

Achievements and Opportunities in the Implementation of the ECOWAS and WAEMU Excise Directives

Workshop Report
October 9, 10 2024

Dakar, Senegal

Overview

The ECOWAS region is a highly integrated trade bloc with a harmonized indirect tax regime. To better facilitate trade, ECOWAS has adopted an excise tax directive defining the range of excisable goods, tax structures, and minimum and maximum rates. This includes health excise taxes on products that generate health related negative externalities and internalities, including tobacco, alcohol and sugar-sweetened beverages (SSBs). The ECOWAS directives are periodically updated. For instance, significant tobacco tax reform was implemented in 2017, with minor adjustments to alcohol taxes in 2023. A similar directive also exists for WAEMU, although there are some notable differences between the two directives that would benefit from clarification and alignment.

Updating the ECOWAS and WAEMU directives on excise taxes would improve harmonization and generate health and revenue impacts in the region. In partnership with the ECOWAS and WAEMU Commissions, the Global Tax Program Health Taxes Team organized a 2-day regional workshop in Dakar on the 8th and 9th of October 2024. With over 60 participants, the workshop served as platform for stakeholders from ECOWAS member states to discuss “Achievements and Opportunities in the Implementation of the ECOWAS and WAEMU Excise Directives”, with a focus on sharing successes in reforming excise taxes on tobacco, alcohol, and sugar sweetened beverage products and accelerating implementation across the region including in the area of tax administration.

The workshop brought senior technical decisionmakers from Ministries of Finance, Revenue and Customs authorities in the region, including representatives from 13 ECOWAS member states and 2 observer countries (Chad and Mauritania). ECOWAS countries present included: Benin, Cabo Verde, Cote D’Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Nigeria, Senegal, Sierra Leone, and Togo.

Speakers and participants included the ECOWAS and WAEMU Commissions, IMF, OECD, and WHO), and regional partners ATAF, WATAF, CRES, the Research Unit on the Economics of Excisable Products at the University of Cape Town, and Tax Justice Network Africa. Organization and technical content for the workshop was also greatly supported by the Senegal country office and EP and Institutions teams, as well as World Bank institutional teams for ECOWAS/WAEMU member countries.

This workshop report was used as a background document for the meeting, and was updated following partner presentations. Next steps include working with the ECOWAS secretariat to plan for a series of technical inputs that would lead to eventual harmonization and updating of the directives in partnership with the World Bank.

Tobacco and alcohol excise taxes in ECOWAS

1) Introduction

Excise taxes on tobacco and alcohol target the negative externalities and internalities generated by use of these products. By increasing prices, taxes help correct for market failures while also reducing consumption and the associated health burden. Increases in these taxes generate meaningful revenues.¹

To ensure that tobacco and alcohol excise taxes are effective in reducing consumption and increasing tax revenue, taxes need to be well-designed, with the appropriate tax structures² and rates, and well-implemented. Best practices in tax policy favor the use of specific taxes based on the volume of tobacco or alcohol over ad valorem taxes that are based on the product value. This is because specific taxes are better at targeting externalities and internalities that correlate more closely with the volume of consumption than the value of the product. Increases in specific taxes also generate larger reductions in consumption and thus larger health impact and are less susceptible to tax evasion and easier to collect.³

Table 1: ECOWAS and WAEMU countries

Countries	ECOWAS	WAEMU
Benin	✓	✓
Burkina Faso	*	✓
Côte d'Ivoire	✓	✓
Cape Verde	✓	
The Gambia	✓	
Ghana	✓	
Guinea	*	
Guinea-Bissau	✓	✓
Liberia	✓	
Mali	*	✓
Niger	*	✓
Nigeria	✓	
Senegal	✓	✓
Sierra Leone	✓	
Togo	✓	✓

Note: * denotes that the country is currently suspended from ECOWAS.

All ECOWAS and WAEMU countries (Table 1)⁴ apply excise taxes on tobacco and alcohol as required by ECOWAS and WAEMU directives. The directives define the range of excisable products as well as the tax structures and minimum (and sometimes maximum) tax rates that countries should implement. Tobacco and alcohol excise taxes in the region have evolved significantly in

¹ World Bank GTP has published a [Knowledge Note](#) that outlines the revenue potential for health taxes, including the impact of tax reforms and increases.

² Tax structure refers to the type of tax, tax base, and other design features like tiers and thresholds.

³ This view is shared by the World Bank, International Monetary Fund, World Health Organization. See World Bank GTP [Knowledge Note](#) for more details.

⁴ The Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union or Union économique et monétaire ouest-africaine (WAEMU or UEMOA) are integrated political and economic regional blocs located in West Africa. At present, there are 15 members of ECOWAS, although four are presently suspended, of which eight are also members of WAEMU.

recent years, with updates to the directives increasing minimum ad valorem tax rates and introducing the first specific tax on tobacco (in ECOWAS only). Several important country-level reforms have introduced specific taxes on both tobacco and alcohol, and increased tax rates, generating significant increases in tax revenue.

Challenges remain, with growing differences in tobacco tax structures and minimum tax rates between the ECOWAS and WAEMU directives and low alcohol tax rates still relying on ad valorem taxes in both directives. This has led to low taxes and high reliance on ad valorem taxes in many countries, particularly Francophone countries. It is an opportune time to reflect on progress and challenges implementing tobacco and alcohol excise taxes, including examining the impact of country level reforms. Disseminating positive policy outcomes including examples of countries that have seen significant increases in tax revenue, helps promote accelerated implementation of the directives in other countries and identify areas for further refinement of directives.

2) Evolution of ECOWAS and WAEMU excise tax directives

Excise taxes in ECOWAS and WAEMU are harmonized through separate but somewhat coordinated directives with minimum tax rates on different products being harmonized or closely aligned.⁵ The first excise tax directive that harmonized excise taxes in WAEMU was implemented in 1998 and reformed in 2009 (Table 2). The directive established a tax structure, applying ad valorem excise taxes on the CIF value⁶ or ex-factory price, and set varying minimum and maximum rates across a range of products. The list of excisable products is typical of an older generation excise tax system that applies excises on luxuries rather than products that generate negative externalities and internalities. In addition to requiring excise taxes on tobacco, alcohol, and non-alcoholic beverages, countries may place excise taxes on a maximum of six of twelve products listed in the directive.⁷

The first ECOWAS excise tax directive was implemented in 2009, alongside the revised WAEMU directive. The directives were closely aligned, establishing the same tax structure, and requiring minimum and maximum excise rates. As with the WAEMU directive, countries were required to establish excise taxes on tobacco, alcohol, and non-alcoholic beverages, and could implement excise taxes on a maximum of eight products from a list of seventeen.⁸ While the 2009 directives harmonized the tax structures and largely harmonized the minimum tax rates, the maximum tax rate on tobacco products was significantly higher in ECOWAS at 100 percent compared to 45 percent in WAEMU.

⁵ Recent reforms to tobacco taxes have led to a variance between the ECOWAS and WAEMU directives, however minimum tax rates on other products are still largely harmonized or closely aligned.

⁶ Plus customs and other taxes excluding VAT.

⁷ Coffee, cola, wheat flours, oils and fats, tea, weapons and ammunition, perfumes and cosmetics, plastic bags, marbles, gold ingots, precious stones, and passenger vehicles.

⁸ All twelve of the WAEMU categories are included in ECOWAS. The categories are: coffee, cola, wheat flour, oils and fatty food substances, perfumery and cosmetic products, tea, arms and ammunitions, precious stones and metals, new vehicles, second hand vehicles, caviar, leather and skin, recreational boats, works of art, plastic bags, marbles, and monosodium glutamate.

