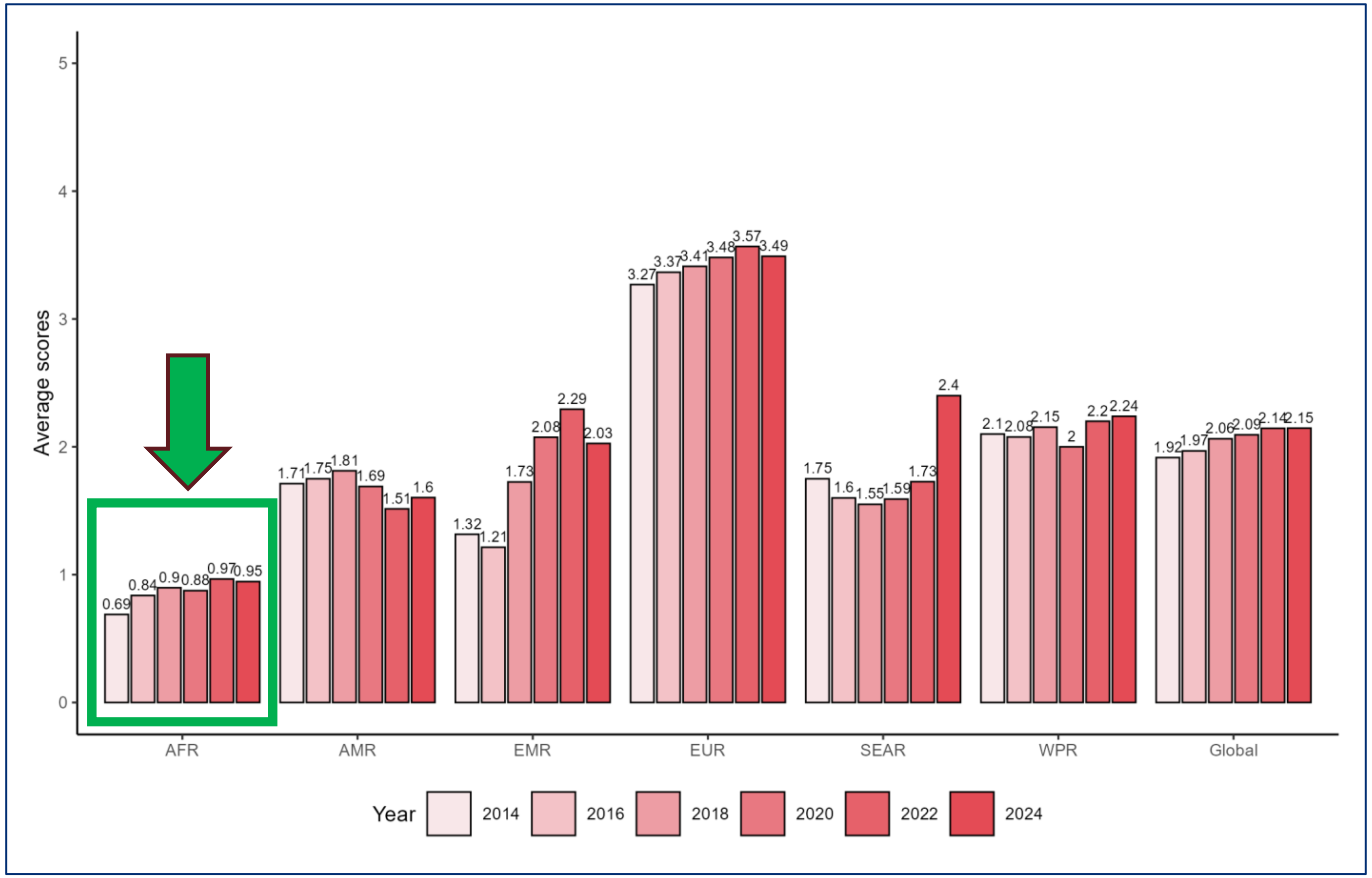
Average tax share score, globally and by WHO region, 2014–2024



- Tax shares are lowest in the African region (and highest in Europe).
- Tax shares didn't improve much in the African region from 2014 to 2024.

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Score Component:
Tax Structure

Why Tax Structure is Important

- Tobacco products are typically subject to excise taxes, which are either specific or ad valorem.
  - Specific taxes are assessed per unit of the product (for example, a stick or a 20-pack)
  - Ad valorem excise taxes are assessed as a percentage of value (for example, manufacturer price or retail price).
  - Hybrid: both ad valorem and specific taxes are levied.
- Some jurisdictions set different tax levels depending on the product features, such as the length of the cigarette or the pack's price category. These tax structures are usually called tiered tax systems.

Why is Tax Structure Important?

