

tobacconomics

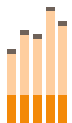
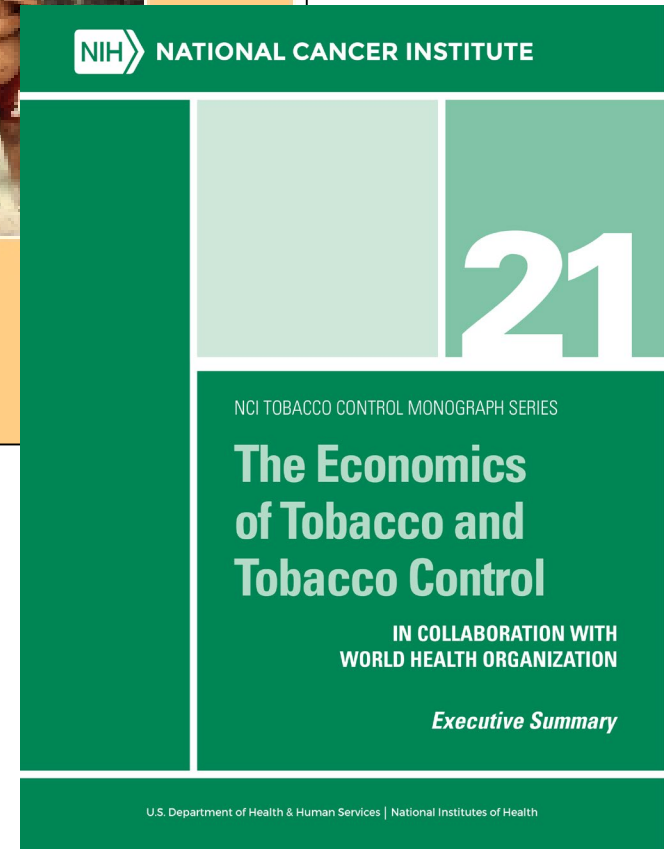
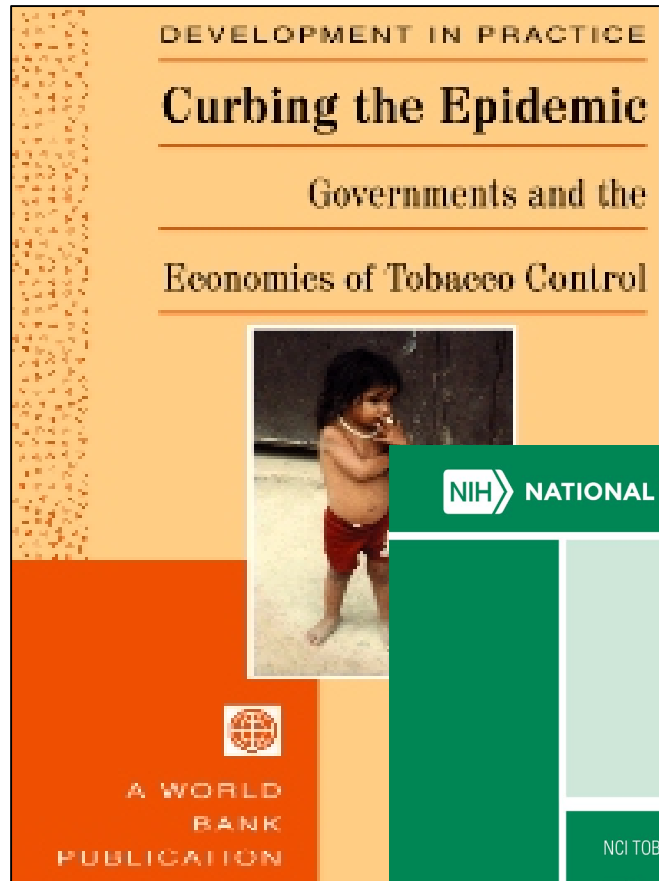
Economic Research Informing Tobacco Control Policy

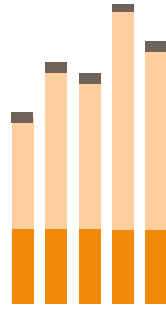
Accelerating Progress on Tobacco Taxation in Low- and Middle- Income Countries

Frank J. Chaloupka, University of Illinois at Chicago
World Bank Poverty and Equity Global Practice
Washington DC, 23 May 2019

Overview

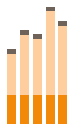
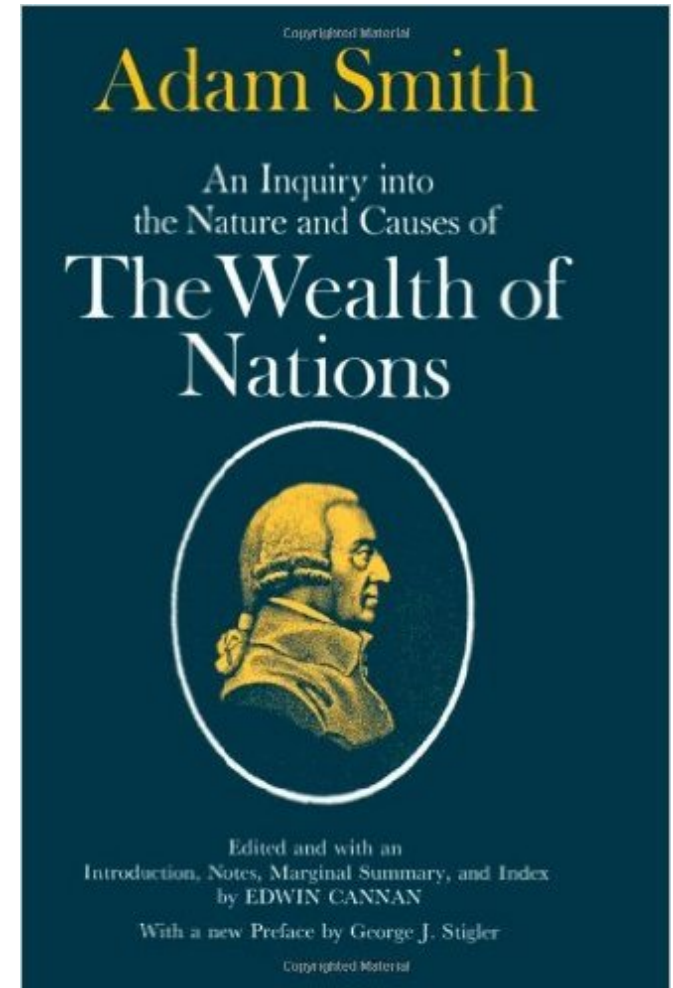
- Impact of Tobacco Taxes on Use and Consequences of Tobacco Use
- Tax Structure, Tax Revenues & Earmarking
- Myths and Facts About Economic Impact of Taxes
- UIC/Bloomberg Tobacco Tax Initiative





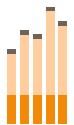
Taxes, Prices & Tobacco Use

"Sugar, rum, and tobacco, are commodities which are no where necessaries of life, which are become objects of almost universal consumption, and which are therefore **extremely proper subjects of taxation.**



Cigarette Sales and Prices

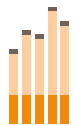
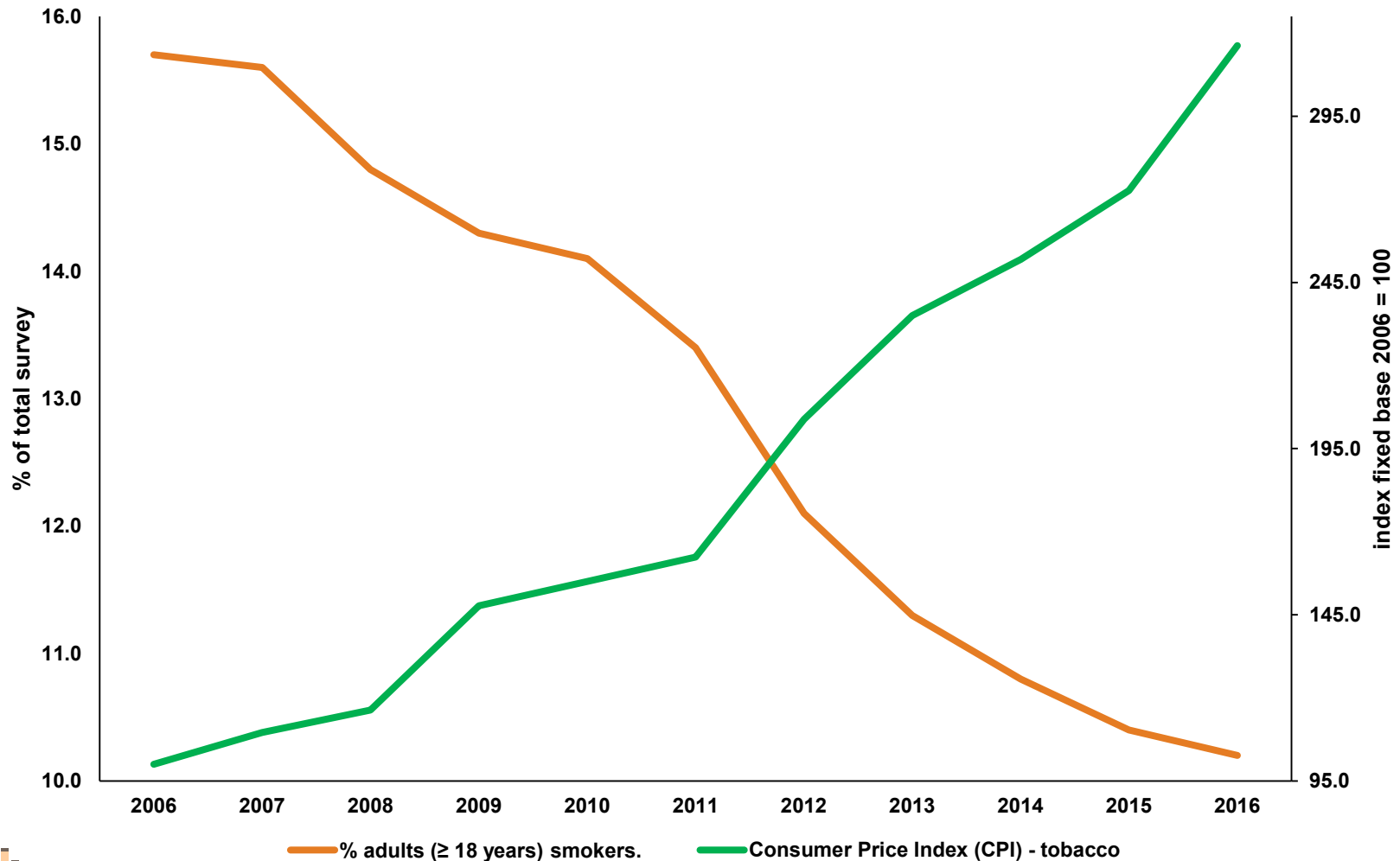
Philippines, 2002-2016, Inflation Adjusted



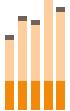
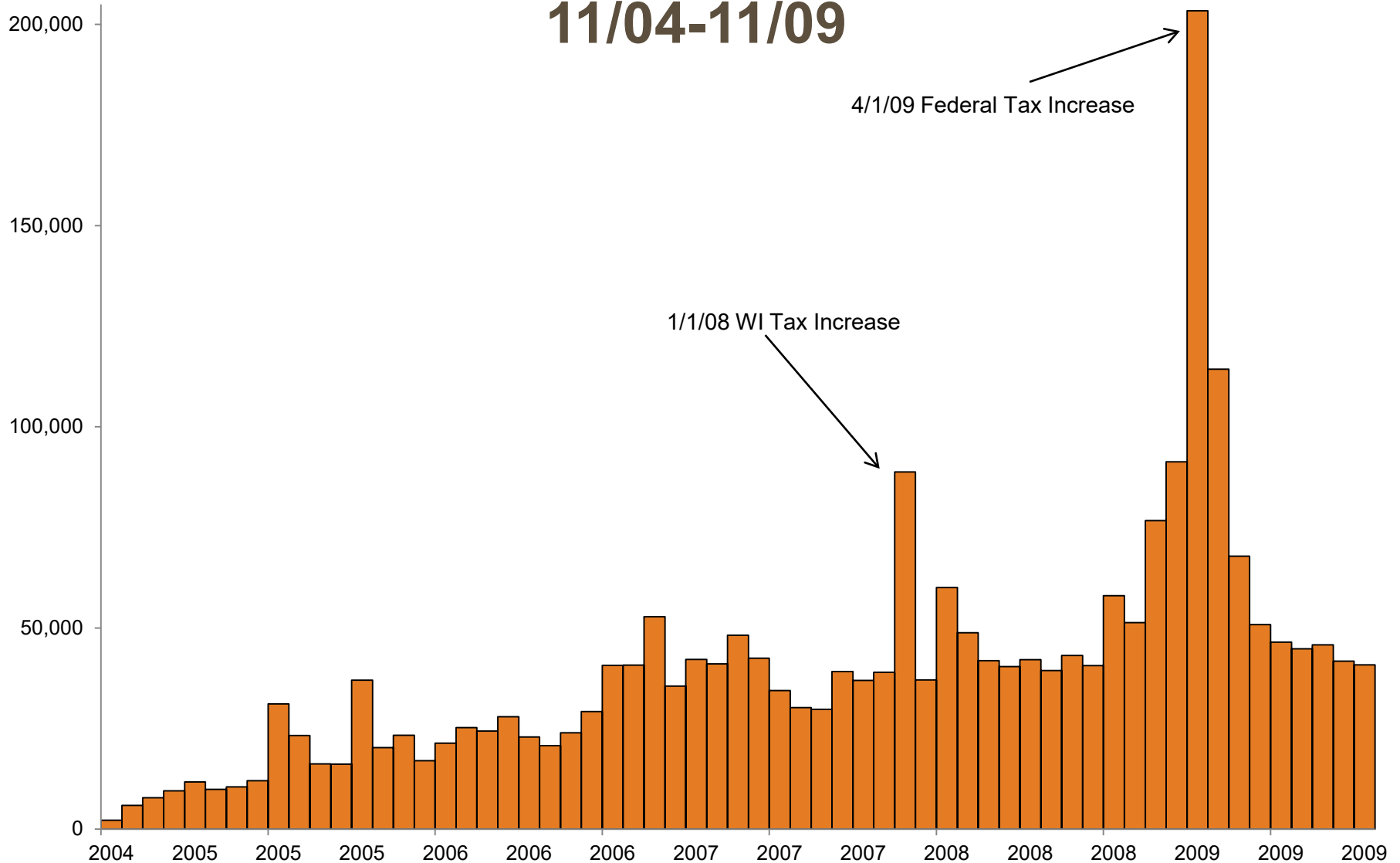
Sources: Euromonitor, World Bank, and Authors' Calculations

