

**GENERATING EVIDENCE TO SUPPORT POLICIES FOR RAISING TAXES ON
TOBACCO PRODUCTS IN LEBANON**

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ABSTRACT

Lebanon ratified the Framework Convention on Tobacco Control in 2005. A law was adopted in August 2011 which bans smoking in closed public places, bans advertising and promotion, and stipulates larger text or pictorial warnings. Tobacco use in Lebanon is a major public health problem. Smoking rates are especially high among youth when taking into account the recent rise in waterpipe tobacco smoking. International evidence confirms that increasing taxation of tobacco products and in turn increasing price is one of the most effective tobacco control strategies. In Lebanon, a cigarette pack costs on average 1.7 USD. To date there have been no studies in Lebanon that address the welfare and public finance effects of raising taxes on tobacco products. To ensure ownership of findings, this research brings in the Ministry of Finance as a collaborator in the research process. The research findings will be disseminated to the media and to local policy and decisionmakers and in academic journals. The specific objectives of this research are: (1) To estimate the elasticity of demand for tobacco products in order to simulate, for a variety of tax rates, the burden of the tax and the expected revenue from the tax. (2) To estimate for different demographic groups the effectiveness of taxation at limiting consumption, particularly among youth. (3) To disseminate findings to advocate for a policy on raising taxes for tobacco products in Lebanon.

I- Background and Rationale

Rationale/Problem Justification

Tobacco use is a major public health problem in Lebanon. Lebanon ratified the Framework Convention on Tobacco Control in 2005. The Lebanese parliament passed a law on tobacco control in August of 2011 that will ban smoking in public areas, ban the advertising of tobacco products, and require improved health warnings, excluding the issue of taxation, which is left to the executive arm of government to determine. Increasing taxation on tobacco products remains low on the public health agenda.

Tobacco consumption factors sixth out of eight as a leading cause of death around the world¹. By 2020 it is expected that seven out of 10 deaths will occur in the low and middle-income countries² witnessing a rapid shift in the epidemic of chronic disease. By 2030, it is expected that tobacco will kill over 175 million people worldwide.¹

Based on article 6 of the FCTC, ratifying countries are expected to use tax and price policies to decrease tobacco consumption among people. A study conducted by Jha and Chaloupka for the World Bank in 1999⁴ showed that a 10% increase on a pack of cigarette is expected to reduce demand for cigarettes by 4% in high-income countries and 8% in low and middle-income countries. Moreover evidence from countries of all incomes levels shows that price increase on cigarettes is highly effective in reducing demand³ and that people in lower income countries will be more responsive to price changes.⁴ In parallel studies have shown that children and adolescent are more responsive to price increases than older adults.⁵ Therefore by decreasing tobacco consumption the health burden of smoking will also decrease through decreasing the direct cost of medical treatment and the indirect cost due to loss of productivity associated with morbidity and mortality⁶. As such, fiscal policies on tobacco taxation will not only lead to reduction in demand for smoking but also to increases in governmental revenues.⁷ This income could be used to fund tobacco control initiatives and programs.⁴

To illustrate the situation, between 1993 and 2007, South Africa increased the real excise taxes leading to an increase of 146% in real retail prices. As a result per capita consumption of cigarettes fell by 48% and the real excise revenues increased by 215%.⁹ A second example is Egypt; where the government is imposing a variety of taxes on tobacco and tobacco products: modest import duties, general sales taxes, specific, and ad volarem excise taxes. This is generating 1.9\$ billion of revenue. In addition an earmarked tax of 0.018\$ per pack is imposed on all kinds of cigarettes since 1992. The revenues from this tax are used to grant medical insurance for students.¹⁰ The third example is Canada, between 1979 and 1991 cigarette prices increased by 159% leading to teenagers smoking dropping from 42% to 10%.^{5,10}

More than a third of Lebanese adults are smokers: according to recent figures^{11,12} approximately 42.9% of male adults and 27.5% of female adults are cigarette smokers. Lebanese women have the highest female smoking rate in the region.^{10,13} Lebanon has one of the highest rates of smoking in the adult population, with consumption reaching 12.4

packs per person per month. Approximately 7.8 billion cigarettes are consumed per year; a figure calculated using average daily consumption and population estimates. Male smokers smoke on average about 1 pack and a half per day. Although there are other countries with higher prevalence rates, these cigarette consumption rates rank among the highest in the world. Lebanese monthly cigarette pack consumption is 12 times higher than that of Singapore and 3 times that of Syria. The total economic burden of the tobacco epidemic in Lebanon was estimated at around \$350 million per year, or 1.2% of GDP¹⁴. The prevalence rates for cigarette smoking among youth are 14.8% and 6.7% for males and females respectively.¹¹ Waterpipe smoking prevalence in youth is even more alarming than that of cigarettes with 64.5% of males and 54.6% of females smoking on a regular basis.¹⁵

In addition to the accumulating international evidence on these tobacco control policy issues, the Tobacco Control Research Group at the American University of Beirut (AUB-TCRG) has generated relevant local and timely research about tobacco in Lebanon and disseminated it to policymakers and the general public in collaboration with a few civil society partners, other academics, and institutes at the University such as the Issam Fares Institute for Public Policy and International Affairs. To date there have been no studies that address the welfare and public finance effects of raising taxes on tobacco products. Findings from research on tobacco industry documents have suggested that the tobacco industry has lobbied over an extended period of time in Lebanon to influence tobacco taxation policy¹⁶. Much of the arguments against raising taxes are tied to raising fears about increased smuggling¹⁷, when in fact there is a lot of evidence that exposes tobacco industry complicity in smuggling.^{18,19}

The price of tobacco products in Lebanon remains low compared to other middle income countries, and the share of taxes in retail price is also well below the average for middle income countries. The locally manufactured cigarette brand (Cedars) has a market share close to 21% whereas the remaining 79% of the market belongs to imported brands. Market shares are calculated using the ratio of consumption (local to foreign) extracted from the Household Expenditure Survey of 2004-2005. The market share dominated by smuggled cigarettes is estimated to be in the region of 25-50%, implying a significant presence of illegal consumption in Lebanon.¹⁶ Cedar cigarettes are priced at \$0.5. Foreign brands are more commonly consumed with prices ranging from \$0.8 to \$2. The price of foreign brands averaged \$1.7. Overall taxes currently constitute 30-50% of retail prices, well below the shares in upper middle-income countries (70-80%).

Presently excise taxes and customs duty on imported tobacco products are 108% and 5% respectively, plus 10% value added tax (VAT) on the retail price. Changes in national taxation strategies are issued by the Ministry of Finance (MOF) through an administrative decree *مرسوم*. This means that if the MOF and supporting executive bodies are convinced of the need to raise taxation, the implementation of such a decision will likely be faster. Discussions with the National Lebanese Tobacco Control program confirm that attempts in the past few years by concerned stakeholders to suggest putting the issue of increasing taxation on the agenda among the Ministry of Finance top officials have been met with opposition. The main argument behind the opposition has been that raising taxes on

cigarettes causes a loss to the government through increasing cross border smuggling and illicit trade, the tobacco industry argument.

Using average prices and consumption figures based on prevalence rates, we estimate total household spending on tobacco products to be \$553 million per annum.

Total expenditures on tobacco products for the poorest quintile of Lebanese families is equal to the expenditures on recreation and is close to expenditures on education. Tobacco expenditure takes its toll on the poorer segments of society, accounting for 2-3% of their total expenditures. In the bottom quintile of households for expenditures per adult equivalent, the share of expenditures on tobacco is equal to the share on recreation and furniture and is only 1% less than the share spent on education. For the second lowest quintile, the share of tobacco in expenditures is equal to those of education and clothing

Producing local evidence that illustrates that raising taxes lowers consumption and increases government revenue could be used to convince relevant stakeholders to consider and eventually proceed with such a policy. Revenues from such policies can be subsequently earmarked towards national tobacco control prevention and cessation programs, so as to minimize the short term negative welfare effects on consumers.

II- Objectives

Overall objective:

To provide evidence that supports a policy of raising taxes on tobacco products.

Specific objectives 1:

To estimate the elasticity of demand for tobacco products in order to simulate, for a variety of tax rates, the burden of the tax and the expected revenue from the tax.

Specific Objective 2

To estimate for different demographic groups the effectiveness of taxation at limiting consumption of tobacco products, particularly among youth.

Specific objective 3:

To disseminate findings to advocate for a policy on raising taxes for tobacco products in Lebanon.

