

# NetMark

Building sustainable markets for insecticide-treated nets

TECHNICAL BRIEF



## Reducing Taxes and Tariffs on ITNs in Africa

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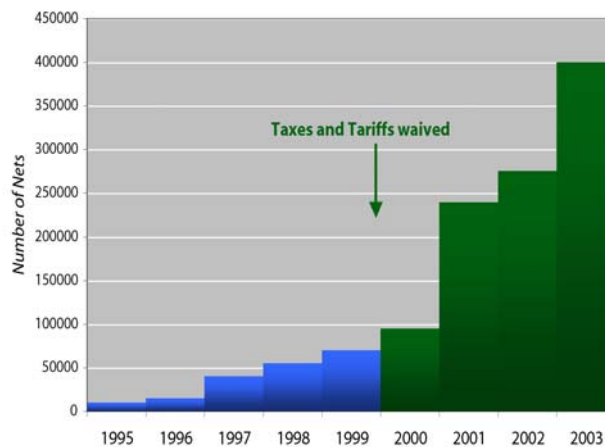
Insecticide-treated nets (ITNs) are the most effective means of preventing malaria in sub-Saharan Africa, according to the World Health Organization. Yet many African households do not have ITNs due to several barriers, one of the most important being cost. At current market prices, low-income African households would have to spend a substantial share of their annual disposable income to purchase an ITN. One way to decrease the retail price of ITNs and increase household use is to eliminate the taxes and tariffs imposed on finished nets, netting materials and insecticides.

### Taxes and Tariffs Hamper Commercial Markets

In countries with high taxes and tariffs on ITNs, the commercial market is suppressed. Traders are not willing to import large volumes of ITNs when they know taxes and tariffs will make them unaffordable for most people. In cases where taxes and tariffs have been eliminated only for finished nets, local net manufacturers are then at a disadvantage because they have to pay taxes and tariffs on raw materials needed for production.

Taxes and tariffs add 40 to 50 percent to the final cost of an ITN. The tariff surcharge is compounded by the percentages that distributors, wholesalers and retailers add on for their own handling, marketing and profit. A 40 percent tariff levied on a US\$5.00 ITN at the port of entry adds almost \$3.00 or more to the final cost of the net. Taxes can add

Figure 1: Estimated Annual Mosquito Net Sales in Uganda 1995-2003



Source: Albert Kilian, 2003

another 10 to 20 percent to the price. ITN prices are even higher in rural areas because of additional transport costs.

NetMark's experience in Africa has shown that reducing or eliminating taxes and tariffs placed on ITNs results in three key changes: 1) commercial imports of ITNs greatly increase; 2) due to competition in the marketplace, prices of ITNs decrease; and 3) consumers respond to the increased availability/ accessibility by purchasing more ITNs. This demand, in turn, results in increased commercial activity, which increases competition and translates into even lower prices. Following the removal of ITN taxes and tariffs in Uganda, for example, sales of ITNs increased almost four-fold (Figure 1).

All countries that have reduced ITN taxes and tariffs have seen increased commercial investment and competition.

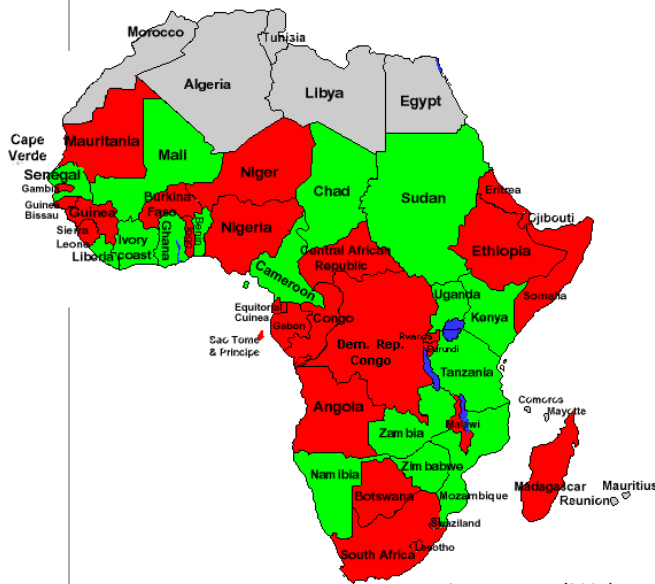


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## Current State of Taxes and Tariffs

The Abuja Declaration of April 25, 2000 committed African heads of state to “reduce or waive taxes and tariffs for mosquito nets and materials, insecticides . . . and other recommended goods and services that are needed for malaria control strategies” so that at least 60 percent of the most vulnerable populations, especially pregnant women and children under five years, “benefit from the most suitable combination of personal and community protective measures such as insecticide treated mosquito nets...” The following map shows the 16 African countries (in green) that have removed/reduced taxes and/or tariffs on ITNs, as well as the 26 countries (in red) that are malaria endemic and continue to impose ITN taxes and tariffs ranging from 2 to 40 percent.



Source: RBM (2004)

Even in the countries where removal/reduction of taxes and tariffs has occurred, issues remain. For example, customs agents often continue to impose tariffs despite the new policy, and other times exemptions on ITN taxes and tariffs are determined on a case-by-case basis or only apply to ITNs procured through government sponsored programs.

The value-added tax (VAT) also remains an issue in countries that have only reduced or removed ITN tariffs. While the reduction on tariffs is applied to the value of the product at the port, VAT is applied to the final consumer price. The effect on the price of an ITN from VAT can be even greater than that of tariffs imposed by customs at the port.

## NetMark’s Approach

NetMark seeks to facilitate the removal/reduction of ITN taxes and tariffs in Africa in close collaboration with other RBM partners. Because taxes and tariffs must be addressed on a country-by-country basis, NetMark has developed a four-part advocacy strategy that can be adapted for and systematically implemented in each country. The four components of NetMark’s advocacy strategy include:

- Assessing the status of ITN taxes and tariffs in each country;
- Understanding the legal processes used to reduce taxes and tariffs and identifying the key people in each country who influence these processes;
- Designing, disseminating and applying an advocacy tool based on a computer model that demonstrates the potential impact of widespread ITN use on mortality, morbidity, school and work attendance and economic growth; and
- Engaging influential people and groups in each country and working with them to implement the advocacy strategy.

NetMark has played a role in the reduction or elimination of ITN taxes and tariffs in several countries. NetMark will continue to use its technical resources to support more widespread reductions and will collaborate with other RBM partners in this regional advocacy effort. ■