Adult Smoking Prevalence and Price

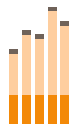
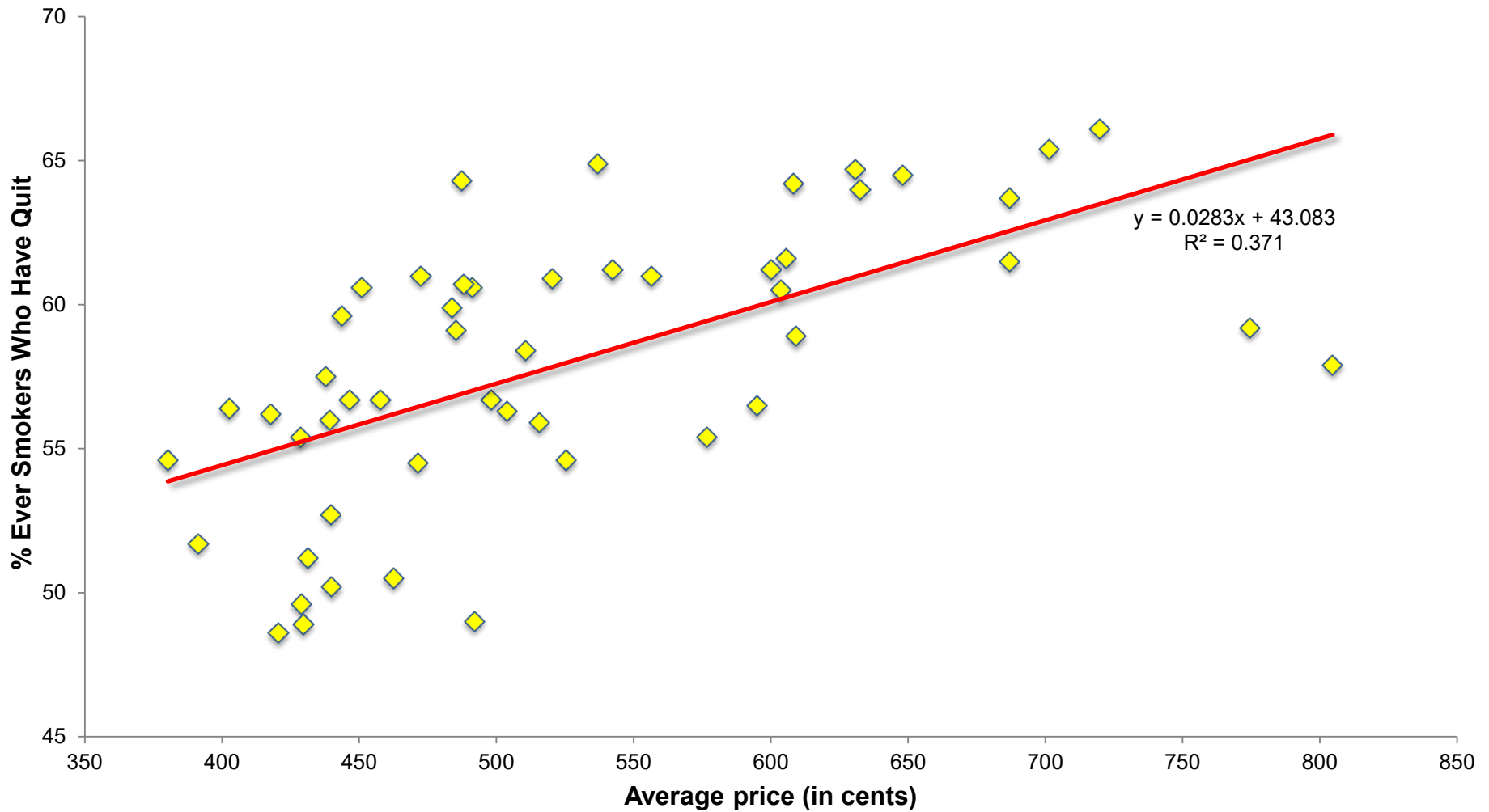
Brazil, 2006-2016, inflation adjusted



Monthly Quit Line Calls, United States 11/04-11/09



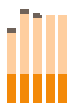
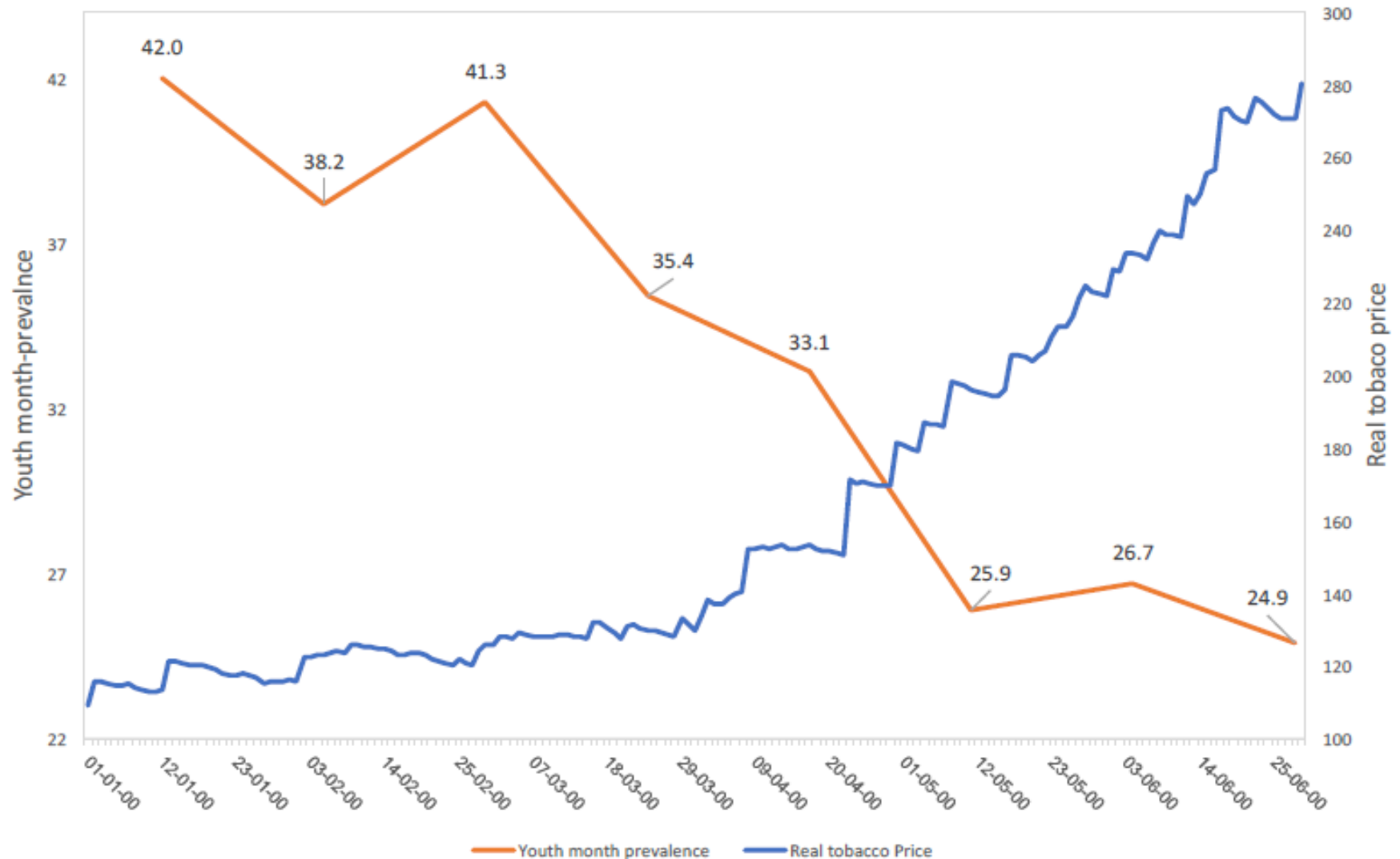
Cigarette Prices and Cessation US States, 2009



Source: BRFSS, *Tax Burden on Tobacco*, 2010, and author's calculations

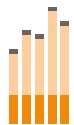
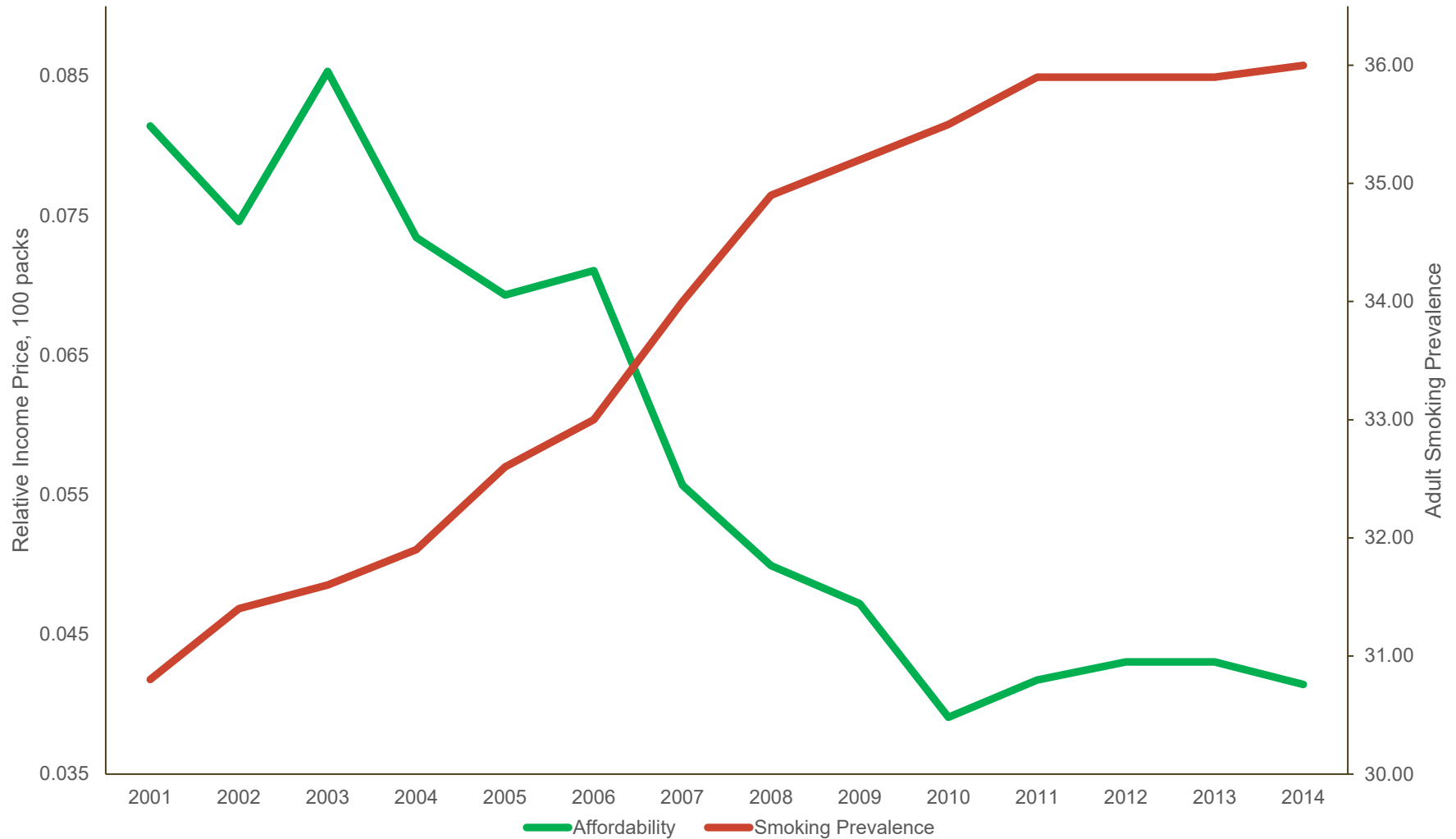
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Cigarette Price & Youth Smoking Prevalence Chile, 2000-2015



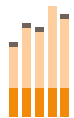
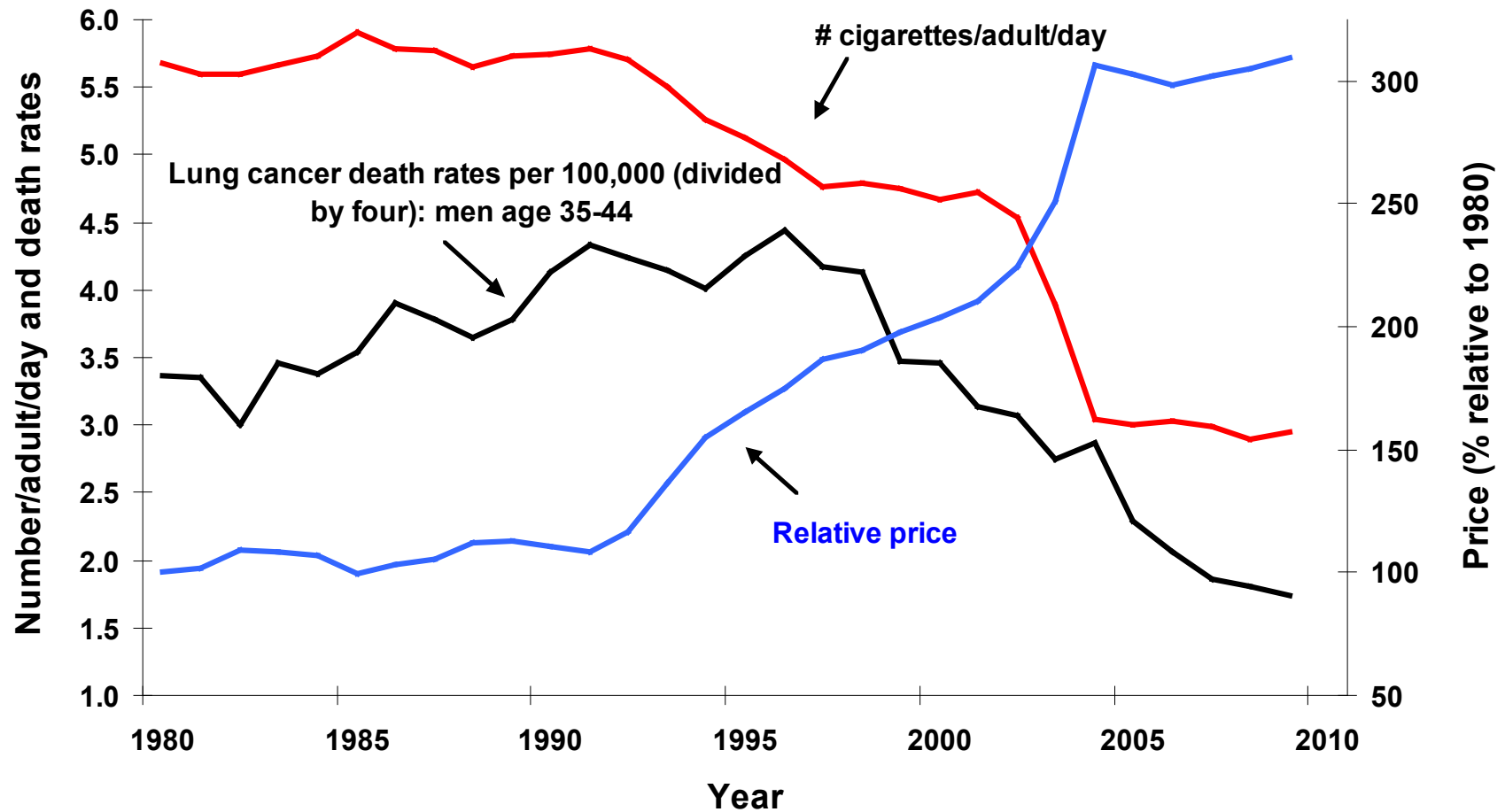
Affordability & Tobacco Use

Adult Smoking Prevalence, Indonesia, 2001-2014

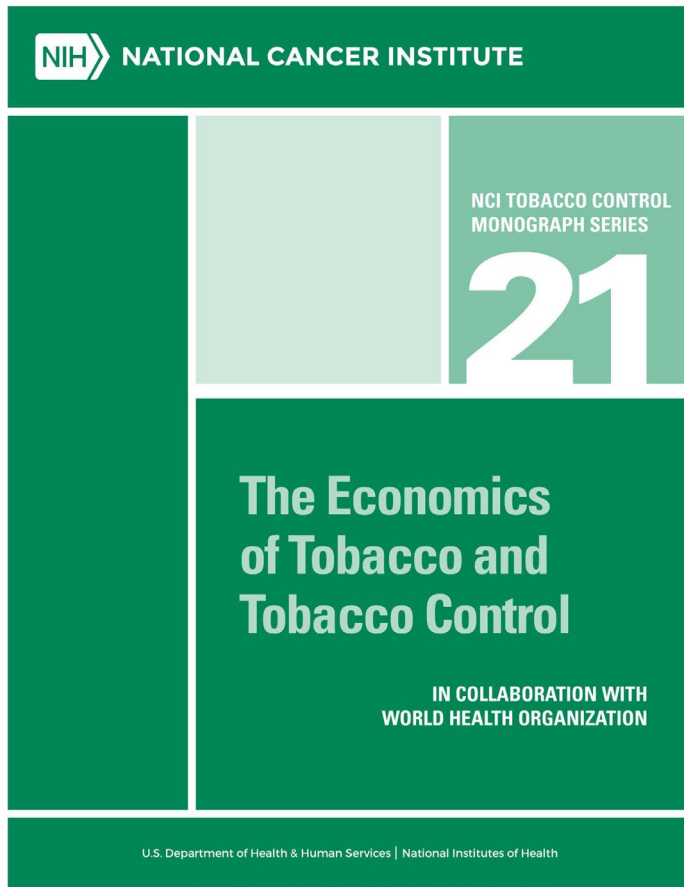


Sources: Euromonitor, EIU, World Bank, and Authors' Calculations

France: smoking, tax and male lung cancer, 1980-2010

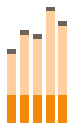


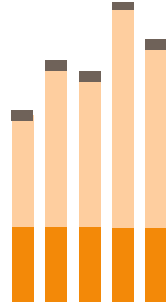
Effectiveness of Tobacco Taxes



Chapter 4, Conclusion 1:

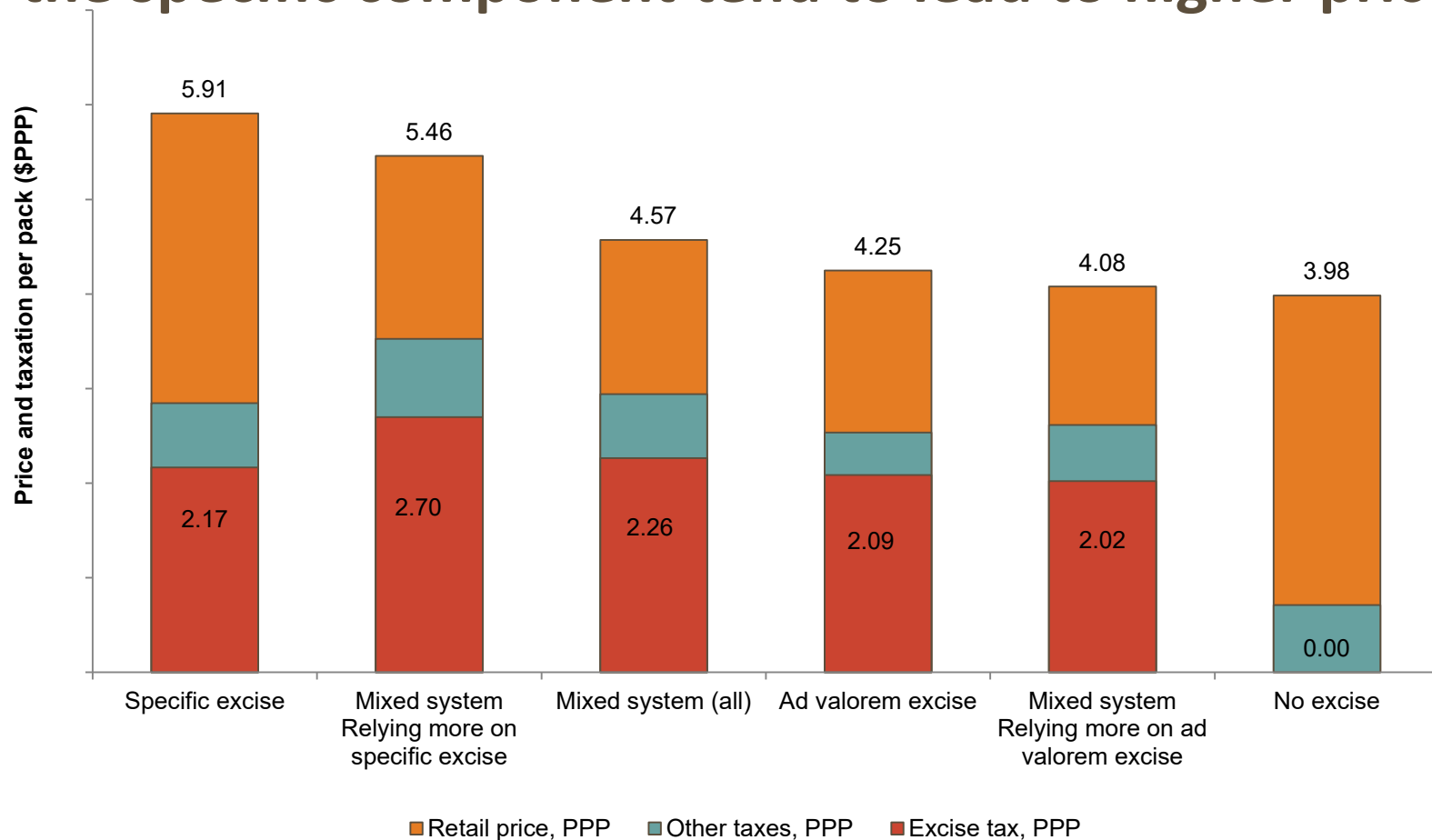
A substantial body of research, which has accumulated over many decades and from many countries, shows that **significantly increasing the excise tax and price of tobacco products is the single most consistently effective tool for reducing tobacco use.**





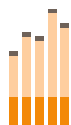
Tax Structure, Tax Revenues & Earmarking Tax Revenues

Excise tax structure: Specific and mixed relying more on the specific component tend to lead to higher prices



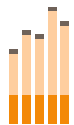
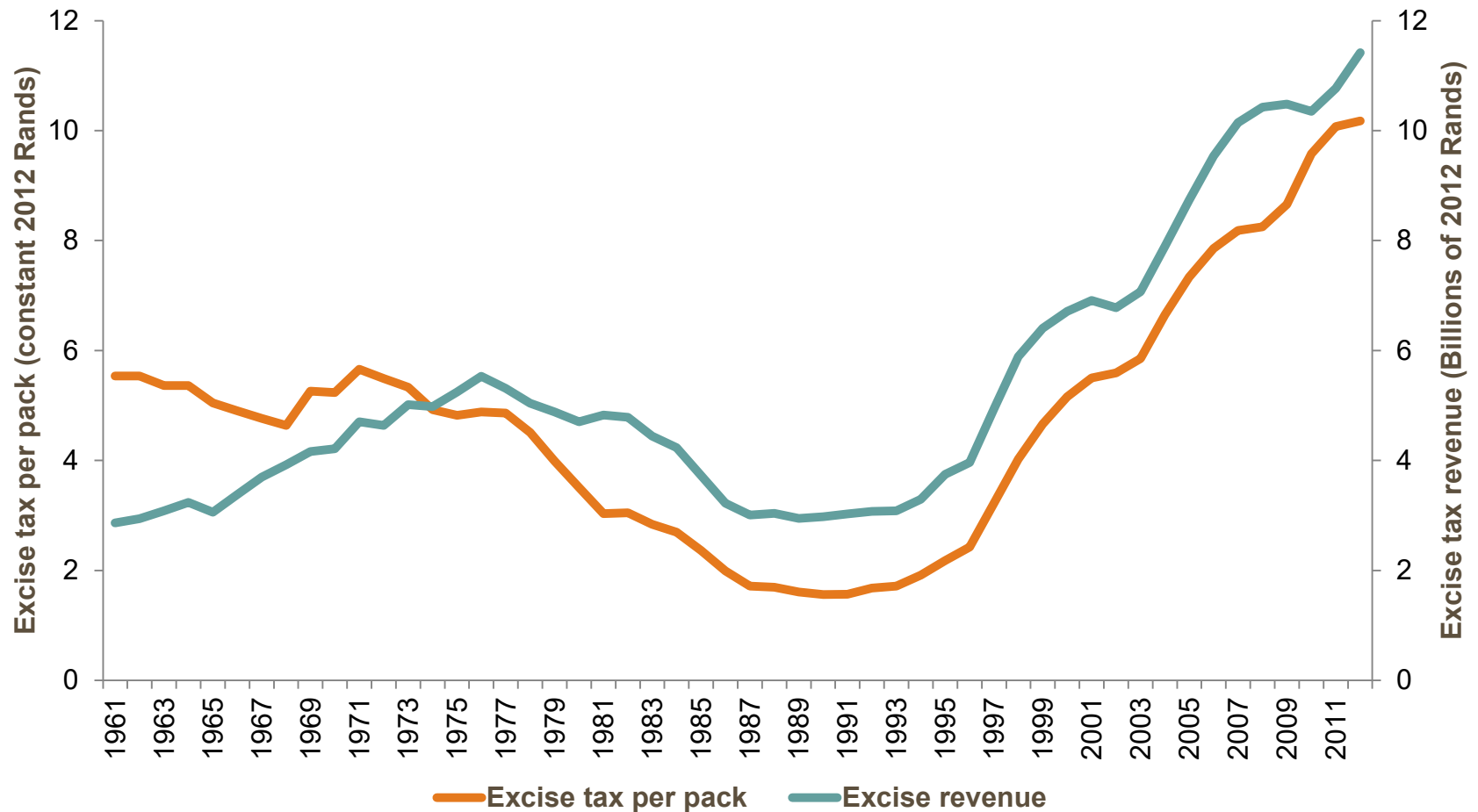
Source: WHO 2017 GTCR data; unpublished figure.

Notes: Averages are weighted by WHO estimates of number of current cigarette smokers ages 15+ in each country in 2015; Prices are expressed in Purchasing Power Parity (PPP) adjusted dollars or international dollars to account for differences in the purchasing power across countries. Based on prices as of July 2016 for 53 high-income, 100 middle-income and 27 low-income countries with data on prices of most sold brand, excise and other taxes, and PPP conversion factors.



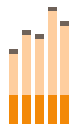
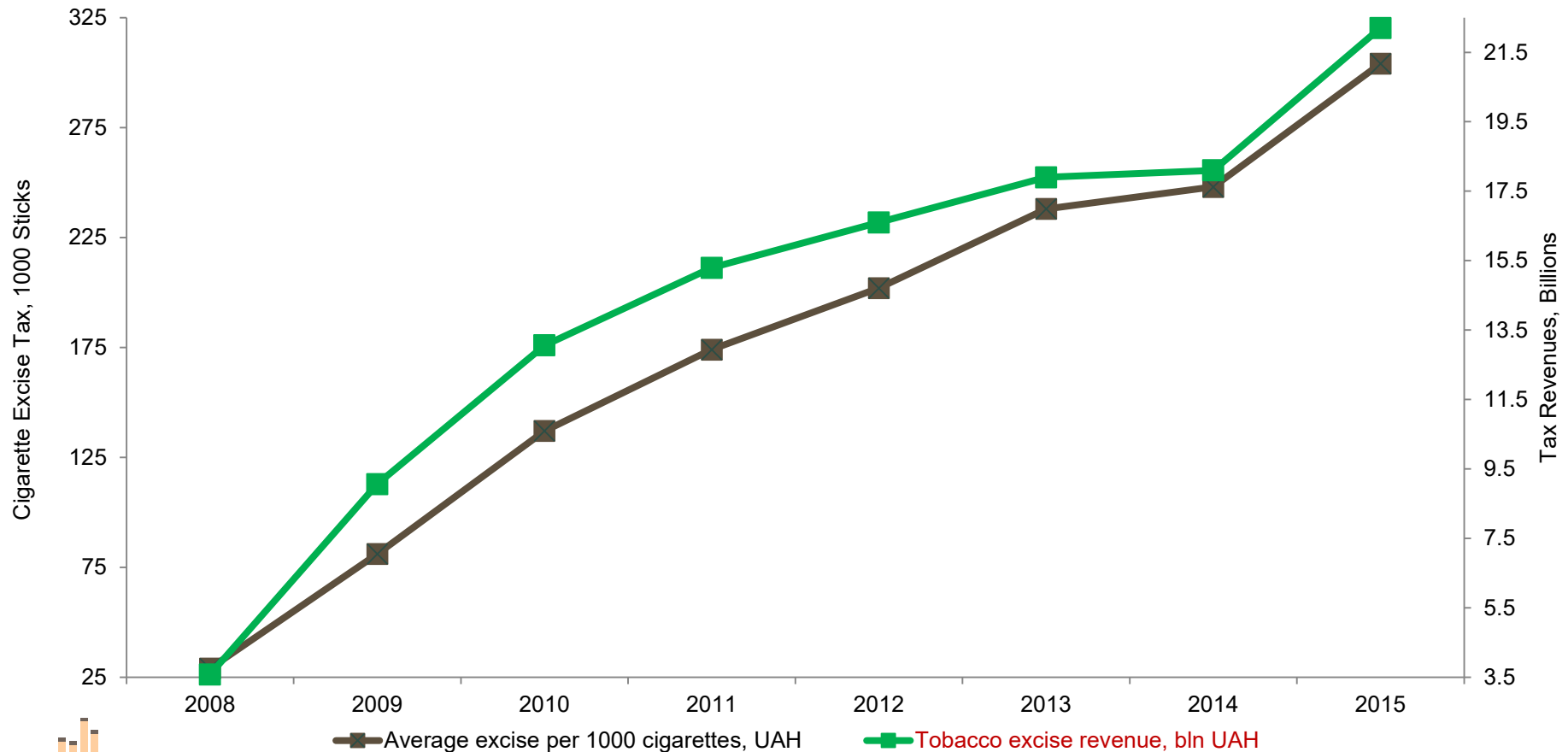
Tobacco Taxes and Revenues

South Africa, 1961-2012

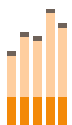


Cigarette Tax and Tax Revenues Ukraine: 2008-2015

Average excise rate for cigarettes – increased 10-fold
Cigarette Tax Revenue – increased 6-fold



State Tobacco Control Program Funding and Youth Smoking Prevalence, United States, 1991-2009



Source: ImpacTeen Project, UIC; YRBS

Tobacco Taxes and Revenues

- The Addis Ababa Action Agenda states:

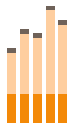
“... price and tax measures on tobacco can be an effective and important means to reduce tobacco consumption and health-care costs, and represent a revenue stream for financing development in many countries”

