Job Vacancy

Position: Team leader, Illicit Trade Protocol
Contractual duration: Permanent
Primary location: Geneva
Schedule: Full time (100%)

Objective of the role
This experienced individual will be fully focused on the Illicit Trade Protocol. The job holder will provide senior expertise on customs, law enforcement and/or tax. S/he will represent the Convention Secretariat in engaging with Parties, non-Parties, and intergovernmental organizations critical to its ratification and implementation.

Description of duties
- High level representation of the Protocol
- Engagement with intergovernmental organizations and bodies (WCO, UNTOC, UNODC, Interpol) on issues relevant to the Protocol to promote synergies with relevant treaties
- Promotion of cross-sectoral and cross-organizational cooperation on Protocol implementation
- Representation of the Protocol to funding bodies to mobilize resources for Protocol implementation
- Assessment and prioritisation of Parties’ needs for technical assistance in cooperation with the MOP Bureau and the Head of the Convention Secretariat
- Promotion of Protocol ratification towards non-Parties

Required qualifications
- Extensive experience working with customs, law enforcement and/or tax authorities, with a particular focus on illicit trade of tobacco products
- Demonstrable ability to establish cross-sectoral relationships with other relevant international bodies
- Adherence to the values and principles of the WHO FCTC and of the Protocol.

All candidates will be required to declare that they do not have any conflicts of interests with the tobacco industry or any economic or commercial actors with a vested interest in the implementation of the Protocol.

**This is not a real job posting. We want simply to remind Parties that adding a senior, full-time position to the ITP Secretariat could make a huge difference to its ability to mobilise technical assistance, build relationships with law enforcement agencies, and support working groups and future MOP sessions.**

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PHILIPPINES: SECURE TAX STAMPS TO PROTECT FISCAL AND HEALTH GAINS OF HIGHER TAXES

In 2012, the Philippines passed its landmark Sin Tax Reform Law in line with WHO FCTC Article 6 (relating to tax and price measures). Effective on 1 January 2013, the law simplified what had been a complex tobacco excise tax structure and increased excise rates by as much as 340 per cent to 820 per cent for low-priced brands. At that time, annual government losses related to tobacco use were at least PHP177 billion (US$4.19 billion), compared with annual tobacco excise revenues of only PHP23 billion (US$540 million). After the law’s passage, actual excise collections that year were PHP70.4 billion (US$1.66 billion), an increase of 146 per cent in its first year of implementation. Of this amount, additional revenues were PHP41.8 billion (US$980 million), far exceeding the projected target of PHP23.4 billion (US$550 million).

Smoking prevalence surveys have shown a major decline in tobacco use among adults from 29.7 per cent in 2009 to 23.8 per cent in 2015, primarily driven by higher prices due to the tax reforms. In addition, the new/additional tobacco excise revenues are earmarked to ensure a source of sustainable financing for the country’s Universal Health Coverage, which paid health insurance premiums for about 14.7 million poor families in 2014, up from only 5.2 million families in 2013.

In 2014, as part of its tobacco excise tax reform, the Philippines’ Bureau of Internal Revenue (BIR) began implementing the use of new tax stamps. The costs of printing the stamps and of implementing the online stamp procurement system are borne by the tobacco industry. Start-up costs were estimated at around US$40 million, with each stamp costing PHP 0.15 (US$0.003).

Security features of the tax stamps include:

a. Cannot be removed without being mutilated or obliterated
b. Both overt and covert security and tracking features
   • Fine graphic lines (guilloche)
   • Colour shift ink depending on the angle of the light
   • Microtext
   • Deliberate printing error
   • Latent/hidden image visible only through special filter
   • Taggants: security pigment that can be authenticated using proprietary miniature electronic readers
   • Invisible security inks visible only through specific UV frequency
c. Unique stamp design and color-coded (pink, orange, green) for each tax class
   • Unique Identifier Code (UIC): each stamp is unique, with no one stamp like another; generated only upon order of stamps
   • Quick Reference (QR) Code: contains data about when the stamp was ordered, taxpayer info, etc.
d. Readable by mobile verification device

The Asian Productivity Organization (APO) Production Unit, a non-stock, non-profit, government-controlled corporation, is contracted to print the secure tax stamps. The APO Production Unit is one of the three recognized government printers that may handle the printing of accountable forms and sensitive, high-quality, high-volume printing needs of Philippine government agencies and offices.

