



HEALTH TAXES: HEALTHIER POPULATIONS, WEALTHIER TREASURY

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Presentation Outline

- Context
- Current status
- Proposals
- Challenges
- Conclusion



About ILA

- A not-for-profit Civil Society Organization formed in 2004 in Kenya
- **Vision:** “A Just Society Governed by Fair and Righteous Laws”
- **Mission:** “To enhance legislative process by providing technical support to law making institutions and other stakeholders”
- Works with policy makers; including government departments, legislators at national and county governments and other stakeholders to advocate for pro- people policies and legislation
- Areas of focus: public health (e.g. NCDs prevention-Tobacco and alcohol control, mental health); governance
- Approach: policy/legislation research and drafting to inform advocacy and capacity building



Context

- Health is a critical sector for national economic development:
 - ✓ Forms part of President's Big Four Agenda
 - ✓ SDG Goal #3
 - ✓ Health rights enshrined in Constitution of Kenya, 2010
 - ✓ Outlined in the country's Vision 2030
- NCDs (e.g. cancers, cardiovascular diseases, chronic respiratory diseases, stroke and diabetes) pose a big threat to attainment of these aspirations (Big 4 Agenda-UHC, SDG, CoK etc.)
- NCDs account for more than 50% of total hospital admissions and over 55% of hospital deaths (National Strategy for the prevention and control of NCDs:2015-2020)
- The NCDs burden is driven by 4 major modifiable risk factors:
 1. Tobacco use
 2. Harmful use of alcohol
 3. Unhealthy diet
 4. Physical inactivity



Current Status: Tobacco Control

- **Tobacco** is a leading yet preventable cause of death globally; killed about 5M people in 2002 with 50% from developing countries.
 - By this year (2020), the tobacco death toll will reach 10 million with more than 70% of deaths from these countries (WHO, 2003)
 - In Kenya, 11.6% of adults (19.1% of men and 4.5% of women) currently used tobacco products: *Global Adults Tobacco Survey (GATS), 2014*
 - 9.9% (12.8% boys and 6.7% girls) of Kenyan youth aged 13-15 years, currently used tobacco products: *Global Youth Tobacco Survey (GYTS), 2013*
- Article 6 of the WHO FCTC (World Health Organization Framework Convention on Tobacco Control) requires parties (including Kenya) to implement tax policies and, where appropriate, price measures on tobacco products so as to contribute to health objectives of the Treaty
- Nationally, the Tobacco Control Act (TCA) domesticates this treaty and requires the Minister of Finance to implement tax and price policies on tobacco and tobacco products so as to contribute to the objectives of the Act.

Current Status: Tobacco taxation



- Over several decades, tobacco excise tax in Kenya has remained complex to administer and too low to meet public health and revenue goals.
- The past decade saw significant reforms in the sector, e.g.:
- **2012:** Indexation of taxes, with excise rate of Kshs1,200/mille
- **2015:** Flat/Single rate of Ksh 2,500/mille for ALL cigarettes
- **2017:** System reverted to a tiered regime with 2 bands of Ksh 2,500/mille for filtered cigarettes and Ksh 1,800/mille for plain cigarettes
- **2019:** 15% increase on the rate: Ksh 3,157/mille for cigarettes with filters and Ksh 2,272/mille for plain cigarettes



Current status: Alcohol Control

- Almost 3M people die annually due to alcohol consumption, accounting for 5% deaths worldwide.
- About 30% of adult Kenyans (15 yrs old and above) have ever consumed alcohol with consumption being 18.9 litres per drinker, much higher than the African average: NCDs prevention and control National Strategy
- Currently, 13.7% of the population are alcohol drinkers with an estimated 5.8% of adult Kenyan males (15-64 years old) having some level of alcohol dependency and 2.4% of males falling under the category of abuse
- In total 3.2% of adult Kenyans, may require some form of intervention
- The Finance Act, 2019 increased the excise Duty rate of alcoholic drinks by 15%. However, more can be done to promote effective use of price and tax measures to promote public health goals and generate revenue for the government.



Current Status: Unhealthy diets

- Diet-related NCDs due to consumption of foods high in calories, sugars, trans and saturated fats and salt are on the rise in Kenya
- The situation is aggravated by increasing fast and junk foods coupled with aggressive advertising and marketing under insufficient regulatory framework
- There is a rise in overweight and obesity rates: the proportion of women aged 15-49 yrs who are overweight and obese increased from 25% in 2009 to 33% in 2014 (KDHS)
- Approx. 18% and 4% of pre-school children in Kenya have been found to be overweight and obese respectively
- **Sugar Sweetened Beverages (SSBs)** consumption has been linked to obesity, which in turn contributes to increased risk of diabetes, heart diseases, stroke and cancers
- SSBs e.g. sodas contain non-nutritive sweeteners and additives including high levels of phosphate which have a negative effect on bones
- Kenya is yet to effectively use fiscal measures to reduce prevalence of obesity and related diseases



Proposals

- **Tobacco**: Simplification of tobacco tax structure by re-introducing a uniform specific tax rate (single tier) for ALL cigarettes; and further increase the rate by 15% on the current higher rate (Ksh. 3,157 per mille) and apply to ALL cigarettes
- **Alcohol**: Increase by 15% excise tax rate on alcoholic drinks
- **SSBs**: Increase excise tax rate by 10%
- Raising the price of tobacco, alcohol and SSBs by increasing excise taxes reduces consumption and saves lives, while generating additional tax revenues. Yet, these taxes are underutilized as a policy tool Use portion of revenues to support NCDs prevention and control programmes



Challenges

- Inadequate resources (human, infrastructure, finances), way below global recommendations.
- For NCDs specifically, the rising burden is not proportional to the rise in financial resources allocated to address the problems
- Shrinking donor funding
- Need to look for other domestic avenues for resource mobilisation; e.g. fiscal measures. This presents the challenge of industry interference and resistance
- Low public awareness to appreciate the need for fiscal measures to address public health objectives



Thank you