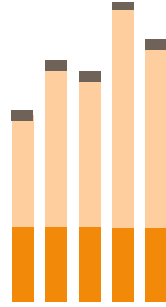


**FINANCING FOR
DEVELOPMENT**

13-16 JULY 2015 • ADDIS ABABA • ETHIOPIA

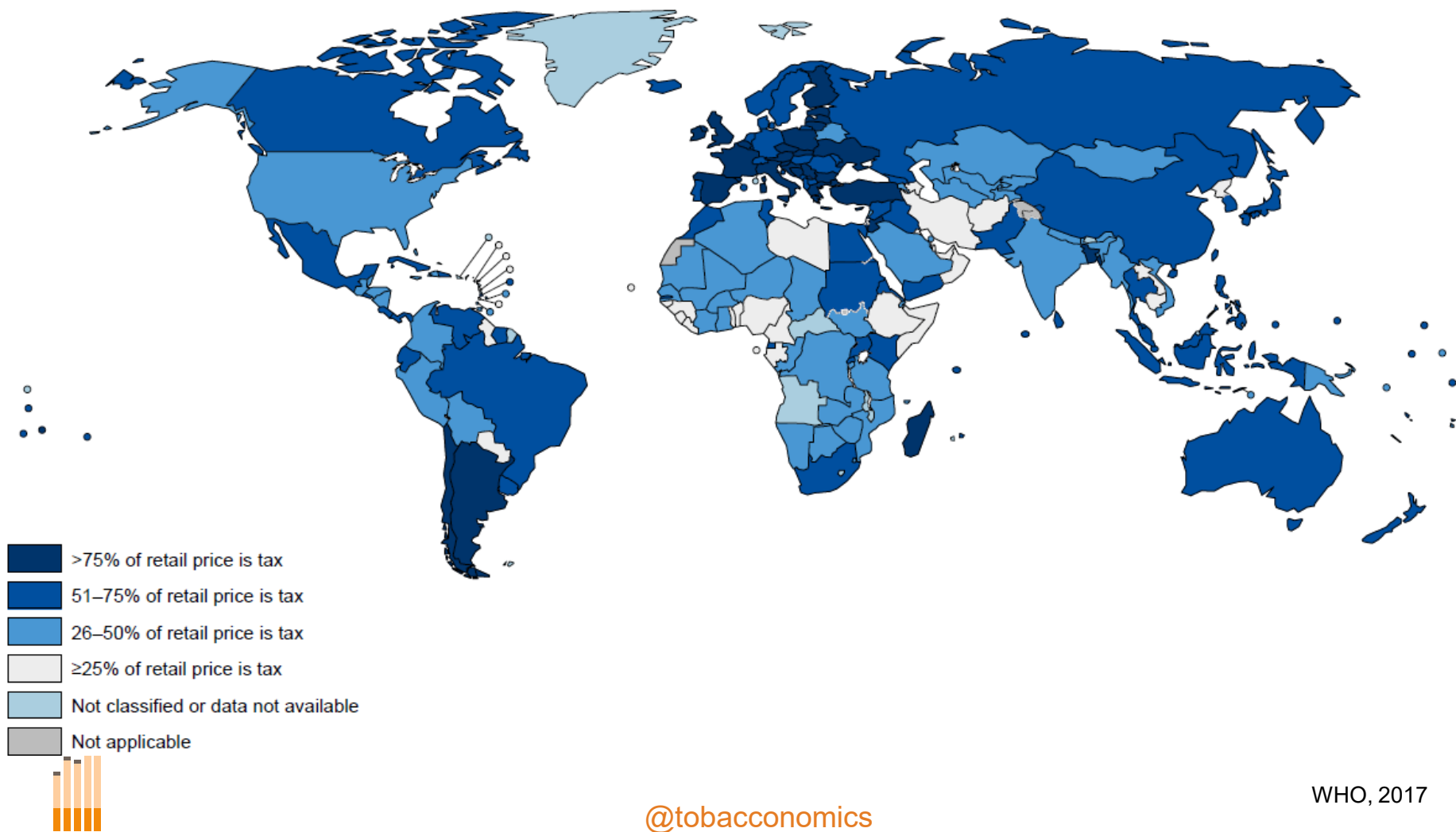
TIME FOR GLOBAL ACTION

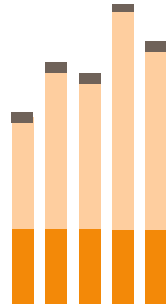




Oppositional Arguments

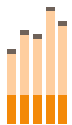
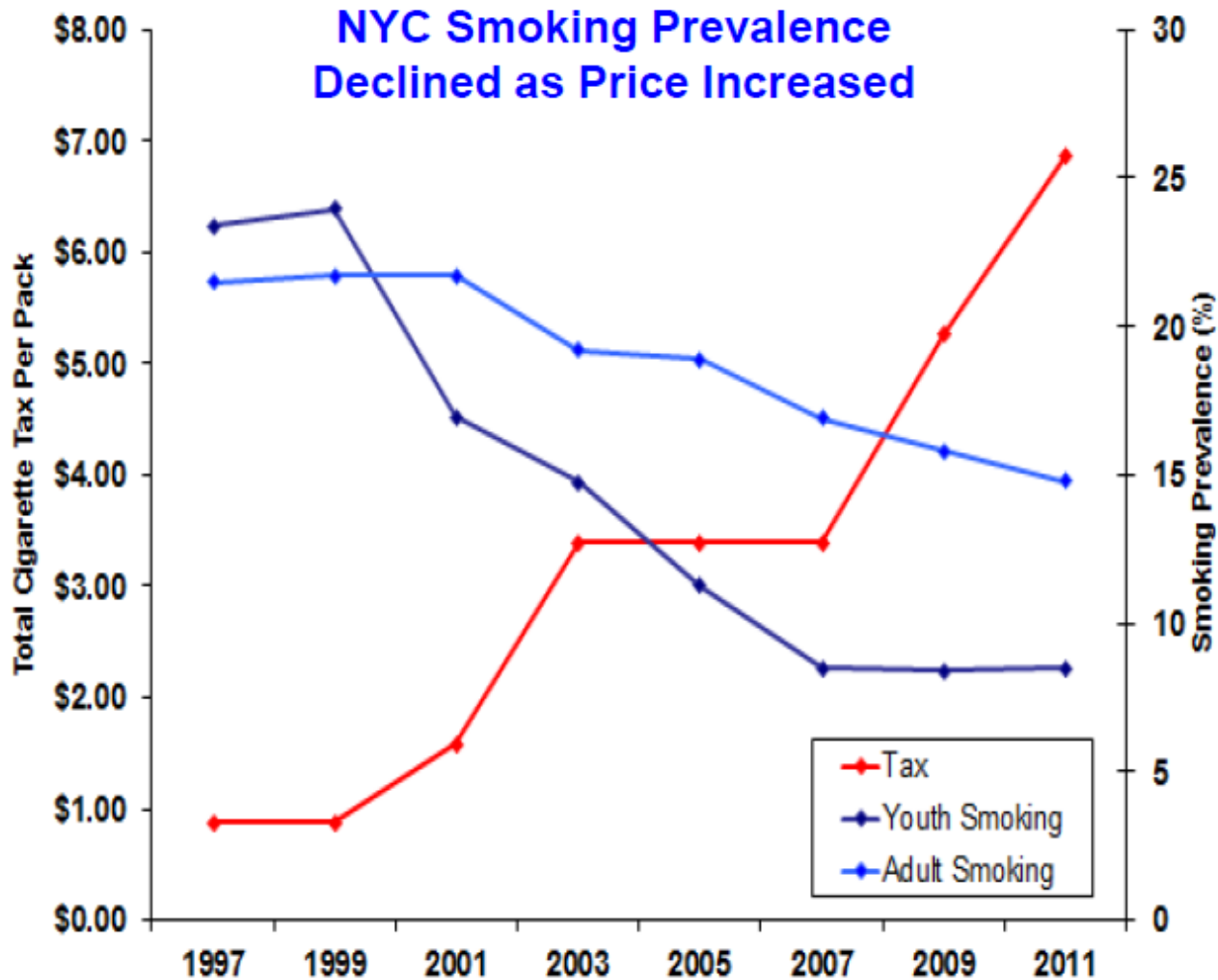
Cigarette Taxes as Percent of Retail Price July 2016





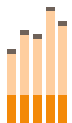
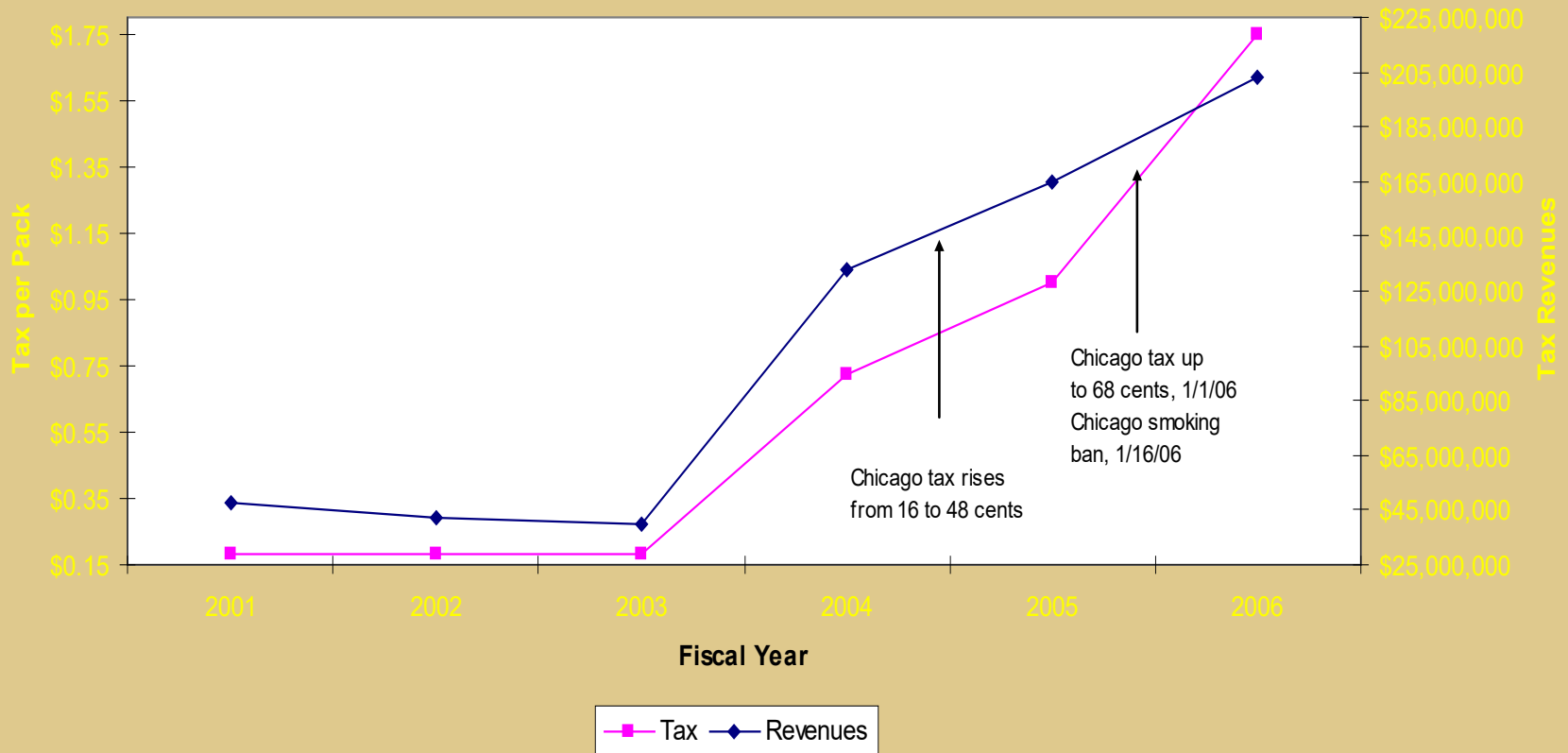
Tax Avoidance & Evasion

Tax Avoidance & Evasion Do NOT Eliminate Health Impact of Higher Taxes

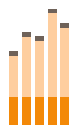
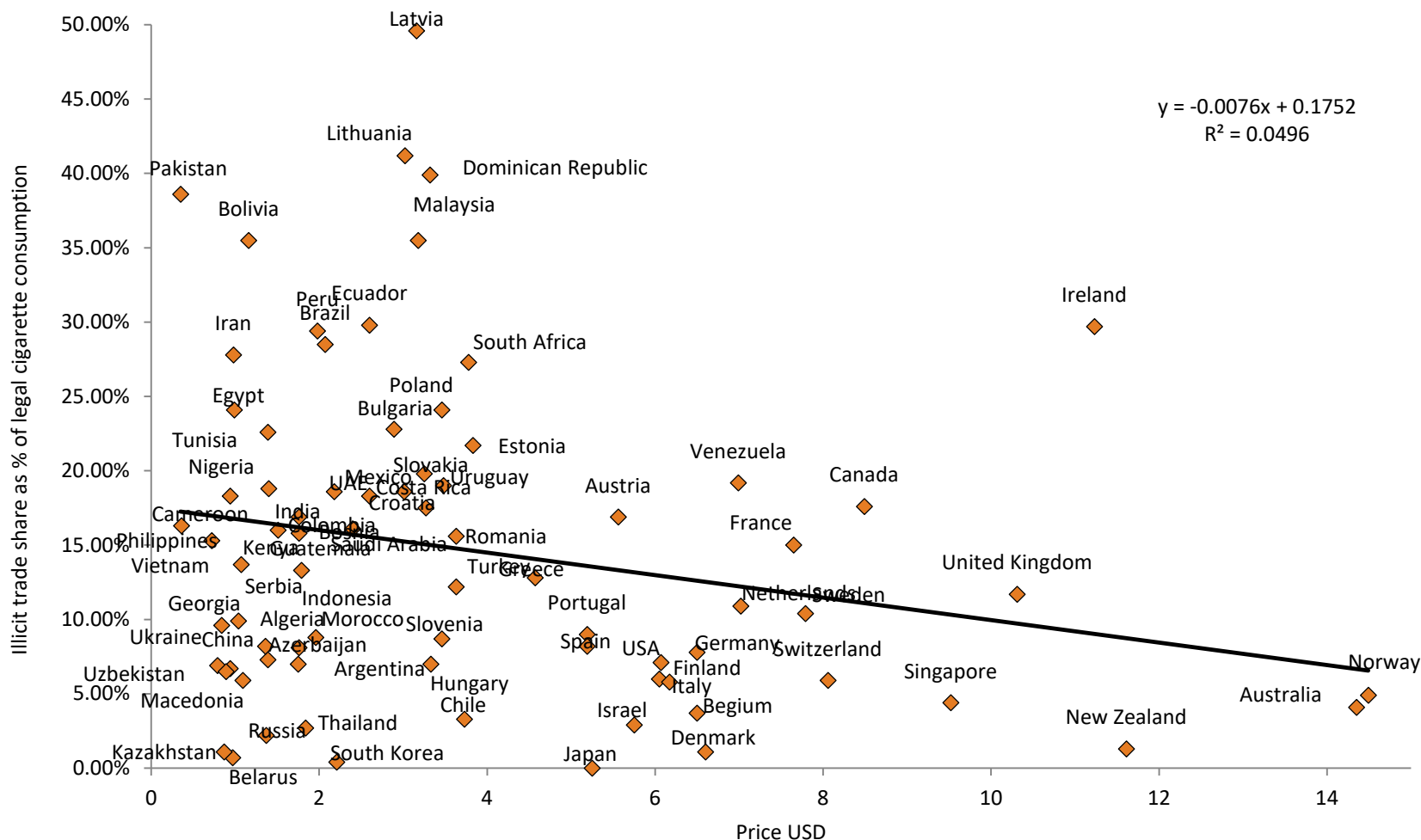


