

## Benefits of tobacco control for lower-income Cambodians

Findings and policy implications from ‘*Investment Case for Tobacco Control in Cambodia: The Case for Investing in WHO FCTC Implementation*’

### What is the Investment Case?

The Investment Case for Tobacco Control for Cambodia examines the burden of tobacco use in Cambodia. It analyzes the extent to which investing in key **WHO Framework Convention on Tobacco Control (FCTC)** measures can generate health, economic and other development returns, accelerating Cambodia’s achievement of the Sustainable Development Goals (SDGs).

### Why was it conducted?

Tobacco costs lives, causes economic losses, contributes to environmental degradation, and poses significant threats to sustainable development. Approximately 2.4 million Cambodians, or 22 percent of people 15 and older, use some form of tobacco and are at a substantially increased risk of diseases, early deaths and impoverishment. Stronger and effective tobacco control is needed for Cambodia to reduce health, economic and development losses. Scientific evidence to inform and support policymaking was needed.

### What are the key findings?

Tobacco control is pro-poor, bringing disproportionate benefits to the poor.

Tobacco cost KHR 2.7 trillion (US\$ 663 million) every year, which is equivalent to 3 percent of Cambodia’s GDP.

In 2017, tobacco use caused 15,000 deaths in Cambodia, 33 percent of which occurred in the bottom 20 percent income group.

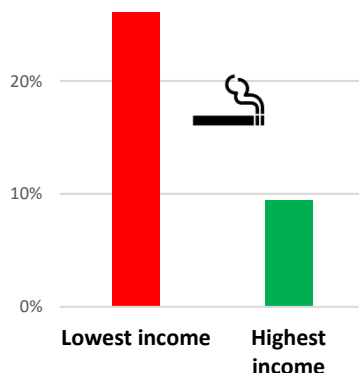
Investing in five tobacco control measures will save 57,000 lives and avert KHR 7.9 trillion (US\$ 1.9 billion) in health costs and economic losses by 2033.

For every Cambodian riel invested in five tobacco control measures now, Cambodia receives KHR 178 in averted costs and economic losses by 2033. In other words, tobacco control measures are highly cost-effective and wise investment for Cambodia.

### Tobacco use and poverty

Tobacco use and poverty are closely linked. In every region of the world, **people with lower income and limited education are more likely to use tobacco** and have reduced access to health information as well as tobacco prevention and treatment services. Low-income countries and people in disadvantaged communities are particularly targeted by the tobacco industry.

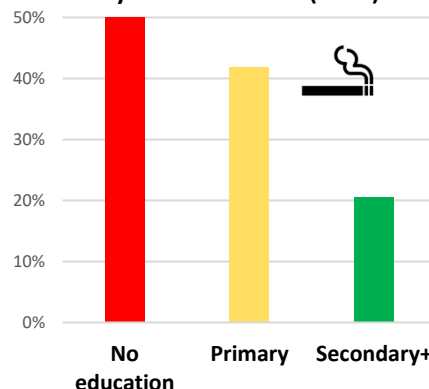
**Figure 1. Smoking prevalence by income level**



In Cambodia, people in the lowest income quintile (i.e. the bottom 20 percent) are more likely to smoke (26.1 percent) than those in the highest income quintile (9.4 percent).<sup>1</sup> (Figure 1)

Similarly, men with no or primary education only are more likely to smoke cigarettes (59 and 42 percent, respectively) than those with secondary education and above (21 percent).<sup>2</sup> (Figure 2)

**Figure 2. Smoking prevalence by education level (male)**



Tobacco use causes considerable financial hardships in low-income households through out-of-pocket expenditures for tobacco-related diseases including cancer and heart disease, as well as the premature death of breadwinners.

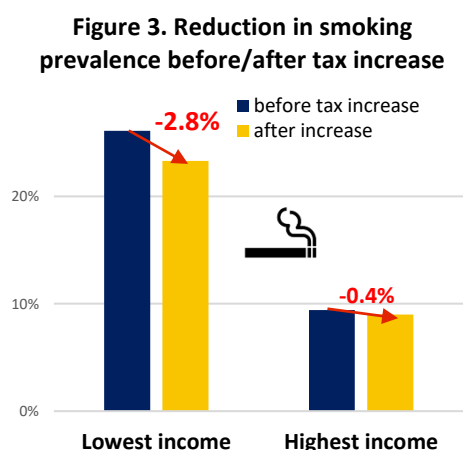
Spending on tobacco, an addictive product, also diverts a significant percentage of household resources from productive investments – such as for food, education, healthcare, housing and agricultural inputs – that can help keep and lift people out of poverty.

