

Summary report on the
**High-level meeting of
ministers of health and
finance from the Eastern
Mediterranean Region
on taxation of tobacco
and nicotine products**

Virtual meeting
6–7 June 2023



**World Health
Organization**

REGIONAL OFFICE FOR THE **Eastern Mediterranean**

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1. Introduction

A high-level meeting of ministers of health and finance from the Eastern Mediterranean Region on taxation of tobacco and nicotine products was held on 6–7 June 2023. The virtual meeting was convened in response to the recommendation of the second meeting of the High-level Ministerial Group on the Control of Tobacco and Emerging Tobacco and Nicotine Products in the Eastern Mediterranean Region, with the purpose of addressing an increase in taxes on tobacco and nicotine products in light of the pressing challenge of tobacco consumption in the Region. The latest WHO global report on trends in prevalence of tobacco use 2000–2025 revealed that approximately 92 million adults in the Eastern Mediterranean Region, accounting for 19% of the population, are current tobacco users. Among them, 82 million are men and 9.5 million are women. Alarming, although the WHO global report shows an overall decrease in tobacco use in the Region, four out of the six countries worldwide experiencing an increase in tobacco use are in the Region, namely Egypt, Jordan, Lebanon and Oman. However, there is some positive progress; for example, Pakistan remains on track to achieve the 30% reduction target for tobacco use by 2025 (extended to 2030).

Article 6 of the WHO Framework Convention on Tobacco Control (WHO FCTC) highlights the effectiveness of increasing taxes on tobacco products to curb tobacco consumption. At the same time, global experience shows that higher taxes on tobacco and nicotine products have proven to be successful in reducing consumption rates. Nevertheless, tobacco and nicotine products remain relatively cheap and easily accessible in the Eastern Mediterranean Region compared to other WHO regions. This situation underscores the need for more effective tax policies to increase prices and subsequently decrease tobacco consumption. With ample evidence supporting the effectiveness of raising taxes on tobacco products, it is crucial to intensively promote this measure among policy-makers in the Region.

The primary objective of the high-level meeting was to address key aspects related to tobacco and nicotine products taxation and support effective tobacco control strategies within the Eastern Mediterranean Region.

The specific objectives of the meeting were to:

- review the commitments outlined in the WHO FCTC concerning the increase of tobacco taxes and improvements in the taxation structure;
- analyse the regional status of tobacco product taxation to assess the current challenges and identify areas for improvement;
- examine international and regional best practices in tobacco taxation as a basis for informing policy decisions;
- explore the possibilities for earmarking, i.e. identifying potential uses for tax revenues generated from tobacco and nicotine products;
- address the challenges and barriers associated with implementing new taxation policies;
- identify a way forward for adopting new taxation policies in Member States of the Eastern Mediterranean Region to strengthen tobacco control strategies.

Dr Ahmed Al-Mandhari, WHO Regional Director for the Eastern Mediterranean, opened the meeting by welcoming all attendees. He acknowledged the persistent public health challenge posed by tobacco use in the Region and emphasized the importance of continuous monitoring and reduction efforts. He noted the significance of using taxation as a tool to curb tobacco consumption and appreciated the high-level support from Their Excellencies for tobacco control efforts.

Dr Adriana Blanco Marquizo, Head of the WHO FCTC Secretariat, highlighted the importance of comprehensive implementation of the WHO FCTC, including the Article 6 guidelines that focus on tobacco taxation increases. She also noted that the Protocol to Eliminate Illicit Trade in Tobacco Products is a key international tool to support the efforts in taxation increases globally. Dr Asmus Hammerich, Director,

UHC/Noncommunicable Diseases and Mental Health, WHO Regional Office for the Eastern Mediterranean, began the two-day event by presenting the meeting objectives, proceedings and expected outcomes. Dr Douglas W. Bettcher, Senior Advisor, Director-General's Office, WHO headquarters, moderated the presentations from the technical teams

2. Summary of discussions

Ms Anne-Marie Perucic, Health Economist, Fiscal Policies for Health Unit, Health Promotion Department, WHO headquarters, gave a presentation on why taxing tobacco and nicotine products is a key regulatory approach for tobacco use in the Eastern Mediterranean Region. The presentation addressed challenges in tobacco tax structures, the low price of tobacco products in the Region and the rise in popularity of waterpipes, electric and non-electric nicotine devices, highlighting the low taxes on these products. Positive developments were noted, including the introduction of excise taxes and reduced cigarette affordability in some countries. Strict regulation and excise taxes were recommended for novel tobacco and nicotine products to prevent users shifting from one product to the other. In summary, evidence-based decision-making and careful tax structure planning are crucial in addressing the challenges and complexities of tobacco and nicotine product taxation in the Region.

