

# Knowledge Brief

Health, Nutrition and Population Global Practice

## TOBACCO CONSUMPTION IN PAPUA NEW GUINEA

May 2015



### KEY MESSAGES:

- Tobacco use is a major challenge to international development.
- Despite being a signatory to the Framework Convention on Tobacco Control (FCTC) and a Tobacco Free Pacific, Papua New Guinea is one of the ten countries with the highest rates of tobacco use in the world.
- Tobacco consumption in Papua New Guinea disproportionately harms poor households.
- The Government of Papua New Guinea has announced in its 2015 National Budget a change to the indexation arrangements applying to tobacco excise, increasing it by 5 percent biannually (10 percent annually) for the next five years. This will help Papua New Guinea to achieve the target of raising the excise duty to 70 percent of the retail price.
- However, this policy must be supported by other control measures including advertising bans, smoke free zones, public education, graphic messaging, and enforcement of rules against selling tobacco to minors.

### How Does Tobacco Use Undermine Development?

Tobacco use undermines development in at least four ways.

**1. Tobacco use is the leading global cause of preventable death.** The World Health Organization states “the tobacco epidemic is one of the biggest public health threats the world has ever faced, killing nearly six million people a year.”<sup>1</sup> Tobacco use is the only risk factor common to all four of the main noncommunicable diseases (NCDs) – cancer, cardiovascular disease, diabetes and respiratory disease. While tobacco use accounts for an estimated one in six of all NCD deaths<sup>2</sup> it is also the single greatest preventable cause of NCDs. There is no safe level of tobacco use.

**2. Tobacco use raises *direct costs* for individuals and governments.** Individuals who smoke will, on average, have higher health costs than non-smokers. Women subject to second hand smoke are likely to have babies with a lower birth weight and higher medical costs.<sup>3</sup> Tobacco use makes treating existing diseases like diabetes more complex and more expensive. It also raises the costs to the government health system.<sup>4</sup>

**3. Tobacco use imposes *indirect costs* on individuals, industry, and government.** The money that individuals spend on tobacco could be spent on beneficial products and services, such as improved housing and education rather than this always potentially harmful product.<sup>5</sup> Smokers impose costs on industry through absenteeism. The extra money that governments spend

to treat tobacco-related diseases could instead be spent on rural roads, electricity generation, or education.

**4. Tobacco use increases social and financial inequity by disproportionately harming the poor.**<sup>6</sup> The poor tend to have a worse health status to begin with; have fewer financial resources to spend on tobacco; and are less able to access health care if tobacco-related diseases occur.

## The Situation in Papua New Guinea

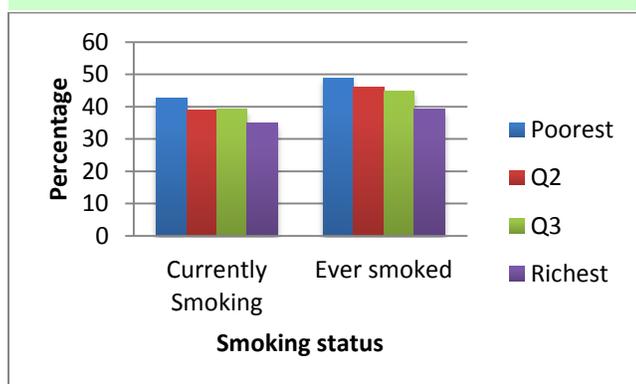
Papua New Guinea is among the top ten countries in the world in terms of tobacco consumption — around 40 percent of the population consumes tobacco. It is an important development challenge, imposing a significant burden to households, particularly poor households.

Tobacco expenditure accounts for 3-7 percent of household total expenditure and 13-27 percent of food expenditure, depending on wealth status. Smokers from the poorest quartile are more likely to consume non-processed tobacco, while smokers from the richest quartile are more likely to consume cigarettes.