Table 2: Minimum and maximum health excise tax rates in ECOWAS and WAEMU (2009)

Product	ECOWAS		WAEMU	
	Minimum	Maximum	Minimum	Maximum
Tobacco	15%	100%	15%	45%
Alcohol	10%	45%	15%	50%

Both directives were reformed in 2017, albeit only on tobacco products (Table 3). The WAEMU directive increased the minimum tax rate from 15 to 50 percent and the maximum tax rate from 45 to 150 percent. The ECOWAS directive followed a more radical reform, changing the tax structure from an ad valorem tax to a mixed system including both specific and ad valorem taxes and removing the limitation of maximum rates. The minimum ad valorem rate was increased from 15 to 50 percent alongside a minimum specific tax of US\$ 0.02 per cigarette (equivalent to US\$ 0.40 per pack).⁹

Table 3: Minimum and maximum tobacco excise tax rates in ECOWAS and WAEMU (2017)

Product	ECOWAS		WAEMU	
	Ad valorem	Specific	Minimum	Maximum
Cigarettes, cigars, and cigarillos	50%	US\$ 0.02 per stick	50%	150%
Other tobacco products	50%	US\$ 20 per kg	50%	150%

Alcohol taxes were reformed by a 2023 update to the ECOWAS directive that increased the minimum tax rates and removed the limitation that the maximum tax rate (Table 4). It did not implement a specific tax like tobacco but refined the scope of alcohol, implementing separate minimum tax rates on beer, wine, and spirits. The previous directive applied the same minimum rate on all alcohol, while the 2023 requires a higher minimum rate on beverages with higher alcohol concentrations. No complementary reform of the WAEMU directive has been implemented.

Table 4: Minimum and maximum alcohol and non-alcoholic beverage excise tax rates in ECOWAS and WAEMU (2023)

Product	ECOWAS	WAEMU	
	Minimum	Minimum	Maximum
Beer	10%	15%	50%
Wine	30%	15%	50%
Spirits and other alcoholic beverages	40%	15%	50%

3) Country-level implementation of ECOWAS and WAEMU directives¹⁰

a) Tobacco taxes

Implementation of the ECOWAS directive varies across the region. Non-ECOWAS countries have taken active steps to implement both the minimum specific and ad valorem rates (Table 5). Countries have implemented significant reforms to move towards or achieve compliance. Key highlights in these countries are as follow:

⁹ Cigars and cigarillos are also taxed at a minimum of US\$ 0.02 per stick, while other tobacco products sold by weight (e.g., fine-cut or pipe tobacco) at a minimum of US\$ 20 per kilogram. The tax rates are broadly equivalent using an established benchmark of each cigarette stick weighing 1g. Some practitioners prefer using a lower weight since cigarettes in many countries weight less than 1g, sometimes as low as 0.7g, however typical weights vary across countries and brands.

¹⁰ Tax structures and tax rates correct at the time of the workshop. Countries may have adjusted tax structures and/or tax rates since

- Two out of seven countries, **Cabo Verde** and **Ghana** are in full compliance with the ECOWAS directive. Both apply specific tax of at least US\$ 0.40 per pack and ad valorem taxes of at least 50 percent. Cabo Verde achieved compliance in 2021 and has continued to increase the specific tax since. Significant increases in tax revenue has been observed. Ghana implemented these reforms in 2023.
- **The Gambia** and **Liberia** are in partial compliance. Both countries apply a specific tax of US\$ 0.40 per pack or more but do not apply an ad valorem tax. Nonetheless it should be considered a good practice since the specific tax is more effective in reduction consumption and increasing tax revenue. The Gambia reached the minimum specific tax in 2021 and have continued to increase taxes since. Liberia have not raised taxes since achieving the minimum specific tax in 2019 indicating scope for further increases.
- **Nigeria** has made meaningful progress by implementing a specific tax, however both the specific and ad valorem taxes are below the ECOWAS minimums. Significant tax increases will be required to achieve both the minimum specific and ad valorem rates. Nevertheless, the impact of reforms on tax revenues are encouraging.
- **Sierra Leone** has made meaningful progress by implementing a specific tax in 2024, however the rate is still significantly lower than the ECOWAS minimums, while the ad valorem component was also removed.
- Only **Guinea** has made no progress in implementation. It has not implemented a specific tax, and the ad valorem tax is below the ECOWAS minimum. While it has increased the ad valorem tax from 20 to 40 percent since the reform of the directive, it will need to implement a specific tax of at least US\$ 0.40 per pack and raise ad valorem tax rates further to achieve compliance.
- The successful reforms in **Cabo Verde**, **The Gambia**, **Ghana**, and **Sierra Leone** are discussed in more detail in the following section, highlighting the significant and positive impact of the reforms.

Several WAEMU countries have increased ad valorem tax rates in recent years to comply with the minimum ad valorem rate of 50 percent that was implemented in 2017. However, no countries have implemented the minimum specific tax of US\$ 0.40 per pack. The near systematic implementation of specific taxes in ECOWAS, but not in WAEMU suggests that this is due, in part, to the limitation of the WAEMU directive. Key highlights in these countries are as follows:

- Six of the eight countries meet WAEMU minimum ad valorem rate of 50 percent, namely: **Benin**, **Burkina Faso**, **Guinea-Bissau**, **Niger**, **Senegal** and **Togo**.
- Only two countries, **Côte d'Ivoire** and **Mali**, do not meet the minimum ad valorem rate.
- **Burkina Faso**, **Mali** and **Senegal** apply administrative measures by defining a minimum tax base or minimum value of the ad valorem excise, creating an effective specific tax floor which may be interpreted as a de facto specific tax. This highlights how several countries find the ad valorem tax inadequate to achieve their objectives.
- **Niger** goes beyond the WAEMU directive by implementing the ECOWAS mixed system with a specific tax equivalent to US\$ 0.40 per pack. This was announced but has not been implemented since Niger is currently suspended from ECOWAS.

The 2017 reforms have resulted in substantial increases in the effective excise tax on a pack of the Most Sold Brand of cigarettes in ECOWAS and WAEMU countries.¹¹ Between 2016 and 2022, the

¹¹ Effective taxes are the estimated value of the tax per pack of 20 cigarettes.

effective tax increased in five of the eight WAEMU countries, and in four of five ECOWAS countries (excluding WAEMU).¹² Prices are a critical indicator of the impact of tobacco tax reforms on health.

Table 5: Tobacco excise taxes in the ECOWAS region

Product	Ad valorem		Specific	
	Rate	Compliance	USD/pack	Compliance
WAEMU				
Minimum	50%			
Benin	50%	✓		
Burkina Faso	50%	✓		
Côte d'Ivoire (1)	49%	✗		
Guinea-Bissau	55%	✓		
Mali (2)	25%	✗		
Niger (3)	60%	✓	0.40	
Senegal (4)	65%	✓		
Togo	100%	✓		
Non-WAEMU				
Minimum	50%		0.40	
Cape Verde	50%	✓	1.17	✓
The Gambia (5)		✗*	0.68	✓
Ghana	50%	✓	0.45	✓
Guinea	40%	✗		✗
Liberia		✗*	0.40	✓
Nigeria (6)	30%	✗	0.11	✗
Sierra Leone		✗	0.08	✗

Note: * while non-compliant by not implementing an ad valorem tax, the implementation of the specific tax is still a good practice with higher effective taxes than most other countries. (1) Includes excise and earmarked taxes; Minimum CIF of CFA 300 per pack resulting in minimum excise of US\$ 0.25 per pack (CFA 400 per pack if imported from outside the customs union). (2) Minimum excise of CFA 140 per pack, equivalent to US\$ 0.23 per pack. (3) Specific tax reportedly not being implemented due to suspension from ECOWAS. (4) Minimum tax base of CFA 280 per pack resulting in a minimum excise of US\$ 0.30 per pack. (5) Includes environmental tax and Tobacco Control Levy. (6) Tax increases suspended; effective tax rate of 30% and US\$ 0.06 per pack.

b) Alcohol taxes

Almost all countries are compliant with the WAEMU and ECOWAS directives on alcohol excise (Table 6) although it must be acknowledged that the very low minimum tax rates do not create a significant challenge for countries to achieve the benchmarks. The low minimum tax rates mean that many countries apply ad valorem rates higher than the minimum requirements. For example, all WAEMU countries exceed the minimum ad valorem tax rates on beer, wine and spirits. Senegal also applied specific taxes on wine and spirits, despite the directive not requiring specific taxes.

