



# Tracking and Tracing systems required by the Illicit Trade Protocol

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# No conflict of interest

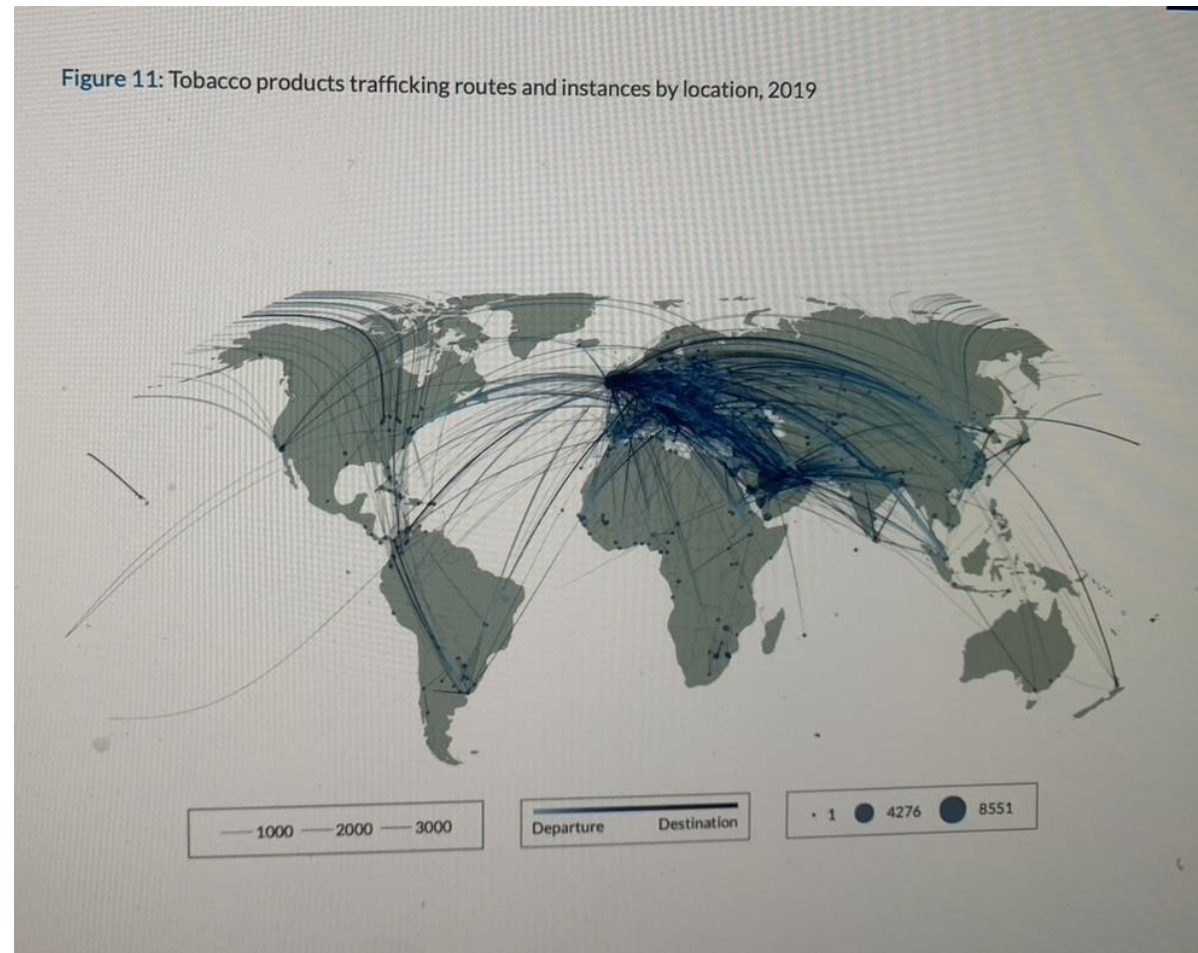
- No conflict of interest to declare
- 30 years experience on (combatting) cigarette smuggling
- Recipient of the 2015 WHO Director-General Special Recognition Certificate for his work on illicit tobacco trade.



# WHO FCTC Protocol to eliminate illicit trade in tobacco products (ITP)

- ✓ Adopted: 12 November 2012
- ✓ Entry into force: 25 September 2018
- ✓ Official start of the Global Information-Sharing Focal Point (GISFP) on 26 September 2023
- ✓ 68 ratifying parties in September 2023
- ✓ Objective: elimination of illicit trade in tobacco products
- ✓ Aims to secure the supply chain and promote international cooperation
- ✓ Strong tracking and tracing obligations (article 8)

## The trafficking instances (origin, transit or destination of seized tobacco products) show that the illicit cigarette trade is an international problem



Source: World Customs Organization, 2019



# Important Parties have ratified ITP, but some didn't

## Parties to the Protocol to Eliminate Illicit Trade in Tobacco Products



The new treaty aims at eliminating all forms of illicit trade in tobacco products. It provides tools for preventing illicit trade by securing the supply chain, including by establishing an international tracking and tracing system, by countering illicit trade through dissuasive law enforcement measures and a suite of measures to enable international cooperation.