III- Methodology

1. For objective 1 and 2:

We use an Almost Ideal Demand System (AIDS) model to estimate own- and cross-price elasticities of demand for tobacco related products. We use the detailed expenditure data collected in the expenditure module of the 2005 Household Living Conditions Survey for Lebanon to estimate the characteristics of demand and spending for different household expenditure categories. The approach is centered on using regional variation in

price indexes across Mohafazas (provinces) –as individual price data are missing—to estimate demand elasticities and cross-price elasticities of demand. In the absence of individualized price data, we are able to identify both own and cross price elasticities for each of the categories of goods and services as long as the number n of Mohafazas with varying price indexes is such that $n(n-1)$ exceeds by more than 1 the number of categories of goods and services.

In the context of the regulated market for tobacco in Lebanon, where tobacco products have uniform pricing across all regions, we use variations in the regional price indexes for other categories of consumption goods and services to estimate elasticities assuming any differences in the consumption baskets across regions result from differences in prices. Once we have estimated price elasticities of demand, we can simulate the effect on quantity demanded of increases in the tax rate on tobacco products. We use a methodology similar to Haq et al. ²⁰ and Salti and Chaaban ²¹ where we estimate the change in household expenditure following the change in prices brought about by the tax. The methodology consists of estimating direct and cross price (Hicksian) elasticities, by evaluating the changes in quantities given the differences price levels. From a consumer theory perspective, the new quantity levels hold overall consumer utility constant.

It should be noted that our model relies on a short-term framework, where we focus on the direct effects of a rise in prices on households' demand. Incorporating other effects would need detailed data on the income and saving patterns of households, in addition to specific assumptions on how increased government revenue from the tax would affect households' incomes and overall expenditures. We cannot incorporate these effects in our analysis, as we do not have data on household income and saving. For this, we assume throughout the paper that households' nominal income is fixed in the simulation period. This assumption, similarly used by Bibi and Duclos ²² in their analysis of indirect tax reforms in Tunisia, is not very constraining as we are chiefly interested in the short-term consumption effects of a change in the price of tobacco products.

Data and empirical strategy:

The 2005 Multi Purpose household Survey (MPS) was administered by the public statistical agency (Central Authority of Statistics). The sample design was nationally representative with a large sample size. Four survey forms were used in the MPS, two daily expenditure forms, other expenditure forms and a “household characteristics and living conditions” form. Data on household characteristics and living conditions were collected from 13,003 households, while expenditure data were collected from a subsample of 7,431 households. In diary questionnaires, the main respondent as well as every household member above 15 years of age reported all expenditures that occurred during two weeks. Expenditure of non-food items was collected for the previous three months or the previous year depending on the type of commodity. Due to data secrecy constraints, individual prices and quantities were not made available to researchers, however total expenditure per each consumption category was available. Also, Paasche price indexes for each of the 6 mohafazas and for each major food and non-food expenditure category were made available. In our empirical model below, we present a simple technique for dealing with this limited price information, by relying on spatial price variations to estimate demand parameters.

The AIDS has been developed by Deaton and Muellbauer ²³ and has become one of the most popular demand systems in the economic literature. It constitutes a practical way of modeling expenditures with several commodities and satisfies basic economic assumptions on consumer behavior. It is also simple and straightforward to estimate.¹

Utility maximization by the representative consumer yields the following share equation:

$$w_i = \alpha_i + \sum_k \gamma_{ik} \log p_{ik} + \beta_i \log(E / P^T). \quad (1)$$

The share of demand for good i , denoted w_i , is a function of the price of all other goods (p_{ik}), and also a function of total expenditure divided by an overall price index: E/P^T . The Tornqvist (or Paasche) price index P^T typically involves all prices, and it can be computed as a weighted price index using as weights the shares in total demand of the goods.

A set of restrictions is imposed on equation (1), relating to consistency with consumer theory. First, coefficients for cross-price effects should be symmetric across equations; and second, total expenditure should vary in the same proportion as a uniform change in all prices (homogeneity in prices):

$$\begin{aligned} \gamma_{ik} &= \gamma_{ki} \quad \forall i, k. \\ \sum_i \alpha_i &= 1 \quad \forall i, \quad \sum_k \gamma_{ik} = 0 \quad \forall i. \end{aligned}$$

Based on the demand parameter estimates, we can compute own-price and cross-price compensated elasticities between commodity groups according to the following definitions (Green and Alston, 1990):

The Hicksian elasticity ϵ_{ik} for good i with respect to good k is

where δ_{ik} is the Kronecker delta and equals 1 for own price and 0 for cross-price

$$\epsilon_{ik} = \gamma_{ik} / w_i + w_k - \delta_{ik}$$

elasticities.

The Hicksian own-price elasticity, measuring the change in the quantity demanded for good i resulting from a change in its own price, is defined as follows:

$$\epsilon_{ii} = -1 + \gamma_{ii} / w_i + w_i$$

The Hicksian cross-price elasticity, measuring the change in the quantity demanded for good i resulting from a change in the price of a different good, k :

$$\epsilon_{ik} = \gamma_{ik} / w_i + w_k$$

¹ For recent applications of the AIDS model, see Deaton (1990) and Chaaban and Thomas (2007).

And the expenditure elasticity, i.e., the percent change in total demand for good i when total expenditure on all goods changes:

$$\theta_i = 1 + \beta_i / w_i.$$

The own-price and cross-price elasticities are the central objects of our empirical analysis. With the former, we can predict the change in the quantity demanded for any given commodity following an increase in the price of tobacco products. With the latter, it is possible to assess the degree of substitution patterns among consumption goods and services as their prices change following the indirect tax reform.

The above demand elasticities can be used to compute the change in consumption of tobacco products following an increase in the tax according to the methodology outlined in the previous section. Similar to Haq et al. ²⁰ our model incorporates the potential consumption adjustments by households through cross-price effects.

2. Objective 3:

- a. Workshop on “Analyses of the effect of tobacco taxation on consumption and government revenue in Lebanon”

A workshop was organized on the 23d of February (Appendix A: invitation letter) with 10 employees from the different governmental organization that are directly responsible of handling taxation work (Appendix B: list of invitees). The workshop was sponsored by the MOF and was conducted in the Institute of Finance. It involved people from different governmental institutions and aimed at building their capacity and knowledge in this topic as well as gaining econometric skills required to conduct such simulations at the organizations. Participants were given all relevant documents (Appendix C: list of document distributed). Dr. Jad Chaaban, Dr. Nisreen Salti and Dr. Rima Nakkash run the workshop with the assistance of the RA Ms Hala Alaouie. (Appendix D: Agenda)

The main investigators gave an overview of the current situation regarding tobacco taxation both around the world and in Lebanon, and the economic and health benefit of raising taxation. Further the concept of elasticity was presented to the participant and finally the results and a simulation based on the household study was presented. (Annex E: PowerPoint presentation of the information presented during the workshop). At the end of the workshop an open discussion took place (Appendix F: result of the discussion). Then the participants were asked to fill an evaluation form (Appendix G: evaluation forms). After the workshop participants were invited to lunch and certificates were mailed to them in the week that followed.

- b. Stakeholders meeting: Supporting policies for raising taxes on tobacco products in Lebanon

In order to advocate and gain support of the both governmental and civil society to raise tobacco taxation, we decided to conduct a stakeholders meeting to communicate the finding of our study and emphasize on the benefit of raising tobacco taxation on both the government revenues as well as health.

At the beginning we were looking for the sponsorship of both MOF and MOH. We mailed both ministers to ask for their sponsorship as well the possibility of conducting the event at the Grand Serail (Council of minister). The aim of conducting the event at the Serail was for visibility and to attract the biggest number of people to attend as well as attendance of the Prime Minister to get his buy in. The MOF recommended mailing the PM since the event is to be held in the Grand Serail. The PM welcomed the initiative and accepted to conduct the event at the Grand Serail under his patronage. Over 150 NGOs were invited, all ministers, 54 Member of Parliament: member and head of the committee of health and social affairs, committee of finance, committee of economic, and committee of Law. The member of the committee of tobacco coalition (CTC), members of AUB-TRCG, student and faculty members from the faculty of health sciences were invited too. Additionally, interested individuals sought an invitation from us once they heard about the event in the news. (Appendix H: invitation letter). In parallel the communication office at the AUB were responsible for inviting all the media. In order to insure high attendance, letters were sent to all NGOs, Ministers, and Member of Parliament. (Annex F: list of attendance)

A 3 minutes animation video was developed to broadcast during the event as well a 30 second version to be given for the media (Appendix I: snap shots from Animation) . The animation gave an overview of the smoking status at Lebanon among both youth and adults and how alarming it is. Further it emphasized that Lebanon has signed the FCTC as a result is required to increase taxation on tobacco product. The animation also focused on the health outcome of smoking and showed how increasing taxation is beneficial on improving health of citizen and increase governmental revenue. An important point addressed was related to smuggling and the myth around it. (Annex G: snap shots of the animation). In addition to the animation, a fact sheet was developed to be distributed for all the participants along with the AUB-TCRG Brochure (Appendix fact sheet) and agenda of the event (Appendix K).