- Tax structures greatly affect cigarette price and play an important role in the effectiveness of taxation in reaching governments' public health and revenue goals.
  - Tax structure affects price variability/dispersion.
  - Greater variability in prices creates more opportunities for smokers to "trade down" to cheaper brands in response to tax and price increases, rather than quitting or cutting back on consumption.
  - Specific excise taxes are shown to be more effective in raising consumer prices compared to ad valorem taxes -- resulting in greater reductions in cigarette consumption.
- A tax structure's complexity and ease of administration impact its effectiveness and resulting government revenue; specific taxes are easier to administer.

How Does Tax Structure Affect Consumption?

- Specific excise taxes generally result in greater reductions in cigarette consumption.
- Complicated tax structures, such as tiered tax structures and systems with a greater share of ad valorem taxes, are associated with higher cigarette consumption compared to tax structures that rely more or entirely on uniform specific tax structures.

Tax Structure Scoring Rubric

5: A uniform specific tax with an automatic inflation or other adjustment; or a uniform mixed system with greater share of specific tax, with an automatic adjustment for the specific component, the retail price as the base for the ad valorem component, and a minimum specific tax.

4: A uniform specific tax or uniform mixed system with a greater share of specific tax but without other features listed above.

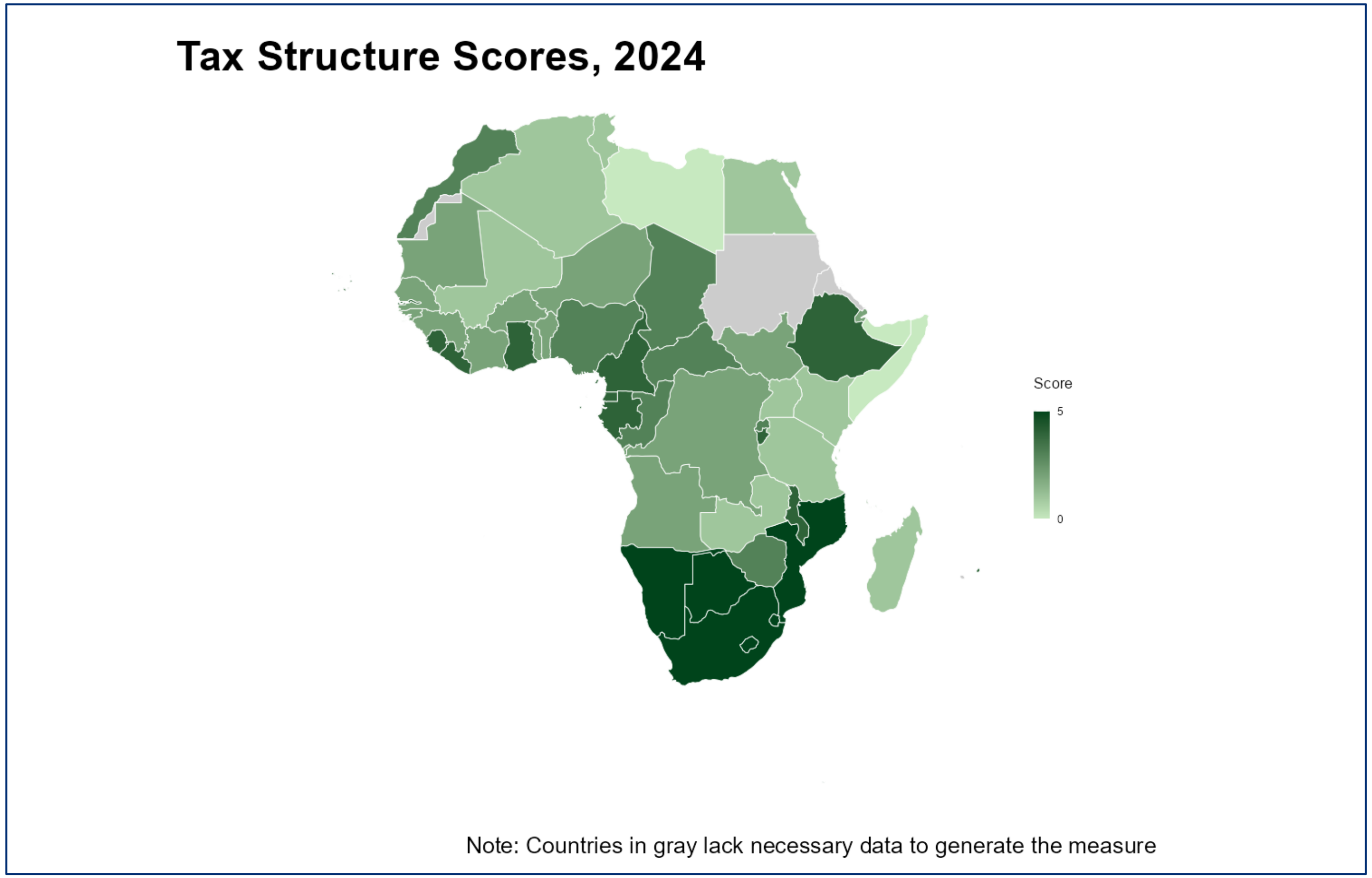
3: A uniform mixed system with a greater share of ad valorem tax.

