

# The Journey to the Tobacco Control Fund in Lao PDR: Lessons and Challenges

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The Southeast Asia Tobacco Control Alliance (SEATCA) is a regional multi-sectoral, non-profit, non-governmental alliance that supports ASEAN Member States in developing and implementing effective, evidence-based tobacco control policies in line with the World Health Organization Framework Convention on Tobacco Control (WHO FCTC). SEATCA works closely with governments, non-government organizations(NGOs), development agencies, and the academe to advance tobacco control in the ASEAN region by facilitating increased participation and cooperation among advocates, organizing regional forums for sharing best practices and lessons learned, and acting as a regional leader to tackle urgent priority issues affecting the region.

### **The Journey to the Tobacco Control Fund in Lao PDR: Lessons and Challenges**

Author: Sophapan Ratanachena

Editorial Team: Ulysses Dorotheo, Bungon Ritthiphakdee, Tan Yen Lian, and Jennie Lyn Reyes.

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## **The Journey to the Tobacco Control Fund in Lao PDR: Lessons and Challenges**

Tobacco use is the single most preventable cause of sickness, disability, and death from non-communicable diseases (NCDs). The Lao PDR National Adult Tobacco Survey released in 2012 indicated a concerning smoking prevalence rate in Lao PDR; around 43% of the adult male populations are estimated to be smokers. In 2007, the total costs of in-patient health care for the major smoking-related diseases in Lao PDR (lung cancer, cerebral thrombosis, and chronic bronchitis) had already reached LAK 28.51 billion (USD 3.34 million). The total tobacco-related health care cost equals 22% of Lao PDR's health expenditure and 0.8% of Lao PDR's GDP.

Global evidence shows that price and tax measures are among the most effective measures to reduce tobacco consumption. Parties to the World Health Organization (WHO) Framework Convention on Tobacco Control (FCTC) are encouraged to implement tobacco tax and price policies that contribute to their public health objectives and to consider dedicating revenues to tobacco control programmes. A surcharged or dedicated tax on tobacco and/or alcohol products can generate sufficient revenues for funding and educating the public about the harms of tobacco use.

Lao PDR ratified the WHO FCTC in 2006, and in 2009, its Tobacco Control Law came into force, resulting in advancement of several tobacco control measures. This law also established the Tobacco Control Fund (TCF), which aims to support effective implementation of the tobacco control law and WHO FCTC-compliant policies in order to reduce tobacco consumption and promote public health in Lao PDR. Portions of this fund will also contribute to the State Health Insurance and health care services.

Through the collaborative effort of the MOH and MOF and with technical assistance from the Southeast Asia Initiative on Tobacco Tax (SITT) project of Southeast Asia Tobacco Control Alliance (SEATCA), the Sub-decree on Financing for Tobacco Control Fund, approved in 2013, put in place the TCF collection and operational mechanisms. The sub-decree has enforced the collection of 2% of the tobacco industry profit tax and LAK 200 per cigarette package to finance the TCF. In 2014, the Minister of Finance approved the transfer of collected tobacco excise revenues to be utilized for the TCF.



Photo: National Tobacco Control Committee, WHO and tobacco control advocates in Lao PDR attend regular meetings and consultations on establishing the Tobacco Control Fund

## Key Milestones in Establishing the Lao Tobacco Control Fund

1. Inspired during 2008-2009 study visit to Thailand organized by SEATCA on best practices in tobacco control, policy makers from Lao PDR discussed the idea of tobacco control financing in the tobacco control law drafting group, leading to the TCF's inclusion in the Lao Tobacco Control Law. Article 45 declares that the State established the TCF to perform tobacco control work mainly through health education activities at all levels: from national to community levels, as well as for health promotion activities. Article 46 lists the four main sources of the TCF: State budget, profit taxes from tobacco business operations, donations from domestic and international individuals and organisations, and income from activities for tobacco control such as athletic competitions and cultural performances. Lastly, the law stipulates that the TCF must be managed and used by the National Tobacco Control Committee in accordance with Article 45, with details of the TCF's establishment and activities to be stipulated in specific regulations.<sup>1</sup>
2. Since the Tobacco Control Law's enactment, the Lao government has made significant efforts to establish the TCF with technical support from SEATCA and the WHO Western Pacific Regional Office (WPRO).
  - In 2010, Lao PDR participated in a Regional Workshop on Strengthening Health Promotion Foundations and Tobacco Control co-organized by SEATCA and WHO WPRO in Hanoi, Vietnam, with support from Vietnam Steering Committee on Smoking and Health (VINACOSH). The workshop was a platform to learn from Health Promotion Foundations and experts such as the Swiss Health Promotion Foundation, Victorian Health Promotion Foundation (VicHealth) and Western Australian Health Promotion Foundation (Healthway) in Australia, Thai Health Promotion Foundation (Thaihealth), and the Singapore Health Promotion Board. Lao PDR joined Cambodia, Indonesia, Philippines, Samoa, and Vietnam in the basic *Pro-*

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<sup>1</sup> Tobacco Control Law. 2009. National Assembly. Lao PDR

*Lead* group of countries working toward the development of a sustainable tobacco control and health promotion funding mechanism. In the workshop, Lao participants identified some core strategies to work with key leaders to advocate for a TCF supported by tobacco tax: 1) provision of strong evidence, 2) mobilization of political support, 3) securing endorsement from Ministry of Finance, 4) creation of committees and assignment of leaders, and 5) passage of a Decree to organize the TCF. They also pledged to support the close collaboration between Ministry of Health, Ministry of Finance, and Prime Minister Office.