The meeting was held on the 4th of April 2012. It started by the word of the Prime Minister represented by the MOF, followed by the word of Dr Nakkash the coordinator of the TCRG then the word of Dr Dorman the president of AUB. Next Dr Salti presented an overview of the study and explained the concept of elasticity (Appendix La: presentation Dr Salti) followed by Dr Chaaban that presented the results of the study and suggested the best scenario that the government can adopt to increase taxation (Appendix L: presentation Dr Chaaban). After that Dr Saade the Director of tobacco control unit at the Ministry of Health representing the MOH gave a short talk. The next step consisted of an open discussion with questions and answers. At the end the participant were invited to lunch hosted by the Prime Minister's office. A video of the event is available.

At the end of the workshop a discussion took place (Appendix M) emphasizing how important the presented data is important to their work

An evaluation form was distributed to the participants; the results showed that the participants are willing to participate in further workshops related to the topic. Many of them send a thank you email for inviting them as well as asked to communicate for them the material presented.

The minister of finance was enthusiastic and mentioned that he has the intention to increase taxation as well as working in coordination with the AUB-TCRG to provide its ministry with all the technical support to work on ratifying a Law.

This meeting was of importance due to the number of attendance; around 150 person participated, all from civil society except for one parliamentarian and two or three representative of other parliamentarian. This is mainly due to the political situation. Although many parliamentarian and ministers support the cause but they are political parties that boycotting the council of ministers. The attendees were all interested in participating in the discussion and looking forwards to have a law that will aim at increasing tobacco taxation. Further many of the participants emailed us after the event thanking us for the effort done and for inviting them and expressing their support. Copies of the results were available through a policy brief for people to pick at the end of the event. (Appendix N) Thank you letters with the policy brief and pictures from the event were send to the prime minister, the minister of finance, minister of health, as well as the member of parliament that attended. Further a thank you letter and a copy of the policy brief was emailed to all attendees.

IV- Results

Objective 1 and 2:

Our study focuses on the household consumption of tobacco products, comprising mainly imported cigarettes, local cigarettes and shisha tobacco. Total spending on these products reached 553 million USD in 2010, with 512 million USD spent on 307 million packs of imported cigarettes (Table 1).

Table 1: Consumption, taxation and government revenue

	Local cigarettes	Imported cigarettes	Shisha tobacco
<i>Retail price \$/pack</i>	<i>0.5</i>	<i>1.67</i>	<i>2.00</i>
<i>Quantity (in 000 packs)</i>	<i>81,500</i>	<i>306,800</i>	<i>294</i>
<i>Total expenditure 000 \$</i>	<i>40,750</i>	<i>512,356</i>	<i>588</i>

<i>Tax rates (ad valorem)</i>			
Excise	108%	108%	30%
Customs		5%	5%
VAT	10%	10%	10%
<i>Tax value per pack \$</i>			
Excise	0.24	0.75	0.40
Customs	0.00	0.03	0.07
VAT	0.02	0.07	0.13
<i>Total tax value/pack</i>	<i>0.26</i>	<i>0.86</i>	<i>0.60</i>
<i>Tax % retail price</i>	<i>52%</i>	<i>51%</i>	<i>30%</i>
<i>Government revenue 000\$</i>			
Excise	19,235	195,780	100
Customs	-	9,064	17
VAT	1,781	18,128	33
<i>Total</i>	<i>21,016</i>	<i>222,972</i>	<i>150</i>

Within the context of high smoking prevalence in the country, the Lebanese Government is currently able to derive around 230 million USD per year in tobacco tax revenue. This excludes profits accrued by the national public tobacco production and trade monopoly (the Regie), and is affected by cross-border smuggling which is estimated at 22.5% of revenues.¹

To simulate the impact of raising the prices of tobacco products on national consumption and public revenue, we have estimated the relevant own and cross price demand elasticities for the above-mentioned products (Table 2). These elasticities are central in mapping the impact of higher prices on the quantities of packs consumed, and in

incorporating the substitution possibilities that consumers might engage in across tobacco products. Our elasticity estimates are in line with international findings,¹⁸ as we find that the own price elasticity for imported cigarettes is -0.22 (i.e., for every 10% increase in imported cigarette prices, quantity consumed would drop by 2.2%, which shows an inelastic relationship).

Table 2: Estimated own and cross-price elasticities of demand for tobacco products in Lebanon

Elasticities			
	Local cigarettes	Imported cigarettes	Shisha tobacco
Local cigarettes	-1.54		
Imported cigarettes	0.13	-0.22	
Shisha tobacco	-0.37	0.15	-1.45

Incorporating these elasticities, we simulate the impact on tobacco consumption and government revenues of raising taxes on tobacco products. We envision two reforms:

- Raise ad-valorem excise tax by 50%
- Enact a new per pack excise tax, which could be earmarked for public health projects, with the following schedule: \$0.17/pack on local cigarettes, \$1.00/pack on imported cigarettes, and \$0.33/pack on shisha tobacco packs.

The above two reforms were chosen as to maximize the total reduction in tobacco consumption (given that price differentials in tobacco products induce substitution among them) and provide a feasible policy alternative (especially with regards to introducing new types of excises). Given that raising taxes would increase prices, we incorporate an extreme scenario of smuggling increasing by 100% (from 22.5% to 45% of revenues). The scenarios are summarized in Table 3.

Table 3: Simulation scenarios for increasing tobacco taxes

% increase in ad valorem tax rates			
	Local cigarettes	Imported cigarettes	Shisha tobacco
Excise	50%	50%	50%
Customs		0%	0%
VAT	0%	0%	0%
New excise tax per pack \$	0.17	1.00	0.33
Smuggling rate increase %	100%		

Enacting the above tax reforms would lower the consumption of local cigarette by 93%, imported cigarette consumption by 7%, and shisha tobacco consumption by 25.5% (Table

4). Prices of imported cigarettes would increase from an average \$1.67/pack to around \$3.2/pack, to be more in line with international ones, with tax shares increasing from the current 50% to 73% of retail prices for imported cigarettes.

Table 4: Simulation results, impact on prices and consumption

New tax value per pack \$	Local cigarettes	Imported cigarettes	Shisha tobacco
Excise	0.35	1.13	0.60
Customs	0.00	0.03	0.07
VAT	0.06	0.18	0.19
New excise tax per pack	0.17	1.00	0.33
Total tax value/pack	0.58	2.34	1.19
Tax % retail price	72%	73%	44%
Retail price\$/pack	0.50	1.67	2.00
Tax increase/pack	0.32	1.49	0.59
New retail price	0.80	3.21	2.67
% change in price	61%	92%	34%
Change in consumption			
Local cigarettes	-93.5%		
Imported cigarettes	-7.0%		
Shisha tobacco	-25.5%		

Tobacco consumption among the youth

We also estimate the price elasticities of demand for the youth subgroup of the population. Since consumption expenditure data is reported only at the household level, we estimate the above demand equations for a subgroup defined as household heads aged 15 to 30. Our elasticities estimates show that the own price elasticity for imported cigarettes among the youth is -0.28, compared to -0.22 for the overall population. This slight decrease indicates that youth are slightly more price responsive than the rest of the Lebanese population. While the own price elasticity for local cigarettes remains the same, the elasticity of shisha tobacco is much higher in absolute value among the youth (-2.17 compared to -1.45 as estimated above).

Using our simulation scenario, we find that consumption of local cigarettes among the youth would drop by 101% (compared to 93% for the entire population), that of imported cigarettes by 9% (compared to 7% overall), and shisha tobacco by 37% (26% overall). These simulation results indicate that youth would reduce their tobacco consumption more than the reductions among the overall Lebanese population, which is a favorable outcome from a public health perspective.

Impact on tax revenues

Given that prices increase more than the drop in consumption, the net revenue impact on Government finances is positive: increasing tobacco taxes would generate 127 million USD in additional public revenues, an increase of about 52% (Table 5). This is despite the extreme scenario of a presumed tripling in smuggling activity as a result of higher prices.