Ms Ceren Ozer, Senior Economist and Programme Manager, Global Tax Programme, the World Bank, presented on why taxes are essential for continued national growth. The presentation focused on the impact of tax revenues on health and social development. It was noted that governments can lose revenue due to inflation erosion; for example, between 2011 and 2021 Lebanon's excise revenue decreased from 2.3% to 0.5% of gross domestic product. This decline shows the potential revenue loss that governments face and the opportunity that taxing tobacco products presents to mitigate such loss and to support social

and health programmes. The need to optimize tax structures was emphasized, including moving away from import tariffs and ad valorem taxes towards excise and specific taxes. Considering the high inflation and weakened economic environment in the Region, along with rising debt and overall weakening of global economic growth, it becomes crucial for countries to expand tax revenues to fund much-needed investments in human capital. It was noted that successful implementation requires strong coordination between the ministries of health and finance to ensure that tobacco tax policies effectively improve health outcomes and generate revenue.

Dr Jeffrey Drope, Research Professor at the School of Public Health, University of Illinois Chicago, delivered a presentation on using new tax revenues to support health service provision. The economic cost of tobacco and the positive return on investment between health and tax income were emphasized. Examples were used to show the pros and cons of utilizing generated income to support pro-equity programmes that can enhance broader societal health and development. The importance of using the generated income to garner support for increasing tobacco excise taxes using hard and soft earmarks was emphasized. There is a need to communicate to the public where the funds are being directed to harness public support for government strategies.

Dr Corné van Walbeek, Professor at the School of Economics, University of Cape Town, and Director of the Research Unit on the Economics of Excisable Products and the WHO FCTC Secretariat's Knowledge Hub on Tobacco Taxation, presented on the illicit trade in tobacco products and whether it is related to increases in tobacco taxes. It was noted that illicit trade is a multifaceted issue and should not serve as a barrier to implementing tobacco control measures. Examples from the United Kingdom show that taxation combined with anti-smuggling strategies can be effectively implemented without leading to an increase

in illicit trade. Strong regulation is needed to tackle illicit trade in tobacco products, as challenges include poor enforcement, weak governance and regulatory frameworks, informal distribution networks, porous borders, crime and corruption. It is crucial that countries ratify the Protocol to Eliminate Illicit Trade in Tobacco Products.

Dr Douglas W. Bettcher concluded the technical presentations session by delivering some key messages, as follows:

- increasing tobacco taxes is a win-win situation for ministries of health and ministries of finance, as it both increases revenues and decreases prevalence of tobacco use;
- taxation on all tobacco and nicotine products should reach the highest recommended levels;
- the tax structure should align with the recommended principles of simplicity and transparency;
- regular tax increases should be implemented, considering inflation, to sustain the impact on reducing tobacco prevalence and increasing revenues;
- all tobacco and nicotine products should be subject to taxation;
- it is important to separate the argument against illicit trade from the discussion on tax increases;
- the additional revenues generated can support the health agenda through increasing health allocations at the national level.

Dr Rana Hajjeh, Director, Programme Management, WHO Regional Office for the Eastern Mediterranean, moderated a discussion on challenges facing application of the taxation policy to the level of best practice, how WHO can support countries in this regard, how engagement between ministries of health and finance can be strengthened at the country level and why new nicotine products are not taxed highly enough. Countries highlighted the impact of tobacco consumption on public health and acknowledged the role of taxation in

addressing this issue. Potential opportunities for earmarking tobacco tax revenues were explored and the need for collaborative efforts was noted. The importance of public awareness initiatives was emphasized, as well as the significance of conducting studies focused particularly on youth and emerging tobacco products.

Dr Ahmed Al-Mandhari closed the first day of the virtual meeting by acknowledging that there was a need to continue to work together to ensure that taxation on all tobacco and nicotine products reaches the highest recommended levels in all Member States. With parliamentarians and regulatory bodies, work should continue on a regulatory system for tax increases in order to sustain the impact on prevalence reduction and revenue increases. Dr Al-Mandhari noted the need for countries to ratify the Protocol and to delink the illicit trade argument from tax increases on tobacco and nicotine products.

Dr Fatimah El-Awa, Regional Adviser, Tobacco Free Initiative, Regional Office for the Eastern Mediterranean, and Ms Anne-Marie Perucic, Health Economist, WHO headquarters, commenced the second day's proceedings with an overview of the current situation in the Region including trends in tobacco prevalence among different population groups, such as young people and adults. The presentation also highlighted the use of the MPOWER tools to impact tobacco consumption.

The countries were divided into four groups, based on their levels of tobacco taxation: 1) low taxes; 2) moderate taxes; 3) high taxes; and 4) Gulf Cooperation Council (GCC) countries. Four presentations were planned from each taxation group, which were followed by discussion.

The **low taxes group** comprised Afghanistan, Iran (Islamic Republic of), Iraq, Lebanon, Libya and Somalia. The Islamic Republic of Iran presented on the current situation of taxation laws in the country, as well as the

prevalence of tobacco use among different demographics. Old and new tax structures were compared, highlighting the inclusion of additional duties for imports. The group discussed the following questions: 1) why are we in the low tax group? 2) what are the upcoming opportunities to improve? and, 3) how can we move forward from here? Countries noted the challenges and highlighted the need for work in this area.

