Nigeria sugary drinks tax aims to fight obesity, raise revenue

The Nigerian Government adopts a sugary drinks tax to tackle rising levels of obesity and other diseases [1] in Africa's most populous country. The move will also generate much needed funds for the government following the financial hit of the covid-19 pandemic.

The tax was signed into law as part of the 2021 Finance Act. It adds 10 Naira (N) to each litre (US$0.02 /litre) of all non-alcoholic and sugar-sweetened beverages (SSBs).

Nigerians are drinking more and more sugary drinks. At at the same time, obesity is rising. Obesity is a known risk factor for noncommunicable diseases (NCDs) like diabetes [2], heart diseases [3], cancers [4]and stroke. More than 12 million Nigerians are living with diabetes - the highest prevalence on the continent [5] - which occurs when the pancreas can no longer make insulin or when the body cannot make good use of the insulin it produces.

People who drink sugar-sweetened beverages regularly – one to two cans a day or more – have a 26% greater risk of developing type 2 diabetes than people who rarely consume such drinks, says the World Health Organization (WHO) [6]. Type 2 diabetes [2] accounts for around 90% of all diabetes cases. It can often be managed or prevented with a healthy lifestyle, including more physical activity and healthy diet.

Around one in 10 people live with diabetes [2]around the world. This number is predicted to rise from 537 million adults to 643 million and 784 million adults by 2030 and 2045. The large majority of these people live in low- and middle-income countries.

To prevent obesity, adults and children should reduce sugar consumption to about 12 teaspoons of table sugar a day, for adults, says WHO. Cutting it to around 6 teaspoons of table sugar (for adults) will produce greater health benefits, it adds.

Sugar taxes work

In 2019, The Task Force on Fiscal Policy for Health released a report [7] on how countries can prevent NCDs by taxing harmful products such as tobacco, alcohol and SSBs. The task force predicted that over 50 million premature deaths could be prevented if countries adopted tax increases large enough to raise prices of tobacco, alcohol and sugary beverages by 50% over the next 50 years.

Taxes on SSBs are proven to be effective. For many years, Mexico has been one of the world's largest consumers of sugary drinks. A 2013 study [8] found it had the highest adult obesity rate among the member countries of the Organization for Economic Cooperation and Development. In 2014 the government adopted a tax on SSBs [9], and two years later, the poorest households were buying 11.7% fewer sugary drinks compared to 7.6% less for Mexicans overall.

In 2020, the Mexican states of Oaxaca and Tabasco realized that a greater number than expected of COVID-19 cases were occurring among overweight children and adults. In response, they banned the sale of junk food [10] and sugary drinks to those under 18 unaccompanied by adults.

Today, more than 50 other countries have adopted taxes on SSBs. In Africa, South Africa passed a sugar tax in 2018 of around 10%, after which people's sugar intake from sugary drinks quickly fell. Starting at 16.25 g per person per day before the tax, it dropped to 14.26 g immediately afterwards, and then dropped to 10.63 g in the next year, according to a recent report [11].

Nigeria's sugar tax - will it be effective?

There are questions about how effective Nigeria's tax will be. Toyyib Abdulkareem, a policy and campaigns consultant at NCD Alliance, notes that WHO recommends putting a 20% tax on sugary drinks. That has the potential to cut consumption also by 20%."So in Nigeria, the government will increase the price of a 50cl bottle of soda, which is N120, by N5. I'm not sure that's even 5%, and it's nowhere close to the 20% which would be the gold standard, and if we really want change."

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Abdulkareem adds that civil society groups are also concerned about how the tax revenue will be spent. "For public health, obviously there's the aim of reducing the amount of sugar that's consumed but there's also the aim that the generated funds should go into the health system," he says. Civil society groups worked closely with the Ministry of Finance (MoF), Ministry of Health and elected members of the National Assembly to get the tax adopted. They are also among the stakeholders - along with the sugary drinks industry - continuing to talk to the MoF about how the tax will be implemented.

Civil society is worried about the influence of drinks makers on government decision-making. It is possible for example that believes industry influence led to the adoption of a fixed rate tax rather than a percentage. If that fixed amount doesn't change, then the impact of inflation will mean that N5 will soon be worth so little it might not influence people's buying decisions, says Abdulkareem. Also, he adds, the drinks industry is pressuring the government to revise the tax so it includes grades — drinks with lower amounts of sugar would then be taxed less.

One positive effect of grading is that the industry will decrease sugar content to avoid being taxed. But, as Abdulkareem points out, it also adds a layer of complexity to the tax, possibly making it harder to manage and less effective in the long run.

Since the tax was announced, media have been reporting opposition [12] to the move from business. For example, the Manufacturers Association of Nigeria is warning that the tax will hurt the already ailing economy, causing unemployment to rise and "resulting in an increase in social vices and moral decadents."

These claims have been proven to be false. A world bank report [13]concludes that "emerging evidence from independent evaluation and modelling studies consistently identifies net positive economic impacts from SSB taxes, including overall employment and productivity gains, and increased government spending from additional revenue."

Industry efforts to block taxation are known worldwide. Yet in many countries today business might find a sympathetic ear in government after it went out of its way to be seen contributing to Covid-19 relief efforts. In Nigeria for example, "The Vice-President actually made an announcement on behalf of Coca-Cola, praising its 'development' effort," says Abdulkareem.

A recent report [14]found that governments in seven sub-Saharan countries lack the data needed to implement taxes on sugary drinks, and also face pressure to not do so from industry. In one of the countries studied, Uganda, "The soft drink industry has been influential in framing the taxation debate, and the Ministry of Finance previously reduced taxation of sugar-sweetened beverages."

While the effects of the sugar tax are yet to be fully understood, the Nigerian SSB tax is welcomed by the NCD Alliance and the wider NCD community. Sugar taxes are a proven and evidence-informed solution to the prevention and control of NCDs and related risk factors, and their use needs to be stepped up globally.

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