Table 5: Simulation results, impact on government revenue

	Local cigarettes	Imported cigarettes	Shisha tobacco
Smuggling rate(% consumption)		45%	45%
Government revenues 000\$			
Excise	1.881	176.659	72
Customs	-	5.452	8
VAT	304	28.571	23
New tax per pack	903	156.874	40
	Total	3.089	143
Change in Gov. revenues 000\$	(17.927)	144.585	(7)
Change in Gov. revenues %	-85%	65%	-4%
Change in Gov. revenues 000\$	126.651		
Change in Gov. revenues %	52%		

The tobacco tax reform would then operate on two dimensions: increasing the final price of tobacco products, and increasing the share of taxes in the final retail price. From a current average of 1.67\$/pack, the proposed reform would increase it to 3.2\$/pack, a rate higher than other comparable upper middle countries (with an average price of \$2.48), and closer to Turkey's average price of \$3.15.²⁴ There is definitely still some room for increasing prices even more (say closer to higher income countries' average of 5\$/pack). Our simulations show that a 5\$/pack price for imported cigarettes would lower consumption by almost 20%.

As for taxation burden, clearly Lebanon now applies low tobacco taxes when compared with other countries. Our proposed tax reform would increase the share of taxes out of the average retail price for imported cigarettes from 51% to 73%, a ratio much higher than the one for upper middle income (54%) and high income countries (63%), and equal to the rate applied in Turkey.²⁴

- The research findings will be disseminated to the media and to local policy and decision makers via an organized press conference.
- The research findings will also be submitted for publication in relevant internationally refereed journals.
- It is expected that given the international evidence and adding to it the locally produced evidence on effectiveness of increased taxation on lowering consumption and increasing government revenue, the concerned stakeholders will be convinced

to propose a change in regulation to increase taxation. Of course if that eventually materializes is subject to many other issues, however it will definitely start a solid discourse and evidence about this issue and move it one step closer to materializing.

- In terms of the public health impact, the major beneficial outcome of increasing taxation will be lowering of consumption and particularly by youth as illustrated by international experience.
- Increasing taxation on cigarette products in Lebanon will be a great success towards building a more comprehensive tobacco control policy framework.

V- Dissemination

A number of dissemination strategies were employed.

Policy brief: A policy brief developed in English and Arabic. It was distributed to all the media during the event and to attendees. It was then mailed to all invited organization with a thank you letter for their attendance. The brief is posted on the AUB-TCRG website. All people and NGOs that were invited to previous TCRG events were invited. The event was an opportunity to update the contact list as well and add further activists.

Letters of notification: A letter of notification of the outcome of the stakeholders event as well as a copy of the policy brief and photos of the event was sent to the Lebanese president, head of Parliament. Notification letter along with policy brief was sent to all ministers and member of parliaments. As well as letters to the health of the committee of health, committee of youth, committee of economic, law committee, and committee of finance asking for meeting with the committee members to present the study results and check how we could work together toward creating a taxation law..

After both events a press release was developed in both languages: Arabic and English and issued in over 14 media written and spoken during the week that proceeded and the days that followed.

Seminar:

A seminar with co-sponsorship between the FHS and the FAFS department of economics was held by Dr. Salti on May 17, 2012 at the center for research on population and health (CRPH).

Manuscript:

A manuscript has been drafted and submitted to Tobacco Control and is currently in the review process.

Media coverage:

The communication office was in charge of coordinating with the media office at the Grand Serail regarding the stakeholders meeting. Further they developed a press release

summarizing the main output of the events and the results of the study and sent it to the media.

Due to the immensity of the event, it was not difficult to attract the media as such a total of 6 TV (Appendix P) stations and a total of 14 newspapers, magazines and websites announced and covered the events. The depth of coverage varied from one media to another, while some briefly announced it, other wrote a full report, other made interviews with the main investigators

Building connections and networking:

After the event took place we received a phone call from the office of the president of the republic, a meeting took place with his advisor offering all support for our case. Further we received a letter from the office of the minister Mohamad Fneish, informing us his will to offer all legal support and advice. The parliamentarian Simon Abi Ramia, head of youth and sport's committee in the parliament asked to set a meeting to discuss the topic.

Adding to that we receive calls from independent economists and lawyers offering their support and will to collaborate with us to move with a law to increase taxation on tobacco product. We perceive this a window of opportunity in term of advocacy.

As such we will be collaborating with local NGO, IndyAct in particular (Appendix O) who drafted a proposal on how to advocate for this cause.

VI- References

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Workshop: 23d of February, 2012

Appendix A: invitation letter

كلية العلوم الصحية
مجموعة البحث للحد من التدخين



Dear Ms ,

You have been selected to participate in the workshop entitled:

Analyses of the effect of tobacco taxation on consumption and government revenue in Lebanon

The workshop is organized by the AUB Tobacco Control Research Group in collaboration with the Ministry of Finance.

It is one component of a larger research project entitled *Generating evidence to support policies for raising taxes on tobacco products in Lebanon*, funded by Institutional Development Research Center- Canada.

The workshop describes the market for tobacco in Lebanon and analyzes the issues related to tobacco policy, including the links to other sectors in the economy. We then focus on the policy of tobacco taxation by reviewing the various tax tools available to the government, and explaining and measuring the effect of taxes on consumption and on government revenue. The theoretical tools introduced will then be put into practice using real data on consumption, prices, taxes and estimates of smuggling to simulate the effect of various tax policies on economic outcomes.

The structure of the workshop is as follows:

1. Module on tobacco in Lebanon: production, consumption, trade, linkages, effects and policies
2. Module on theoretical tools for analysis: consumption and elasticities, taxation tools, government revenue
3. Module on simulations: estimating economic outcomes under difference scenarios

Location: Institute of Finance, 2d floor IT room

Date: 23d of February 2012

Duration: from 9am till 12:30 pm- 12:30 till 2 lunch and distribution of certificates.

Your participation in this workshop is valuable given your experience in the topic.

Please confirm your attendance to hal118@aub.edu.lb by the 21 the latest.

Hala Alaouie
Research Assistant

Appendix B: list of invitees

كلية العلوم الصحية
مجموعة البحث للحد من التدخين



**The effect of tobacco taxation on consumption and government
revenue in Lebanon
Workshop attendance sheet**

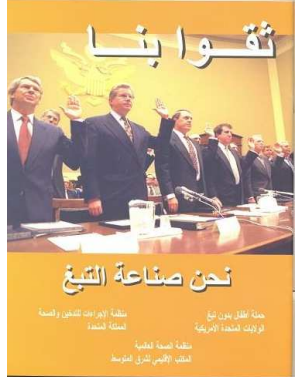
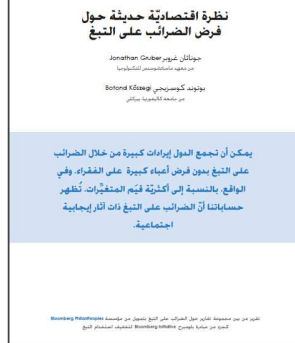
Name	Job title	Institution
Lara Batlouni	Senior Economic Officer	UNDP Project at Ministry of Finance
Ghassan Hamzah	Director at Customs Public Accountable	Lebanes Customs
Walid El Chaar	Head of Tax Legislation Department	Ministry of Finance
Rayane Dandash	Jr. Econ Research Assistant	UNDP-MOET
Caroline Bitar	Economic Research Assistant	UNDP-MOET
Samih Ibrahim	Head of Compliance Unit	Ministry of Finance
Najla Nakhle	Economy- Head of office	IMF
Dr. Elie Abo Yazbek	Health Expert	MOET

Appendix C: list of documents distributed



The effect of tobacco taxation on consumption and government revenue in Lebanon

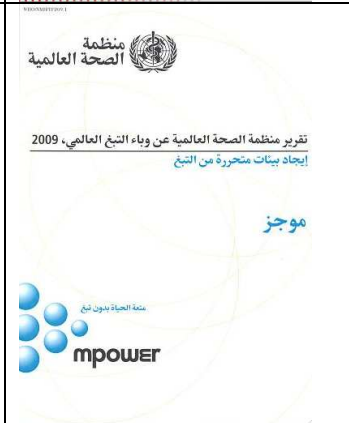
Material distributed during the workshop

<p>Agenda</p> <p>A booklet entitled:</p> <p>“ Trust us, we are the tobacco industry”</p>	<p>Appendix D</p> 
<p>A Modern Economic View of Tobacco Taxation</p>	

FCTF full version in Arabic



WHO Report on the Global Tobacco Epidemic, 2009: Implementing smoke-free environments



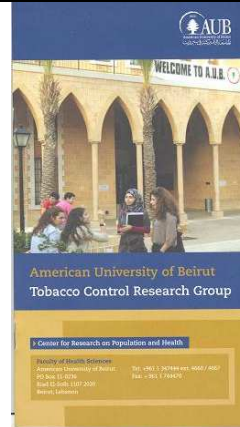
Guidelines for FCTC Article 6 (Price and tax measures to reduce the demand for tobacco) – What Finance Ministries need to know