- In 2011, at the Mid-Term Review of Country Projects on Health Promotion Foundations and Tobacco Taxation co-organized by SEATCA, WHO and the Malaysian Health Promotion Board (MySihat) in Malacca, Malaysia, Lao PDR presented its progress towards organizing the TCF, having conducted a cluster of meetings that finalized the draft decree on TCF and organizing a study visit to ThaiHealth for policymakers from key ministries. At that time, the draft decree was in the agenda of Ministry of Health Steering Committee and was expected to be submitted to the Prime Minister Office.
  - Later in 2011 and in 2012, at two other workshops on Health Promotion Foundations and Tobacco Taxation organized in Bangkok, Thailand by SEATCA and WHO, Lao PDR shared its further progress and plans, which included several consultations with the MOF Tax Department in order to gain advice and inputs on the mechanism to collect 2% of the industry profit tax and the specific tax of LAK 200 per pack as the sources of TCF income. Significant challenges to the approval of the TCF decree included heavy interference from the tobacco industry. There was also a need to strengthen efforts and leadership of the MOH to defend the TCF source of income and, in the future, the TCF management and administration.
  - Besides the series of Pro-lead workshops organized by SEATCA and WHO, SEATCA team made several visits to Lao PDR to provide technical assistance on the ground and key evidences to advance the implementation of the TCF. Furthermore, SEATCA organized several study visits to Bangkok, Thailand for MOF and MOH officials to learn the strategies and experiences of the Thai Health Promotion Foundation in the establishment and implementation of TCF.
3. In May 2012, the National Tobacco Control Committee Decree was approved paving the way for the formation of the National Tobacco Control Committee to manage tobacco control activity and propose the idea of TCF. The Sub-decree on Financing for TCF was finally approved in May 2013, as well as the operational plan and mechanism prepared for the implementation of TCF. In July 2014, the Minister of Finance eventually approved the first transfer of TCF funds from MOF to MOH.

### **Collaborative Work of Ministry of Health and Ministry of Finance**

The establishment of the Tobacco Control Fund would not have been achieved without MOH and MOF collaboration, chiefly the MOF Tax Department working closely with MOH Hygiene and Health Promotion Department. By embracing the concept of a TCF and its public health benefits, the Tax Department sees the TCF as a vital mechanism to improve the public health situation and increase government revenues as a consequence of the health care costs reduction in the long term, a win-win policy for both ministries. Both ministries have

worked in partnership to bring out positive changes to the country; examples of such collaborative work are:

- The high level meetings of the National Tobacco Control Committee chaired by the Minister of Health and vice chaired by Vice Ministers of Health and of Finance, the series of MOH-MOF consultation meetings on TCF organization, and other meetings to present the Lao context and disseminate policy relevant researches helped convince the policy makers of the importance of and need for a TCF and thus helped advance the TCF policy.
- The MOF Tax Department has developed a public health perspective in undertaking policy relevant researches on tobacco tax increases, including its impact on both health and government revenues, and in considering the use of revenues for health promotion activities, whereas MOH developed the TCF operational mechanism to propose to MOF.

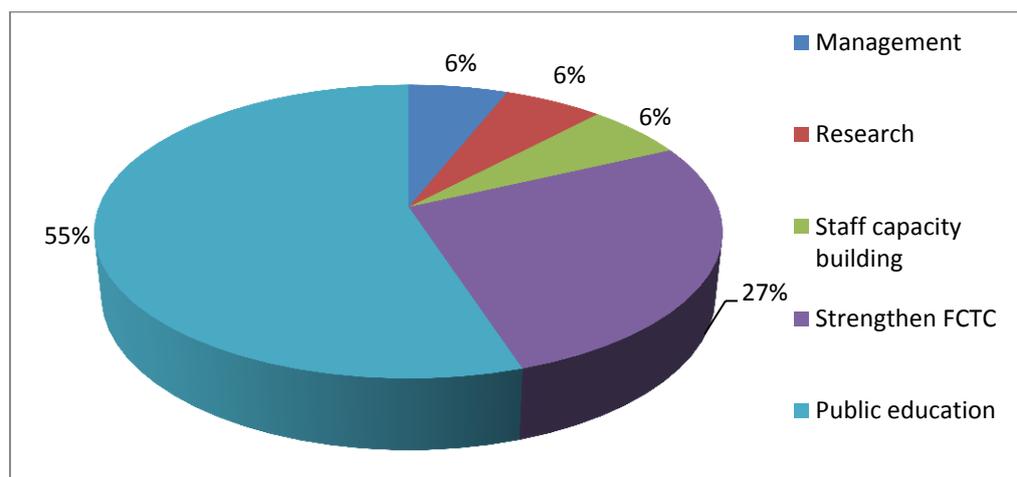
### **Current Status and Plan of Tobacco Control Fund Strategies**

