

## Benefits of Tobacco Control for the Poor in Myanmar

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

### What is the Investment Case?

The Investment Case for Tobacco Control for Myanmar examines the burden of tobacco use in Myanmar. 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 Myanmar’s achievement of many 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. In 2016, tobacco use caused 64,033 deaths in Myanmar, 56 percent of which occurred among citizens under the age of 70. In Myanmar, 54.4 percent of adults use some form of tobacco: 26.1 percent of adults are current tobacco smokers and 43.2 percent of adults currently use smokeless tobacco. Additionally, tobacco causes enormous economic losses. Stronger and effective tobacco control is needed for Myanmar to reduce health, economic and development losses.

### What are the key findings?

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

28 percent of deaths due to tobacco-related diseases were among the poorest income quintile (i.e. bottom 20 percent).

Myanmar citizens spent MMK 227 billion in out-of-pocket health expenditures due to smoking, annually (2016).

Every year, tobacco costs Myanmar MMK 2.6 trillion, equivalent to 3.3 percent of its GDP in 2016.

Investing in 5 priority tobacco control measures today will save Myanmar 255,000 lives and avert MMK 8 trillion in health costs and economic losses by 2033.

### Tobacco use and poverty

Tobacco use, poverty and social disadvantage are closely linked. In every region of the world, **the poor and less educated are most likely to use tobacco**, have reduced access to tobacco prevention and treatment services, and endure lower levels of access to education and other health messaging opportunities. Low-income countries and people in disadvantaged communities are particularly targeted by the tobacco industry.

In Myanmar, people in the lowest income quintile (i.e. the poorest 20 percent in the population) are more likely to smoke than those in the highest income quintile (33 percent vs 31.8 percent for men overall; 41 percent vs 25 percent for men in urban areas and 4 percent vs 0.4 percent for women overall).<sup>1,2</sup> (Figure 1)

Similarly, people with no education are more likely to smoke than those with more than secondary education (41.8 percent vs 27.1 percent for men and 4.6 percent vs 0.3 percent for women). (Figure 2)

Figure 1. Smoking prevalence by income level, by sex

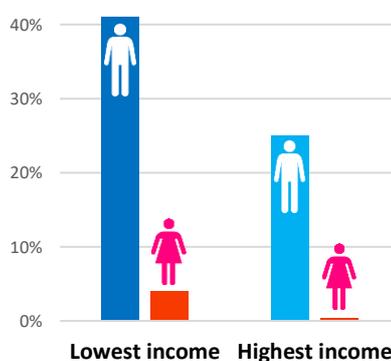
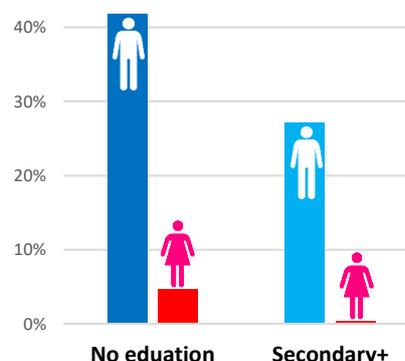


Figure 2. Smoking prevalence by education level, by sex



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. Studies show, for

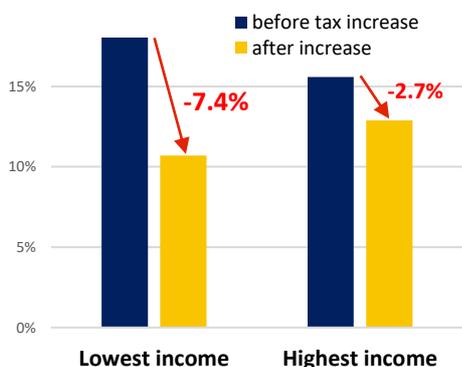
example, that tobacco products often account for over 10 percent of total household expenditure among the poorest households in low-income countries.<sup>3</sup>

Reducing or avoiding these costs is critical to lift the poor out of poverty and to reduce inequalities in Myanmar. **Less household spending on tobacco products and tobacco-attributable diseases can unlock resources for the poor** to potentially invest in nutritional food, children’s education, better housing, and other productive purchases for the household.

