Seminar:
HEALTH TAXES POLICIES IN LATIN AMERICA AND THE CARIBBEAN:
Are we making progress?
12 May 2022

The economic burden of NCDs and the use of fiscal policies to address risk factors

Mark Goodchild
Economist
World Health Organization
71% of all deaths globally are from NCDs: Tobacco, alcohol, unhealthy diets and air pollution are key risk factors.

41 million NCD deaths globally per year.

15 million of these NCD deaths are in 30-69yr cohorts.

77% of all NCD deaths are in developing countries.

NCDs:
- Cancer
- Cardiovascular disease
- Diabetes
- Chronic respiratory disease
- Mental health conditions

Health Taxes Policies in Latin America and the Caribbean: Are we making progress?
WHY HEALTH TAXES? AN ECONOMIC PERSPECTIVE

• Health taxes are levied on products that have negative health impacts.

• They correct for internalities and externalities not properly accounted for in decision-making and prices.

• Elevated by global priorities like the WHO Framework Convention on Tobacco Control and the Paris Agreement on climate change.

• Address inequity (and poverty).

Health Taxes Policies in Latin America and the Caribbean: Are we making progress?
Tobacco, Alcohol, and Unhealthy Diets are responsible for about 15 million deaths and significant economic costs annually.

**Source:** Based on figures reported in Bloomberg Task Force on Fiscal Policy for Health report “Health Taxes to Save Lives”
SMOKING-ATTRIBUTABLE HEALTH EXPENDITURES AMOUNT TO US$ 422 BILLION PER ANNUM GLOBALLY

SMOKING-RELATED HEALTH EXPENDITURES FOR CARIBBEAN COUNTRIES WITH AVAILABLE DATA* EXCEEDS US$ 1 BILLION PER YEAR (4.7% OF TOTAL HEALTH SPENDING IN THESE COUNTRIES).

* BAHAMAS, BARBADOS, CUBA, DOMINICAN REPUBLIC, HAITI, JAMACIA, TRINIDAD AND TOBAGO.

SOURCE: GOODCHILD M, NARGIS N, TURSAN D’ESPAIGNET E. GLOBAL ECONOMIC COST OF SMOKING-ATTRIBUTABLE DISEASES. TOBACCO CONTROL; 2018
SUBOPTIMAL PRICING OF FOSSIL FUELS

• FOSSIL FUELS ARE ‘UNDER-PRICED’ DUE TO EXTERNALITIES (AIR POLLUTION AND GLOBAL WARMING) AS WELL AS EXPLICIT SUBSIDIES MAINLY ON POWER GENERATION.

• INEFFICIENT PRICING OF FOSSIL FUELS COSTS US$ 5.9 TRILLION ANNUALLY OR 6.8% OF GLOBAL GDP.

• MOST OF THE COST IS DUE TO EXTERNALITIES, NAMELY AIR POLLUTION (42% OF TOTAL) AND CLIMATE DAMAGES (29% OF TOTAL).

• EXPLICIT SUBSIDIES AMOUNT TO ABOUT $0.45 TRILLION USDs ANNUALLY.

SOURCE: IAN PARRY, SIMON BLACK & NATE VERNON. STILL NOT GETTING ENERGY PRICES RIGHT: A GLOBAL AND COUNTRY UPDATE OF FOSSIL FUEL SUBSIDIES. WASHINGTON DC, INTERNATIONAL MONETARY FUND; SEPT 2021
WHAT CAN HEALTH TAXES DO?

- Reduce over consumption of products with negative health impact
  → Improve health outcomes
  → Improve productivity

- Change investment, production and consumption patterns

- Increase excise tax revenues
  → Finance development priorities especially pro-poor programmes

- Reduce NCD health care burdens
  → Reallocate scarce health sector resources, thus increasing benefits
  → Expand health financing (hard & soft earmarking)

- Reduce disproportionate NCD risk in lower-income groups
  → Increase health equity and reduce financial hardship

Health Taxes Policies in Latin America and the Caribbean: Are we making progress?
Health Taxes Save Lives: Effect by 2067 of a One-Time Global Health Tax Increase that Raises Cigarette, Alcohol and SSB Prices by 50%

Estimated Consumption Reduction
Cigarettes and alcohol are relatively ‘price inelastic’

- Cigarettes: 10%-40%
- Alcohol: Average 32%
- SSBs: Approx. 60%
- Alcohol: 21.9 million lives saved
- Sugary Beverages: 2.2 million lives saved
- Tobacco: 27.2 million lives saved

Estimated 51.3 million deaths averted

HEALTH TAXES CAN ALSO MOBILIZE REVENUES

**Cumulative additional revenue (2017-2067), from a global tax increase that raises cigarette, alcohol and SSB prices by 50%**

- **Tobacco**: US$3 trillion
- **Alcohol**: US$16.7 trillion
- **Sugary Beverages**: US$1.4 trillion

**20 trillion additional revenues**

**Sources:**

“...Price and tax measures on tobacco can be an effective and important means to reduce tobacco consumption and health-care costs and represent a revenue stream for financing for development in many countries.”
MODELLED IMPACT OF A 50% INCREASE IN CIGARETTE EXCISE FOR LATIN AMERICA AND THE CARIBBEAN: USING INDEPENDENT, COUNTRY-LEVEL STUDIES PRICE ELASTICITY