# What is Tracking and Tracing?

- Tracking and Tracing covers a wide variety of systems to determine the current and past locations of goods.
- The purpose of a tracking and tracing system is “to assist Parties in determining the origin of tobacco products, the point of diversion if applicable, and to monitor and control the movement of tobacco products and their legal status.” (article 8.4.1)

## No Tobacco industry interference

“8.2. Each Party shall establish, in accordance with this Article, a tracking and tracing system, controlled by the Party for all tobacco products”

8.12. Obligations assigned to a Party shall not be performed by or delegated to the tobacco industry.

8.13. Each Party shall ensure that its competent authorities, in participating in the tracking and tracing regime, interact with the tobacco industry and those representing the interests of the tobacco industry only to the extent strictly necessary in the implementation of this Article.”

# Progress so far

We estimate that in September 2023 there are 38 Track and Trace systems among the 68 Parties:

- 29 Parties to the Protocol are high income, 15 are upper-middle income, 14 are lower-middle income and 10 are low income.
- 21 countries have a system based on the EU regulations (19 EU countries, EU + UK)
- 10 on tax stamp regimes : Brazil (Ceptis powered by Sicpa technology), Egypt (NASPS), Kenya (Sicpa), Mauritius (Holistic India), Pakistan (Authentix, MITAS corporation & AJCL), Saudi Arabia (De La Rue), Togo (Sicpa), Turkey (Sicpa), Ghana (De la Rue), Qatar (De La Rue). (Total: 10 Parties).
- A variety of other systems including systems with insufficient public info to classify them. Burkina Faso (Inexto), Comoros, Ecuador (tobacco Industry operated), Iraq, Islamic Republic of Iran, Mali (Sonatam), Senegal (tobacco Industry operated) (Total: 7 Parties).



# Effectiveness

- The global and international system does not exist yet, but the effectiveness of enhanced tax stamp regimes with Tracking and Tracing characteristics on the domestic market is well described in the literature.
- (The 2011 IARC Handbook on Effectiveness of Tax and Price Policies for Tobacco Control and the 2019 World Bank Report on Confronting Illicit Tobacco Trade).

# Kenya

- The 2019 World Bank report was very positive: “Kenya’s experience demonstrates that even a lower-middle-income country has the capacity to implement such a system successfully.”
- However, the system in Kenya is a domestic system and does not apply to the export market.

# Tax stamp systems

- The focus of national tax stamp systems is on collecting tax revenue, improving tax administration and monitoring the supply chain at domestic level.
- The traceability system works well at national level, but needs to be upgraded to function at global level.
- The export market (free zones, duty free, transit, exports) is generally excluded from the tax stamp regimes, unless the exported market requests tax stamps.

- ✓ The EU traceability system is operational since 2019 and 112 billion unique identifiers were applied on tobacco packs in February 2023.
- ✓ Olaf says that more than 3 000 people from the national competent authorities use the system for their enforcement activities and operations. (December 2023)
- ✓ EU Health Commissioner claims that “The system does not provide any information on the illicit trade of these products.” ( 15 February 2023)
- ✓ No report has been published so far on the results of the EU traceability system.

An extensive report of the EU traceability system would be useful such as

- a description of all the investigations based on tracking data
- analysis of the tracking data at EU and Member State level for the measurement of the illicit market
- suspicious exports and sudden changes of export patterns of cigarette brands
- oversupply to shops and locations near the border of high tax countries.

# The way forward

- ✓ Time is running: Tracking & Tracing obligations entered into force in September 2023.
- ✓ The need for international standards: domestic traceability systems might not communicate with each other in a global setting.
- ✓ Tracing and Tracing obligations should apply to the export market, transit trade and duty free sales.



# Conclusions

- ✓ 68 Parties have ratified the Illicit Trade Protocol. 38 parties have a Tracking and Tracing system and ten have a system under preparation.
- ✓ More technical assistance and financial resources to support the Protocol is needed.
- ✓ No direct or indirect involvement of tobacco industry and its allies in the establishment of the system, software for generation of unique identifiers, access to data bases, control mechanisms at the place manufacturing and auditing is needed.

# Conclusions

**You can consult our SFP report:**

**“The status of the tracking and tracing system required under the WHO FCTC Protocol to Eliminate Illicit Trade in Tobacco Products”**

**May 2023**

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