The **moderate taxes group** included Pakistan, Syrian Arab Republic, Tunisia and Yemen. Pakistan gave a presentation highlighting the significant tax increase on tobacco products of 206% between 2022 and 2023. The country is currently evaluating the impact of this tax hike on illicit trade within the Region. In Pakistan, the tax structure encompasses sales tax, Federal excise duty (FED) on imported cigarettes, FED on cigarette rods and the inclusion of tax on e-liquids. The group discussed the following questions: 1) what are the obstacles? and, 2) how can we improve the situation? The discussion acknowledged that the addictiveness of tobacco products and the emergence of new nicotine products pose significant obstacles. The strong implementation of tobacco reduction initiatives, including training, consultancy, specialized treatments, the taxation of all emerging tobacco and nicotine products and controlling smuggling were all highlighted. Tunisia and Yemen briefed the group on the status and level of implementation in the countries.

The **high taxes group** comprised Egypt, Jordan, Morocco, the occupied Palestinian territory and Sudan. A presentation was made by Jordan on the status, challenges and existing tax structure in the country, highlighting the use of tags on cigarettes as a measure to combat smuggling. The identified gaps in prevalence data for adults (latest from 2019) and youth (latest from 2013) were noted. Jordan emphasized the need to: harmonize taxes across all products; reduce affordability of products (especially in respect to young people); earmark tax revenues

for tobacco control and health programmes; reactivate the national multisectoral committee; and become a Party to the Protocol to Eliminate Illicit Trade of Tobacco Products.

Egypt gave a presentation on the country situation, highlighting that prevalence of tobacco use is expected to increase. The positive return on investment in tobacco control was noted and the evolution of the country's tax structure was discussed. However, the need for improvement was acknowledged, noting that the affordability of tobacco products remains high compared to neighbouring countries. Additionally, the need for strict regulation and taxation of emerging tobacco and nicotine products at the same rate as premium cigarettes, along with waterpipe taxation regulation, was emphasized. Lastly, combining significant tobacco excise tax increases with other demand reduction measures aligned with the WHO FCTC and MPOWER strategies was recommended for synergistic outcomes.

The group discussed the following questions: 1) how can we maintain the gains? and, 2) where do we go next? The group emphasized the necessity of collaboration between the ministries of health and finance, and highlighted the importance of training finance ministry staff on the significance of tobacco taxation and its implications for public health. By fostering cooperation and understanding between the two ministries, countries can enhance the effectiveness of tobacco taxation measures and promote better health outcomes.

The **GCC group** included Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. A presentation by Saudi Arabia addressed tobacco use and affordability. Efforts to gradually increase taxation on tobacco products in Saudi Arabia were highlighted, which has resulted in a rise in the utilization of cessation clinics. Challenges were noted regarding illicit trade in tobacco products, variations in tax

implementation in the Region, and variation in taxation on electronic nicotine delivery systems, electronic non-nicotine delivery systems, heated tobacco products and other nicotine products. The need for taxation on e-liquids and the introduction of tobacco products with lower prices were highlighted. Additionally, Saudi Arabia noted tobacco industry interference and the importance of transparency within the industry.

A presentation by Qatar discussed the country's approach to tobacco taxation and aim to establish a functional and comprehensive taxation system for products. Strategic objectives include reducing tobacco consumption, minimizing associated health problems, encouraging continued reduction in consumption among current users, preventing relapse among former smokers, and discouraging initiation of tobacco use among young people. In future, Qatar plans to review the current selective taxation system for tobacco products and to adjust and increase prices for specific products accordingly. Qatar also intends to redesign the taxation system to be based on the retail price paid by users rather than on the cost, insurance and freight (CIF) price. Additionally, it is proposed to use a portion of tax revenues to support tobacco control activities in the country.

The GCC group discussed the following questions: 1) after an increase in tax, what additional measures can be taken to maximize impact? 2) how can WHO support Kuwait? It was highlighted that the legislation in Kuwait is currently under review with the aim of increasing taxation on tobacco products, as the current approach involves raising prices without utilizing tobacco taxation. Kuwait also emphasized the need to resume semi-regional meetings.

The meeting concluded that each country should recheck their taxation data, and that individual country meetings, webinars and consultations should be conducted to address specific needs and challenges. Countries need to initiate discussions at the national level on the

taxation situation, as presented in the meeting, and agree on next steps as well as the needed support from WHO and other international organizations, including the WHO FCTC Secretariat.


3. Recommendations

To Member States

1. At national level, continue to foster collaboration between the ministries of health and finance in implementing effective tobacco taxation, including developing stronger capacity and understanding of the obligations outlined in Article 6 of the WHO FCTC for all relevant sectors; WHO and the WHO FCTC Secretariat can play an integral role, based on country requests.
2. Join the WHO FCTC Protocol to Eliminate Illicit Trade in Tobacco Products, with the aim of addressing the illicit trade argument at the national level.
3. Explore options for earmarking/dedicating/increasing health allocations from tobacco tax revenues for tobacco control initiatives.

To WHO

4. Facilitate regular meetings of countries to exchange ideas and experiences in tobacco taxation.
5. Continue to analyse the status of tobacco and nicotine products taxation in the Region.



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