Article: Chaloupka FJ, Yurekli A, Fong GT. Tobacco taxes as a tobacco control strategy. Tobacco control journal, 2012



The TCRG pamphlet



Links For further reading:

<http://www.tobaccofreeunion.org/content/en/217/>

http://www.who.int/tobacco/publications/en_tfi_tob_tax_annex.pdf

http://www.who.int/tobacco/publications/economics/tax_administration/en/index.html

Appendix D: Agenda



The effect of tobacco taxation on consumption and government revenue in Lebanon

Workshop agenda

Institute des Finances Basil Fuleihan
Beirut, Lebanon
Thursday February 23, 2012

Modules	Topic	Duration
Module 1	Tobacco in Lebanon: production, consumption, trade, linkages, effects and policies	9:00-9:30
Module 2	Theoretical tools for analysis: demand and elasticities, taxation tools, government revenue	9:30-10:30
Coffee break	IOF cafeteria	10:30-10:45
Module 2 (continue)	Theoretical tools for analysis: demand and elasticities, taxation tools, government revenue	10:45- 11:15
Module 3	Simulations: estimating economic outcomes under different scenarios	11:15-12:45

Certificate distribution		12:45-1:00
Lunch break	IOF cafeteria	1:00-2:00

Appendix E: Powerpoint presentation of the material presented

Attached as pdf

Appendix F: result of the discussion



The effect of tobacco taxation on consumption and government revenue in Lebanon

Main points of the workshop

Person	Questions/ Point raised		discussion
1	Why do we need tobacco taxation?		-To finance expenditures -Control demand -Equity reason -To decrease smoking in public space.
2	Excise tax is on both imported and exported cigarettes; mandated by the WTO		
1	Asked who agree on increasing tobacco taxation		Unanimous agreement
1	Mentioned the تقرير الاوضاع المعيشية للأسر	3	Mentioned that he is the one suppose to be in charge of any kind of taxation changes to take place, nevertheless he is not aware of the existence of such a document (been in this post for the past 7 years)
3	Mentioned that it is the role of	5	Need to have a bottom

	<p>the civil society to pressurize the parliament and increase awareness at the families' level in order for a change to take place.</p> <p>He b5ve that MOF can do nothing (and he mentioned example regarding another products) there is high level of lobbying.</p>		<p>up approach, people should pressurize the parliamentarian.</p> <p>But the problem when it comes to people: they are not confident how the money will be expended.</p> <p>Spent.</p> <p>Transparency is needed. In order to have a win-win situation</p> <p>Further he emphasized that civil society should take the initiative. Specially that they are the one that faced the lobbying issue and the proof: the law was implemented.</p>
		<p>3 *</p> <p>Treasurer of gov. employees</p>	<p>To tackle the tobacco taxation issue should approach the problem from a PH. Further he added the only way is through media, online, (that's what they did in their organization to raise wages)</p>
2	<p>Mentioned that smokers told him they get their illicit cigarette from licensed premises by Regie!</p> <p>He added this is where action should take place, by taking the licenses from the distributor!</p> <p>However nothing is taking place!</p>	3	<p>Replies that this is taking place because of political reasons and since one main political parties is in charge on tobacco!(mentioned cant say anything further)</p>
2	<p>Mentioned that a big part of tobacco enter Lebanon through the Airport! Duty free! And that need to be accounted for .</p>		
4	<p>Asked who do they think should be involved in tobacco taxation increase process</p>	3	<p>Civil societies and we could help them by providing info! But we can't do it!</p>

2	Media campaign does not work to make changes, need to do parallel actions: increase tobacco taxation and for example decrease it on fuel (earmarking!?)	5	Need something tangible
2	The customs employees receive several trainings by tobacco companies to be able to tell the fake from real product Also he mentioned smuggling through the sea		
5	Showed his interest in increasing the taxation on argileh! And asked about the best scenario	1	Problem is the substitution
2	Mentioned that Lebanon oblige tobacco companies to buy farmers tobacco leaf	1	Said it's kind of commission since their revenue exceed what they pay big time! Plus only 40% of farmers do implant tobacco (it's not healthy)

Appendix G: Evaluation Form

كلية العلوم الصحية
مجموعة البحث للحد من التدخين



The effect of tobacco taxation on consumption and government revenue in Lebanon

Evaluation

Have you attended any meeting/workshop about tobacco taxation since 2005?

- No
- Yes

If yes please fill the below table:

Name of the meeting/workshop	Organizer	Location (Lebanon/abroad)	Was it relevant to your work 1: not relevant 5: very relevant
			1 2 3 4 5
			1 2 3 4 5
			1 2 3 4 5
			1 2 3 4 5

			1 2 3 4 5
--	--	--	-----------

To what Extent do you think you can influence policy on (tobacco) taxation based on what you learned?

1: not at all
5: very much

1 2 3 4 5

To what extent was what you learned today relevant to your everyday work?

1: not relevant at all
2: very relevant

1 2 3 4 5

Would you like to be involved in similar further workshop in the future?

- No
- Yes

Would you recommend to other colleagues to attend this workshop?

- No
- Yes

If yes what would is their job title/position?

In case you have any additional comments please add:

Thank you

Appendix M: result of the discussion

Stakeholders meeting: April 4, 2012

Appendix H: invitation letter

برعاية دولة رئيس مجلس الوزراء

الاستاذ نجيب ميقاتي

تنتهز كلية العلوم الصحية في الجامعة الأميركية في بيروت بدعوتكم لحضور

لقاء تحاوري حول سياسة رفع الضرائب على المواد التبغية

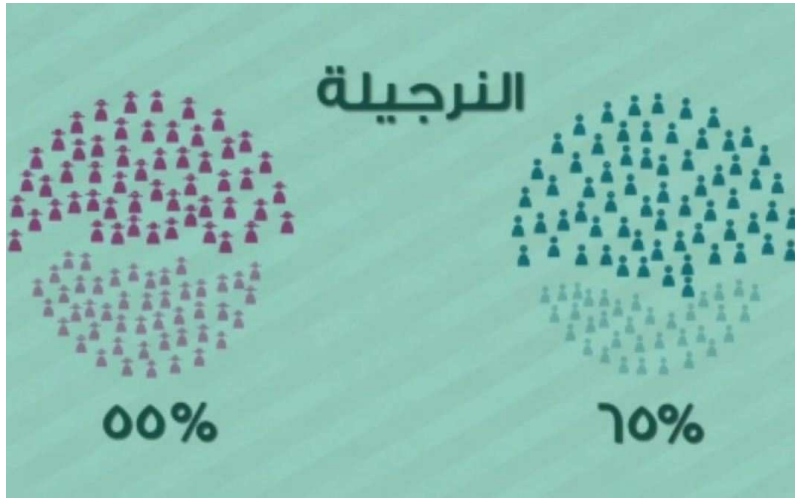
وذلك يوم الاربعاء ٤ نيسان ٢٠١٢، من الساعة ٣٠: ١٠ ولغاية الساعة ٤:٥٥ ظهراً،
يليه حفل كوكتيل

المكان: السراي الكبير

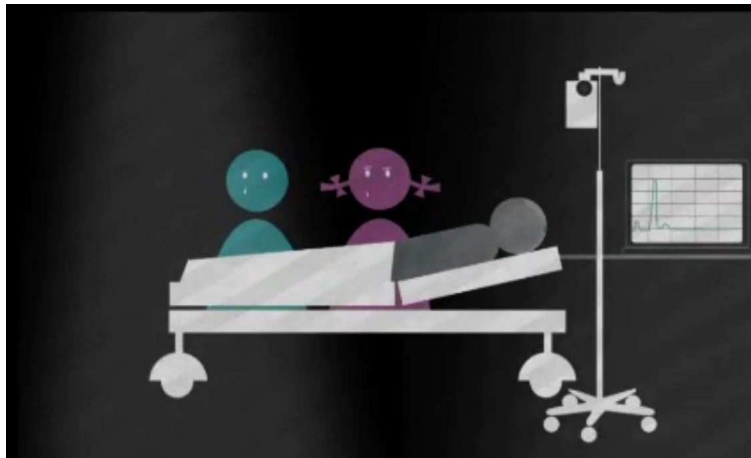
يتخلل اللقاء عرض ابرز الألتة والنتائج التي توصلنا اليها في دراسة "استقصاء أدلة لدعم سياسات لزيادة الضرائب على منتجات التبغ في لبنان" حول سياسات زيادة الضرائب على التبغ ، كما يتشرح كيفية تحليل واستثمار هذه النتائج بما يخدم مصلحة الدولة من حيث الزيادة في المداخيل و التخفيض من عبء الرعاية الصحية.