In ECOWAS, most countries exceed the minimum ad valorem tax rates, while several others apply specific taxes in addition to (Cabo Verde and Nigeria) or in place of (The Gambia and Liberia) the ad valorem taxes, despite the lack of a specific tax requirement in the directives. This highlights how countries are recognizing the benefits of specific taxes from reforms on tobacco and implementing similar reforms on alcohol without the push from the directives.

The limitations of both the ECOWAS and WAEMU directives are evident. For tobacco, most WAEMU countries achieved the minimum ad valorem taxes exactly and even those that exceeded the

¹² Data unavailable for two additional countries.

minimum did so by a small magnitude. For alcohol, most countries exceed the minimum by two or three times, indicating that the minimum tax rates are exceptionally low. In ECOWAS countries, more than half the countries implement specific taxes despite the directive not requiring them. This reinforces the need to modernize the alcohol tax directives, bringing them in line with best practices including specific taxes, increasing minimum tax rates to reflect country needs, and aligning them with the progress achieved implementing tobacco taxes.

Table 6: Alcohol taxes in the ECOWAS region

Product	Beer			Wine			Spirits		
	Ad valorem	Specific USD/L	Compliance	Ad valorem	Specific USD/L	Compliance	Ad valorem	Specific USD/L	Compliance
WAEMU									
Minimum	15%			15%			15%		
Benin	20%		✓	40%		✓	45%		✓
Burkina Faso (1)	30%		✓				35%		✓
Côte d'Ivoire	45%		✓	45%		✓	45%		✓
Guinea-Bissau	30%		✓	30%		✓	45%		✓
Mali (2)									
Niger (2)									
Senegal (3)	15-50%		✓	15-50%	0.17	✓	15-50%	1.94	✓
Togo	18%		✓				50%		✓
Non-WAEMU									
Minimum	10%			30%			40%		
Cape Verde (4)	40%	0.39	✓	40%	0.59	✓	40%	1.59	✓
The Gambia		2.20	✗*		2.31	✗*		3.82	✗*
Ghana (5)	10-47.5%		✓	45%		✓	50%		✓
Guinea	47%		✓	47%		✓	47%		✓
Liberia (6)		0.35-1.00	✗*		0.35-1.00	✗*		2.00-3.00	✗*
Nigeria (7)	20%	0.07	✓	30%	0.07	✓	30%	0.13	✗
Sierra Leone (8)		0.45-0.67	✗*		0.19-0.98	✗*		0.19-0.98	✗*

Note: * while non-compliant by not implementing an ad valorem tax, the implementation of the specific tax is still a good practice with higher effective taxes than most other countries. (1) Wine tax rate not found. (2) Tax rates were not found. (3) 15% on domestic and 50% on imported. Specific tax is levied at CFA 800 and 3000 per LAA for beverages between 6 and 15% ABV, and more than 15% ABV, respectively. (4) Domestically produced products not subject to ad valorem and specific levied at lower rate. (5) Beer excise levied on local content although almost all beer is taxed at lowest rate of 10%; cider subject to excise at 20%. Most spirits taxed at 50% with local Akpeteshie taxed at 20%. (6) Domestic at lower rates and imports at higher rates. (7) Specific tax increases suspended; effective tax rates of US\$ 0.05, US\$ 0.05, and US\$ 0.10. (8) rates vary by origin with imported product subject to higher rates; rates on beer are uniform while rates on all other alcohol increase with alcohol content utilising alcohol content based tiers.

4) World Bank health taxes workshop

The World Bank Global Tax Program Health Taxes team, in partnership with the ECOWAS Commission, organized a 2-day regional workshop in Dakar on the 8th and 9th of October 2024. With over 60 participants, the workshop served as platform for stakeholders from ECOWAS member states to discuss “**Achievements and Opportunities in the Implementation of the ECOWAS and WAEMU Excise Directives**”, with a focus on sharing successes in reforming excise taxes on tobacco, alcohol, and SSBs, and accelerating implementation across the region. The workshop brought senior technical decisionmakers from Ministries of Finance, Revenue and

Customs authorities in the region, including representatives from 13 ECOWAS member states and 2 observer countries.¹³ Speakers and participants included the ECOWAS and WAEMU Commissions, regional and international partners, academia and other countries with successful reforms on the continent including Mauritania, Rwanda and South Africa.

The workshop also provided an opportunity to highlight country experiences and successes from ECOWAS and WAEMU countries. To this end, participating countries prepared brief presentations on their health tax contexts. The country representatives also spent time in breakout sessions brainstorming common challenges and solutions. Throughout, the team also heard significant interest from countries present and both Commissions in reviewing the content of the directives to bring them further in line with technical best practice. The following summarises the consensus of these discussions:

1. Alignment between ECOWAS and WAEMU tobacco tax directives

There is a lack of alignment between ECOWAS and WAEMU directives that generate significant challenges for WAEMU member states. WAEMU member states have a strong motivation to prioritize compliance with WAEMU directive over ECOWAS. This is evident as all WAEMU countries comply with the minimum ad valorem tax of 50 percent but not with the minimum specific tax on cigarettes.

Many WAEMU countries suffer from challenges implementing the ad valorem tax leading several to implement administrative measures by imposing a minimum tax base or a minimum value of excise. This is designed to partially mimic a specific tax, highlighting the benefit that countries already recognize. There was a consensus that reforming the WAEMU directive to implement a minimum specific tax aligned with ECOWAS would enable and encourage WAEMU countries to implement specific taxes. There is a clear recognition that the experience of implementing specific taxes in ECOWAS has generated significant benefits that WAEMU countries seek.

2. Clarity with regards to health objectives and impact on alcohol taxes

Countries agreed that there is a lack of clarity with regards to the objectives of the ECOWAS and WAEMU tax directives, particularly a lack of focus on health objectives. It was argued to have had an impact on limiting the progress of reforms of alcohol tax directives as the impact of alcohol on health is under appreciated in the region. It was identified as the primary reason why alcohol tax directives reforms have not included a specific tax, and the very low ad valorem taxes applied in both directives.

Nevertheless, countries are taking steps to implement specific taxes on alcohol as they have observed the benefits generated on tobacco. These countries are also observing similar increases in tax revenues and declines in sales. Future revisions may provide greater direction with regards to the prioritization of health and tax revenue objectives.

¹³ ECOWAS countries present included: Benin, Cabo Verde, Cote D'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Nigeria, Senegal, Sierra Leone, Togo. Note that representatives from Burkina Faso, Mali and Niger did not attend. Observer countries included Chad and Mauritania.

