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PAKISTAN

ECONOMICS REPORT

AUTHOR FROM QBAL

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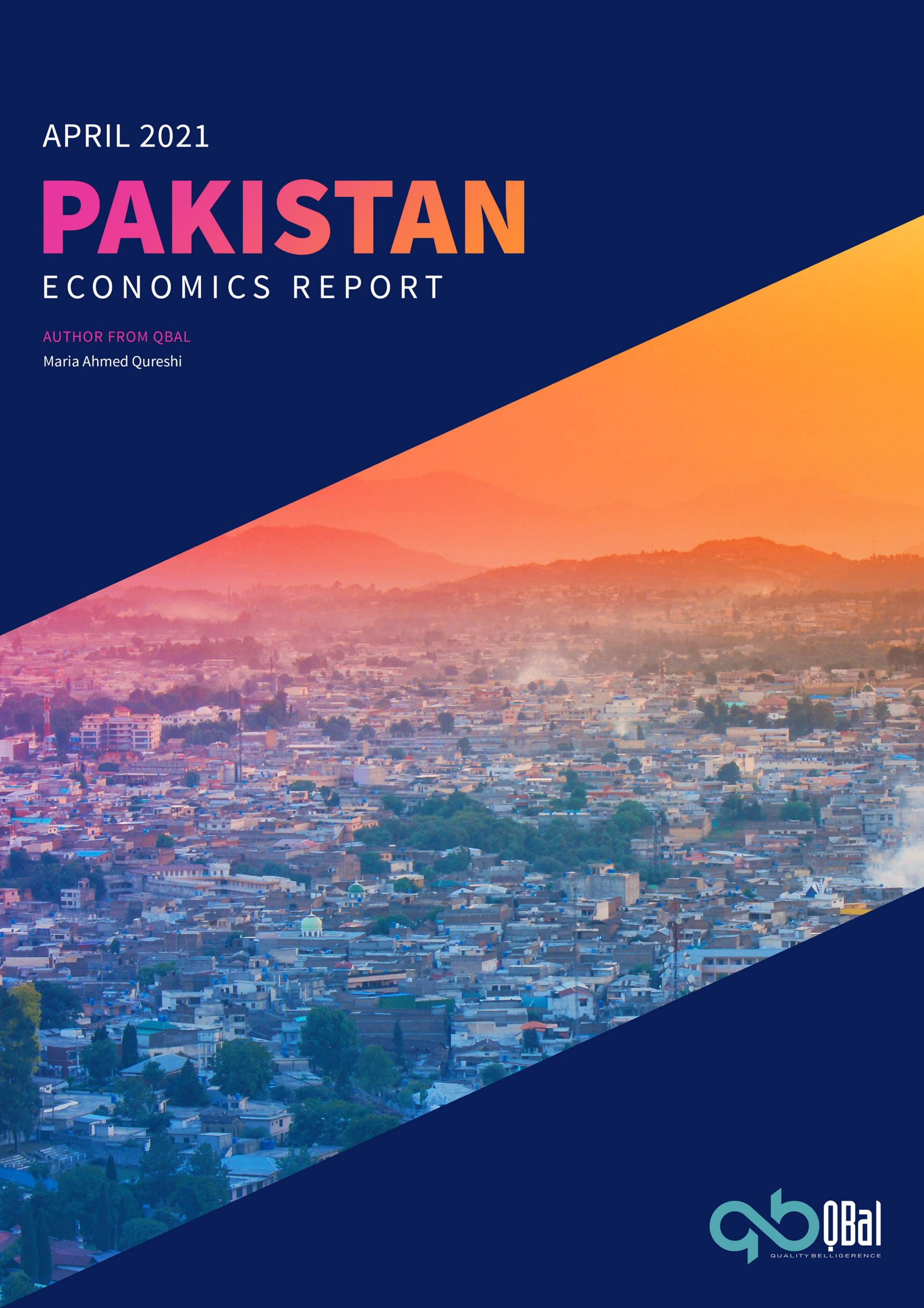