Tax Avoidance & Evasion Do NOT Eliminate Revenue Impact of Higher Taxes

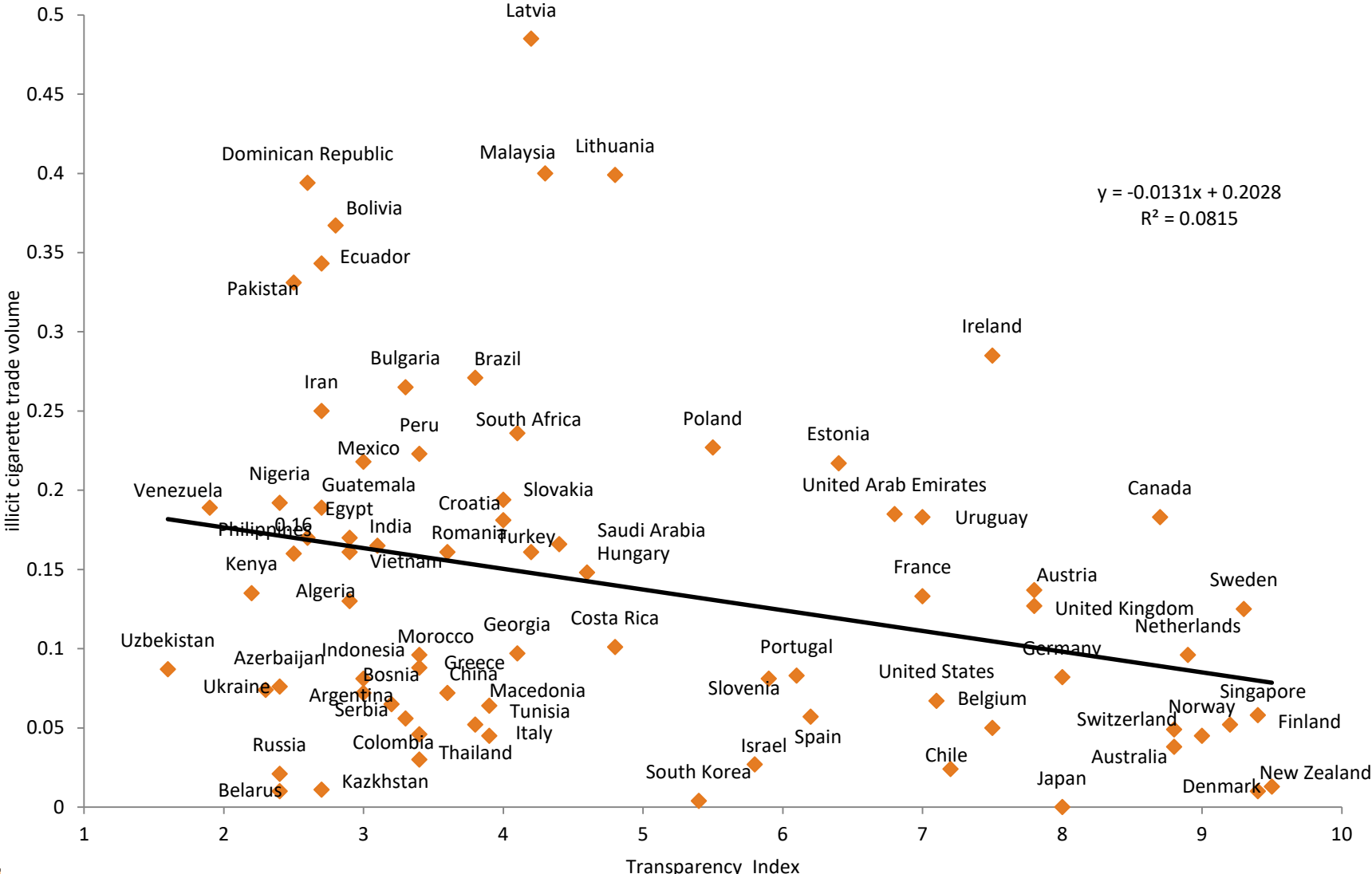
Cook County Cigarette Tax and Tax Revenues - FY01-FY06



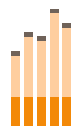
Illicit Cigarette Market Share & Cigarette Prices, 2012



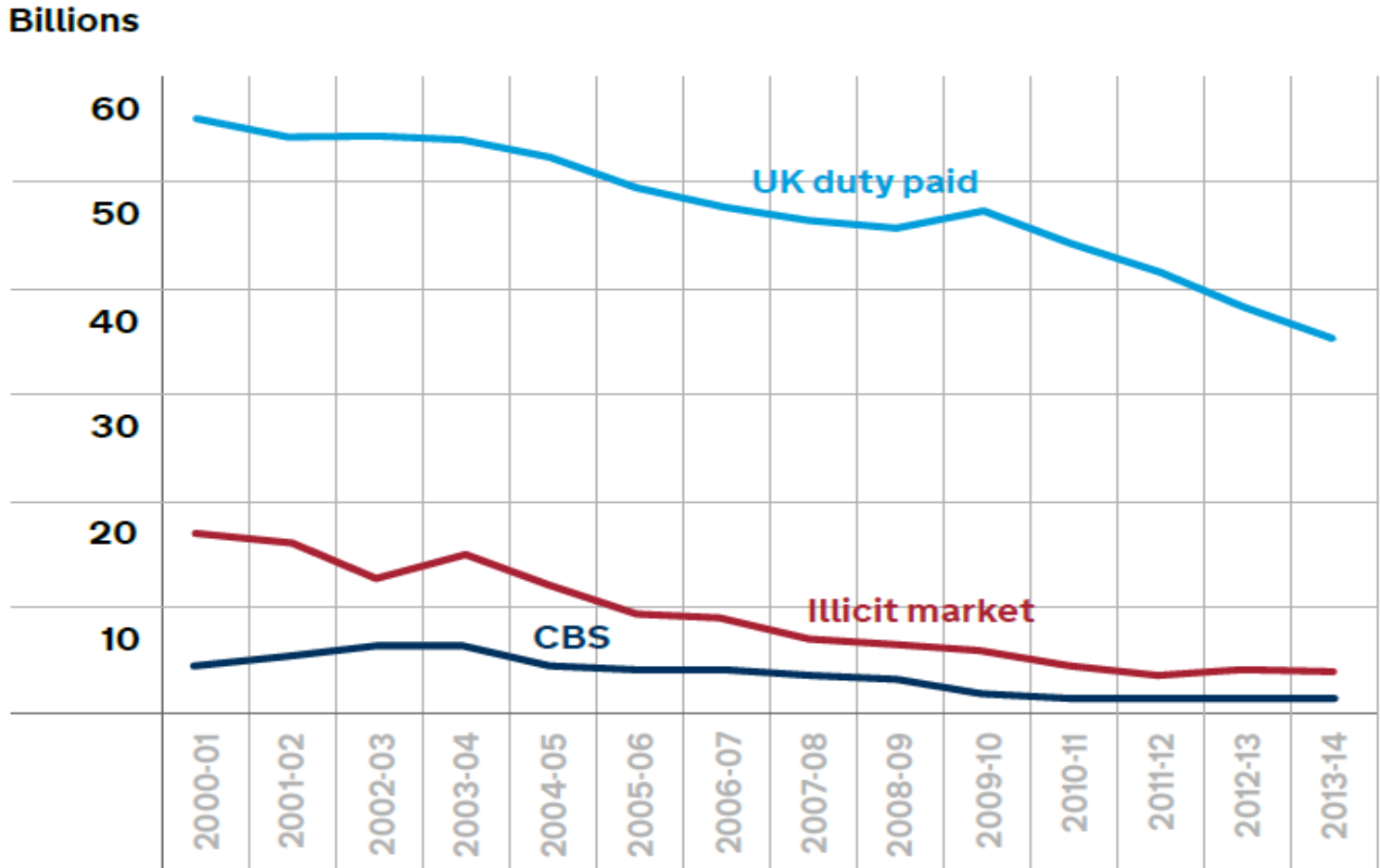
Smuggling and Corruption, 2011



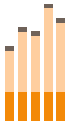
Sources: Euromonitor, Transparency International



Estimated Volumes of Cigarettes Consumed in the U.K. – Duty paid, illicit, and cross-border shopping, 2000-01 – 2013-14

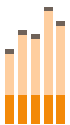


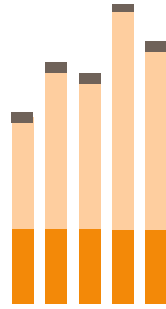
Source: HM Revenue & Customs, 2014



Combating Illicit Tobacco Trade

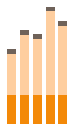
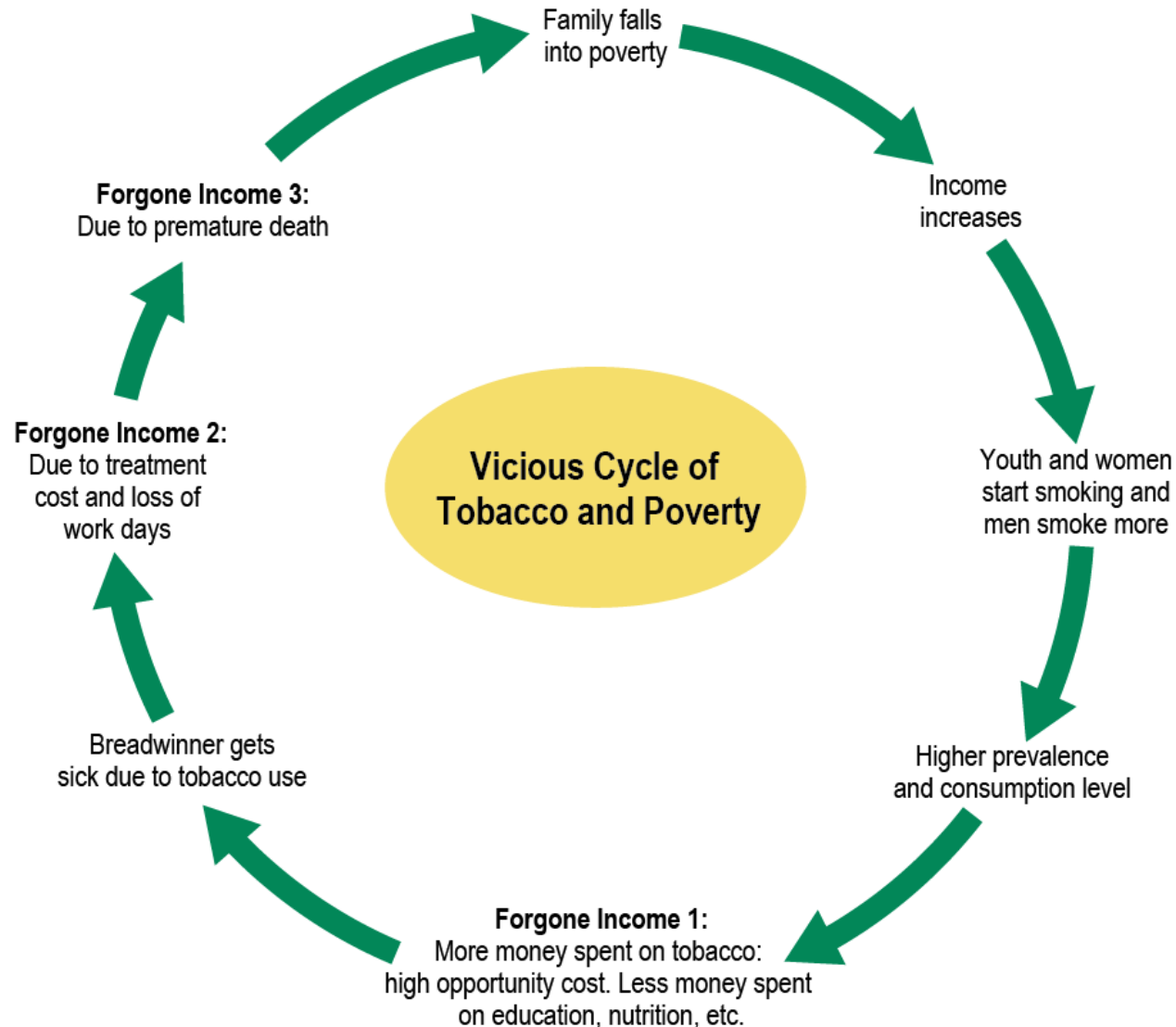
- Illicit trade protocol to the WHO FCTC
 - Entered into force September 2018
 - Provisions calling for:
 - Strong tax administration
 - Prominent, high-tech tax stamps and other pack markings
 - Licensing of manufacturers, exporters, distributors, retailers
 - Export bonds
 - Unique identification codes on packages
 - Better enforcement
 - Increased resources
 - Focus on large scale smuggling
 - Swift, severe penalties
 - Multilateral/intersectoral cooperation





Impact on the Poor

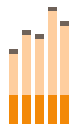
Tobacco & Poverty



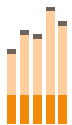
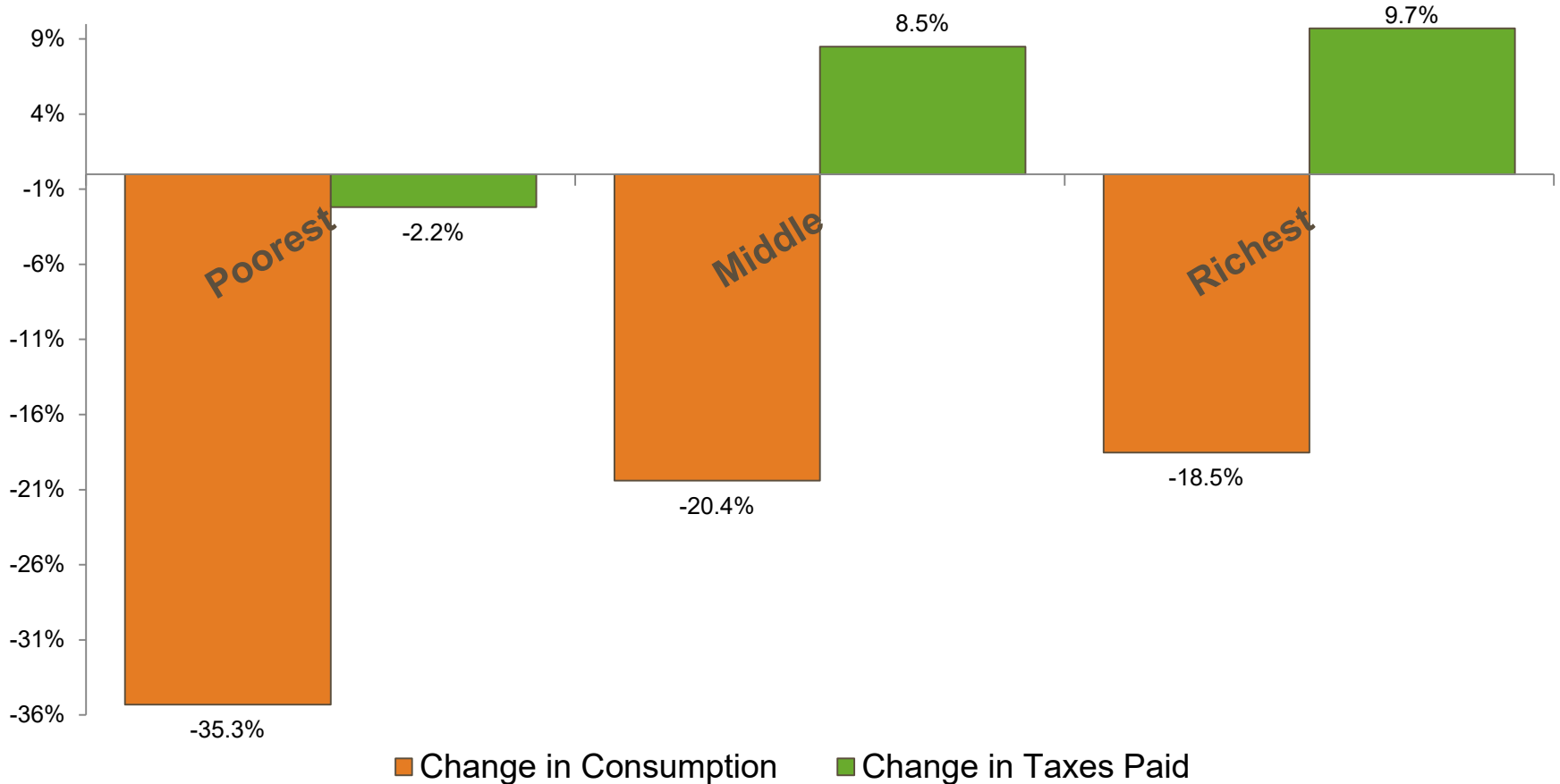
Source: NCI & WHO 2016

Impact on the Poor

- **Concerns about the regressivity of higher alcohol & tobacco taxes, food/beverage taxes**
 - Most excise taxes are regressive, but tax increases can be progressive
 - Greater price sensitivity of poor – relatively large reductions in use among lowest income populations, small reductions among higher income populations
 - Health benefits that result from tax increase are progressive
 - Reduced health care spending, increased productivity, higher incomes