للتأكيد او الاعتذار عن الحضور، الرجاء الإتصال بالأسسة هالة علوية على الرقم ٠١٣٧٤٤٤٤٤٤٤٤، مقسم ٤٦٧٤ أو عبر البريد الإلكتروني
hal18@aub.edu.lb

Appendix I: animation snapshot



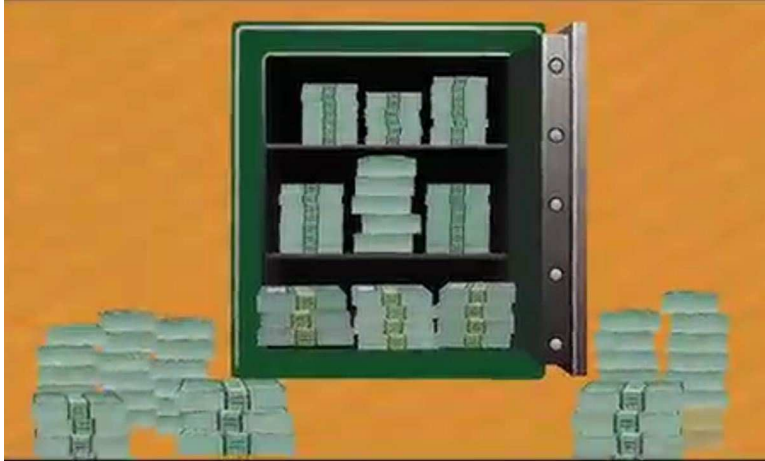
% of nargileh smoking in lebanon



By smoking people are more prone to be sick and die



Adding taxation will decrease consumption among youth



Will allow money to gane money that could be earmarked



Thus addind taxation will be benifial at the economical and health level

Appendix J: Fact sheet about tobacco taxation (Arabic form)

حقائق و أرقام عن مشكلة استخدام التبغ في لبنان

53% من الرضع مدخنون سلبيون
ومعرضون لكل أنواع الأمراض التي يسببها التدخين

خلافاً الى ما تدعيه شركات التبغ، فإن رفع نسبة الضريبة على المنتجات التبغية لا يزيد من حجم التهريب و يزيد من حجم الإيرادات الضريبية

90% من المراهقين اللبنانيين يتأثرون بإعلانات منتجات التبغ المباشرة وغير المباشرة

70% من المواد المصروفة التي تتعرض لها في الهواء هي نتيجة دخان السجائر و الأرجيلة

لبنان هو ثاني دولة في أعلى نسبة تدخين في المنطقة لبنان أول دولة في أعلى نسبة من الإصابات بمرض السرطان في المنطقة

60% من المراهقين اللبنانيين بين 13 و 15 سنة يتعاملون تدخين نوع من أنواع التبغ وخصوصاً الترجيلة

3500 لبناني يموتون سنوياً بسبب التدخين.

أي حوالي عشرين جنازة كل يوم

إن نسبة المدخنين النساء في لبنان هي النسبة الأعلى في المنطقة (7%) في العالم العربي مقارنة مع 35% في لبنان)

أن زيادة أسعار منتجات التبغ بنسبة 10% فقط يؤدي إلى انخفاض الإستهلاك بنسبة 8% في البلدان متوسطة الدخل وبنسبة 4% في البلدان ذات الدخل

80% من أولادنا مدخنون سلبيون
ومعرضون لكل أنواع الأمراض التي يسببها التدخين

60% من الأماكن العامة المغلقة في لبنان تحتوي على معدلات "خطرة" من التلوث في الهواء وفقاً لمعايير منظمة الصحة العالمية

55 مليون دولار أميركي قيمة خسائر الدولة اللبنانية سنوياً من جراء التدخين و هذا رقم متحفظ جداً

السياسات الموجب تطبيقها

الوضع الحالي	السياسات	خمسة حلول
يانتظر السياسة الداعمة		رفع الضرائب على المواد التبغية
يانتظر التطبيق التام		منع التدخين التام والشامل منة في العنة في الأماكن العامة المغلقة
مطبق		منع الإعلان لمختلف منتوجات التبغ في الوسائل الإعلانية كافة المرئية والمسموعة والمكتوبة والإنترنت...
مطبق		منع الرعاية و الترويج على مختلف أشكالها لمنتوجات التبغ كافة
يانتظر المراسيم التطبيقية		وضع تحليير صحي مصور على 40% من مساحة علية السجائر من الجهتين الأمامية والخلفية

لقاء تحاوري حول سياسة زيادة الضرائب على المواد التبغية

برنامج اللقاء

السراي الكبير

الاربعاء ٤ نيسان ٢٠١٢

كلمة الافتتاح و الترحيب بالمشاركين:	
د. ريما نقاش – أستاذة مساعدة في كلية العلوم الصحية ومنسقة مجموعة البحث للحد من التدخين كلمة د. بيتر دورمان - رئيس الجامعة الأميركية في بيروت	-١٠:٣٠ ١٠:٤٥
عرض لفيلم وثائقي قصير	-١٠:٤٥ ١٠:٥٠
كلمة دولة رئيس مجلس الوزراء الاستاذ نجيب ميقاتي	-١٠:٥٠ ١١:٠٥
عرض لنتائج الدراسة د. نسرين سنطي – أستاذة مساعدة قسم علوم الإقتصاد في كلية العلوم والفنون د. جاد شعبان - أستاذ مساعد في علوم الإقتصاد في كلية الزراعة والعلوم الغذائية	-١١ :٠٥ ١١:٣٥
كلمة معالي وزير الصحة العامة الاستاذ علي حسن الخليل	-١١:٣٥ ١٢:٠٠
نقاش مفتوح مع المجتمع المدني و الاعلام وصانعي القرار	-١٢:٠٠ ١٢:٣٠
إختتام اللقاء و التوصيات	-١٢:٣٠ ١٢:٤٥
حفل كوكتيل	١٢:٤٥

Appendix L: power point presentation

Attached as pdf

Appendix N: policy Brief

Attached as pdf

Appendix O:

Extra Appendixes:

Appendix O: main point of the Q/A

Main points pointed during the event:

Minister Safadi speech on behalf of the Prime Minister Mikati:

- Recognition that tobacco smoking is the curse! "أفة" of the century and many disease are taking place due to it.
- The smoking habit is widely practiced in Lebanon mainly among youth
- Need to make a national strategy to cease this issue as a 1st step as a 2d step to eradicate it to reach to a point where a decrease in diseases will take place.
- The actions to take place: monitory and juridical as well as awareness programs to fight addiction
- At juridical level :
 - talk about the law that need to be fine tuned for implementation
 - The agriculture sector in Lebanon is subjected to 3 types of taxation :
 - Customs
 - TVA
 - الرسم الضريبي fee tax
- Regie is the only party responsible of distributing the tobacco
- It's up to the government to decide on the taxation that needs to be imposed on tobacco product through the Regie.
- In October 2011, the MOF in collaboration/ after discussion with the Regie the decided to raise the price of the imported cigarettes by 250L.L (hahahahahah)
- Maybe further actions need to take place even if this will lead to decrease the governments revenue , since it is affecting the health of the citizen as well as due to the fact that the bill on health is costing way more than the income from tobacco
- Tobacco taxation need to goes hang in hands with actions to prevent smuggling from taking place so that the incomes from tobacco won't goes for the smugglers

rather than to the government. As such raising tobacco taxation will become a failure.

- Other area in the region have higher tobacco taxation such as: Egypt 58%, Jordan 68, Turkey 73% Syria 30% (here can see how smuggling could take place!!!!)
- Reemphasized on the law and the importance of having a component related to raising taxation
- At the community level: there is a need for awareness program at all levels through: tv , media campaign, stop TV adds about tobacco as well
- The aim is to make smoking a very hard habit to practice same as the case in Europe ... so smoker can't find a place to smoke to the point of feeling doing something wrong
- The Lebanese gov will do it's best to implement similar laws as is the case in civilized world

Hassan Nasrallah:

- We agree on raising tobacco taxation however this should be done in a strategized/ well designed/ studied way.
- Should take into consideration the smuggling: from Iraq mainly through Syria, where the price of tobacco is very low over there.
- Action could be done as was the case in 2010, in very well studies and organized manner so that to avoid the gov. to lose its revenue. Which was the case in 1999, the gov. raised taxation from 51% to 113% as such there was a drop in the sale on cigarette packs from 1 200 000 to 600 000 per year. The remaining 600 000 pack needed in the Lebanese market were procured through smuggling!
- Believe should have a united price between Lebanon Syria and Iraq

George Saade:

Smuggling point: mentioned that should not allow the tobacco companies do training on smuggling for the customs!