3. Tax administration as a barrier to policy reform

Countries identified several barriers to health tax reforms at the country level including political interference in policy development, limited capacity and skills, and weak and complex tax administration. This includes limited capacity and infrastructure, challenges with illicit trade and porous borders, and the need for stronger institutional frameworks to support implementation.

Excise tax laws are mandated to different agencies, bodies and institutions, including various ministries and government departments. This leads to inadequate coordination between agencies with varying objectives. This is particularly evident with a lack of synergy between areas such as customs, tax policy, and trade, highlighting a need to support stronger coordination.

Countries broadly agreed that future directives require greater attention to tax administration. At present, the directives provide detailed guidance for tax policy, including tax structures and tax rates, but not tax administration. There is a strong case to be made for the alignment of tax administration across the region given the highly integrated supply chains. This is common practice in other customs unions (e.g. European Union).

Alignment or harmonization of legal and/or regulatory frameworks for excise tax will ensure greater efficiency and effectiveness of tax administration. Track and trace systems will broadly assist in improving tax compliance by limiting opportunities for tax evasion and will enable joint activities to combat illicit trade. It will be important for countries and the Commissions to investigate the potential of including alignment of tax administration in the directives.

4. Monitoring and evaluation through data transparency and reporting

At present there are no obligations on countries to systematically monitor or report on implementation of health taxes. This includes publication of data in national reporting instruments (e.g. tax revenue in budget documents) or reporting to the Commissions. These are typical features in other customs unions and stronger reporting requirements will increase transparency and accountability and encourage stronger and more rapid implementation at the country level (e.g. through peer review and benchmarking).

This can be utilized to identify systematic challenges including technical weaknesses and legal loopholes, and prioritization of updates and refinements of directives. It will also support tax administration through more rapid identification of country and regional trends. Depending on the data reporting requirements it may also enable wider sharing of data and intelligence (e.g. access to detailed and high frequency data on declared tax base and volume at the brand level in other countries to identify under invoicing). Advancements in this area will require training on data and data governance, and stronger technical support to ensure data is well utilized and impactful.

5. Inflation challenges

Member states noted that the minimum specific tax has not changed since 2017 resulting in an erosion of the specific tax due to inflation. Future updates to the directives should include a mechanism to update specific taxes to maintain its real value over time. This could include automatic indexation to inflation.

6. *Stronger partnerships and collaboration*

Successful implementation of health taxes requires partnerships and collaborations between and within countries. This includes civil society organizations to promote implementation and advocate for reforms, including implementation of complementary measures, and bilateral partners who can mobilize resources to efficiently to support reforms.

Stronger collaboration is also required with policy makers and parliaments who can present political obstacles due to a lack of understanding of the importance of well-designed health taxes. This reinforces the earlier discussion regarding “*clarity with regards to health objectives*”.

7. *Rapid product and market evolution*

Directives typically lag the evolution of products in the market. It is crucial that future revisions of the directives adapt to new and emerging product and allows sufficient scope for countries to adapt more rapidly to development. This is particularly relevant given the emergence of novel tobacco products including electronic nicotine delivery systems (ENDS) and non-combustible tobacco products (e.g. waterpipe tobacco).

While less emergent, there are similar challenges with alcohol with the popularization of alcopops and low- and no-alcohol beer. These present unique challenges for taxation and future directive should consider the appropriate tax treatment of these in the regional context.

5) Highlights of recent country reforms

a) Cape Verde

Following the reform of the ECOWAS directive in 2017, Cape Verde implemented the first round of tobacco tax reforms by raising the ad valorem excise tax from 30 to 50 percent and introducing a specific tax of CIV 20 per pack in 2019 (Table 7). The specific tax continued to increase at regular intervals, reaching CVE 120 per pack in 2024, equating to US\$ 1.17 per pack, exceeding the ECOWAS minimum of US\$ 0.40 per pack. The 2025 budget has increased the rate further. Since 2022, Cape Verde began implementing specific taxes on alcoholic beverages, in addition to the existing ad valorem tax. The specific taxes have increased each year since, offsetting reductions in the ad valorem tax.

The increase in the specific tax amounted to 409 percent in real terms between 2019 and 2024, however the increase reflects the initially small specific tax implemented in 2019. The impact of the reforms on prices is evident from Figure 1 which shows the price of the Most Sold Brand of cigarettes in Cape Verde in inflation adjusted terms between 2008 and 2022, decomposed into tax and non-tax components. The reforms since 2019 reversed the trend of slowly declining real prices, with prices increasing 51 percent between 2018 and 2022 (CIV 198.63 to 300.00 in constant 2022 prices). The real value of the tax (specific and ad valorem combined) increased by 1441 percent

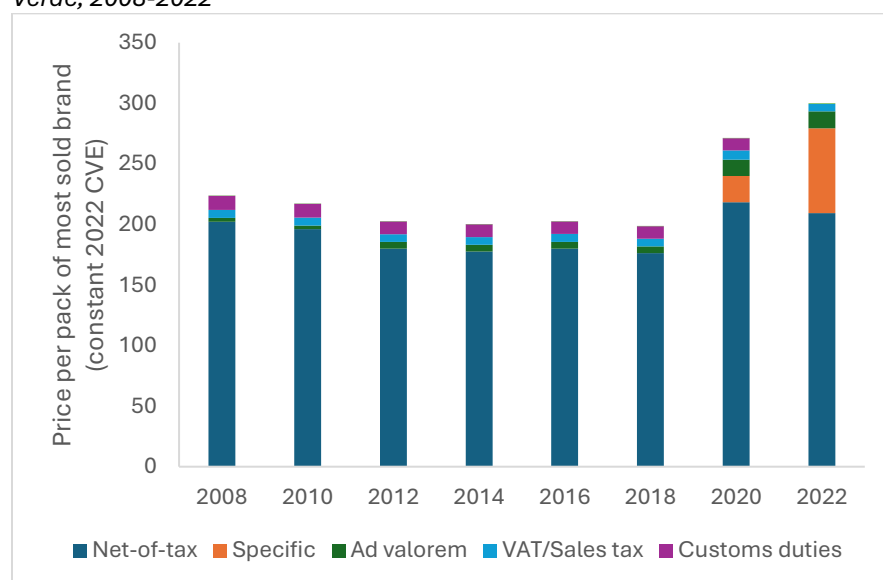
(CIV 5.43 to 83.76 in constant 2022 prices). These increases do not reflect the larger tax increases since 2023.

Table 7: Health tax rates in Cape Verde (CIV per pack/litre)

	2018	2019	2020	2021	2022	2023	2024	2025
Tobacco								
Ad valorem	30%	50%	50%	50%	50%	50%	50%	50%
Specific		20	20	40	70	90	120	150
Alcohol								
Ad valorem	50%	50%	50%	50%	50%	50%	40%	30%
Specific (beer)					15	20	40	60
Specific (wine)					30	35	60	90
Specific (whisky)					150	180	200	300
Specific (other spirits)					100	130	200	300

Note: Since 2014, domestically produced alcoholic beverages have not been subject to ad valorem taxes and specific taxes are levied at lower rate.