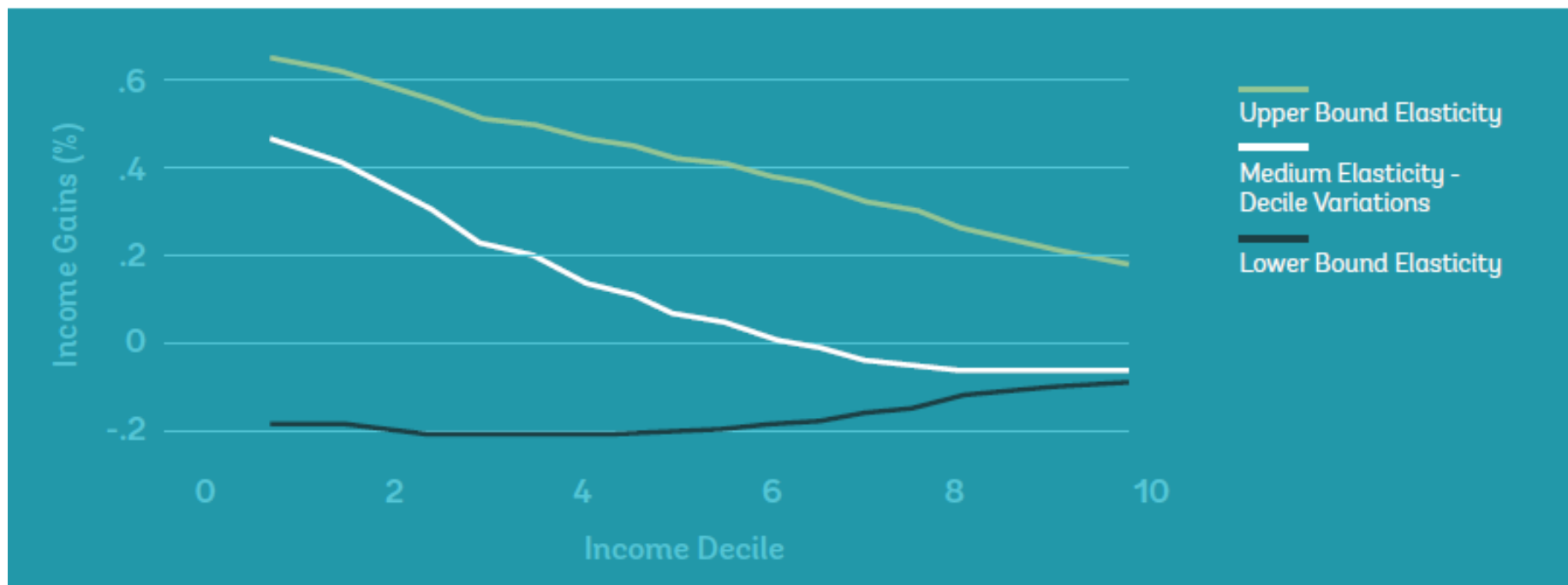
Who Pays & Who Benefits Turkey, 25% Tax Increase



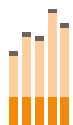
Source: Adapted from Önder & Yürekli, 2014

Who Pays & Who Benefits Chile, 25% Tax Increase

Figure 6: Total Income Effect: Direct and Indirect Effect of Taxes
(tobacco price increase, medical expenditure and working years gained)



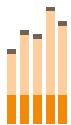
Source: Author's estimation using a price shock of 25%



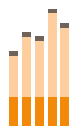
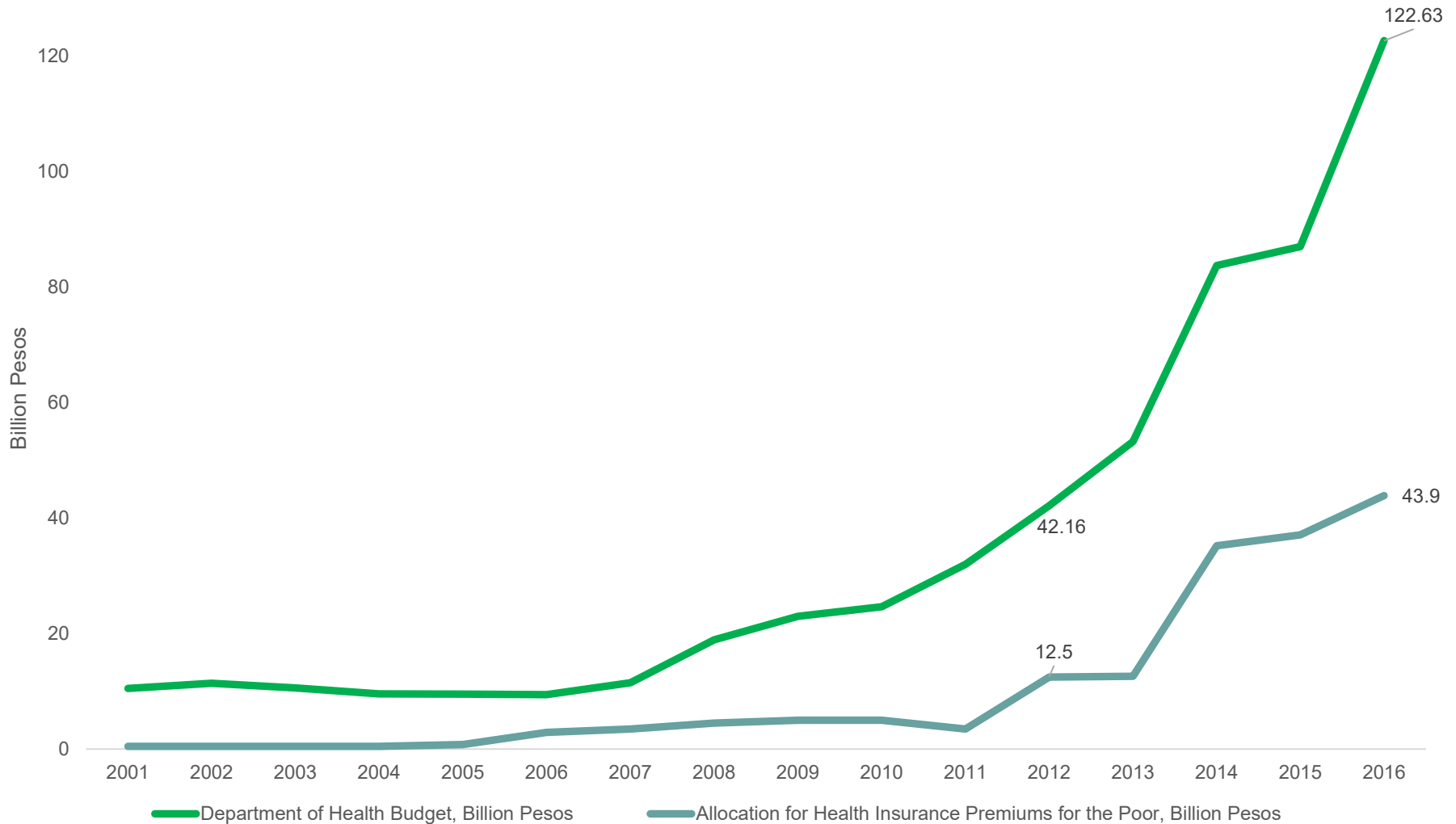
Impact on the Poor

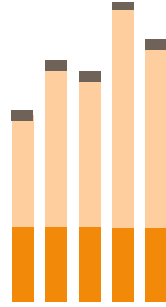
Need to consider overall fiscal system

- Key issue with taxes is what's done with the revenues generated by the tax
- Net financial impact on low income households can be positive when taxes are used to support programs targeting the poor
- Concerns about regressivity offset by use of revenues for programs directed to poor



Incremental Revenues for Health and the Poor, Philippines, 2001-2016



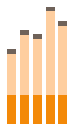


Impact on the Economy

Excise Taxes and Jobs

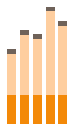
Industry-sponsored studies tell only part of story:

- Focus on the gross impact:
 - New tax or tax increase will lead to decreased consumption of taxed product
 - Results in loss of some jobs dependent on production of taxed product
- Ignore the net impact:
 - Money not spent on taxed product will be spent on other goods and services
 - New/increased tax revenues spent by government
 - ***Offsetting job gains in other sectors***



Tobacco Taxes and Jobs

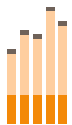
- Many published studies assess impact of reductions in tobacco use from tax increases and/or other tobacco control measures:
 - Variety of high, middle, and low income countries
 - Use alternative methodologies
- Generally find that employment losses in tobacco sector more than offset by gains in other sectors

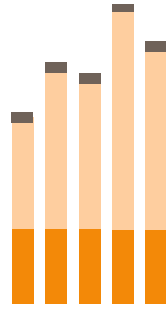


Tobacco Taxes and Jobs

Concerns about job losses in tobacco sector have been addressed using new tax revenues:

- Turkey, Philippines among countries that have allocated tobacco tax revenues to helping tobacco farmers and/or those employed in tobacco manufacturing make transition to other livelihoods
 - Crop substitution programs, retraining programs

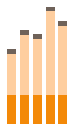


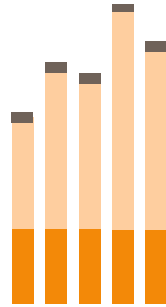


Summary

Global Evidence - Summary

- Higher tobacco taxes significantly reduce consumption and raise new revenue
- Reduced consumption leads to fewer cases of cancer, cardiovascular disease, diabetes, and other diseases, reducing health care and other economic costs of NCDs
- Counterarguments about negative economic impact false or greatly overstated
- Tobacco tax increases considered one of the “best buys” in NCD prevention





Accelerating Progress on Effective Tobacco Tax Policies in Low- and Middle-Income Countries

Bloomberg Initiative

Bloomberg Philanthropies

OUR WORK ABOUT US BLOG PRESS & MEDIA

PUBLIC HEALTH

TOBACCO CONTROL

OVERVIEW
PROBLEM
SOLUTION
PROGRESS
GET INVOLVED
SHARE

IF LEFT UNCHECKED, TOBACCO USE WILL KILL ONE BILLION PEOPLE THIS CENTURY

Bloomberg Philanthropies has committed nearly \$1 billion since 2007 to combat tobacco use worldwide.

The **Bloomberg Initiative to Reduce Tobacco Use** aims to reduce the global demand for tobacco through a comprehensive, proven approach that combines policy change with increased public awareness. Key strategies of this approach include creating smoke-free public places, banning tobacco advertising, increasing tax on tobacco products, requiring graphic pack warnings and supporting hard-hitting mass media campaigns.

Effective tobacco control measures gain momentum



Monitor tobacco use and prevention policies



Protect people from tobacco smoke



Offer help to quit tobacco use



Warn about the dangers of tobacco



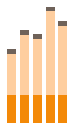
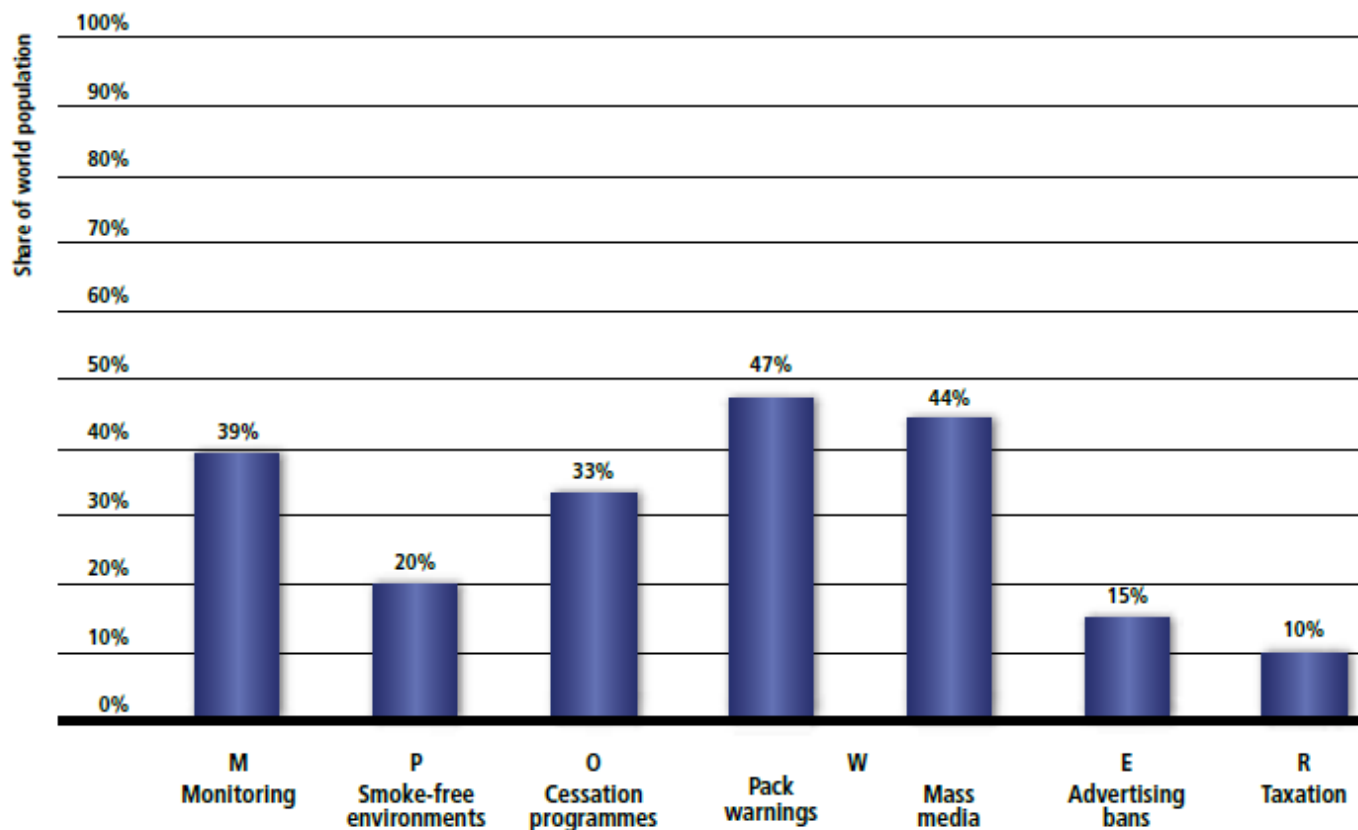
Enforce bans on tobacco advertising, promotion and sponsorship



Raise taxes on tobacco

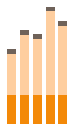
Nearly two thirds of countries – comprising 63% of the world's population – have now at least one MPOWER measure in place at the highest level of achievement.