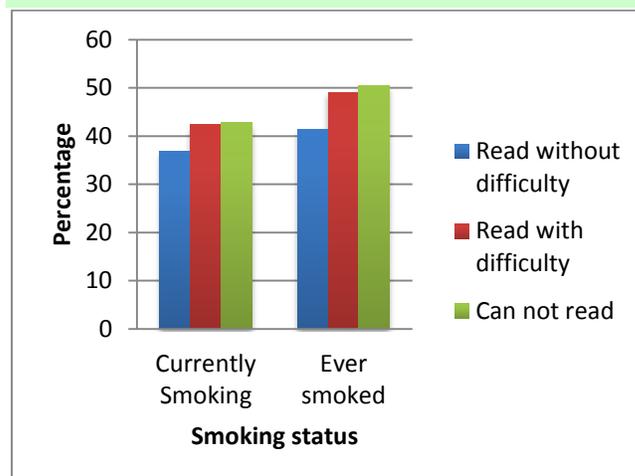
**Equity and tobacco consumption:** The World Bank recently analyzed data from the 2009-2010 Papua New Guinea Household Income and Expenditure Survey (2009-2010 Papua New Guinea HIES) to identify trends in tobacco use and expenditure. That analysis is important because the 2009-2010 HIES is the first comprehensive and nationally representative survey of the socioeconomic status of Papua New Guinea households since the 1996 Household Survey of Papua New Guinea. The key findings are displayed in Figures 1-4 below. In essence, it is clear that:

- The poorest quintile has the highest rates of tobacco use (Figure 1).
- The least educated have the highest rates of tobacco use (Figure 2).
- For the poorest segments of society, more than 6 percent of total household expenditure is spent on tobacco (Figure 3).
- The poorest quartile smokes more non-processed tobacco (Figure 4).

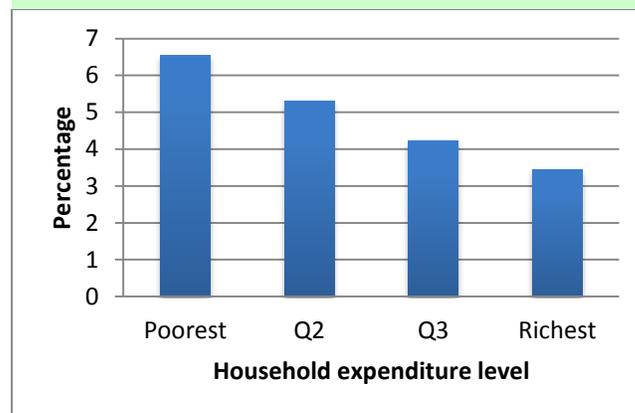
**Figure 1. Smoking prevalence by wealth quartile**



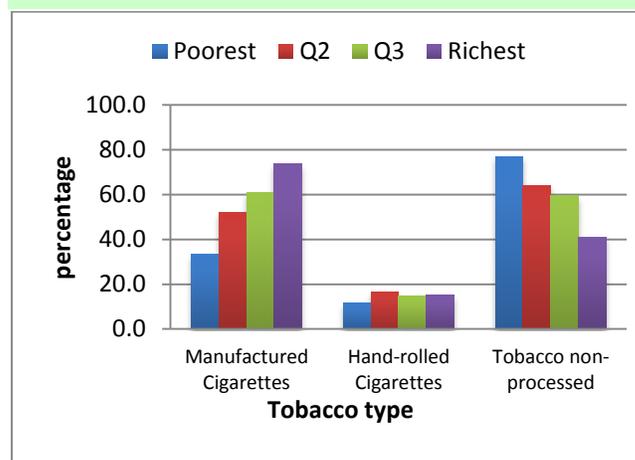
**Figure 2. Smoking prevalence by education**



**Figure 3. Expenditure on tobacco as % of household food expenditure, by wealth quartile**



**Figure 4. Choice of tobacco type by wealth quartile**



## Policy Discussion

**1. The “do-nothing” option will impose increasing health, social and economic costs on Papua New Guinea.** Rising incomes in Papua New Guinea, a growing population of younger people, and aggressive marketing by tobacco companies will inevitably lead to a rise in the prevalence of tobacco use. This will, in turn:

- Increase the incidence of otherwise preventable and costly NCDs such as cancer;
- Directly raise the health costs to individuals and governments;
- Indirectly reduce expenditure by individuals and governments on goods and services that increase wealth and productivity;
- Increase absenteeism and therefore raise costs in Papua New Guinea industry; and
- Reduce sales of other beneficial products produced in Papua New Guinea.