2: A uniform ad valorem tax.

1: A tiered specific or ad valorem excise tax.

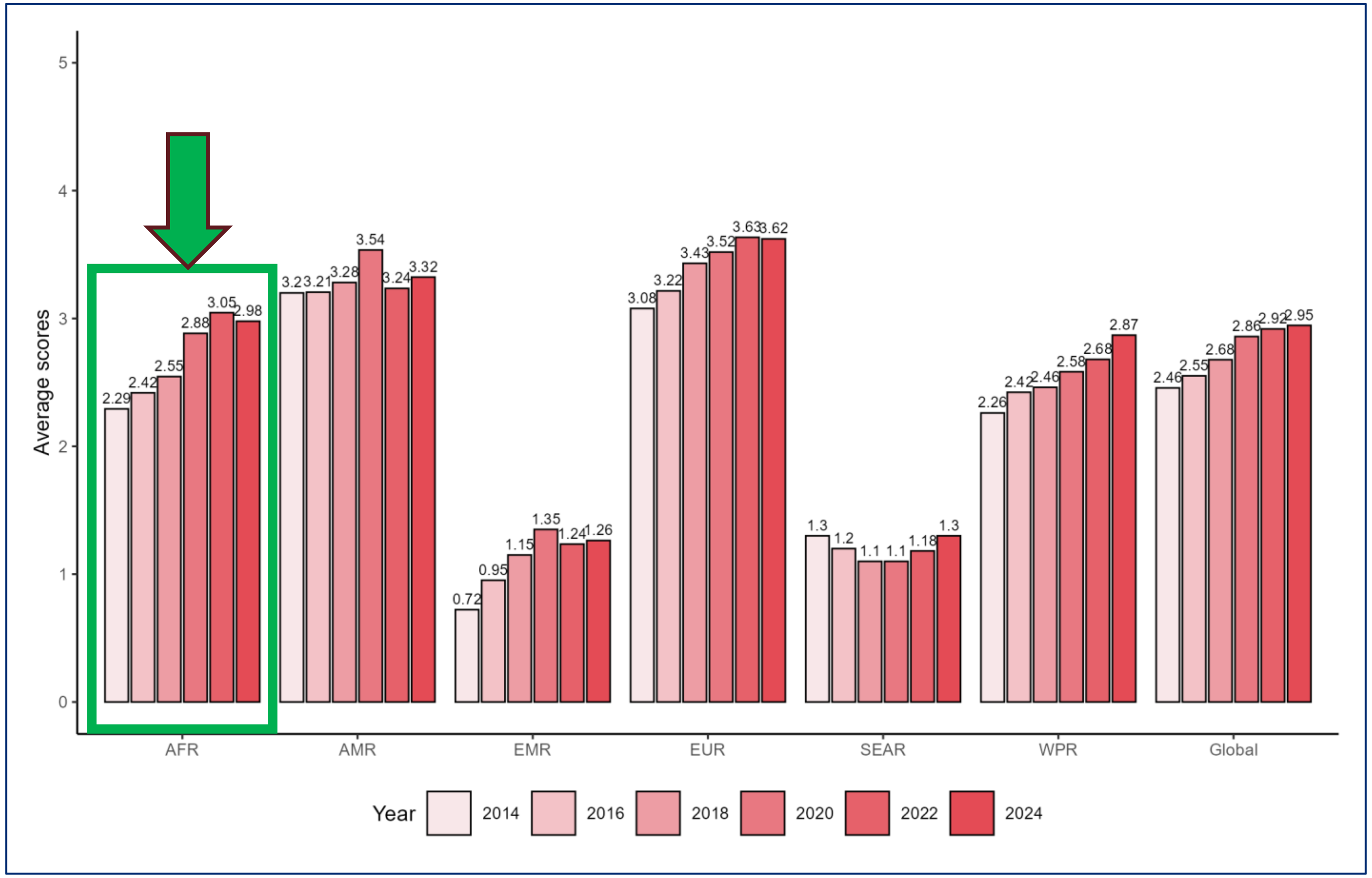
0: No excise tax.