SHARE OF THE WORLD POPULATION COVERED BY SELECTED TOBACCO CONTROL POLICIES, 2016



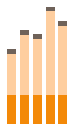
Project Plan

- Build capacity of ‘think tanks’ in selected priority countries/regions to provide in country support for tobacco tax reform and tax increases
- Strategic engagement with policy makers to build technical capacity for tobacco tax policy
- Develop/disseminate resources (policy briefs, white papers, etc.) on tobacco taxation to build knowledge and support for tobacco tax policy



Finding Partners: What We Look For

- Established independent/credible organization with strong links to MoFs and other relevant government agencies/officials
- Focus on economic issues that could include tobacco control
- Capacity to conduct rapid response, policy relevant research to support efforts to tax increases/reforms
- Track record of working on economic policy issues and influencing political decision makers
- Ability to work collaboratively with existing civil society organizations
- Independence from tobacco industry and its allies
- Ability to help organize/host local/regional strategic engagement events with policy makers and other key audiences



Capacity Building Model

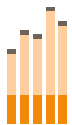
- **Partnerships:**

1. Capacity Building for research and dissemination—

- Technical Assistance and training for project implementation (in person or webinar)
- Toolkits, webinars, in person training, etc. on core competencies of economic analysis
- Assistance in strategic research translation and dissemination in academic and policy forums

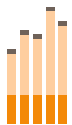
2. Grants Management—

- Scoping/selection of potential partners
- Contract development and maintenance, implementation monitoring, financial/narrative reporting, auditing and evaluation

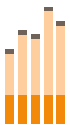


Core Competencies

- **Advancing economic arguments for tax increases:**
 - Demand elasticity estimations using Household Expenditure survey data; and/or time series data
 - Simulation modeling of alternative tax structures/rates on revenues and public health impacts
 - Measuring distributional impacts of tax increases
 - Quantifying economic costs (direct and indirect) of tobacco use and how tobacco taxes can address these costs
- **Countering economic arguments against tax increases:**
 - Macroeconomic impacts of tax increases, e.g., employment, economic growth, supply chain analysis, etc. through I/O, CGE, and other models
 - Understanding the dynamics of illicit trade by quantifying levels of illicit trade, measuring trends, geographical areas of leakage, etc. using primary and secondary data sources
- **Development of Evidence Matrices**

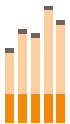


UIC Think Tank Partnerships 2017-2018



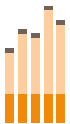
Featured Country Work: Pakistan

- Partners:
 - Social Policy & Development Centre, Karachi
 - Pakistan Institute for Development Economics, Islamabad
- Why?
 - Both groups have high research capacity in economics and fiscal policy as well as dissemination experience; only specialized training required
- How?
 - Remote scoping with BI Partner consultation and Skype interviews with 12 organizations (Sept 2017)
 - In person interviews with 5 organizations and BI Partner consultation in Karachi, Lahore, Islamabad (Oct 2017)
 - Three organizations invited to submit proposals; two selected
 - Grant start dates for SPDC and PIDE: February 1, 2018



Featured Country Work: Pakistan

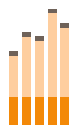
- What?
 - Research protocol design and approval (April 2018)
 - Data acquisition (May 2018)
 - Quality assurance on key messages, policy briefs and report drafts (July-December 2018)
 - In-person meetings: July 2018, October 2018, December 2018
 - TA calls and emails: on-going
 - BI Partner consultations:
 - In-person meetings: October 2017, February 2018, July 2018, October 2018 (Dubai BI Partners meeting); December 2018
 - Email correspondence: on-going
 - BI Partner calls: monthly



Featured Country Work: Pakistan

Pakistan - 2018

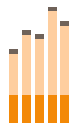
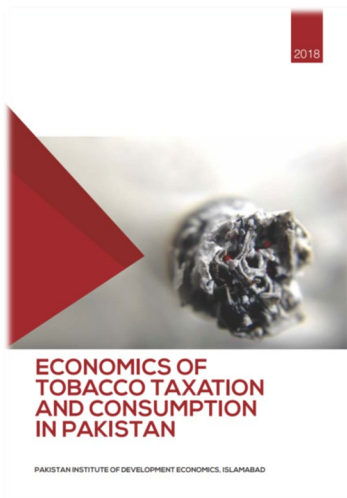
Research	Methodology	Resources Required
Demand elasticity estimates (PIDE)	HHE analysis – Deaton	<ul style="list-style-type: none">- Household Expenditure Toolkit- Training- Technical Assistance
Projecting impacts of tax changes on government revenues and consumption (PIDE)	Simulation modeling	<ul style="list-style-type: none">- Technical Assistance
Macroeconomic impacts (SPDC)	I/O analysis	<ul style="list-style-type: none">- Technical Assistance



Featured Country Work: Pakistan

Pakistan Institute for Development Economics

- Report: [Economics of Tobacco Taxation and Consumption in Pakistan](#)
- Brief 1: [Higher Tobacco Taxes in Pakistan Could Increase Revenue & Improve Public Health](#)
- Brief 2: [Tobacco Use in Pakistan](#)



Featured Country Work: Pakistan

Social Policy and Development Centre:

- Report: [Macroeconomic Impacts of Tobacco Use in Pakistan;](#)
- Brief 1: [Tobacco Control in Pakistan: The Impact of Tax Reduction Policy](#)
- Brief 2: [Role of Tobacco in Pakistan's Economy: An Untold Reality](#)

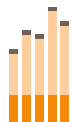


Figure 1: Relationship between price of cigarettes and cigarette consumption in Pakistan

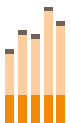
Year	Price (Rs)	Consumption (kg/capita)
2008-2010	8.5	1.7
2011-2013	16.0	0.9
2014-2016	28.0	0.3
2017	48.0	0.2

However, in 2017, the federal government introduced a three-tier excise duty structure for cigarettes - with a new tier for the low priced brands. The tax rate applicable on the new tier was reduced by 48 percent, from Rs 1.5 per stick to Rs 0.8 per stick. The reason for this move, as stated by the Federal Finance Minister, was to "document and curb the menace of illicit trade of sub-standard low-priced cigarettes."

Featured Country Work: Pakistan

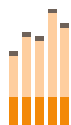
Dissemination

- 34th Annual conference of the Pakistan Society of Development Economists, December 12-14, 2018
 - Business Recorder, [A Case Against Multi-Tier Tobacco Taxation](#), December 17, 2018
 - The News, [PIDE Study Casts Doubt on Tobacco Taxation Regime](#), December 15, 2018
 - **Dr. Asma Hyder Baloch, Member Social Sector & Devolution, Ministry of Planning Development & Reforms:** “We will use this research in our strategy to combat NCDs for the next five-year plan.”
 - **Mr. Zaheer Qureshi Secretary, Sales Tax & Federal Excise Budget, Federal Board of Revenue:** “We need more research like this to verify information given to us by the tobacco industry.”
 - **BI Partner, Fouad Aslam, The Union:** “This research has moved the tobacco tax debate forward in Pakistan.”



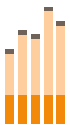
Featured Country Work: Pakistan

Pakistan – 2019-2020		
Research	Methodology	Resources Required
Health & Economic Costs of Smoking (PIDE)	Primary data collection	- Technical Assistance - Training
Switching Behavior Analysis (PIDE)	Primary data collection	- Technical Assistance
Tax evasion and Avoidance through Under-reporting (SPDC)	Secondary data analysis	- Technical Assistance
Macroeconomic Impacts Analysis (SPDC)	CGE Modeling	- Technical Assistance - Training



Featured Regional Work: Southeastern Europe

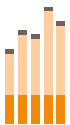
- Partner:
 - Institute for Economic Sciences, Consortium Coordinator
- Why?
 - Regional consortium model where all think tanks work on the same topic
 - Good partner think tank with stronger research and dissemination capacity
- How?
 - Remote scoping, BI Partner consultations and Skype interviews with 20 organizations (July-August 2017)
 - In person interviews with 10 organizations in the region (Sept 2017)
 - Two organizations invited to submit proposals; IES selected
 - Grant start date: December 1, 2017



Featured Regional Work: Southeastern Europe

Who?

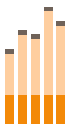
- Institute for Economic Sciences, **Serbia**, Consortium Coordinator
 - Development Solutions Associates, **Albania**
 - Center for Project Management and Entrepreneurship, Faculty of Economics, University of Banja Luka, **Bosnia & Herzegovina**
 - Faculty of Economics, Business and Tourism, University of Split, **Croatia**
 - Centre for Political Courage, **Kosovo**
 - Association for Policy Research “*Analytica*”, **Macedonia**
 - Institute for Socio-Economic Analyses, **Montenegro**



Featured Regional Work: Southeastern Europe

What?

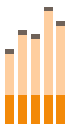
- Research protocol design and approval (May 2018)
- Data acquisition (June 2018)
- Quality assurance on policy briefs and report drafts (October-December 2018)
 - In-person meetings: February 2018, May 2018, June 2018 (HES training), September 2018, December 2018
 - TA calls and emails: on-going
- BI Partner consultations:
 - In-person meetings: May 2018, December 2018
 - Email correspondence: on-going
 - EURO calls: bi-monthly



Featured Regional Work: Southeastern Europe

Southeastern Europe - 2018

Research	Methodology	Resources Required
Demand elasticity estimates	HHE analysis – Deaton Time-series analysis	<ul style="list-style-type: none">- Household Expenditure Toolkit- Training- Technical Assistance
Projecting impacts of tax changes on government revenues and consumption	Simulation modeling	<ul style="list-style-type: none">- Technical Assistance



Featured Regional Work: Southeastern Europe

Research examined the effect of tax and price on demand for tobacco products in each country.

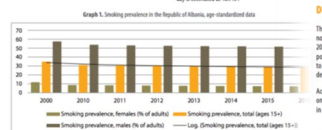
- National reports and policy briefs
- Local policy dialogues



IMPROVING TOBACCO TAX POLICIES IN THE REPUBLIC OF ALBANIA

INTRODUCTION
Tobacco consumption in Albania remains one of the highest in Western Balkans (WB) based on 2011 data from the World Health Organization. According to the Tobacco Atlas, more than 4,500 Albanians die as a result of tobacco-related diseases every year. Additionally, more than 1,000 children (10-14 years old) and 700,000 youth and adults (15+ years old) continue to use tobacco each day, costing an estimated amount of 275 million Euro to the Albanian economy every year. In response to high levels of smoking prevalence, the Government of Albania (GoA) adopted a set of tobacco control policies. The most distinctive is signing the WHO 2004 Framework Convention for Tobacco Control (FCTC), which was then ratified in 2009. By ratifying the FCTC, the parties acknowledged the role of price and tax measures as an effective and tobacco control policy to reduce tobacco consumption and increase government revenue.

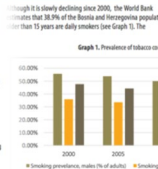
TOBACCO USE IN ALBANIA
According to the WHO figures, the number of tobacco smokers in Albania in 2012 was 481,448, which was dominated by male smokers. As shown in Graph 1, the percentage of smokers in the adult population rose 25.7% with a small number of cigarettes smoked per day per smoker of 18.2 cigarettes. This shows a clear decline in consumption to 2004, when more than 1 million cigarettes were smoked per day per smoker was 27.7 cigarettes. Meanwhile, per capita consumption of cigarettes in 2012 was 1.74 packs.



IMPROVING TOBACCO TAX POLICIES IN BOSNIA AND HERZEGOVINA

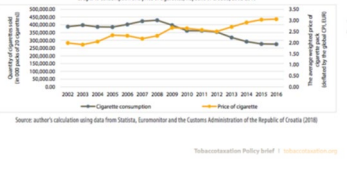
INTRODUCTION
The policy is one of the most effective means of reducing the consumption of tobacco products, which has been shown in multiple studies carried out by leading researchers in the field of health economics (Acherar et al., 2016; Chaloupka et al., 2012; O'Connell, Bader et al., 2011; Iqbal et al., 2003; WHO, 2016, etc.). In countries with medium and low income levels, the price elasticity of demand for tobacco products ranges between -0.2 and -0.8 (Kurylo et al., 2016). In other words, a 10% increase in price of tobacco products can reduce consumption between 2% and 8%, resulting in positive effects on the health of the population, and creating an increase in revenue for the government.

TOBACCO USE TRENDS IN BOSNIA AND HERZEGOVINA
In 2006, consumption of tobacco products has had a tendency to decline slightly, yet to high average levels of 12% of 15+ years old as estimated by the current smokers.



EXCISES ON TOBACCO PRODUCTS - EFFECTIVE INSTRUMENT FOR REDUCING PREVALENCE OF SMOKING
The European Commission also suggests further adjustments of tobacco control to live with the 82% figure. Tax policies on tobacco products are considered to be the most effective way to reduce tobacco consumption, but their positive impact is subject to several caveats. First, taxes are relatively easy to collect with low administrative costs to a small number of producers and large and immediate positive impact of taxes on reducing tobacco consumption have confirmed in most empirical studies from developed countries (WHO, 2016).
A study carried out by Development Solutions Association shows that an increase in excise taxes on tobacco products can reduce tobacco consumption and increase government revenue. In a 10% decrease in the cigarette demand. Furthermore, reduced income elasticity shows that a 10% income increase would also cigarette consumption by 8%.

DEMAND FOR TOBACCO PRODUCTS
The prevalence of smoking in the Republic of Croatia shows notable decrease only in the last few years. In the period from 2002 to 2012, the average percentage of smokers in the adult population was about one third, from the highest 32.9% in 2005 to the lowest 27.7% in 2016, with the number of female smokers decreasing faster than the number of male smokers. According to recent results of the European School Survey Project on Alcohol and Other Drugs (ESPAD) research in high schools in the Republic of Croatia, Croatia students smoke more than their European colleagues, as 33.7% of them are current smokers (they have smoked in the last 30 days) compared by 27% of current smokers in other countries. Despite the legal ban on the sale of tobacco and related products to persons under the age of 18, students claim that cigarettes are easy or very easy to obtain (52.7%). Therefore, the increase in the price of tobacco products should make them less affordable and accessible for young people and that should have a positive impact on reducing the number of adolescent smokers.



ACCELERATING PROGRESS ON EFFECTIVE TOBACCO TAX POLICIES IN KOSOVO

INTRODUCTION
The implementation of an effective tobacco taxation policy in Kosovo, to a large extent, limited by a lack of available and reliable empirical evidence on the socio-economic impact of taxation, which is a key factor for policy viability. The research evidence presented in this brief supports the firm empirical evidence on the impact of tobacco taxation policy on tobacco consumption in Kosovo.

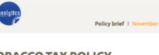
USE OF TOBACCO PRODUCTS IN KOSOVO
According to official data from the Kosovo Agency of Statistics, smoking prevalence has been relatively stable over the years (2012-2017), ranging from 13.16% to 13.91% on average. Higher among men (22% on average), than among women (7% on average) (Graph 1).



IMPROVING TOBACCO TAX POLICY IN THE REPUBLIC OF MACEDONIA

INTRODUCTION
Macedonia ranks among the top ten countries worldwide based on smoking prevalence and average number of cigarettes smoked per smoker. Just like the Ministry of Finance, an increasing trend in excise revenues during 2009-2012. Revenues have been doubled since 2006. With an estimated share of 7%, Macedonia is positioned among the top eight tobacco producing countries of the world. However, even with subsidies from the Government, Macedonian production has declined over the past years, which is in line with international trends. The total value of tobacco exports exceeds 1.6% of total value added and over 7% of the total tax revenue in the 'non-core' sector.

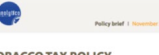
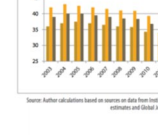
USE OF TOBACCO PRODUCTS IN THE REPUBLIC OF MACEDONIA
Consumption of tobacco products has shown a declining trend since 2006. Graph 1 to 2012, the average smoker in Macedonia smoked 21.3 cigarettes per day. With a total number of 371,000 smokers, smoking prevalence was at around 16% in 2012. Despite the evidence of decline in smoking prevalence, according to tobacco consumption, CPC estimates that a 10% increase in the cigarette retail price - leads an increased excise tax - should be followed by a 6.9% decrease in consumption in the long run and 1.3% in the short run, while increasing excise revenue between 6.2% and 6.7%.



IMPROVING TOBACCO TAX POLICIES IN THE REPUBLIC OF ALBANIA

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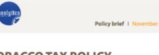
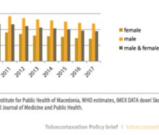
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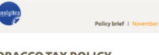
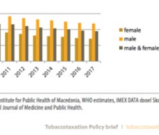
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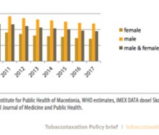
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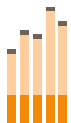
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Featured Regional Work: Southeastern Europe

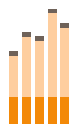
- Regional conference:
December 2018
 - **Ana Mugosa**, ISEA: “Before we only had speculation about the effectiveness of tobacco taxes in Montenegro, now we have solid research.”
 - **Zeljana Aljinovic Barac**, University of Split, tells the story of the recent tobacco tax increase of 10% per year for the next 3 years after holding a national round table with policy makers to present their research findings.



