



Response to SDSN Report: Financing for Sustainable Development

The Framework Convention Alliance on Tobacco Control (FCA) welcomes the opportunity to provide a response to the SDSN Report on Financing for Sustainable Development. The FCA is made up of nearly 500 organizations from over 100 countries. We agree that the Post-2015 Development Agenda will require substantial financial resources, including an increase in domestic resources, in order to be fully realized.

Therefore, FCA believes the report could be further strengthened by emphasizing the contribution tobacco taxes can make in preventing the growing burden – and associated economic costs – of non-communicable diseases (NCDs), while at the same time mobilizing domestic resources for development.

As the report notes, to advance the health-related post-2015 development agenda, substantial increases in public investment will be needed (P53, L8-11). In this regard, tobacco taxation may contribute to sustainable development on two parallel tracks.

Raising tobacco taxes is the single most effective way to reduce tobacco prevalence and save lives. Increasing taxes encourages cessation among those who already use tobacco, prevents initiation among potential users, and decreases the quantity consumed among existing users. Higher tobacco taxes are particularly effective at reducing consumption by vulnerable populations, particularly youth. Increasing taxes nearly always increases government revenues, in spite of reduced consumption.

In some of the poorest countries, as much as 30% of family income is spent on tobacco. Encouraging cessation and discouraging initiation through higher tobacco taxes frees up limited personal funds for necessities such as food, shelter, education, and health care. Tobacco tax systems that aim to make tobacco products more affordable for low-income populations ultimately increase health inequities and create a higher burden of health and economic costs on the poor.

Tobacco taxation is also the subject of a key article in the WHO Framework Convention on Tobacco Control (FCTC), which legally binds 179 countries. Moreover, in October 2014 guidelines providing details on how to effectively implement tobacco taxes were finalized and approved by all Parties to the FCTC.

While the primary purpose of tobacco taxes is to decrease tobacco use, such taxes also generate substantial revenues. The SDSN report rightly points out that tobacco taxation has been recognized as a potential “innovative financing mechanism” (P105, L12-13).

FCA welcomes the reference to tobacco taxation as an innovative financing mechanism. With respect to consumption taxes on tobacco products, however, we believe that their key purpose and their

contribution to preventing disease, death and economic loss should be included in the report. We also believe innovative financing mechanisms based on taxing the repatriated income of multinational tobacco companies warrants consideration. (See South Centre, *Innovative Financing Mechanisms: Potential Sources of Financing the WHO Tobacco Convention.*)

Therefore, FCA proposes the following addition to the text (p. 105, L16):

“Consumption taxes on tobacco products have been shown to have a very positive impact on reducing tobacco use and improving health. In many countries, tobacco taxation is also an important source of government revenue and is dedicated to tobacco control activities, hospital services and other health prevention or promotion services. It seems straightforward that it should be a key feature of future SDGs financing and that increased tobacco taxes should be an important element of reforms to government revenue policies.”

We also suggest rephrasing the last sentence of the paragraph that beings on page 105 at line 20:

“Other innovative financing mechanisms, such as a modest corporate income surtax imposed on the earnings of multinational tobacco companies at the moment of repatriation, can make important contributions towards raising resources for specific uses, although they may play a smaller role in the overall picture of development finance.”

REFERENCES

Guidelines for Implementation of Article 6 of the WHO Framework Convention on Tobacco Control, http://www.who.int/fctc/guidelines/adopted/Guidelines_article_6.pdf.

WHO Technical Manual on Tobacco Tax Administration, http://whqlibdoc.who.int/publications/2010/9789241563994_eng.pdf.

Handbook of Cancer Prevention, Volume 14, International Agency for Research on Cancer, <http://www.iarc.fr/en/publications/pdfs-online/prev/handbook14/index.php>.

Putting the Article 6 Guidelines to Work, Framework Convention Alliance, http://www.fctc.org/images/stories/Guide_Art_6_guidelines_1014_WEB.pdf.

Taxation and Price: Essential Facts, Campaign for Tobacco Free Kids and Framework Convention Alliance, http://global.tobaccofreekids.org/files/pdfs/en/TAX_essential_facts_en.pdf.

The Emerging Global Health Crisis: Noncommunicable Diseases in Low- and Middle-Income Countries, Council on Foreign Relations, <http://www.cfr.org/diseases-noncommunicable/emerging-global-health-crisis/p33883>.

Innovative Financing Mechanisms: Potential Sources of Financing the WHO Tobacco Convention, South Centre. http://www.southcentre.int/wp-content/uploads/2014/09/RP54_Innovative-Financing-Mechanisms-rev_EN.pdf.