Figure 1: Price of the Most Sold Brand of cigarettes decomposed into tax and non-tax component in Cape Verde, 2008-2022



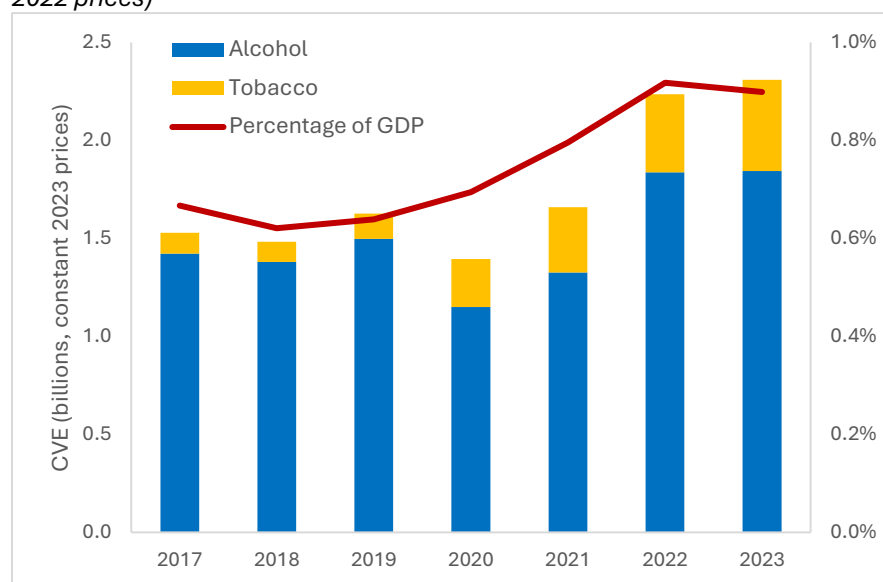
Source: World Bank staff estimates using WHO (2023) and World Development Indicators data.

The tax reforms and increases have had a significant impact on excise tax revenues. Alcohol excise tax revenues have increased by 30 percent in real terms between 2017 and 2023 (Figure 2). Almost all the increase occurred in 2022 after the implementation of the specific tax.¹⁴ The larger magnitude of tobacco tax increases resulted in larger relative increases in tobacco excise tax revenues (335 percent in real terms between 2017 and 2023). Notably, alcohol accounted for 80 percent of revenues in 2023 indicating a larger base of consumption, however this declined from 93 percent in 2017 indicating the slower increase in tax rates.¹⁵ The increases in tax revenue collections have increased the contribution to GDP from 0.67 percent in 2017 to 0.90 percent in 2023, highlighting the buoyancy of health taxes and a meaningful impact on fiscal space.

¹⁴ Tax revenues declined in 2020 and 2021 due to the COVID-19 pandemic, however the average of revenue in 2022 and 2023 was 28 percent higher than the average between 2017 and 2019.

¹⁵ Non-alcoholic beverages accounted for a negligible amount of tax revenue (0.4 percent of total health tax revenue in 2023)

Figure 2: Taxes, prices and affordability of Most Sold Brand of cigarettes in Cabo Verde, 2008-2022 (constant 2022 prices)



Note: World Bank GTP estimates using MoF and MPO data.

Cape Verde's success implementing specific taxes on tobacco has led to the implementation of specific taxes on alcohol. A challenge that they have faced is setting the appropriate specific taxes on different categories of alcohol given the heterogeneity of products between and within categories (heterogeneity in value and alcohol content).

The specific tax on cigarettes in 2022 was CVE 70 per pack, however the WHO data presented in Figure 1 indicated that the value of the ad valorem tax of 50 percent on each pack (i.e., effective tax per pack) of the Most Sold Brand was approximately CVE 14 per pack. The specific tax is a significantly larger component of the total excise tax, accounting for 83 percent of the total excise tax in 2022, and significantly higher as the specific tax has continued to increase.

Comparatively, specific taxes account for significantly smaller shares of total excise tax on alcoholic beverages, however there is also significant variation between beer, wine, and spirits. Furthermore, tax changes in 2024 are likely to affect these further, increasing the share of the specific tax in total excise (Table 8).¹⁶ While the increasing continuation of the specific tax is important given its impact on health and tax revenue, the relatively higher effective ad valorem tax on spirits means that the base value of the specific tax may be insufficient. For example, the 2024 adjustments will result in increases in the total excise on beer and wine (albeit small), the total excise on higher value spirits like whiskey are expected to decline.

A second important consideration when setting excise taxes is the tax rates relative to the alcohol content of different beverages. While alcohol strength varies within categories, the variation in strength between categories is more significant. Assuming generalizable alcohol strengths, the effective tax rates on wine and spirits are significantly lower than beer.

¹⁶ The effective ad valorem tax per litre on each product was estimated by taking the specific tax revenue and dividing it by the tax rate to estimate the volume. The ad valorem revenue for each product is then divided by the estimated volume to estimate the effective tax per litre. Since the ad valorem tax rate was reduced in 2024, the effective ad valorem per litre was adjusted by simple scaling.

Table 8: Effective alcohol tax rates in 2023 and 2024

	Specific	Ad valorem	Total excise		Specific share
	Per L	Per L	Per L	Per LAA	Percent
2023					
Beer	20	84	104	2,080	19
Wine	35	57	92	708	38
Other spirits	130	332	462	1,155	28
Whiskey	180	495	675	1,688	27
2024					
Beer	40	68	108	2,152	37
Wine	60	45	105	809	57
Other spirits	200	266	466	1,165	43
Whiskey	200	396	596	1,490	34

Note: Assumed alcohol strength of 5%, 13% and 40% for beer, wine, and spirits when converting volumetric tax to litres of absolute alcohol (LAA).

Source: World Bank GTP estimates using MoF data.

This suggest there is significant scope for relatively larger tax increases on wine and spirits to close the gap in effective tax rates to better reflect relative alcohol strength. This is reinforced by a comparison of the relative shares in tax revenue and alcohol sales that places a greater emphasis on increasing wine taxes substantially (Table 9). Data shows that beer accounted for 56 percent of alcohol excise tax revenues in 2023 despite only accounted for 34 percent of the litres of absolute alcohol sold. Comparably, wine accounted for only 30 percent of excise revenue while accounting for 52 percent of volume. Revenue and volume of spirits are relatively better aligned. It is worth noting that this does not support lowering or even not increasing taxes on beer, rather that taxes on wine, and to a lesser extent on spirits, should be increased more rapidly to close the gap in effective taxes.

Table 9: Share of excise tax revenue and alcohol sales, 2023

	Excise revenue	Volume (LAA)
Beer	56%	34%
Wine and OFB	30%	52%
Whiskey	3%	3%
Other spirits	10%	11%

Note: Assumed alcohol strength of 5%, 13% and 40% for beer, wine, and spirits when converting volumetric tax to litres of absolute alcohol (LAA).

Source: World Bank GTP estimates using MoF data.

Cape Verde is an excellent example for countries in the ECOWAS region with consistent increases in taxes, coinciding with stable increases in tax revenue. It has implemented and exceeded all ECOQWAS minimum tax rates and did not view meeting benchmarks as the end of the road, continuing to increase taxes over time. However, it also shows the complexity of tax policy on alcohol, particularly understanding appropriate tax rates on different products.