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SCOPING STUDY

The Dynamics of Pakistan's Tobacco Economy:

A Situational Analysis

Contents

Acronyms & Abbreviations

DHS	District Health Survey
GATS	Global Adult Tobacco Survey
GYTS	Global Youth Tobacco Survey
PDHS	Pakistan Demographic Health Survey
ICT	Islamabad Capital Territory
WHO	World Health Organization
COPD	Chronic Obstructive Pulmonary Disease
IHD	Ischemic Heart Disease
NHA	National Health Accounts
GDP	Gross Domestic Product
HRPs	Harm Reduction Products
CPI	Consumer Price Index
FY	Financial Year
FED	Federal Excise Duty
SRO	Statutory Regulation
FCTC	Framework Convention Tobacco Control
PKR	Pakistani Rupee
PTB	Pakistan Tobacco Board
PMP	Philip Morris Pakistan
PTC	Pakistan Tobacco Company
SBP	State Bank of Pakistan
LIP	Low Ignition Propensity
VAT	Value Added Tax
NCDs	Non-Communicable Diseases
LMIC	Lower middle-income countries
MIC	Middle-income countries
MPOWER	Monitor, Protect, Offer help, Warn, Enforce, Raise taxes
WB	World Bank
HIES	Household Indicator Economic Survey
SDGs	Sustainable Development Goals
TDC	The Diabetes Centre (Pakistan)
RCT	Randomized Controlled Trial
GBD	Global Burden of Disease
FBR	Federal Board of Revenue

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Preamble

This scoping study reviews the infrastructure of existing tobacco health and tax regulations in Pakistan, including a review of economic research on the emerging space for HRPs (Harm Reduction Products). The main focus of the study is on understanding the safety, availability, and affordability of HRPs in Pakistan's existing regulatory environment.

In the report, we also analyze the government's tobacco control approach, which was proactive even before it ratified the FCTC. In the post-FCTC era, the Pakistani government no longer seems to be thinking much about tobacco control.

We also analyzed studies on the economic burden of smoking, out-of-pocket healthcare expenditures, household expenditures for tobacco, and how much taxpayer money can be saved by progressively regulating HRPs.

Pakistan is surrounded by China, Iran, India, and Afghanistan with porous borders that produce crucial challenges for the country. Understanding Pakistan's geopolitical position is important to understanding the country and its policies.

Executive Summary

Because tobacco has created many health problems for Pakistan, the future of the combustible tobacco industry in the country's struggling economy is uncertain. Tobacco Harm Reduction Products (HRPs) have created a niche for the non-combustible tobacco industry to take its place and become a growing part of Pakistan's business model.

The tobacco industry produces $2 billion USD every year, almost half of which goes to the government exchequer in taxes.

In 2018,[1] the economic burden attributed to smoking-related illnesses was estimated as PKR 192 billion (USD 1.3 billion), which is almost the same size as the tobacco economy. Smoking-attributable expenditure on cardiovascular disease was PKR 123 billion (USD 0.9 billion), which was 69% of the cost of all tobacco-related illnesses in Pakistan. Men developed smoking-related illnesses at three times the rate of women.

Tobacco control efforts in Pakistan have mixed results.

The history of tobacco regulation goes back to Pakistan's creation in 1947 when the country inherited the Tobacco Vendor Registration Law. The other two laws - the Prohibition of Smoking and Protection of Non-Smokers Health Ordinance of 2002 and the Cigarettes (Printing of Warning) Ordinance of 1979 – were also enacted before Pakistan ratified the FCTC in 2005.

After the signing of the FCTC, the Government of Pakistan fulfilled the Framework Convention's requirements by enacting subordinate legislation under its existing laws. It can be said that the country had a more proactive tobacco control approach before it signed the FCTC than afterwards.