Tax Structure Scores in 2024



- The average score in Sub-Saharan Africa is 2.96/5.
- Botswana, Eswatini, Lesotho, Mozambique, Namibia, and South Africa received all 5 points.
- Somalia scored the lowest in the region at 0/5.
- Several countries have fallen back in recent years by introducing tiered structures.

Average tax structure score, globally and by WHO region, 2014–2024



- From 2014 to 2024, the African region showed the largest gains in tax structure score average (+0.69 points).
- The African region is now one of the stronger ones for structure.

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Conclusions

Trends

Cigarette Price	Change in Affordability	Tax Share	Tax Structure
• Average cigarette prices changed little from 2020. • Consumers react to absolute price and price change, so low and/or stagnant prices are not conducive for improving public health outcomes (i.e., reducing smoking).	• Less than 10% of the region's countries are achieving the goal of less affordable cigarettes. • In some countries, cigarettes are becoming more affordable. • Put simply, most governments are not raising taxes enough to affect prices to make cigarettes less affordable.	• Tax share is a reliable indicator of cigarette excise tax performance. • Most countries are still falling well below the evidence-based international minimum benchmarks (75% total tax and 70% excise tax shares).	• The Scorecard results suggest that Africa had the quickest pace of reform though there is more work to be done. • The main challenges: 1) No excise tax. 2) Tiered structures. 3) Ad valorem-only systems. 4) Specific taxes with no adjustment mechanism.

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Recommendations

Policymakers should . . .	In order to . . .
• Implement regular tax increases that outpace inflation and real income growth to increase the price of cigarettes to make them less affordable. • Simplify any complex tax structures for ease of administration and to decrease risk of tax avoidance and evasion.	• Protect vulnerable populations (including youth and those in lower socioeconomic groups) who are more sensitive to increases in cigarette price. • Prevent the expansion of cigarette markets. • Improve population health by preventing tobacco-induced disease and death (and accompanying costs including health-related expenses and lost economic productivity). • Increase government revenue that can be allocated to development priorities, including health and education.

Thank you for your attention!

For more information:

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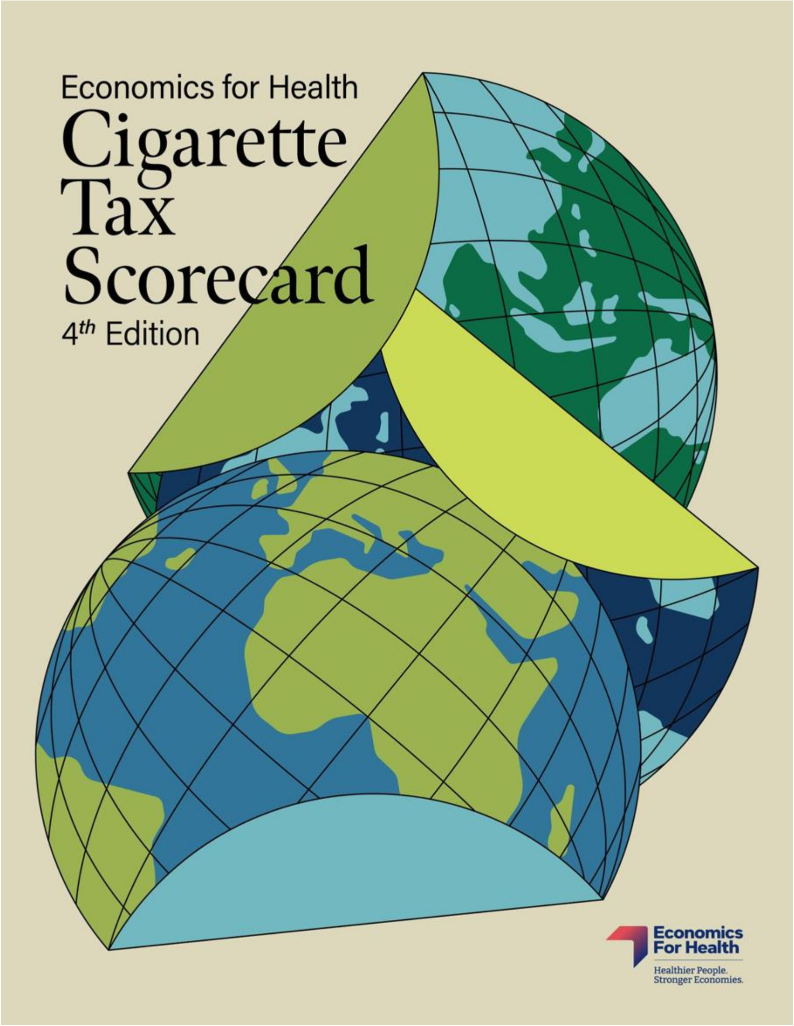

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