### The poor benefit the most from tobacco control

*The Investment Case for Tobacco Control in Myanmar*<sup>4</sup> estimated how a cigarette tax increase would affect people in different income quintiles (i.e. the differential impact of raising the price of cigarettes by about 10 percent, year-over-year, through 2023, followed by more gradual increases of 3-4 percent through 2033). It showed that because people with lower income are more responsive to changes in price, **the tax increase would cause the greatest drop in smoking prevalence in the poorest 20 percent of the population** (the lowest income quintile) (7.4 percent) as compared with that of the highest income quintile (2.7 percent) (Figure 3).

**Figure 3. Change in smoking prevalence before/after tax increase**



The largest decline in smoking prevalence means that the lowest income quintile would receive the largest share of health benefits. Specifically, **of the 17,833 deaths that would be averted over the next 15 years because of the tax increase, 40 percent would be among the lowest income quintile.**

Additionally, the increase in **the amount of money spent on cigarettes due to the tax increase would be smallest in the lowest income quintile.** While the lowest income quintile would increase cigarette spending by 21.7 percent due to the increased price, the corresponding figure for the highest income quintile would be 70 percent, demonstrating that the increased tax burden would be primarily borne by wealthier smokers (Figure 4).

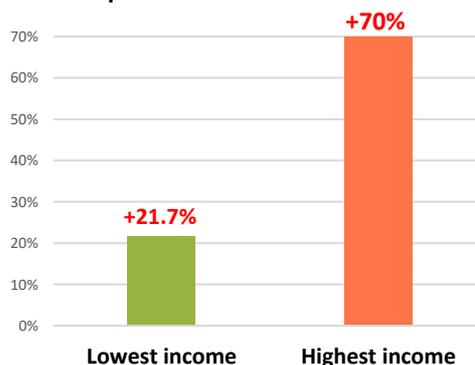
**cigarette taxes has the highest return on investment among the select tobacco control measures:** for every Myanmar kyat invested, the Government can expect to gain 1,057 kyats in economic benefits in return over 15 years. Myanmar has one of the lowest taxes levied on tobacco products among countries of Southeast Asia, keeping them low-priced. They are also becoming more affordable as the economy and people’s incomes grow in Myanmar.

A common concern is that taxes on tobacco products may disproportionately impact poor 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 richer tobacco users, poorer tobacco users are more likely to quit tobacco use when taxes are increased, meaning they benefit from subsequent decreases in tobacco-related health problems and resulting health costs.

The World Bank affirms that “[t]he bottom line is this: when we look at all the facts, tobacco taxes are not regressive, but highly progressive, as the full health and economic benefits of this measure far outweigh its relative cost.”<sup>5</sup>

In summary, **tobacco control policies can benefit the poor twice:** first, by protecting health, reducing health expenditures, and averting impoverishment, which in turn would increase their working years and other income-earning potentials; and second by reinvesting additional government revenue from higher tobacco

**Figure 4. Increase in cigarette expenditures after tax increase**



taxation, together with the longer-term savings in healthcare costs, into pro-poor development measures, such as poverty reduction measures, universal health coverage, and assisting tobacco farmers to move to alternative livelihood options, as recently initiated by the Philippines.

The investment case findings add to the existing global evidence on the pro-poor, pro-health, and pro-economy effect of tobacco control measures, particularly higher cigarette taxation. In other words, **tobacco control provides Myanmar with an evidence-based tool to 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 SDGs.

#### Recommendations:

- Include tobacco control as a proven poverty reduction measure and as part of Myanmar's national development and SDG strategies as well as the United Nations Development Assistance Framework (UNDAF). (FCTC implementation is SDG Target 3.a)
- 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 the poor.
- Scale up tobacco taxes over time to at least 75 percent of the retail price (currently 35 percent), inclusive of at least a 70 percent specific excise tax and with regular 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, alternative livelihood support for tobacco farmers and related workers, and other social protection schemes.
- Ensure all relevant sectors are engaged in comprehensive, effective, and sustainable tobacco control efforts, while protecting against tobacco industry interference in policymaking.
- Expand research, the evidence-base, and policy measures to ensure greater consideration of cheroots and smokeless tobacco in overall tobacco control efforts.

#### Acknowledgment:

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