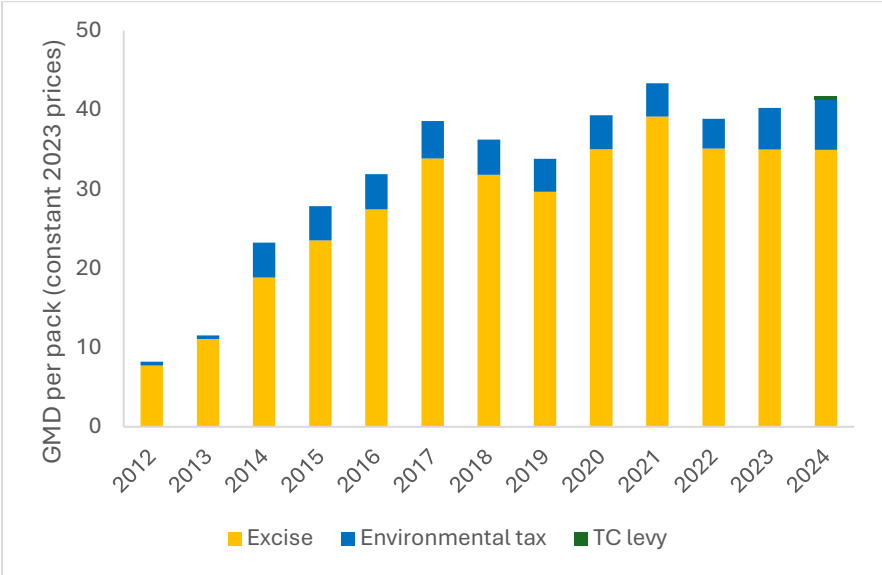
b) The Gambia

Gambia have been implementing specific taxes on cigarettes since well before the ECOWAS reforms. Notably, they do not implement ad valorem taxes. In addition to the excise taxes, two excise-like taxes are also applied (also specific taxes). At present, excise is GMD 40 per pack, plus an environmental tax of GMD 7.22 per pack, and a tobacco control levy of GMD 0.50 per pack

(equivalent to US\$ 0.70).¹⁷ Cigarette taxes have increased substantially over the last decade (Figure 3). Between 2012 and 2024, taxes have increased 403 percent in inflation adjusted terms, with most of the increases occurring between 2012 and 2017. Since 2017, taxes have largely maintained their real value.

The environmental tax is not an earmarked tax but simply to distinguish the excise that targets the health-related negative externalities and internalities of tobacco use from the environmental externalities and internalities (e.g., littering of cigarette butts and packs).¹⁸ The tobacco control levy is earmarked to the Ministry of Health to support tobacco control and prevention of other non-communicable diseases.¹⁹

Figure 3: Cigarette excise taxes in The Gambia, 2012-2024



Source: World Bank estimates using GRA and MPO data.

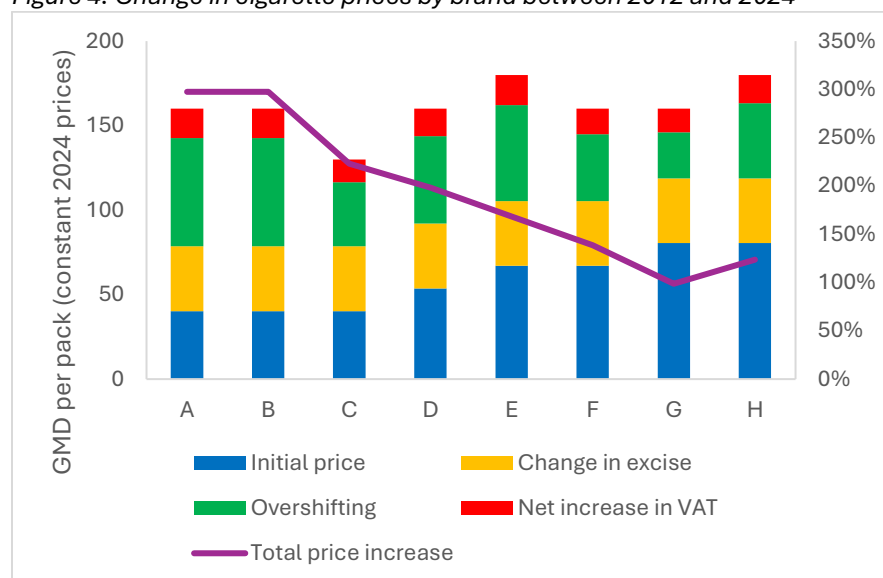
Tax increases have had a significant impact on prices. The price of the cheapest and most expensive brands increased by 148 and 124 percent in inflation adjusted terms between 2012 and 2024 using WHO’s estimates, and between 99 and 298 percent utilizing official data (Figure 4). In all cases, tax increases were over shifted, meaning that prices increased by more than the magnitude of the tax increase. The cheapest brands in 2012 saw some of the largest price increases in absolute and relative terms as a result of greater over shifting on cheaper brands. Notably, the variance in prices declined with the most expensive brand being double the price of the cheapest brand in 2012, and only 38 percent higher in 2024. This highlights how specific taxes generate a larger health impact by ensuring tax increases result in price increases but also limiting the incentives to avoid tax increases by trading down to cheaper brands.

The initial reforms and tax increases between 2012 and 2014 had the most considerable impact on increasing tax revenue. Taxes increased 183 percent leading to a 202 percent increase in tax

¹⁷ Alcohol taxes are also levied as specific taxes (GMD 150, 225 and 260 per litre on beer, wine, and spirits, respectively) although data on the evolution over time is not available.
¹⁸ Nargis N et al. (2016) How effective has tobacco tax increase been in the Gambia? A case study of tobacco control. *BMJ Open*. 6(8):e010413.
¹⁹ <https://www.afro.who.int/news/who-supports-gambia-strengthen-tobacco-taxation>

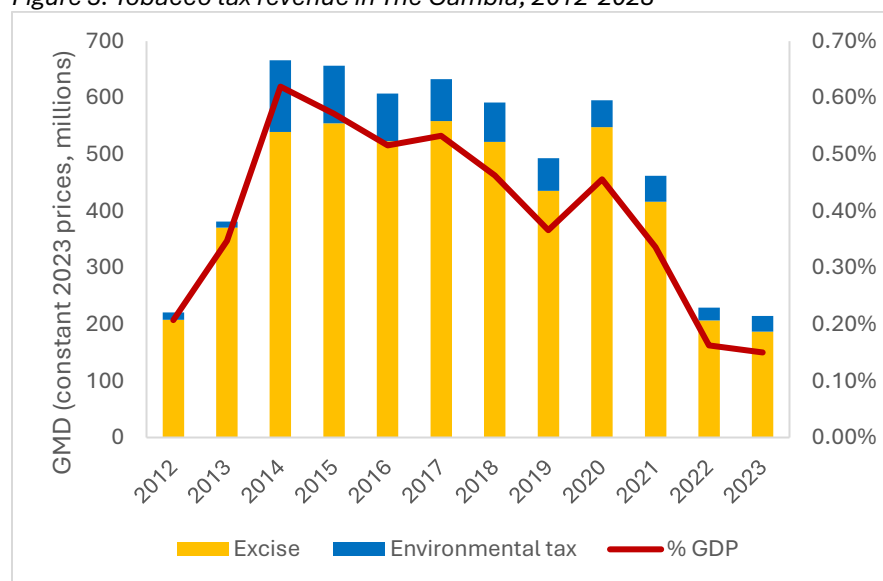
revenue (Figure 5). The tax share in GDP rose from 0.21 to 0.62 percent during this period. Tax revenue remained flat through to 2020 as declining sales coincided with smaller increases in taxes. As tax revenues remained flat, the share of GDP declined as it was eroded by economic growth.

Figure 4: Change in cigarette prices by brand between 2012 and 2024



Source: World Bank estimates using GRA and WDI data.

Figure 5: Tobacco tax revenue in The Gambia, 2012-2023



Source: World Bank estimates using GRA and MPO data.

