



**Investment Case for
Tobacco Control in**

LAO PDR

**The case for scaling up
WHO FCTC implementation**

POLICY BRIEF

Investment Case for Tobacco Control in Lao PDR

Policy brief

More than

6,700

Laotians die every year due to
tobacco-related illness, accounting for

15% of all deaths in the country.

Investing now in seven proven tobacco
control measures will prevent more than

25,000 deaths

and avert

LAK 10 trillion

in health costs and economic losses by 2034.

Figures subject to rounding.

For every Lao kip invested in the seven tobacco control measures today, Lao PDR will receive **LAK 21 in averted costs and economic losses by 2024 and **LAK 86** by 2034.**



Tobacco costs Lao PDR **LAK 3.6 trillion every year, equivalent to **2.3%** of annual GDP in 2017.**

Figures subject to rounding.

Overview

Tobacco is a health and sustainable development issue. Tobacco causes premature death and preventable disease that results in high health costs and economic losses, widens socioeconomic inequalities, and impedes progress towards the achievement of the Sustainable Development Goals (SDGs).

This report presents the findings of the case for investing in tobacco control in Lao PDR. In line with the the [WHO Framework Convention on Tobacco Control \(WHO FCTC\) Global Strategy to Accelerate Tobacco Control](#) and according to the stated priorities of the Government of Lao PDR, it measures the costs and benefits—in health and economic terms—of implementing seven priority tobacco control measures. The seven measures are:

- 1) **Increase tobacco taxation to reduce the affordability of tobacco products.** *(WHO FCTC Article 6)*
- 2) **Enforce ban on smoking in all indoor public and work places to protect people from the harms of tobacco smoke.** *(WHO FCTC Article 8)*
- 3) **Enforce rotation of graphic health warnings that cover 75 percent of packaging.** *(WHO FCTC Article 8)*
- 4) **Implement plain packaging of tobacco products.** *(WHO FCTC Guidelines for implementation of Article 11 and WHO FCTC Guidelines for implementation of Article 13)*
- 5) **Promote and strengthen public awareness about tobacco control issues and the harms of tobacco use through mass media information campaigns.** *(WHO FCTC Article 12)*
- 6) **Implement and enforce a comprehensive ban on all forms of tobacco advertising, promotion, and sponsorship.** *(WHO FCTC Article 13)*
- 7) **Promote cessation of tobacco use and treatment for tobacco dependence by training health professionals to provide brief advice to quit tobacco use.** *(WHO FCTC Article 14)*

The status of WHO FCTC demand reduction measures

Strong fiscal and regulatory measures influence societal norms by signalling that tobacco use is harmful, not only for users but also for the people around them including family, colleagues and co-workers. Evidence suggests that the Laotian government's tobacco control efforts are making a material impact. Current smokers who noticed anti-tobacco media messaging or health warnings on cigarette packages were three times more likely to have made a quit attempt in the past year compared to those who did not notice [1].

When this investment case report was prepared, the 2009 Tobacco Control Law and several decrees were in effect. In December 2021, Lao PDR adopted the 2021 Tobacco Control Law (Amended), which includes a comprehensive ban on smoking in indoor public and work places; novel and emerging tobacco and nicotine products; tobacco advertising, promotion and sponsorship; and included a provision for plain packaging. This new law closes many of the gaps in the previous one. Strong implementation of the 2021 Tobacco Control Law will enable Lao PDR to protect the health of its population and fulfill its obligations as a Party to the WHO FCTC. This table summarizes the state of WHO FCTC demand reduction measures and the target level advocated for and analyzed within the investment case.