Monitoring is through the web-based Internal Revenue Stamps Integrated System (IRSIS). IRSIS is an online facility for the ordering and payment of internal revenue stamps, as well as for monitoring the stamps at the time of delivery to importers and local manufacturers and after their affixture on cigarette products. While not a complete tracking and tracing system, the IRSIS is used by the BIR to determine if proper excise taxes have been paid for the tobacco products sold, thereby minimising the illicit trade of cigarettes in the country.

Ulysses Dorotheo, Southeast Asia Tobacco Control Alliance (SEATCA)
HIGHER TOBACCO TAXES REDUCE TOBACCO USE

While the tobacco industry frequently claims that high taxes exacerbate illicit trade evidence shows that increasing tobacco taxes is the most effective strategy to reduce smoking and other forms of tobacco use. This is recognised in the WHO FCTC itself (Article 6) and accompanying guidelines.

“INCREASING TOBACCO TAXES: A "WIN-WIN" FOR HEALTH AND THE ECONOMY. HIGHER TAXES ON TOBACCO PRODUCTS REDUCE TOBACCO CONSUMPTION AND IMPROVE PUBLIC HEALTH, WHILE ALSO INCREASING GOVERNMENT REVENUES THAT CAN BE USED TO FUND PRIORITY INVESTMENTS AND PROGRAMS THAT BENEFIT THE ENTIRE POPULATION.”

World Bank, 2018

“EFFECTIVE TOBACCO TAXES SIGNIFICANTLY REDUCE TOBACCO CONSUMPTION AND PREVALENCE.

EFFECTIVE TAXES ON TOBACCO PRODUCTS THAT LEAD TO HIGHER REAL CONSUMER PRICES (INFLATION-ADJUSTED) ARE DESIRABLE BECAUSE THEY LOWER CONSUMPTION AND PREVALENCE, AND THEREBY IN TURN REDUCE MORTALITY AND MORBIDITY AND IMPROVE THE HEALTH OF THE POPULATION. INCREASING TOBACCO TAXES IS PARTICULARLY IMPORTANT FOR PROTECTING YOUNG PEOPLE FROM INITIATING OR CONTINUING TOBACCO CONSUMPTION.”

Guidelines for Implementation of Article 6 of the WHO FCTC, adopted by the Conference of the Parties, 2012, paragraph 1.2

“RAISING TAXES ON TOBACCO IS BOTH THE MOST EFFECTIVE AND COST-EFFECTIVE WAY OF REDUCING TOBACCO USE AROUND THE WORLD.”

World Health Organization, as part of the World No Tobacco Day theme for 2014, “Raise taxes on tobacco”

“THE PARTIES Recognize that price and tax measures are an effective and important means of reducing tobacco consumption by various segments of the population, in particular young persons.”

WHO Framework Convention on Tobacco Control, Article 6 (FCTC has 181 Parties)

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“The health benefits of tobacco taxes far exceed the increase in tax liability, and these health benefits accrue disproportionately to lower-income households.”

Jason Furman, Chairman of the Council of Economic Advisers to the President of the United States, 2016

LES CARACTÉRISTIQUES ET ÉTAPES D’UN SYSTÈME EFFICACE ET INDÉPENDANT DE SUIVI ET DE TRAÇABILITÉ DES PRODUITS DU TABAC

Un système de suivi et de traçabilité des produits du tabac vise à faire baisser le commerce illicite.