Minister Safadi on behalf of MOF: in response to the presented study

- Taxation is important: this help on tobacco smoking cessation due to its addiction aspect.
- Our duty is to help people that want to stop how to quit smoking
- Smuggling is complicated issue! It's not about increasing the number of employee at the customs; it's about diligence. It is about having info, be able to track the smuggled shipment from source to the receiver and try to stop it. However tracking is hard.
- Smugglers are very creative in the way of working: gave the example of shipment parking in the regional water/sea and pay fishermen to transport it to Lebanon (was monitored).
- The main concern of the government is the health of the people even if the government is to lose all its revenue. However if this money the government is losing will go to the

smuggler than in this case it's a NO! Thus should not allow the smuggler to take the money of the government. **Hope that we will be able in collaboration with the AUB team to by informing them about the customs problem and them providing us with info on how to deal with the situation.**

- lately increased the price on tobacco taxation took place (250LL wowwwwwwww) and there is other program “that cant mention” in order to further increase the price on tobacco product.

Open discussion:

Question	Response
<p><u>Lawyer Rafic Hajj:</u> Tobacco plant is a political plant by excellence in south. Why don't the MOE and MOAgr. Provide program for alternative culture.</p>	<p><u>Safadi:</u> Tobacco culture is taking place in South, North, Bekaa. Mentioned that the tobacco product in the south is of good quality and the monetary loss the government is handling from tobacco cultivation is the least among the 3 areas. . In Beqaa is less good There is an action with the Regie is to do an intervention/ action to do alternative culture and it is to be implemented in the north (the decision took place 2 weeks ago) thus the gov. money will go on this culture.</p> <p><u>Jad chabaan:</u> Government should stop supporting the culture of tobacco and go to alternative culture. The farmers in the south of Lebanon is able to get a bank loan since they have a fixed income (tobacco support) thus if can provide the farmers with fix income from alternative culture they will not need to go for tobacco culture anymore.</p> <p>Smuggling issue, should not fall for the argument of the tobacco industry and ask them to train people.</p>
<p><u>MP Ali Osseiran:</u> Agriculture level: It's not what the farmers' culture that need to be of concern but providing the farmers with a fixed income. The litany program to be implemented soon in</p>	

<p>the south will help farmers to improve their culture</p> <p>one of the very important alternative culture that use to be practiced in Lebanon instead of tobacco: the culture of blueberry that is also a home culture like the tobacco culture / sunflower could be cultured in the Bekaa.</p> <p>Smuggling level: Is an issue at the world level but we should not keep our children exposed to tobacco smoke.</p>	
<p><u>Wajdi Haraki , director of consumer protection.</u></p> <p>The government policy consists of protecting the consumers by <u>عمد</u> on food prices. However it seems that tobacco is one of those products. The proof is that there was inflation of prices on everything except on tobacco. We are asking from the government that price inflation to be applied the same way on fod as on tobacco products.</p>	
<p><u>Samar Hasbini, health of the health committee in the Beirut lil tanmiye organization :</u></p> <p>Emphasized that there is a n need to implement the lwa on banning tobacco smoking before addressing the issue of taxation.</p>	<p><u>Rima Nakkash:</u></p> <p>Mention that action that action should be made at many levels to reach the ultimate goal of reducing tobacco consumption on of them is raising tobacco taxation and in parallel action is taking place to implement the law.</p> <p><u>George Saade:</u> We are working as MOH on how to implement the law.</p>
<p><u>Sheikh judge Ahmad Rafeeh:</u> Believe that all drug users has started by smoking, Pleased by the fact sheet.</p>	

<p>Mentioned that the issue is not about having laws but mean of implementation.</p>	
<p><u>Nada Zaarour, hizeb el khodor el Lebnene :</u></p> <p>The MOF cannot compromise the health of the citizen in relation to the benefit of the tobacco industry. He(MOF) cannot give us a justification! He is in the position of giving us solutions (regarding smuggling).</p>	
<p><u>Rania Baroud, vise president of TIF:</u></p> <p>Is the council of minister residence smoke free area? don't believe so. It is very important what did the MOF of finance mentioned regarding the importance of the citizen health but I hoped that he would have said that the citizen health is more important even if the money goes to the smugglers. We can't say the health of the citizen is important with conditions.</p> <p>While trying pass the law to ban smoking we ask to permit to put the pictorial health warning on the packs knowing how effective it is specially at affecting the behavior of the youth. The argument of the council of parliament was that the regie do not want it. In fact the cost of such action will be on tobacco industry as well as it will allows differentiating smuggled from none smuggled packs. Thus who is encouraging smuggling? It is the responsibility of both MOH and MOF. As such It is required from both ministers to adopt this action to have better control of smuggling not necessarily at the borders only but within the country and as such they will be able to fine smugglers. Thank you for AUB, for the scientific evidence that is providing us with that helps us pass the law.</p>	

<p><u>Ahmad toufail jam3iyat al islah wal 2irshad al 2ijtima3iya:</u></p> <p>Mention about values among youth, and mention it's important to tackle the taxation but in parallel should work at other level religion, social level, awareness sessions, alternative programs and actions. Need to educate and make awareness of youth regarding this issue.</p>	<p><u>Rima Nakkash:</u></p> <p>What you are saying it's true but action at many level need to be done....</p>
<p><u>Sheikh Ahmad El Badaoui: president of red crescent organization:</u></p> <p>Hope that another meeting regarding educating people! Work at tehattitude... “توجيه”</p>	
<p><u>Jad Khalife. MOH:</u></p> <p>Note regarding the numbers and elasticity. It is important do check affordability and taxation.</p>	<p><u>Nisreen Salti:</u></p>
<p><u>Mohamed El arab, Jinan Univ, head of the HR department, journalist</u></p> <p>Ask about electronic cigarette and its danger, so why it is sold in the pharmacy. The last people to implement any laws in Lebanon are the governmental institutions. Example of LU.</p>	<p><u>Rima khalil:</u></p> <p>Propolyn glycol in the e-cigarette, and it should be banned and it is not an alternative. In response to the MOF, any program to help people quitting should be financed and in most countries this money is from tobacco taxation revenues. Quitting requires expertise, and money....</p> <p><u>George Saade:</u></p> <p>MOT prohibits importing the e-cigarette so any e-cigarette in Lebanon is smuggled!</p>
<p><u>Rani Raji, jam3iyet studio Beirut , architect</u></p> <p>Work on creating public places/ platforms for people to communicate</p>	<p><u>Pascale Saleme, LU</u></p> <p>Regarding the statistic, true there is no definitive number of the Lebanese population</p>

<p>As studio Beirut they emphasis on not being arrested in an arbitrary and aggressive manner. Lately noted that smokers are being perceived as criminal (noting that he does not smoke).</p> <p>Too bad that the MOEHE is not represented as well as MOSA</p> <p>Asked what is the number of the Lebanese population !? Last was done in 1982 thus the presented figures could not be true!</p>	<p>however we are using sample method which that can give up to 95% accurate results. Based on our studies, 60 to 70% of smokers say are not willing to stop smoking. It should be noted that people are so attached to smoking! Having someone helping them to quit is expensive in Lebanon and poor people can't afford paying for such luxurious treatments.</p> <p><u>MP Ali Osseiran:</u></p> <p>Yes we want to fight people protect our health and not smoke cigarette fume.</p>
<p><u>Habib Maalouf, Journalist:</u></p> <p>Since 2003, we have been asking to have a law regarding increase in tobacco taxation and work closely with neighboring countries(Syria, Iraq)</p> <p>The political decisions are so contradictory including the talk about MOF today: talk about health of the citizen than move to say about tobacco culture and no alternative for tobacco in some region in south.</p>	
<p><u>Dr Nada Ayoubi Amin 3am el markaz el arabi, president of mou2assase el eupopiye el libnaniye</u></p> <p>We need to start with awareness; the MEHE should have awareness sessions in schools.</p>	<p><u>Rima Nakkash</u></p> <p>What you mentioned is important but policies is also needed</p>

Appendix O:

Taxation Advocacy Campaign Strategy

Background

The tobacco control research unit at the American University of Beirut, IndyACT, and Tobacco Free Initiatives are the key three institutions have campaigned as one coalition for the passage of the first comprehensive tobacco control law in Lebanon. The tobacco control law passed in September of 2011, including a key amendment that the coalition has campaigned for during the last voting session in the Parliament. The law contains articles in relation to warnings on packages, ban on all kinds of advertisement and sponsorship, ban on smoking in all closed public spaces, among others. What the law does not contain is an article on the increase of taxes on tobacco products.