The TCF organizational structure is categorized as a unit within government where its funding and direction are governed by MOH. The TCF is governed by a TCF Council, which is appointed by the Prime Minister and has the duty to report to the National Tobacco Control Committee that is chaired by the Minister of Health, supported by two vice-chairs, the Vice Ministers of Finance and of Industry and Commerce; other NCTC members are the Vice-Minister of Education and Sport, and representatives of the Media Department (Ministry of Culture Information and Tourism), Economic Department (Ministry of Public Security) and Hygiene and Health Promotion Department (Ministry of Health). To manage and implement the TCF, the TCF Council is supported by a secretariat team that consists of a manager, vice-manager, and technical staff, who will come from TCF Office, Ministry of Health.

It is estimated that the amount of funding from two main sources (2% of profit tax from tobacco business operators and LAK 200 per local and imported cigarette package) would equal more than USD 5.9 million per year, of which 37% of the total fund or about USD 2.2 million per year is expected to be utilized for tobacco control activities, 32% for establishing the national health insurance scheme, 25% for improving healthcare service quality, and 6% for the TCF administrative management.

Lao PDR's TCF will first focus on tobacco control activities and gradually expand to other health promotion areas in due time. The TCF's initial key strategy is to strengthen FCTC implementation by building capacity for MOH tobacco control staff, conducting health education, strengthening implementation of smoke-free environment and the ban on tobacco advertising, promotion, and sponsorship, implementing pictorial health warnings, strengthening tobacco tax policy, and monitoring tobacco industry interference.

Figure: Expected plan to utilize Tobacco Control Fund for tobacco control activities in percentage<sup>2</sup>



Although the TCF operational and budget plans have been developed and shared among relevant ministries, the establishment of the TCF Office and secretariat team is still to be achieved. While awaiting final approval from the Minister of Finance to transfer the collected revenue to the TCF, SEATCA provided technical and financial support to MOH to deliver crucial activities such as recruiting a technical staff from MOH to be responsible for starting up the TCF activities.

### Lessons Learned and Challenges Faced

1. The key lessons learned in the establishment of the TCF stress the importance of **mobilizing strong support from policymakers both at MOH and MOF** to advocate for the law and regulations relating to the TCF, particularly the Tobacco Control Law and the Decree on Tobacco Control Fund, as well as the TCF's operational mechanism. MOH took the initiative to convince MOF that Lao PDR needs a sustainable source of funding to reduce tobacco consumption. Ministry of Finance themselves also see the importance of Tobacco Control Fund since several researches conducted by them proven that there is still room to collect more tax in order to support the tobacco control activity and create a long term impact on the health care costs reduction.
2. It is also crucial to **identify the necessary champions** from the Prime Minister Office, MOH, and MOF, who have leading roles in the advocacy activities for the TCF establishment. A number of government officials that have actively advocated for TCF in Lao PDR have also become advocates for tobacco control after gaining more knowledge and understanding from participating in several tobacco control platforms organized by SEATCA and MOH Lao PDR. Consequently, they have become role models to support public health in Lao PDR and are able to provide knowledge to other ministries and convince them to consider TCF and its activities.

<sup>2</sup> Source: Powerpoint presentation on Operational and budget plan for tobacco control activities in Lao PDR, 2014, by Dr. Phat Kuengsanet, Ministry of Health, Lao PDR

3. Related to this, it is important for MOH and MOF officials to **claim ownership of the TCF** by having them involved in the development of policy-oriented researches relating to tobacco tax and TCF, which made a substantial contribution to convince policymakers to support the TCF's establishment. A key concept was to help policymakers understand the huge negative societal impact of tobacco consumption (e.g. loss of lives and drain on the healthcare budget) in Lao PDR.
4. Furthermore, **ongoing technical and financial support from SEATCA** were also instrumental contributions to the success of tobacco control fund establishment.
5. The main challenge to the successful establishment and operation of the TCF is the refusal of tobacco companies to pay the surcharged tax, which threatens the MOF's revenue target to finance the TCF. This challenge has to be urgently addressed by the government by exercising its power to regulate the tobacco business, and by prioritizing the health of Lao people over commercial interests of tobacco companies.
6. In addition, the delayed collection and transfer of funds from MOF to the TCF budget after the TCF Decree's approval has contributed to a delay in protecting public health from tobacco hazards. Lao PDR's TCF is a sustainable funding mechanism for tobacco control that will help reduce tobacco consumption and its harmful health impact.