

## WORKING TO ASSIST GOVERNMENTS TO IMPLEMENT THE WHO FCTC

### About the World Bank Group

Founded in 1944, the World Bank has grown from a single institution into a group of five development organizations: the International Bank of Reconstruction and Development (IBRD); the International Development Association; the International Finance Corporation; the Multilateral Guarantee Agency; and the International Centre for the Settlement of Investment Disputes. Made up of 189 member countries, the World Bank Group (WBG) operates like a cooperative. Its overarching goals are, by 2030, to:

- end extreme poverty by decreasing the percentage of people living on less than US\$1.90 a day to no more than 3%; and
- promote shared prosperity by fostering the income growth of the bottom 40% for every country.

### What activities does the World Bank Group undertake to implement the WHO FCTC at a global level?

The World Bank Group (WBG) has long been committed to tobacco control, and has had an unambiguous global policy on tobacco since the 1990s. WBG does not lend directly to, provide grants for investment in, or guarantee investments, loans or credits for tobacco production, processing or marketing. Unmanufactured and manufactured tobacco, tobacco-processing machinery and equipment, and related services are included in the Negative List of Imports (detailing restricted and prohibited items) in projects funded by the WBG. Moreover, WBG technical assistance programs support efforts to increase taxes and prices on tobacco products and strengthen tax administration.

The WBG Global Tobacco Control Program helps government agencies to develop capacity to assess the health and social costs of tobacco use, and to design, enact, administer and monitor tobacco taxation policies (see box). Greater capacity is needed to enable countries to increase tobacco taxes and reduce tobacco use, taking into account the macroeconomic and fiscal situation of each country, tax laws, and existing tax administration structure and processes.

The WBG experts engaged in this Program span health, governance, macroeconomics and financial management, as well as trade and customs. The team works closely with international partners, including the International Monetary Fund (IMF), WHO, the Secretariat of the WHO FCTC, and the Campaign for Tobacco-Free Kids.

### REFORMING TAXES ON TOBACCO IN THE PHILIPPINES

The WBG, along with WHO, supported the Government of the Philippines to prepare and adopt the 2012 Sin Tax Law, which, after approval by Congress, led to a fundamental restructuring of the tobacco and alcohol excise tax structure. In the first three years after adoption, US\$3.9 billion or over 1% of GDP, was collected in additional fiscal revenues (about 80% of this amount was accounted for by tobacco taxes). This contributed to raising the Department of Health budget threefold, increasing the number of families whose health insurance premiums were paid by the Government from 5.2 million primary members in 2012 to 15.3 million in 2015. This equates to about 45 million poor Filipinos, around half of the total population. Additional fiscal space was also generated from interest savings, as the Philippines acquired an investment grade rating shortly after passing the Sin Tax Law. The experience shows that sin taxes on tobacco and alcohol are a low-hanging fruit that can be used to raise domestic resources to attain the Sustainable Development Goals.

The WBG has carried out substantial work to increase knowledge of issues related to tobacco control. For example:

- The 1999 WBG report, *Curbing the Epidemic: Governments and the Economics of Tobacco Control*, contributed to the successful negotiations of the WHO FCTC.
- The World Bank's Economics of Tobacco Toolkit helps researchers analyze the economics of tobacco policies in their countries.
- Other reports on the challenge posed by non-communicable diseases in numerous



countries and at the regional level highlight the importance of tobacco control as a priority public policy intervention.

WBG's most recent knowledge-management initiative includes developing a module on Tobacco Taxation and Tax Administration for the Joint Learning Network (JLN), which comprises practitioners and policymakers from around the globe. The objectives of this JLN module are to share evidence and best practices on raising tobacco taxes as a public health and fiscal policy measure, and to control illicit trade that undermines taxation policies. Technical support for the new module will be mobilized from the WBG, WHO, WHO FCTC Secretariat, UK Health Forum, the Knowledge Hub at the University of Cape Town, South Africa, and the American Cancer Society.

#### What activities does WBG undertake to implement the WHO FCTC at regional and country levels?

WBG does not have regional offices; it is headquartered in Washington, D.C., USA, and has offices in most member countries, including those countries supported by its Global Tobacco Control Program. WBG country-based staff members are involved in UN Country teams (UNCTs), with respect to tobacco control and taxation, as well as other key development issues. WBG's tobacco-control activities are led by staff based in-country, supported by specialists from HQ, to ensure full ownership and integration of this issue into broader country partnership frameworks – as both a public health and fiscal policy measure.

Outside of the UNCT mechanism, WBG works directly with government ministries to determine the scope and needs of lending operations, analytic work (such as on tobacco taxation) and technical assistance, which it supports at the country level. These activities include country-based assessments to determine: the magnitude of tobacco use; impacts on health (including estimating future non-communicable disease burden); ways to design tobacco tax policies in the context of a comprehensive tax policy framework; the impacts of adopting tobacco tax policy reform measures on prices, consumption levels, and countries' abilities to invest monies raised to benefit their entire populations; the effects of tobacco tax increases on employment; impacts on agriculture (related to switching from growing tobacco to cultivating alternative crops); and how to take multi-sectoral approaches and forge links with national lending operations across sectors.

#### Does WBG make the resources it publishes freely available?

Yes. Key background materials/documents are posted on the WBG's tobacco control website: [www.worldbank.org/en/topic/health/brief/tobacco](http://www.worldbank.org/en/topic/health/brief/tobacco) Global advocacy for tobacco control is supported via a dedicated blog series on the economics of tobacco control, and formal WBG publications, which reach a wide audience of country officials and development practitioners.

## INCREASE TAXATION

WBG's view on challenges and responses to implementing the WHO FCTC

“Tobacco taxation ... can play a critical role in turning the tide on the alarming increase in chronic conditions ... we see today in so many developing countries.”

*Jim Yong Kim, WBG President*

“Raising tobacco taxes to make these deadly products unaffordable is the most cost-effective measure to reduce tobacco use. The benefits of higher tobacco taxes and prices are obvious, as good health outcomes result from reduced consumption of tobacco products. The additional revenue gained can fund vital health programmes.”

*Tim Evans, Senior Director, and Patricio Marquez, Lead Public Health Specialist, Health, Nutrition and Population Global Practice, WBG*



#### How can Parties approach WBG for support?

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