Although the issue is highly important and part of the objectives of the coalition campaign, the coalition decided not to campaign on increasing taxation on tobacco products to be included within the law for several strategic reasons:

- Towards the final draft of the law, there was no article in relation to taxation in the document, and attempting introducing a new article will mean that the coalition resources will spread thin and lead to us losing on some of the amendments required on other elements.
- The law included many strong elements that the coalition needed to focus on, and adding an additional element might overload the law, and lead to failure on certain elements.
- Increasing taxes on tobacco products does not require a law, and could be achieved within the Council of Ministers.

After the law passed, again, the coalition decided not to prioritize increasing taxation on tobacco products. In a nation where a substantial percentage of citizens smoke, the passing of the law came as a surprise to many. Most people did not believe that it was possible to pass such a law in Lebanon, and after that was achieved, many still don't believe that it will be implemented, similar to the situation of countless other legislations in the country. If the law is not implemented properly enough, momentum for further tobacco control policy will be lost, and achieving further victories on issues such as taxation will become much harder. Therefore, the coalition focused on ensuring the implementation of the passed tobacco control legislation, before campaigning for more just taxation on tobacco products.

Developments so far are encouraging. The ban on all forms of tobacco products ads and sponsorship is being implemented to a certain extent. Above the line advertisement is being implemented 100%. In terms of banning smoking in closed public spaces, the work is advancing, and 3 September will be a big test for this article. After September and October, it is possible to

initiate campaigning on tobacco product taxation, knowing that the work on implementing the new tobacco control law will be winding down.

Campaign Objective

Increase the tax on tobacco products to reflect the real external cost of the cigarettes in a just manner.

Power Analysis

Ministry of Finance: The Ministry of Finance is directly linked to taxation on tobacco products. It actually has the authority to suggest a tax. The Ministry is under a lot of pressure to identify new sources of income to the treasury. The cabinet had to increase minimum wage and salaries, while at the same time the cabinet have been pushed by taxi drivers to reduce taxes on gasoline, a key source of income for the government. Therefore, in the attempt of desperately increase government funds to balance the budget, adjusting the tobacco product tax became on the radar of the Ministry. This month (August) the Minister of Finance is preparing suggestions to the cabinet on how to increase income, and tobacco tax is one of the options. This opportunity is unique, and benefiting from the momentum existing around the tobacco control tax is highly recommended.

Regie: The Regie is the governmental body that is responsible for regulating the tobacco sector and related issues. They produce their own cigarette bread (Cedars), support tobacco farmers, and put rules and conditions for the international tobacco industry. In a TV interview, the Regie said that they have concerns that increasing taxes will lead to increased smuggling. The Regie is strong and is actually used as one of the few examples of successful governmental institutions. It will be difficult to raise tax on tobacco products without the support of Regie. The exact reason why the Regie is not supportive of an increase of the tobacco tax is not very clear. One thing that is clear is that the Regie has a very strong relationship with the tobacco industry, as well as the tobacco farmers.

Prime Minister: The Prime Minister is a philanthropist, and his foundation has been supporting tobacco control campaigns in the country. The Tobacco Control Unit at the American University of Beirut has brought the issue of increasing taxation to the Prime Minister's attention. They produced a study that shows the benefits of increasing the tax on tobacco products, and presented in an event inside the Cabinet's Headquarters. On a personal level it appears that the Prime Minister is in favor of increasing the tax on moral basis, as well as financial. The challenge will be estimating the political repel of such an act. Will increasing the tax on tobacco products add to his political strength or decrease it. The country is going through a very sensitive political and security situation, and the Prime Minister is under a lot of pressure. Even there is rumors that he might resign from his post.

Tobacco farmers: Tobacco farmers are important stakeholders in tobacco control legislation, since they are important supporters of a key political party in Lebanon. They are a chip always played within any tobacco control legislation, and usually they are moved in favor of the Regie and the private tobacco industry. Although the tobacco farmers are not affected much by national policy changes, they do worry that they lose the support of the tobacco industry, if legislation becomes too tight. When the existing tobacco control legislation was being passed, the tobacco farmers did not make a lot of noise. They did raise concerns, but they did not mobilize against the law. Now that the Regie is standing against increasing the tax on tobacco products, the farmers might mobilize in support of the Regie.

Tobacco industry: The private tobacco industry does know that there is interest in increasing taxes on tobacco products by several stakeholders, and it is expected that they will try to fight it, just like they did in relation to the tobacco control law. Their game will be smuggling, in support of the Regies argument, and most probably the industry is the one that is feeding the Regie (and others) this argument.

Ministry of Health: The Ministry of Health has a role to play indirectly in the tobacco tax, specifically in the issue of smuggling. According to the new tobacco control law, the Minister of Finance and Minister of Health together can issue a decree that enforces pictorial warning on the cigarette pack. The pictorial warning will make it easier to identify smuggled tobacco material, which would assist in the key argument used against increasing taxes on tobacco products.

Analysis:

Achieving a just tax on tobacco products is getting interest from the directly relevant stakeholders (Ministry of Finance and Prime Minister) for financial and other reasons. Supported by research from the American University of Beirut, the argument that raising tax on tobacco products is in the economic interest of the government is gaining grounds slowly. Work on this front needs to be intensified, including figuring out the best process to get the new tax policy approved (ie which policy process).

The main body that we require to gain the support of is the Regie, or at least prevent from furiously fighting the increase on taxes. To achieve this, there should be more clarity on what the Regie thinks and requires. They also need to get a piece of the cake, either through directly benefiting from the new tax, or being strengthened in terms of political positioning.

It is not clear how the private tobacco industry will be interfering in the process, but it would be best to keep a close watch on what they are doing, and be ready to strongly react when they attempt to interfere in the new tax policy development.

Communication strategy

Since political momentum exist for putting a new tax on tobacco products, the communication strategy should be focused on high-level lobbying, rather than media campaigning. Direct communication with decision makers should be conducted.

The main message to communicate to the Ministry of Finance and Prime Minister:

- “Increasing tax on tobacco products is an easy no stress process that will not only help solve a health problem and achieve social justice, but it will also help balance the budget”

The arguments should be focused around concrete proof that the process to achieve the new policy is NOT complicated, and it will NOT create political negativity. This requires building arguments based on scientific and economical information, by supplementing the studies so far conducted by the American University of Beirut.

Until the tobacco industry or any other stakeholder not in support of having an increased tax on tobacco products starts strongly interfering in the process, media communication on increasing taxes needs to stay as minimum as possible.

When the tobacco industry or other stakeholders start strongly pressuring for not having a new tobacco tax, then the communication needs to happen at two levels.

First, on the level of communication with decision makers, the arguments the tobacco industry and their supporting stakeholders make to decision makers in relation to their position need to be refuted. It is crucial that a credible body, like the American University of Beirut, leads the communication in providing the strong arguments against any allegations given by opposing stakeholders.

Second, at the level of public and media communication, the communication should be to highlight the false interests of the tobacco industry, and how the international corporates interfere illegally in the Lebanese legislative system. The focus will be on the credibility of the industry, and truly show how for decades they have manipulated national policy around the World. The aim of highlighting this message is to make other stakeholders refrain from supporting them, as much as influencing the work of the tobacco industry.

The main message should be:

- “The international tobacco corporates as usual are manipulating national policy to ensure that their interest, instead of public interest, is served.”

At that point, when the campaign starts to have a public profile, and is more communicated in the media, then our argument in favor for increasing the tax on tobacco products should be based around social justice and health returns of the tax.

Therefore, the main message for general public on why the tax is important:

- “The tax will justly put the real cost of the cigarette on those who create this cost, which we already have been paying unfairly in terms of the health bill taken from the budget of the Ministry of Health.”

Platform / Action Plan

Based on the above analysis, most of the campaign work will rely on developing arguments and communicating them directly (diplomatic lobbying), at least in the initial stage. Therefore, the preliminary action plan needs to be conducted:

- Further develop social and economic arguments for increasing the tax on tobacco products
- Organize and present this information in a form appropriate for decision makers (especially Minister of Finance and Prime Minister’s office)
- Identify the best process to achieve a just tobacco tax policy. This requires further communication with lawyers, decision makers, and government officials
- When this process is identified, communicate it to the Prime Minister and other relevant decision makers
- Appropriate academic seminars need to be organized similar to the one held in the Cabinet Headquarters, to communicate the new information received
- Further investigate on the position of Regie and their thinking should be conducted
- The campaign lawyer can help draft a decree to assist the cabinet in approving the new policy
- Involve highly credible (academic and non-academic) individuals in communicating the arguments to decision makers, such as syndicates of doctors, syndicate of hospitals, etc.)
- Write editorials in credible journal and magazine on the importance of the tax
- Coordinate with key civil society partners to assist in reaching key stakeholders