Tax revenue has fallen dramatically in the last two years leading to concerns that tax administration weaknesses have been exposed. Specifically, it is assumed that tax compliance has declined, and that cross-border smuggling has increased over porous borders. Estimates of tax compliance in late 2017 showed compliance at 91 percent.²⁰ However revenue performance at this time was still

²⁰ Chisha et al. (2019) Consumption of legal and illegal cigarettes in the Gambia. *Tobacco Control*. 29(Suppl 4), s254-s259.

strong. This deserves significant attention and required a thorough assessment of tax policy and tax administration, including excise systems and supply chain controls. Notably, this coincides with a period without increases in taxes, following stable revenues during periods of increasing taxes. This reinforces that illicit trade is not a function of tax increases.

c) Ghana

In 2023, the ECOWAS tobacco tax directive was implemented by Ghana as part of a broader reform of health taxes. Tobacco taxes reforms included reforming the tax structure from an ad valorem to mixed ad valorem and specific tax (Table 10). The reform is notable as it was implemented in a single year rather than several years like many other ECOWAS countries, with a specific tax of GHS 5.60 per pack (US\$ 0.45) alongside an ad valorem tax at the ECOWAS minimum of 50 percent.²¹

Table 10: Health excise taxes in Ghana before and after reform

Product		Before	After
Non-alcoholic beverages	Waters (excluding sachet)	17.5%	20%
	Sugary drinks	17.5%	20%
	Energy drinks	17.5%	20%
	Non-alcoholic beer	None	20%
	Fruit juices	None	20%
Malt beverages	<50% local raw materials	17.5%	20%
	50 to 70% local raw materials	10%	12.5%
	>70% local raw materials	7.5%	10%
Beer	<50% local raw materials	20%	47.5%
	50 to 70% local raw materials	12.5%	32.5%
	>70% local raw materials	10%	10%
Cider		20%	47.5%
Wine		22.5%	45%
Spirits	Akpeteshie	20%	20%
	Other	25%	50%
Cigarettes		175%	50%
		None	¢5.60 per pack
Cigars		175%	50%
		None	¢0.28 per stick
Negroheads		¢12 per kg	¢280 per kg
Snuff		170.65%	¢280 per kg
E-cigarettes		None	50%
		None	¢0.50 per ml

Source: Excise Duty (Amendment) Act (2023)

The reform of the tax structure is evident from the impact on prices in Ghana. The value of the ad valorem component in 2022 (i.e., before the reform) was reported as GHS 1.08 per pack (relative to the Most Sold Brand). The reduction in the ad valorem rate is expected to reduce the value to GHS 0.31. However, the total excise (i.e., specific and ad valorem combined) would increase from GHS 1.08 to 5.91 per pack. This would be expected to increase cigarette prices from GHS 9.00 to 14.02 on the Most Sold Brand (Table 11), affecting a substantial change in the trends since 2012 (Figure 5).

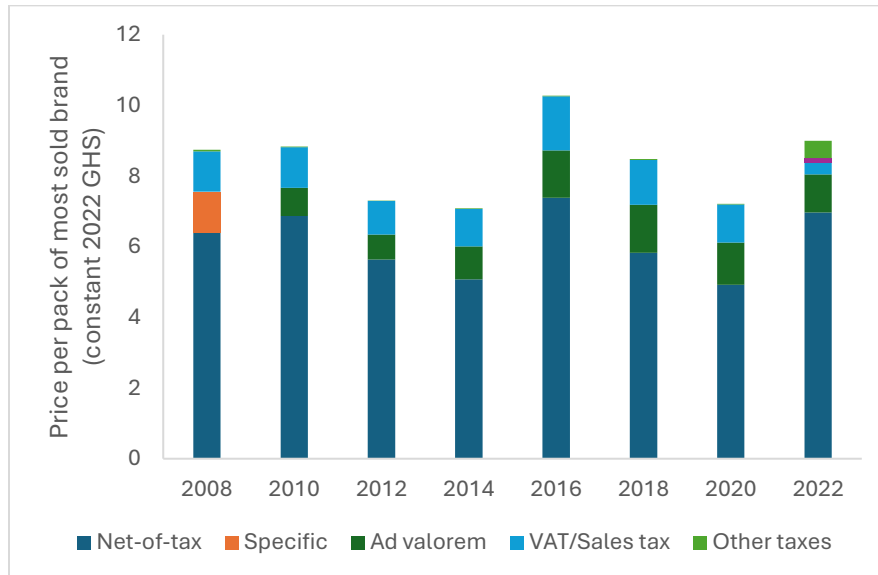
²¹ The ad valorem tax was reduced from 175 to 50 percent as part of the reform.

Table 11: Decomposition of nominal cigarette prices before and after tax reform

Decomposition	Before	After
Net-of-excise and VAT	7.58	7.58
Ad valorem	1.08	0.31
Specific	0.00	5.60
VAT	0.34	0.53
Price	9.00	14.02

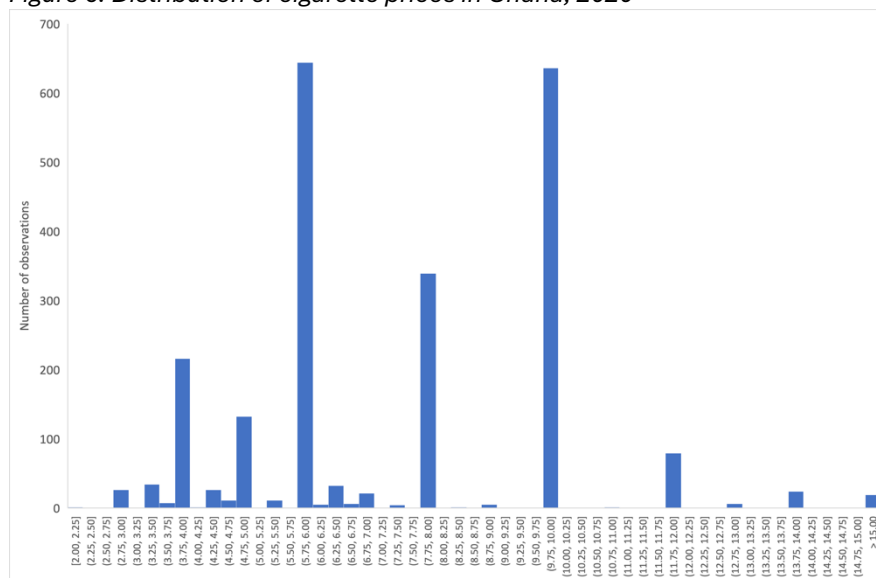
Source: World Bank staff estimates

Figure 5: Price of the Most Sold Brand of cigarettes decomposed into tax and non-tax component in Ghana, 2008-2022



Source: World Bank staff estimates using WHO (2023) and World Development Indicators data.

Figure 6: Distribution of cigarette prices in Ghana, 2020



Source: World Bank staff estimates using data collected by ICTD

Another feature of the tax reform will be the impact on the distribution of prices in the market. Survey data from 2020 shows the clustered but varying distribution of cigarette prices in Ghana. 91

percent of price observations were between GHS 4 and 10 per pack, with 28 percent either GHS 6 or 10 per pack (Figure 6). The wide distribution in prices generates large opportunities for consumers to trade-down to cheaper brands rather than reducing or quitting smoking in response to tax and price increases. An increase in the ad valorem tax would result in prices of cheaper brands increasing by less than more expensive brands, diminishing the impact of the tax increase. However, the implementation of the specific tax is expected to increase the prices of all brands by an equal value as they are now all subject to the same effective specific tax (i.e., GHS 5.60 per pack). However, this will result in a larger relative price increase of cheaper brands as the specific tax is a larger proportion of the pre-reform price. For example, the price of a GHS 4 brand will increase to 9.60 (excluding impact of VAT and reduction in ad valorem rate and assuming full pass-through), amounting to an increase of 140 percent, whereas the price of a GHS 10 brand will increase to 15.60, an increase of 56 percent.