Featured Regional Work: Southeastern Europe

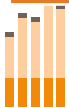
Southeastern Europe – 2019-2020

Research	Methodology	Resources Required
<p>Estimate prevalence elasticity of demand; Estimate elasticities of demand by income group</p>	HES data analysis	<ul style="list-style-type: none"> - Technical Assistance - Training - HES Toolkit
<p>Estimate smoking prevalence and level and trends of tax evasion and avoidance across the region.</p>	Primary survey data analysis	<ul style="list-style-type: none"> - Technical Assistance - Training



Indonesia

Think tank partner	Current Research	Delivery Date	Future Research	Est. Delivery Date
PRAKARSA	Illicit trade Estimation	March 2019		
UI-Tax Centre	Tax legislation framework for tobacco industry and potential leakages	March 2019		
CISDI			Estimation of the direct economic costs of smoking and who pays	December 2019



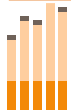
Vietnam

Think tank partner	Current Research	Delivery Date	Future Research	Est. Delivery Date
DEPOCEN	Illicit Trade Estimation (survey)	February 2018	Estimating individual responses to introduction of a specific tax on cigarettes	December 2019
			Supply-side examination of the tobacco industry, key players, and the joint venture requirements with the national state-owned monopoly and how this might shift with economic liberalization / privatization	December 2020
			Follow up to the illicit trade study after tax increase	December 2020
IPPM	Illicit Trade Estimation (secondary data analysis)	February 2018		



Bangladesh

Think tank partner	Current Research	Delivery Date	Future Research	Est. Delivery Date
BIGD	Demand elasticity estimates	April 2019		
	Projecting impacts of tax changes on government revenues and consumption	April 2019		
Ark Foundation			Projecting impacts of tax changes on government revenues and consumption	December 2019



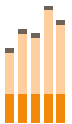
Latin America

Think tank partner	Current Research	Delivery Date	Future Think Tank Partner	Future Research	Est. Delivery Date
Red Sur Regional Network	Demand elasticity estimates (PER, ECU, MEX, AR, BR)	March 2018	CIAD – Mexico	Simulation of tax changes impacts on revenues, equity	December 2019
	Projecting impacts of tax changes on government revenues and consumption (PER, ECU, MEX, AR, BR)	March 2018	CIEP - Mexico	Extended Cost-Benefit Analysis	December 2019
	Distributional impacts of tobacco tax increases (MEX)	March 2018	UCB - Brazil	Extended Cost-Benefit Analysis	December 2019
	Supply-chain analysis of tobacco industry (BR, AR)	March 2018	CEDLAS - Argentina	Extended Cost-Benefit Analysis	December 2019



Comparing Regional Models: LATAM v. SEE

- Consortium v. Open Call for proposals
- Regional or national-level organization
- Need for more direct interaction with partners
- More engagement in the process to ensure quality
- Having a group in the middle more problematic
- Working directly with think tanks in selected countries is a better model for capacity building



Strategic Engagement

- Economic & fiscal policy circles
 - UN/ECLAC Annual Fiscal Conference (Santiago, Chile, March 2018; March 2019)
 - VEAM (Hanoi, Vietnam, June 2018, June 2019)
 - IMF/WB Annual Meetings (Bali, Indonesia, October 2018)
 - LACEA (Guayaquil, Ecuador, November 2018)



PRAKARSA and the Health Policy Center of University of Illinois at Chicago (UIC) are conducting joint session during Civil Society Policy Forum on Annual Meetings IMF-WB 2018

SIN TAXES POLICY REFORM

policy tools to improve health behaviors and increase financing for health with the aim of achieving SDG 3

Civil Society Policy Forum
Annual Meetings IMF / World Bank Group 2018
October, 12th 2018
Bali, Indonesia

Moderator
Ah Matuchan
Executive Director of Perkumpulan PRAKARSA
Jakarta - Indonesia

Panelist I
Prof. Frank Chaloupka
Professor and Director of Health Policy Center
University of Illinois at Chicago, USA

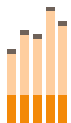
Panelist II
Laura Rossouw
Technology Innovation Manager WHO/ICTD Collaborating Centre
University of Cape Town, South Africa

Panelist III
Jeremias N. Paul Jr
Professor of Health, Behavior and Society, Global Health Organization
Geneva, Switzerland

Panelist IV
Nasruddin Djoko
Head of Tobacco and Alcohol
Fiscal Policy Agency

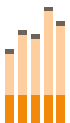
This session will highlight selected best practices and innovative policy to stress the importance of a well-designed sin-tax policy on tobacco, alcohol, and sugar-sweetened beverages to change and improve health behaviors as well as financing for healthcare to achieve SDGs 3

 This session will be held on:
Friday, October 12th 2018
9:00 WIB - 10:30 WIB
Surabaya Room, Bali International Convention Center, (Westin Convention Center), Nusa Dua Bali



Strategic Engagement

- Integration of Think Tanks into the tobacco control space
 - NCI/CTFK/UIC Workshop on Tobacco Economics (Warsaw, Poland, May 2018)
 - APACT (Bali, Indonesia, October 2018)
 - SEE partners/ENSP meetings (May 2019)
 - PAHO regional tobacco control meetings (July 2019)



Tobacco Economics Resource Hub

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Policy Brief | August 2018

Tobacco Taxation Can Reduce Tobacco Consumption and Help Achieve Sustainable Development Goals

Introduction

A substantial body of research shows that significantly increasing the taxes and prices of tobacco products is the single most effective way to reduce tobacco use and its devastating health consequences. A tax increase that raises prices by 10% can reduce tobacco consumption on average by 2% in low and middle income countries (LMICs).¹

Tobacco also poses a threat to development, especially in the LMICs that have the highest rates of tobacco use. The global economic costs from smoking due to medical expenses and lost productivity in 2012 alone totaled over \$1.4 trillion dollars.²

Besides the growing recognition of the obvious harmful effects of tobacco on health and healthcare, there is a noticeable international movement recognizing the harmful effects of

tobacco on sustainable development. The United Nations (UN) 2030 Agenda for Sustainable Development has set 17 Sustainable Development Goals (SDGs) and 169 related targets. One of those targets focuses specifically on tobacco, and urges "strengthened implementation of the Framework Convention on Tobacco Control (FCTC)."³ The FCTC is an international treaty created under the auspices of the World Health Organization (WHO).⁴ It focuses on reducing the demand and supply of tobacco products. In order to finance the SDGs, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development noted that "price and tax measures on tobacco can be an effective and important means to reduce tobacco consumption and healthcare costs and represent a revenue stream for financing for development in many countries".⁵

Raising tobacco excise tax by 1 International Dollar (about US\$ 0.80) in all countries would:



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Tobacco Taxes & Government Revenues

Increasing Tobacco Taxes Significantly Will Increase Revenues

Introduction

Tobacco use is the leading cause of preventable deaths globally, accounting for about 7 million deaths each year. Reducing this death toll can be achieved through implementation of cost-effective policies, including smoke-free air laws; prominent graphic warning labels; bans on tobacco company advertising, promotion and sponsorship; and mass media public education campaigns. These policies work, but the single most effective way to reduce the health and economic devastation caused by tobacco is to significantly increase tobacco taxes and prices. Higher taxes lower overall tobacco use, lead current users to quit, prevent young people from taking up tobacco use, and reduce the negative health and economic consequences of tobacco use.¹⁻⁴

Increasing tobacco taxes also increases government revenue, which can be used to fund health, healthcare and other economic development initiatives. The tobacco industry opposes higher tobacco taxes, often arguing that increases in tobacco taxes will not result in increases in revenues. They argue that increases in taxes will result in a substitution to cheaper, less taxed or illicit cigarettes; or alternatively that reductions in consumption will be significant enough to result in a reduction in revenues.

This policy brief examines the impact of tobacco taxes on tobacco consumption and revenues. It shows that concerns about increases in taxes not increasing revenues are misguided; in fact, this policy brief shows that at current levels, **increases in taxes will almost always result in increases in revenues.**

Impact of Tobacco Taxes on Consumption & Revenues

An increase in the excise tax increases the retail price of tobacco, which in turn reduces tobacco use. Economists look at the relationship between prices and consumption through a measure called "price elasticity of demand," or the percentage change in consumption resulting from a one percent change in price. Even though higher cigarette taxes and prices reduce consumption, cigarettes are relatively price inelastic, meaning that an increase in price will result in a less than proportional decline in consumption. Estimates of the price elasticity generally lie between -0.4 and -0.6, meaning that for every 10% increase in price (in real or inflation adjusted terms), consumption will decline by between 4% and 6%.

Thus, higher tobacco taxes are good for government revenues, because a 10% increase in price does not result in a 10% reduction in consumption. In other words, even though tobacco consumption decreases, the percentage increase in the excise tax per unit is greater than the percentage decrease in tobacco consumption. The example below illustrates the price elasticity of demand and its effect on revenue. Assume that the starting price per unit of tobacco is \$5.00, including the tax which is 37 cents, i.e., the tax is 7% of the price (global median in 2010).⁵ At that price, assume that there are sales of 4,000 cigarettes. This would generate \$270 in tobacco tax revenues. If the tax doubles, it goes up from 37 to 74 cents, and if the tax increase is fully shifted to the consumers, then the new

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The Economics of Tobacco and Tobacco Control in Latin America

Based on U.S. National Cancer Institute & World Health Organization's The Economics of Tobacco and Tobacco Control, 2016.¹

Introduction

Nearly 80% of the world's smokers live in low- and middle-income countries (LMICs), including 127 million in the Region of the Americas (North, Central and South America).² Annually, tobacco use causes 1 million deaths in the Region of the Americas and that number is expected to increase significantly in the coming years.³ The economic burden of smoking in 2012 was US\$ 34 billion, approximately 8% of regional health expenditures.⁴

In Latin America, as in other parts of the world, common knowledge of the impact of tobacco use on health, and the costs of tobacco use borne by tobacco users and non-users, is not widespread. There is even the basic lack of understanding of the addictive and harmful nature of tobacco products. This represents a failure of the market for tobacco and provides a rationale for governments to intervene in the tobacco market.

This Policy Brief addresses the challenges and opportunities for comprehensive tobacco control policies in Latin America, with a special focus on tobacco taxes.

Tobacco Control Programs Work in Latin America and Globally

Comprehensive, well-designed, and well-implemented programs and campaigns can help improve knowledge about tobacco use and prevent tobacco use. These programs and campaigns can make quitting tobacco use, or never starting to use tobacco, the "normal" behavior and "denormalize" any form of tobacco use. Graphic warning labels are especially crucial for communicating tobacco's health risks.

Evidence from Uruguay, Brazil, and Mexico shows that health warning labels have the most impact when they are prominent and include emotionally engaging imagery. Smoke-free policies protect non-smokers from harmful exposure to tobacco smoke, and evidence from Mexico shows that these policies do not have a negative impact on restaurants and other establishments covered by smoke-free policies.⁵

In countries where governments have implemented aggressive, comprehensive tobacco control strategies, smoking prevalence has declined rapidly. In Uruguay, for example, adult smoking prevalence rates declined from 39% to 29.7% for males, and from 28% to 19.3% for females, between 2003 and 2011.⁶

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Tobacco Products Are Becoming Increasingly Affordable in Bangladesh

Introduction

Increasing the price of tobacco products through higher taxes is widely recognized as an important policy for reducing tobacco use. It also raises tax revenues. One key challenge, however, is that *affordability* of tobacco products is what matters most. Affordability is the price of tobacco products in relation to the income of tobacco users. So even if prices go up via higher taxes, if incomes have risen at a greater rate, the impact of increasing taxes is reduced, or even eliminated. Thus, it is important not simply to increase taxes, but to increase taxes so much that the price of tobacco products increases over and above the rate of inflation and income growth. This strategy would make tobacco products less affordable over time, reduce tobacco consumption and prevalence, and improve public health.

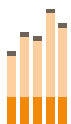
This Policy Brief is based on a summary of a recently published research paper examining affordability trends of cigarettes, bidis and smokeless tobacco products in Bangladesh, a country that graduated from low-income to lower middle-income status in 2015.¹

The affordability index, or the Relative Income Price (RIP) is the ratio of hand-rolled times the price per unit of tobacco product divided by the per capita annual household income. The lower the value of RIP, the more affordable the tobacco products are. This measure of affordability of tobacco products is widely used to evaluate progress in tobacco taxation in low- and middle-income countries (LMICs), especially in countries that are experiencing rapid economic growth. Based on this measure, the trends in affordability of cigarette, bidi and smokeless tobacco products were examined using statistical analyses that controlled for individual-specific demographic and socio-economic characteristics. The trend in affordability of cigarettes was determined by brands categorized into four price and tax tiers—premium, high, medium, and low.

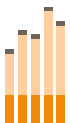
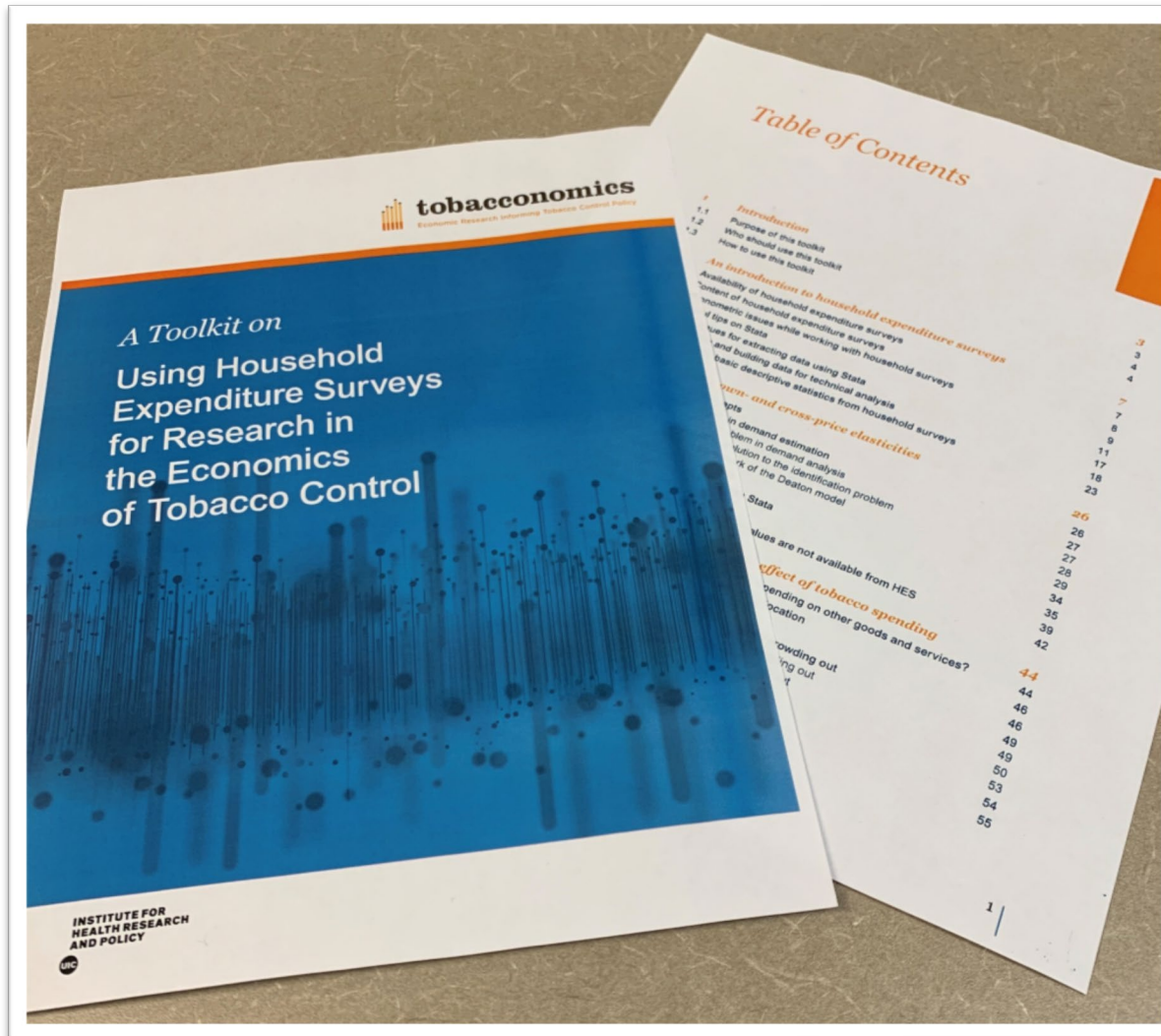
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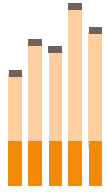
The data for this study came primarily from four waves of the nationally-representative

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