Table 1: Summary of the current state of WHO FCTC demand reduction measures in Lao PDR and target goals

Tobacco Control Policy	Lao PDR Baseline*	Modeled Implementation Target
Increase tobacco taxation to reduce the affordability of tobacco products. (WHO FCTC Article 6)	Tax share equivalent to 18.8% of the retail price of the most sold brand of cigarettes.	Increase taxes on cigarettes to at least 75% of the retail price with at least a 70% share of excise tax. Implement regular tax increases to outpace inflation and income growth. ¹
Enforce ban on smoking in all indoor public and work places to protect people from the harms of tobacco smoke. (WHO FCTC Article 8)	Smoking is prohibited in all indoor public and work places. Compliance with the law is described as “medium”.	Strengthen enforcement of the law to drive high compliance levels.
Require tobacco packaging to carry graphic health warnings describing the harmful effects of tobacco use. (WHO FCTC Article 11)	Graphic warning labels are required to cover 75% of tobacco packaging and rotated regularly; however tobacco companies have not complied with the regulation.	Enforce the law to ensure warning labels are regularly rotated and refreshed (at least every two years).
Implement plain packaging of tobacco products. (WHO FCTC Guidelines for implementation of Article 11 and WHO FCTC Guidelines for implementation of Article 13)	Plain packaging requirements are not currently in place.	Implement and enforce plain packaging of tobacco products.
Promote and strengthen public awareness about tobacco control issues and the harms of tobacco use through mass media information campaigns. (WHO FCTC Article 12)	No national anti-smoking mass media campaigns have recently been conducted.	Implement a nationwide anti-smoking mass media campaign that is researched and tested with a targeted audience, and evaluated for impact.
Implement and enforce a comprehensive ban on all forms of tobacco advertising, promotion and sponsorship. (WHO FCTC Article 13)	Most forms of TAPs are banned; however, some have not been banned (e.g. point of sale advertising, product depiction in media, promotional discounts, free distribution).	Implement and enforce a comprehensive ban on all forms of tobacco advertising, promotion and sponsorship.
Promote cessation of tobacco use and treatment for tobacco dependence by training health professionals to provide brief advice to quit tobacco use. (WHO FCTC Article 14)	Four in five smokers have never received advice to quit using tobacco from a health provider.	Train health providers to identify tobacco users and to provide tobacco cessation advice; scale up the provision of tobacco cessation services at the primary care level.

* Source: Information in this table is based on the WHO Report on the Global Tobacco Epidemic, 2019: Lao PDR Country profile [2]

1 The investment case examines the impact of raising taxes to levels that would meet what is considered in the WHO Report on the Global Tobacco Epidemic as the highest level of achievement, which is for total taxes to represent at least 75 percent of the retail price and the recommendation in the WHO Technical Manual on Tobacco Administration for excise taxes to represent at least 70 percent of the retail price. Beginning in 2026 when the agreement with Imperial Tobacco expires, taxes are steadily raised, quadrupling the cost of a pack of cigarettes by 2034—a real increase of LAK 21,000.

Main findings

In 2017, tobacco use cost the Lao economy LAK 3.6 trillion, equivalent to 2.3 percent of its GDP. These annual costs include a) LAK 240 billion in healthcare expenditures, and b) LAK 3.3 trillion in lost productive capacities due to tobacco-attributable mortality and disability as well as workplace smoking breaks. The productivity losses from current tobacco use in Lao PDR—93 percent of all tobacco-related costs—indicate that tobacco use impedes development in Lao PDR beyond health. Multisectoral engagement is required for effective tobacco control, and other sectors benefit substantially from the implementation of tobacco control measures that create healthier communities and more productive labour force.

Every year, tobacco use kills more than 6,700 Laotians, with 61 percent of these deaths among individuals under age 70 (i.e. premature death). More than 20 percent of lives lost from tobacco use are due to exposure to secondhand smoke.

By acting now, the Government of Lao PDR can reduce the national burden from tobacco use. The investment case findings demonstrate that implementing seven proven WHO FCTC measures would, over the next 15 years (2020-2034):

Avert LAK 10.1 trillion in economic losses. Of this total, LAK 9.4 trillion is attributable to avoiding indirect losses due to tobacco-attributable mortality and ill-health. The tobacco control measures stimulate economic growth by ensuring that fewer people 1) die due to tobacco-attributable diseases, 2) miss days of work due to disability or sickness, and 3) work at a reduced capacity due to smoking breaks or tobacco-related health issues.

Lead to LAK 679 billion in savings through avoidance of tobacco-attributable healthcare expenditures. Of this, the Government would save LAK 315 billion in healthcare expenditures, citizens would save LAK 329 billion in out-of-pocket health-care costs, and LAK 34 billion would be saved from other sources of healthcare expenditures.

