



STOPPING TOBACCO
ORGANIZATIONS & PRODUCTS

Case Study
Pakistan

How the Tobacco Industry is Successfully Undermining Tobacco Tracking and Tracing

Pakistan's Federal Board of Revenue (FBR) recently awarded the tender for tobacco tracking and tracing in the country to a company linked to the tobacco industry's ineffective track and trace system, Codentify. This is concerning for public health because the tobacco industry has a vested interest in controlling, and trying to undermine, tobacco tracking and tracing.

Tracking and tracing is a requirement of the Illicit Trade Protocol, an international treaty aimed at tackling the tobacco black market. It allows authorities to track tobacco products through the supply chain and trace them back to a point of origin which is a crucial way of controlling the tobacco industry's currently massive supply chain.

How the Tobacco Industry is Successfully Undermining Tobacco Tracking and Tracing: The Case of Pakistan

Tobacco companies have an extensive history of [complicity in tobacco smuggling](#), having used it as a method to avoid paying tax on products that they export. Often, they would do this by [oversupplying markets](#), knowing that the excess product would illegally spill into other markets. [Growing evidence](#) indicates that tobacco companies are continuing to facilitate the black market in this way, so effective tracking and tracing systems are necessary to curtail this behaviour. This is why the Illicit Trade Protocol gives its Parties (of which Pakistan is one) until 2023 to implement their own cigarette tracking and tracing system with [the requirement](#) that it “shall not be performed by or delegated to the tobacco industry.”

However, Pakistan has awarded its track and trace tender to the National Radio and Telecommunications Corporation (NRTC), a technology company which procures its track and trace technology from Inexto. Inexto’s staff includes 16 former Philip Morris International (PMI) employees, including those involved in the development of the tobacco industry’s own track and trace system, Codentify.

Codentify is seen by independent experts as a flawed system which the tobacco industry has collectively promoted through the use of front groups as part of an extensive campaign to undermine the Illicit Trade Protocol by [gaining control of tobacco track and trace systems across the globe](#). In 2016, Codentify was sold to Inexto, [reportedly](#) for only 1 Swiss Franc. Despite claims, after the sale of the technology, by both [PMI](#) and [Inexto](#) that Inexto was independent from the tobacco industry, [leaked internal documents](#), dated over a year later, suggest that Inexto was not yet financially independent from the tobacco industry.

Inexto’s current relationship with the tobacco industry is not clear, although it appears to still hold trademarks for the Codentify technology. This, alongside its history with the industry, brings into question whether Pakistan’s track and trace system meets the Illicit Trade Protocol’s requirements. As such, the contracting of Pakistan’s system to a company which procures its track and trace technology from Inexto is concerning.

The NRTC’s links with Inexto have led to objections from a range of health organisations such as the [Pakistan National Health Association \(PANAHA\)](#) and the Campaign for Tobacco Free-Kids (CTFK) as well as from the [International Tax Stamp Association \(ITSA\)](#). Concerns include the NRTC’s affiliation with Inexto, its lack of experience in installing track and trace systems and that NRTC’s solution will not involve a [mobile application](#), despite this being a requirement within the original tender. Two unsuccessful bidders in the tender process are [now challenging the decision](#) to award the contract to NRTC in Islamabad High Court.

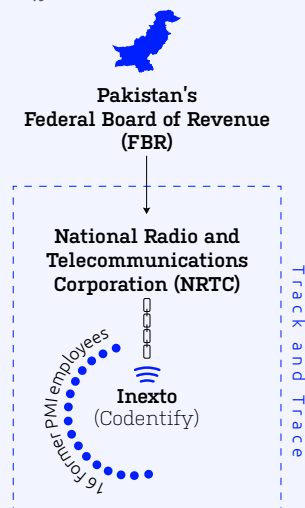
The story of tobacco track and trace implementation in Pakistan so far mirrors that of the European Union (EU), where [several organisations](#) involved in its track and trace system have longstanding links with the tobacco industry. Inexto even [held meetings](#) with various EU member state government divisions prior to the EU’s track and trace system being implemented. The EU, in addition to also facing criticism from health organisations such as the [Framework Convention Alliance \(FCA\)](#), also faced a [legal challenge](#) (which has since been dismissed by the European Court of Justice) from the ITSA over the EU system’s compliance with the Illicit Trade Protocol.

These examples demonstrate the need for Parties to the Illicit Trade Protocol to be vigilant and alert against tobacco industry efforts to gain influence over their track and trace systems. Parties should require full transparency when tendering, contracting and implementing their own track and trace systems and, crucially, ensure that no organisations with links to the tobacco industry, the development of Codentify, or Inexto are allowed to contribute.

To find out more about the tobacco industry’s efforts to influence tracking and tracing and ways governments can fight against this, read STOP’s brief, “Protecting Your Country’s Tobacco Track and Trace System From the Industry”, or read the short summary [here](#).

Figure 1

Pakistan’s Federal Board of Revenue (FBR) has awarded its track and trace tender to the National Radio and Telecommunications Corporation (NRTC), which obtains its track and trace technology from Inexto. Inexto’s staff includes 16 former Philip Morris International (PMI) employees, including those involved in the development of the tobacco industry’s own track and trace system, Codentify.



To find out more, read the [STOP briefing on tracking and tracing](#).