**2. A strategic option is for the PNG Government to actively and purposefully work to reduce tobacco consumption.**

There are several reasons why government intervention is necessary and can be effective:

- **There are effective, feasible ways to reduce tobacco consumption.** Raising the excise duty on tobacco is considered to be an essential and effective step to reducing tobacco consumption globally. More specifically, WHO recommends that raising excise duties to at least 70 percent of the retail price is “best practice”. The reasoning behind this strong recommendation is that the subsequent price increase would induce many current users to quit; deter youth from taking up the habit; and reduce adverse health outcomes and costs to government and users.<sup>7</sup>

Recognizing the high health risk and increasing treatment costs of tobacco-related diseases in Papua New Guinea, the Government of Papua New Guinea has made a strong commitment in the 2015 National Budget Document to change the indexation arrangements to tobacco excise. It has now applied an increase of 5 percent biannually (10 percent annually) from 2.5 percent or CPI inflation, whichever is lower. This is a remarkable start.

- **Raising the excise duty on tobacco generates additional revenue for government.** The Government of the Philippines recently raised tobacco (and alcohol) taxation and used much of the additional revenue to fund the expansion of Social Health Insurance for the poor.<sup>8</sup>
- **There are “market failures” that justify government action.** Virtually all economists agree that government intervention is justified when there are “market failures”.<sup>1</sup> For example there are large ‘externalities’, that is, the direct and indirect health and economic costs of tobacco on society are

not captured in the price. There are also classic ‘information failures’ about the health risks of smoking and about the addictiveness of smoking: especially amongst the poor. Governments need to counter the ‘market power’ of the powerful tobacco manufacturers to avoid socially undesirable outcomes such as advertising and selling to children. Reducing inequity and protecting the poor is another in-principle justification for government intervention.

- **Action to reduce tobacco consumption generates early reductions in disease and health costs: often within just one year.** In 2008, Turkey raised cigarette taxes to 81 percent and banned tobacco advertising and smoking in public places. The following year, hospital emergency room admissions in Turkey for smoking-related diseases declined by nearly a quarter and smoking rates dropped 16 percent over three years.<sup>9</sup>
- **There are practical challenges in applying an excise duty on non-manufactured tobacco** that will need to be considered, given the availability/ prevalence of growing tobacco in small local gardens — more than 70 percent of non-processed tobacco is purchased from a local market and/or street vendors in Papua New Guinea (HIES 2009/2010). This will create a practical challenge in terms of implementing increased excise duties over the short to medium term. This however must be addressed as raising the excise duty on manufactured tobacco without commensurate increases in non-manufactured tobacco is likely to see a shift in consumption from the former to the latter.

**3. Excise duty needs to be supported by other non-price measures.** Other tobacco control measures include advertising bans, smoke free zones, public education, warning pictures and enforcing rules against sales of tobacco to minors. These and similar measures are set out in the WHO Framework Convention on Tobacco Control (FCTC) which the Government of Papua New Guinea ratified in 2006. They are particularly important interventions given the practical challenges of imposing increased excise duties on non-manufactured tobacco. Implementation of FCTC has been challenging in many low-income and middle-income countries, and Papua New Guinea is no exception. The World Health Organization monitors tobacco use and prevention policies; they report that graphic warnings, which would help the population who have difficulty reading or who cannot read to understand the dangers of smoking, have not been implemented.<sup>10</sup> In Papua New Guinea cigarettes are still sold on the street and promotion and sponsorship activities have not been banned. Stronger leadership, commitment and capacity are required to legalize and implement these provisions.

**4. There are opportunities and resources to reduce tobacco consumption.** Ministers of Finance and Ministers of Health from the Pacific Island Forum have jointly agreed to implement their own country specific *Roadmap for the control of Non-Communicable Diseases*. This is the first and most substantive decision to reduce tobacco consumption. Strong action by

<sup>1</sup> In essence, a market failure occurs when the social benefits normally generated through competitive market forces fail to materialise because of distortions and failures in the market.

Papua New Guinea would therefore be part of a regional Pacific approach to reducing tobacco consumption.

## References

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- <sup>2</sup> Beaglehole, R., Bonita, R., Horton, R., Adams, C., Alleyne, G., Asaria, P., et al. 2011. "Priority Actions for the Non-communicable Disease Crisis." *The Lancet*, 377(9775), 1438-1447.
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