Or le commerce illicite est avant tout alimenté par des produits sortis des usines des fabricants de tabac. L’implication de l’industrie du tabac dans l’organisation de ce commerce illicite a été largement documentée et à tout le moins lorsque celle-ci n’est pas impliquée, elle a démontré et démontre toujours aujourd’hui des défaillances en matière de suivi de sa propre chaîne d’approvisionnement. Ainsi donc le principe de base « le contrôlé ne peut être le contrôleur » s’impose plus que jamais dans ce domaine et il constitue un principe incontournable du Protocole.

Sur un plan technique, le système de suivi et de traçabilité du Protocole prévoit en son article 8:

• De générer un code d’identification unique sur chaque conditionnement,
• D’apposer ce code d’identification unique et de vérifier les conditions d’apposition de ce code,
• D’enregistrer et de transmettre des données concernant le produit (en particulier lors du processus de fabrication puis lors des étapes de son acheminement jusqu’à la vente au détail),
• De prévoir que les autorités publiques puissent contrôler ou avoir des outils de contrôle et de vérification du code.

Ainsi donc, la puissance publique doit contrôler le dispositif, elle ne peut le confier directement ou indirectement aux fabricants de tabac, dont le rôle doit être limité à ce qui est strictement nécessaire. Le choix des prestataires ne peut dès lors pas être confié aux cigarettiers.

Enfin, le protocole prévoit qu’à l’instar d’autres dispositions comme les avertissements sanitaires apposés sur les paquets de produits du tabac, les charges incombant au dispositif de suivi et de traçabilité puissent être à la charge des fabricants de tabac.

Un tel système indépendant des fabricants et sous le contrôle de la puissance publique est ainsi de nature à protéger les politiques de santé publique et accroître les recettes fiscales des pays.

Emmanuelle Béguinot, Comité national contre le tabagisme, France
SANS UN SYSTEME DE SUIVI ET DE TRAÇABILITE INDÉPENDANT DE L’INDUSTRIE DU TABAC LE PROTOCOLE SERA INOPÉRANT

Il est de notre responsabilité d’assurer un avenir meilleur aux générations futures, qui devront disposer d’instruments devant leur permettre de combattre efficacement et de vaincre l’épidémie du tabagisme. L’entrée en vigueur du Protocole pour éliminer le commerce illicite des produits du tabac constitue une importante étape, une nouvelle dimension dans cette lutte. Elle témoigne de l’engagement de la communauté internationale à progresser sur son approche multilatérale dans la résolution d’un problème majeur qui affecte négativement, aussi bien la santé que l’économie de la population mondiale.

En ce moment où les Parties ayant ratifié ce protocole se réunissent pour la première fois, nous leur adressons une vibrante exhortation à veiller à mettre tout en œuvre pour garantir la mise en place d’un système mondial de suivi et de traçabilité totalement indépendant de l’industrie du tabac, ainsi que des mesures visant à promouvoir la coopération internationale, notamment en matière de détection, de sanctions et de répression. Les multinationales du tabac conscientes de l’impact que l’application des mesures préconisées par le protocole aurait sur leurs activités, se présentent aujourd’hui aux Parties comme partenaires, leur proposant le système de suivi et de traçabilité qu’elles ont créées. Elles en font la promotion et cherchent par tous les moyens à l’imposer aux États. Ce système échappe dans une large mesure au contrôle des États et est contraire aux dispositions du Protocole. Les compagnies du tabac ne peuvent pas contribuer à solutionner un problème qu’elles créent. Malheureusement, le continent africain vit déjà une situation dramatique qui s’illustre par l’adoption du système de suivi et de traçabilité appartenant à l’industrie du tabac par certains pays. Toutefois, nous saluons les efforts du Sénégal, et du Tchad qui ont déjà entamé le processus de mise en œuvre du protocole en l’intégrant dans leurs législations et en prenant des réglementations rigoureuses sur la commercialisation des produits du tabac.

La promotion du protocole devient urgente et il importe que des informations claires et appropriées soient partagées avec tous les gouvernements afin qu’ils réduisent et éliminent l’ingérence de l’industrie du tabac et mettent de côté ce système de traçabilité de l’industrie du tabac. Notre grand souhait est qu’on se mobilise pour éviter la propagation de ce système sur le continent.