Save 25,269 lives and reduce the incidence of disease. This would contribute to Lao PDR's efforts to achieve SDG Target 3.4, which aims to reduce by one-third premature mortality from non-communicable diseases (NCDs) by 2030. Implementing the WHO FCTC measures would prevent over 8,000 premature deaths from the four main NCDs—cardiovascular disease (CVD), diabetes, cancer, and chronic respiratory disease—by 2030, the equivalent of about 12 percent of the needed reduction in premature mortality to achieve SDG Target 3.4.

Provide economic benefits (LAK 10.1 trillion) that significantly outweigh the costs of implementing the seven WHO FCTC measures (LAK 118 billion). Each of the WHO FCTC provisions is highly cost-effective. Increasing cigarette taxes has the highest return-on-investment (758:1), followed by expanding and enforcing comprehensive bans on tobacco advertising, promotion, and sponsorship (324:1), mass media campaigns (124:1), implementing plain packaging of tobacco products (124:1), enforcing smokefree public and work places (84:1), requiring rotation of health warnings (83:1), and cessation support by training health professionals to provide brief advice to quit tobacco use (11:1).

In addition to these main findings, this investment case separately examined a hypothetical scenario in which the Investment License Agreement (ILA), which places a moratorium on tobacco taxation increases, was never signed and implemented. In this examined scenario, **tax increases over the next five years would generate nearly LAK 1.8 trillion² in government revenue.** This represents LAK 354 billion annually, which is equivalent to over one-fifth (22 percent) of the Government's 2018 total healthcare expenditures.

Increasing cigarette taxes in Lao PDR will confer social benefits to all, but particularly the poor. Those with lower incomes are more likely to quit smoking when cigarette prices rise, helping them to avoid illness and catastrophic healthcare expenditures [3], [4]. During the first year of the modeled tax increase, **nearly 57 percent of the deaths averted from increasing cigarette taxes will be among the poorest 40 percent of the population.** Cigarette tax increases would further benefit Lao people with lower incomes if the resulting government tax revenue were reinvested in further WHO FCTC implementation and national development priorities such as universal health coverage. There is potential for even greater revenue increases from increases in tax for all tobacco products (not only cigarettes).

2 Discounted value - 3 percent discount rate.

Recommendations

This report recommends actionable steps, in addition to the modeled WHO FCTC provisions, that the Government of Lao PDR can take to strengthen a whole-of-government approach to tobacco and its development consequences. By investing in these recommendations, Lao PDR can accelerate its efforts towards achieving the Sustainable Development Goals (SDGs) including the target for a one-third reduction in premature mortality from NCDs as well as goals to end poverty, reduce inequality and grow the economy. Through the FCTC 2030 Project, the Secretariat of the WHO FCTC, UNDP and WHO and other partners stand ready to support the Government of Lao PDR to reduce the social, economic, and environmental burdens that tobacco continues to place on its country.

Recommendations

- 1** Ensure that the Investment License Agreement (ILA) with the tobacco industry is not extended so that taxes can be raised and other tobacco control measures implemented fully, for public health and economic benefits. Any agreements should be in line with the laws of Lao PDR and be compatible with the obligations under the WHO FCTC and its protocols.
- 2** Fully implement and enforce the Tobacco Control Law (Amended) 2021, adopted by the National Assembly on 16 November 2021 and promulgated with the approval of the President on 29 December 2021. This replaces the 2009 law and includes strengthened tobacco control measures, such as prohibiting the use, production, import, export and sale of novel and emerging nicotine and tobacco products; plain packaging; requiring a report on ingredients in tobacco products, marketing costs and others; and comprehensively banning tobacco advertising, promotion and sponsorship, including a ban on point of sale product display and advertising and sale of tobacco products through electronic and social media.
- 3** Strengthen multisectoral coordination on tobacco control by empowering the National Committee for Tobacco Control and the Tobacco Control Unit, and by having a comprehensive tobacco control strategy, financed by the Tobacco Control Fund with proper oversight and accountability procedures in place.
- 4** Take action to protect public health policy making from tobacco industry interference, such as through a Code of Conduct applicable to the whole of government.

References

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