The reforms also applied to alcohol and non-alcoholic beverages (Table 10). Alcohol tax rates led to increases in tax rates of several categories but no substantive reforms to the tax structures with no specific taxes being implemented. Beer is taxed in three categories based on the local content of raw materials. Beer with more than 70 percent local raw material content is taxed at a rate of 10 percent, while lower raw material content sees higher rates. Notably, the rates on the lower local content beers were increased (from 12.5 to 32.5, and 20 to 47.5 percent, respectively). A 2014 report produced for the World Bank indicated that the majority of products attracted the lower two rates, highlighting how the tax increases are somewhat of a pyrrhic victory in that the tax rate did not increase on a large portion of the market.

Cider and wine are taxed at similar rates to the highest beer category and tax rates increased the same. Spirits are taxed at two different rates, with the local “Akpateshie” spirit taxed at a lower rate. This did not increase during the recent reform, whereas the tax rate on other spirits doubled from 25 to 50 percent. Little is known of the effective tax rates on different products, especially those with different alcohol strength. Further analytic work is required to support more refined recommendations, including appropriate specific tax rates.

The tax reforms also implemented meaningful reforms to non-alcoholic beverage taxes. While tax rates increased by a small magnitude (from 17.5 to 20 percent), the scope of the tax was broadened to include fruit juices and other sugar-sweetened beverages. However, the application of the tax to non-sachet packaged water, ostensibly for revenue generating purposes may limit the health impact of the tax. Further consideration towards removing the tax on water in a revenue neutral manner will likely have a more meaningful impact on health.

Ghana reforms are an important step with a consequential impact expected from the implementation of the minimum specific tax on cigarettes. Other tax increases implementing on alcohol are less likely to drive significant changes. Detailed market analysis will be required to support additional reforms. At present, data is not yet available to measure the impact, including tax revenue data. However, initial reports suggest challenges with tax administration and Ghana will require additional support to ensure strong tax compliance.

d) Sierra Leone

Sierra Leone applies specific taxes are applied to both tobacco and alcohol following reforms in the 2024 Finance Act (Table 12). Cigarette taxes are applied at a rate of SLE 1.75 per pack of 20 sticks (USD 0.08).²² Prior to the 2024 reforms, ad valorem taxes of 35% of the CIF value or ex-factory price were applied to cigarettes. As this is applied early in the supply chain the effective tax is small, accounting for just 4% of the price of the most sold brand of cigarettes with an estimated effective tax of SLE 0.37 per pack in 2022.

Table 12: Excise tax rates in Sierra Leone

Product		SLE per	Domestic	Imported
Beer		L	10.00	15.00
Wine; other fermented beverages; distilled spirits	<10%	L	4.20	10.00
	>=10%	L	6.30	12.00
	>=20%	L	8.30	14.00
	>=30%	L	10.40	16.00
	>=40%	L	15.00	22.00
Non-alcoholic beverages	<10g/L	g	0.00	0.00
	>=10g/L	g	0.03	0.03
Cigarettes		Pack	1.75	1.75
Cigars; cigarillos		Pack	20.00	20.00
Other tobacco		kg	50.00	50.00
		L	50.00	50.00
E-cigarettes		ml	0.20	0.20
		Unit	0.40	0.40

Source: Sierra Leone Finance Act 2024

The reform represents significant progress by adopting a specific tax and increasing tax rates, however tax rates are well below the ECOWAS benchmark with the specific tax significantly less than the ECOWAS minimum of USD 0.40 per pack. Furthermore, in 2022 SLE has the cheapest cigarettes and 2nd lowest excise tax in the ECOWAS region (2nd cheapest and 3rd lowest excise tax in WHO AFRO region) (Figure 7). Despite the tax increase, high rates of inflation and currency depreciation leaves Sierra Leone with some of the lowest taxes and prices on the continent.

Alcohol taxes vary by product. Beer is taxed at a rate of SLE 10 per litre for domestically produced beer and SLE 15 per litre for imported beer. Other alcoholic beverages are taxed in tiers based on alcohol content with taxes increasing from SLE 4.20 per litre for domestically produced beverages (SLE 15 for imported beverages) with alcohol content of less than 10% ABV up to SLE 15 for domestically produced beverages (SLE 22 for imported beverages) with alcohol content of greater than 40% ABV.²³ Prior to the reform, ad valorem taxes of between 5 and 15% were levied on beer (depending on local content), while imported beer, wine and spirits are taxed with specific taxes.

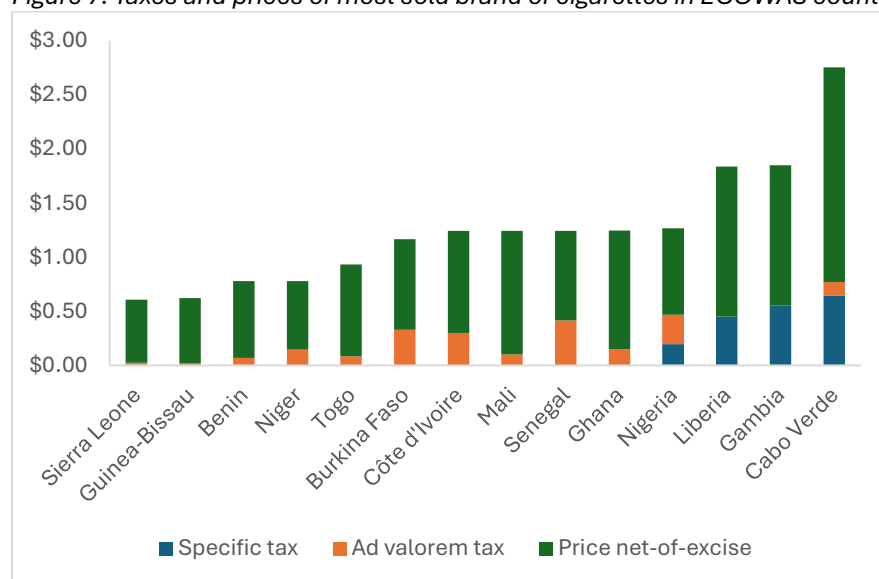
Alcohol tax rates are comparable to other countries in the ECOWAS region, although the variation by product means that taxes on wine and distilled spirits are at the lower end of regional

²² Other tobacco products are taxed at different rates and applying different tax bases. Cigars and cigarillos are taxed at a rate of SLE 20 per pack, while other loose tobacco is taxed at a rate of SLE 50 per kilogram or litre and e-cigarettes are taxed at a rate of SLE 0.2 per millilitre or cartridge.

²³ The tiers are as follows: 10 to 20% ABV (SLE 6.30 and 12.00 on domestic and imported beverages, respectively), 20 to 30% ABV (SLE 8.30 and 14.00 on domestic and imported beverages, respectively), 30 to 40% ABV (SLE 10.40 and 16.00 on domestic and imported beverages, respectively).

comparisons. The variation in taxes on wine and distilled spirits are unique in the region. While they will generate incentives for production and importation of lower alcohol content products, they may also generate challenges for tax administration in a low-capacity environment. Furthermore, discrimination against imports with higher excise rates is not considered a good practice as they generate the same externalities and internalities.

Figure 7: Taxes and prices of most sold brand of cigarettes in ECOWAS countries, 2022



Source: World Bank staff estimated using WHO data

Reforms of the tax structures of health taxes are a step in the right direction. Specific taxes will ensure that taxes effectively target negative externalities and internalities, and that increases in taxes result in higher prices, lower consumption and increases in tax revenues. Reforms need to be reinforced through policy evaluation through collecting and analyzing data on prices, volumes and tax revenues.