Low-income households lose a greater proportion of their limited income on tobacco products than higher-income households. In Cambodia, smokers who earn US\$ 2 or less per day spend about US\$ 6 (24,000 riels) per month on tobacco, representing **10 percent or more of their monthly income**.<sup>3</sup>

Therefore, **reducing or avoiding household spending on tobacco products and tobacco-attributable diseases can unlock substantial resources for low-income households**, critical to lift them out of poverty and to reduce inequalities in Cambodia.

### Lower-income populations benefit the most from tobacco tax increases

*The Investment Case for Tobacco Control in Cambodia*<sup>4</sup> estimates how a cigarette tax increase (a 28 percent increase in the retail price following Cambodia's 2019-2023 Tobacco Tax Roadmap<sup>5</sup>) would affect people in different income quintiles. Because people with lower income are more responsive to changes in price, **the tax increase would cause the largest drop in smoking prevalence in the lowest income quintile (2.8 percent)**, in comparison with other income quintiles (e.g. 0.4 percent drop in the highest income quintile) (Figure 3).



**The largest decline in smoking prevalence means that the lowest income quintile would receive the largest share of health benefits.** Specifically, of the 1,171 deaths that would be averted because of the tax increase, nearly half (46 percent) would be among the lowest income quintile.

**Lower-income groups would also receive disproportionate economic benefits** through higher reductions in catastrophic health expenditure.<sup>6</sup> The tax increase could avert nearly 17,000 cases of catastrophic health expenditures, of which 53 percent are in the lowest- and second-lowest income quintiles. (Figure 4) **Averting the catastrophic expenditure could also prevent nearly 1,500 individuals from falling into poverty every year in Cambodia.**

Furthermore, **the tax burden is lower on low-income people because they stop buying and using tobacco more than the rich when the price increases.** While the lowest income quintile would increase cigarette spending by 14 percent due to the increased price, the corresponding figure for the highest income quintile would be 22 percent. It means that the increased tax burden would be disproportionately borne by wealthier smokers. Additionally, tax increase leading to price increase discourages non-users including the youth from starting, encourages current users to quit and discourages former users from starting again.

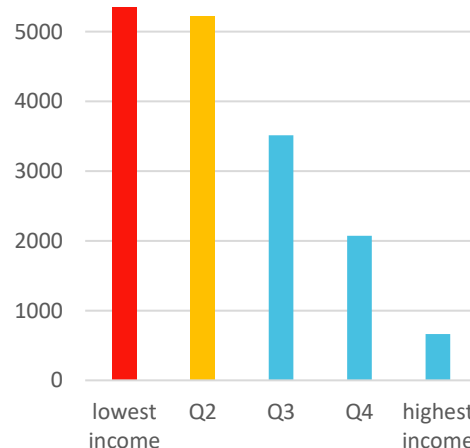
The investment case also found that **raising cigarette taxes has the highest return on investment among the priority tobacco control measures:** for every riel invested, Cambodia can expect to gain 882 riels in economic benefits in return over 15 years.

Furthermore, increasing tax rates and adopting the tax structure reforms per Cambodia's Tobacco Tax Roadmap could generate 920 billion riels in additional government revenue in the first five years following the changes. The additional revenue could be utilized to finance pro-poor measures such as universal health coverage and assisting tobacco farmers to move to alternative crops or livelihoods.

**Cambodia's cigarette tax rates are among the lowest in ASEAN**, far below the WHO FCTC recommended level and leaving plenty of room for an increase. Cigarettes are also becoming more affordable in Cambodia<sup>7</sup> as its economy and people's income grow.

A common concern is that taxes on tobacco products may disproportionately impact lower-income tobacco users since the tax burden represents a higher proportion of their income than that of wealthier tobacco users. However, evidence shows that **the poor actually stand to benefit the most from higher tobacco taxes.** Compared to higher-income tobacco users, lower-income tobacco users are more likely to quit tobacco use

**Figure 4. Catastrophic health expenditure cases avoided after tax increase, by income quintile**



when taxes are increased, meaning they benefit from subsequent decreases in tobacco-related health problems and resulting health and economic costs.