**Estimated decrease in consumption**

<table>
<thead>
<tr>
<th>Country</th>
<th>% Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>-10%</td>
</tr>
<tr>
<td>Bolivia</td>
<td>-15%</td>
</tr>
<tr>
<td>Brazil</td>
<td>-20%</td>
</tr>
<tr>
<td>Chile</td>
<td>-25%</td>
</tr>
<tr>
<td>Colombia</td>
<td>-20%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>-25%</td>
</tr>
<tr>
<td>Guatemala</td>
<td>-20%</td>
</tr>
<tr>
<td>Jamaica</td>
<td>-30%</td>
</tr>
<tr>
<td>Mexico</td>
<td>-15%</td>
</tr>
<tr>
<td>Panama</td>
<td>-20%</td>
</tr>
<tr>
<td>Peru</td>
<td>-10%</td>
</tr>
<tr>
<td>Uruguay</td>
<td>-15%</td>
</tr>
<tr>
<td>The Caribbean</td>
<td>-25%</td>
</tr>
<tr>
<td>South America</td>
<td>-20%</td>
</tr>
</tbody>
</table>

**Estimated increase in tax revenues**

<table>
<thead>
<tr>
<th>Country</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>30%</td>
</tr>
<tr>
<td>Bolivia</td>
<td>35%</td>
</tr>
<tr>
<td>Brazil</td>
<td>40%</td>
</tr>
<tr>
<td>Chile</td>
<td>35%</td>
</tr>
<tr>
<td>Colombia</td>
<td>30%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>40%</td>
</tr>
<tr>
<td>Guatemala</td>
<td>35%</td>
</tr>
<tr>
<td>Jamaica</td>
<td>25%</td>
</tr>
<tr>
<td>Mexico</td>
<td>20%</td>
</tr>
<tr>
<td>Panama</td>
<td>25%</td>
</tr>
<tr>
<td>Peru</td>
<td>15%</td>
</tr>
<tr>
<td>Uruguay</td>
<td>20%</td>
</tr>
<tr>
<td>The Caribbean</td>
<td>30%</td>
</tr>
<tr>
<td>South America</td>
<td>25%</td>
</tr>
</tbody>
</table>

**Source:** Goodchild M, Sandoval RC, BelausteguiGoitia I. Generating revenue by raising tobacco taxes in Latin America and the Caribbean. Rev Panam Salud Publica. 2017
EFFICIENT PRICING OF FOSSIL FUELS

• A WELL-DESIGNED CARBON PRICE IS AN INispensable PART OF A STRATEGY FOR REDUCING EMISSIONS IN AN EFFICIENT WAY.

• CARBON PRICING AIDS TO INCENTIVIZE CHANGES IN INVESTMENT, PRODUCTION AND CONSUMPTION, AS WELL AS SPURRING TECHNOLOGY CHANGE TO BRING DOWN ABATEMENT COSTS.

• A WIDELY CITED REVIEW CHAIRED BY JOSEPH STIGLITZ & NICHOLAS STERN PUT THE VALUE OF CO2 EMISSIONS CONSISTENT WITH THE PARIS AGREEMENT (TO LIMIT GLOBAL WARMING TO BELOW 2 °C...) AT US$ 40-80/TON IN 2020, RISING TO $50-100 PER TON BY 2030.

• A RECENT IMF STUDY THAT MODELLED THE EFFECT OF A CARBON PRICE BEGINNING AT US$ 60/TON IN 2020 FOUND THAT:
  ✓ CO2 EMISSIONS WOULD REDUCE BY 32% BY 2025 THUS BROADLY ACHIEVING PARIS AGREEMENT CO2 TARGET
  ✓ GENERATE US$ 4.2 TRILLION IN TAX REVENUES (REPRESENTING 3.8% OF GLOBAL GDP).
  ✓ AVERT 0.9 MILLION DEATHS FROM AIR POLLUTION EACH YEAR.

SOURCE: IAN PARRY, SIMON BLACK & NATE VERNON. STILL NOT GETTING ENERGY PRICES RIGHT: A GLOBAL AND COUNTRY UPDATE OF FOSSIL FUEL SUBSIDIES. WASHINGTON DC, INTERNATIONAL MONETARY FUND; SEPT 2021
In Summary... Health Taxes are Win-Win-Win-Win

- Increase excise tax revenues
  - Finance development priorities that further support the poor and improve equity

- Reduce disproportionate risk in lower-income groups
  - Increase health equity
  - Avoid disproportionate impact of extreme weather conditions

- Reduce disproportionate risk in lower-income groups
  - Increase health equity
  - Avoid disproportionate impact of extreme weather conditions

- Reduce health care burden
  - Support health systems, delivery and financing

- Reduce over consumption of products with negative health impact
  - Improve health outcomes
  - Improve wellbeing & productivity

Pan American Health Organization

Health Taxes Policies in Latin America and the Caribbean: Are we making progress?
THANK YOU!

HTTPS://WWW.WHO.INT/HEALTH-TOPICS/HEALTH-TAXES