Amadou Moustapha Gaye and Djibril Wele, Ligue Sénégalaise Contre le Tabac, Senegal

THE TOBACCO INDUSTRY IS THE PROBLEM NOT THE VICTIM

The Illicit Trade Protocol (ITP) was created after several countries took the tobacco industry to court in the early 2000s for orchestrating massive cigarette smuggling. For instance, the EC accused the companies of “an ongoing global scheme to smuggle cigarettes, launder the proceeds of narcotics trafficking, obstruct government oversight of the tobacco industry, fix prices, bribe foreign public officials, and conduct illegal trade with terrorist groups and state sponsors of terrorism.” In other words, the trigger for negotiating the Protocol (starting in 2008) was a global pattern of blatant criminal activity by the tobacco industry.

Since then, tobacco companies have deceitfully attempted to turn these court cases from a PR disaster, in which they were the pariah supplier of an illicit product, to a PR success story in which they depict themselves as the victim and part of the solution. Boo hoo! Poor them! There are still plenty of reasons why the tobacco industry is interested in the illicit trade of its own products. First, to scare governments who want to increase the price of tobacco, and also to penetrate closed markets, and gain market share from competitors, especially in low and middle-income countries.

Overall, according to available data, and even the tobacco industry’s funded reports (eg. Project Star/Sun), two-thirds of the global illicit cigarette market is still from the tobacco industry compared to “illicit whites” and counterfeits.

Not surprisingly, the tobacco industry tells a different story depending on the audience. For instance, they say that counterfeit cigarettes are only 2 per cent of illicit trade when they speak to their shareholders, meanwhile they report that counterfeit is a HUGE problem when speaking to everyone else.

Has the tobacco industry’s behavior changed? Not one bit. Parties should remember the history behind the ITP, and despite the complexity of some of the provisions, should NEVER let the industry muddy the waters.

So, BEWARE of your “expert” advisers and don’t forget why we have Article 5.3 of the FCTC!

Florence Berteletti and Shana Narula, World Heart Federation, and Allen Gallagher, University of Bath, UK

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Florence Berteletti and Shana Narula, World Heart Federation, and Allen Gallagher, University of Bath, UK
Codentify and its derivatives should be rejected by signatories to the ITP on the grounds of unreliability and inefficiency, as well as its links to the tobacco industry which places it in violation of the terms of the ITP.

There are at least five compelling reasons why signatories and Parties should reject self-control of illicit trade by the tobacco industry:

First, the size of the problem requires urgent, reliable and efficient interventions. The global trade in illicit tobacco products is depriving governments of important tax revenue and undermining their efforts to protect public health. Today, illicit cigarettes account for about 11.6 per cent of the global cigarette market resulting in approximately US$40.5 billion tax revenue lost per year.

Secondly, the ITP specifically rejects any involvement of the tobacco industry in providing the track and trace solution. Codentify (rebranded as Inexto and/or sold to other third parties) was originally developed and patented by Philip Morris International (PMI), which licenses it free of charge to its major competitors.

Thirdly, Codentify has numerous flaws. It is a digital marking system that uses an encrypted 12-character code that is visibly printed onto tobacco packs and cartons to identify and verify each unit package. As a result, the code is easily compromised as it is human-readable and does not incorporate any physical security features. This means that if a code is stolen or copied from a server or from products already in the distribution chain, and then applied to a product that was not declared for tax purposes (genuine or counterfeit), then that product would pass Codentify’s basic verification test. The only way to determine the legitimacy of a product is to rely on the tobacco industry’s forensic analysis, which is only known to the industry itself. These flaws make Codentify less reliable and secure compared with material based multilayered, advanced security solutions, which enable all stakeholders (distributors, retailers, customers and Customs/Excise agents) to readily identify non-compliant products.