The World Bank affirms that “accumulated evidence from across the globe shows how tobacco taxes help reduce poverty... [T]obacco taxes are not regressive, but highly progressive, as the full health and economic benefits of this measure far outweigh its relative cost.”<sup>8</sup>

In summary, **tobacco control policies, particularly tobacco tax increases, can benefit lower-income people twice**: firstly, by protecting health, reducing health expenditures, making available household resources for productive investments, and averting impoverishment, which in turn would increase their working years and other income-earning potentials; and secondly by reinvesting additional government revenue from higher tobacco taxation, together with the longer-term savings in health-care costs, into pro-poor development measures.

The investment case findings add to the existing global evidence on the pro-poor, pro-health, and pro-economy effects of tobacco control, particularly higher cigarette taxation. In other words, **tobacco control is a pro-poor policy instrument that helps prevent and reduce poverty, enhance people’s health and wealth, mitigate social inequality, and grow the economy**, accelerating the country’s progress towards achieving the Sustainable Development Goals (SDGs).<sup>9</sup>

Since its launch in 2019 as part of the FCTC 2030 project, the investment case has informed the development of Cambodia’s National Tobacco Control Strategic Action Plan 2020-24, which includes strengthening tobacco taxation policies. Other recent achievements of the FCTC 2030 project include the following:

- 37 hotels and 26 restaurants out of 126 hotels and restaurants assessed in Kampong Cham, Siem Reap and Battambang provinces received the Smoke-Free Award in Tourism Sector 2019-2020 for excellent compliance by the Ministry of Tourism.
- In 2020, assessment and awarding will be done in additional six provinces and are expected to get at least 120 hotels/guesthouses and restaurants out of 240 hotels/guesthouses and restaurants receiving the Smoke-Free Award in Tourism Sector 2020.

Finally, given WHO’s analysis that smoking is associated with increased severity of disease and death in hospitalized COVID-19 patients,<sup>10</sup> and the significant role of universal health coverage and social protection, which could be supported with tobacco taxation, **tobacco control can also contribute to reducing Cambodia’s vulnerability and enhancing its resilience in health emergencies.**

#### Recommendations:

- Scale up tobacco taxes over time to at least 75 percent of the retail price (currently 25-31 percent), with periodical increases to outpace inflation and income growth.
- Consider allocating part of tobacco tax revenues to tobacco control and pro-poor measures, such as universal health coverage, supporting tobacco farmers and workers to switch to alternative livelihoods, and other social protection schemes.
- Raise awareness among the public and policymakers of the true costs of tobacco and the enormous health and development benefits of tobacco control, particularly among lower-income people.
- Ensure all relevant sectors are engaged in comprehensive, effective, and sustainable tobacco control efforts, while protecting policymaking from tobacco industry interference.

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<sup>1</sup> Figures used in this brief, otherwise noted, are from or cited in RTI, UNDP, WHO FCTC Secretariat, and WHO, *Investment Case for Tobacco Control in Cambodia: The Case for Investing in WHO FCTC Implementation* (2019).

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<sup>2</sup> Ministry of Planning, Ministry of Health and ICF International, *Cambodia Demographic and Health Survey 2014* (Phnom Penh, 2015).

<sup>3</sup> Cambodia Ministry of Planning, *National Adult Tobacco Survey of Cambodia* (Phnom Penh, 2015).

<sup>4</sup> RTI, UNDP, WHO FCTC Secretariat, and WHO, *Investment Case for Tobacco Control in Cambodia: The Case for Investing in WHO FCTC Implementation*.

<sup>5</sup> For more details, see Chapter 6 of the *Investment Case for Tobacco Control in Cambodia* (2019).

<sup>6</sup> Defined as “an out-of-pocket expenditure that is more than 40 percent of a household’s non-subsistence spending.”

<sup>7</sup> Cited in SEATCA, *Maximizing Tobacco Tax Reform in Myanmar* (Bangkok, 2017).

<sup>8</sup> World Bank, *Tobacco Tax Reform: At the Crossroads of Health and Development* (Washington, D.C., 2017).

<sup>9</sup> UNDP, WHO FCTC Secretariat, and WHO, Policy Brief: Tobacco Control as an Accelerator for the Sustainable Development Goals in Cambodia (2018).

<sup>10</sup> WHO, *Scientific brief: Smoking and COVID-19*, 26 May 2020. Available at <https://www.who.int/publications/i/item/smoking-and-covid-19>

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