Fourthly, Codentify has been criticised by illicit trade experts due to its inability to track products efficiently. Although the industry claims it is the answer for combating illicit trade, in reality, it is anything but that, because enforcement officers in a country with a Codentify system would have little chance of detecting large-scale fraud committed under the guise of control. Codentify requires a much larger enforcement capacity to achieve the same detection rates as other available material-based technologies.

Lastly and most importantly, there are many technology and solution providers far better suited to building and operating secure track and trace systems with robust authentication features for governments, as envisaged by the ITP. Tobacco industry-independent solutions combining material-based features with information-based security and robust information technology infrastructure are already proven and have been demonstrated to successfully combat illicit tobacco trade while supporting government’s public policy objectives with respect to compliance, revenue collection and public health.

The obvious solution for countries is to reject tobacco industry “systems” in favour of material-based solutions that can reduce the cost of compliance and detection and the overall costs of enforcement. Governments need a robust method for combatting illicit trade and empirical evidence shows that the cost of implementing these solutions is low in comparison to the net revenue gains and social benefits of lower tobacco use.

This article is a summary of research conducted by Hana Ross, Michael Eads and Michael Yates published in the BMJ’s Tobacco Control on 25th January 2018.
MAXIMIZING TRANSPARENCY IN MOP1

After an intense week of negotiations, COP8 adopted, among others, a decision on “Maximising transparency” that undoubtedly reinforces the commitment of Parties to implementation of Article 5.3 and its guidelines. Above all, it guarantees that at future COPs, or at subsidiary meetings, delegations, observers, members of the public or the media must formally declare that they do not have a conflict of interest that links them directly or indirectly to the tobacco industry.

The adoption of this decision is a historic milestone in the evolution of the FCTC and of the instruments that have been gradually adopted to counter tobacco industry interference; all the more pertinent since this year we will celebrate 10 years since the adoption of Article 5.3 Guidelines, adopted at COP3.

This week, in the context of the First Session of the Meeting of the Parties to the Protocol to Eliminate Illicit Trade in Tobacco Products (MOP1), and following the decision adopted at COP8, the agenda included a discussion on how to ensure transparency in the MOP. The discussion began yesterday, and as observers of the MOP1, we look forward to the full adoption of the decision without any setbacks, in line with the important precedent set at COP.

Daniel Dorado and Jaime Arcila, Corporate Accountability International

ILLICIT MARKET IN BRAZIL AND LATIN AMERICA

For many years Brazil and other countries in Latin America have faced the problem of the illegal market for tobacco products. The illegal tobacco market comprises smuggling, counterfeiting, illegal manufacturing and tax evasion.

In the case of Brazil, the smuggling of cigarettes from Paraguay is a serious economic, health and social problem. Both legal and illegal cigarettes are harmful to health and to the environment, but illegal cigarettes sold at low prices stimulate experimentation and consumption, as well as causing loss of revenue. International cooperation among countries on the continent is critical to addressing illicit trade.

In the Americas, Brazil, Costa Rica, Ecuador, Nicaragua, Panama and Uruguay have already ratified the ITP. Diplomatic efforts are needed to ensure other countries follow suit. In a meeting held in June 2018, health ministers from Brazil, Uruguay, Chile, Argentina and Paraguay signed a document stating the urgency of ratifying the Framework Convention on Tobacco Control and the need for all Mercosur Member States and Associates to accede to the Protocol.

At COP8, we were pleasantly surprised to hear Paraguay’s proposal to host COP10 in 2022, reaffirming their commitment to the FCTC and indicating a possible intention to change its international image and association with the illicit tobacco.

The tobacco industry and its allies typically insist that reducing prices and taxes is the way to combat illicit trade, however fiscal policies are the most effective measures to prevent the uptake of smoking and to reduce consumption of tobacco products. The illicit market is a complex issue and requires a comprehensive approach as provided by the ITP. Let’s ensure that it is adopted and implemented by FCTC Parties!

Mônica Andreis, ACT Health Promotion, Brazil