The Pakistan Tobacco Board Ordinance of 1968, enforced by the Federal Ministry of Commerce, also promotes and regulates tobacco cultivation.

Tobacco is highly regulated by the federal government. Around PKR 10 billion is paid to 23,000 farmers by 21 tobacco factories, which generate over PKR 300 billion income[2] for the government. The total tax revenue, including sales tax and federal excise duty, is PKR 114 billion.

Tobacco is the livelihood of 1.2 million people in Pakistan. Over 75,000 are farmers[3] and 50,000 of them work in tobacco factories, over 2,000 of them at the Pakistan Tobacco Company, a subsidiary of British American Tobacco, and Phillip Morris International.

[1] https://www.medrxiv.org/content/10.1101/2020.06.15.20131425v1.full.pdf

[2] Tobacco Statistical Bulletin Volume 40-41, https://ptb.gov.pk/

[3] Tobacco Statistical Bulletin Volume 40-41, https://ptb.gov.pk/

There are over 600,000 retail outlets selling cigarettes in Pakistan including general stores, high-end stores, kiryana stores, paan shops, hawkers, corner stores, petro-marts, hotels, restaurants, and cafes.[4]

Tobacco is grown in three provinces.[5] Each year, 45 million kg of tobacco is produced, enough to make 45 billion sticks. The price the manufacturers pay the farmers for their tobacco is always fixed by the Pakistan Tobacco Board (PTB). The Pakistan Tobacco Company and Phillip Morris receive 36 million kg of Pakistan's annual yield. The remainder goes to 51 different local companies.

The fixed prices of different varieties of tobacco range between 2.21 to 4.46 PKR per kg. This means that the tobacco companies will pay 6.5 billion PKR to the farmers and PKR 150 billion in federal taxes.

Because legal cigarette consumption has declined from 65 billion sticks in 2018-2019 to 43 billion sticks in 2019-2020, the revenue the government receives from cigarette consumption has declined as well (PKR 124 billion in 2018-2019 to PKR 116 billion in 2019-2020).[5] The reason for the decline in legal cigarette consumption is the increase in the number of illicit cigarettes sold.

The 2020 Pakistani budget includes PKR 147 billion in legal cigarette taxes, which means the government has a shortfall of PKR 31 billion this year. Around a quarter of Pakistan's 220 million people use tobacco of any kind. Since half are smokers, the existing tobacco control laws only cover around 11 percent of the Pakistani smoking population.

The FCTC contains nine articles related to demand reduction, Pakistani laws are poorly enforced and they only cover four of those articles: smoking in public places, higher taxes, warnings against smoking, and a partial ban on tobacco advertisements.

Pakistani regulations do not require tobacco manufacturers and importers to report the levels of harmful and potentially harmful constituents (HPHCs) found in their tobacco products and tobacco smoke, and Pakistan does not have tobacco testing laboratories that could determine these levels. Pakistan has also failed to provide any smoking cession services for its smoking population.

Increasing tobacco prices through higher taxes are recognized as the single most effective way to decrease tobacco consumption. Pakistan has been collecting FED (Federal Excise Duty) to reduce cigarette consumption, but is among the countries with the cheapest tobacco products in the world. Smokeless tobacco products - snus, and betel quid – are neither documented nor taxed, and illicit, non-taxed cigarettes are commonly available. In Pakistan, tobacco is affordable in all income groups.

The implementation and enforcement of existing laws and policies remain a big challenge. This issue even landed in the top Supreme Court of Pakistan that took up the case on its own initiating Suo Moto proceedings in 2006 and after holding multiple hearings spread over a decade in 2017 ended the case by banning liquids used in sheesha.[6]

NRTs (nicotine replacement therapy) products are listed as essential drugs, but their prices are so high that some income groups can't afford them. HRPs that contain tobacco – both combustible and non-combustible – come within the framework of Pakistan's existing regulations; but HRPs that don't contain tobacco, like e-

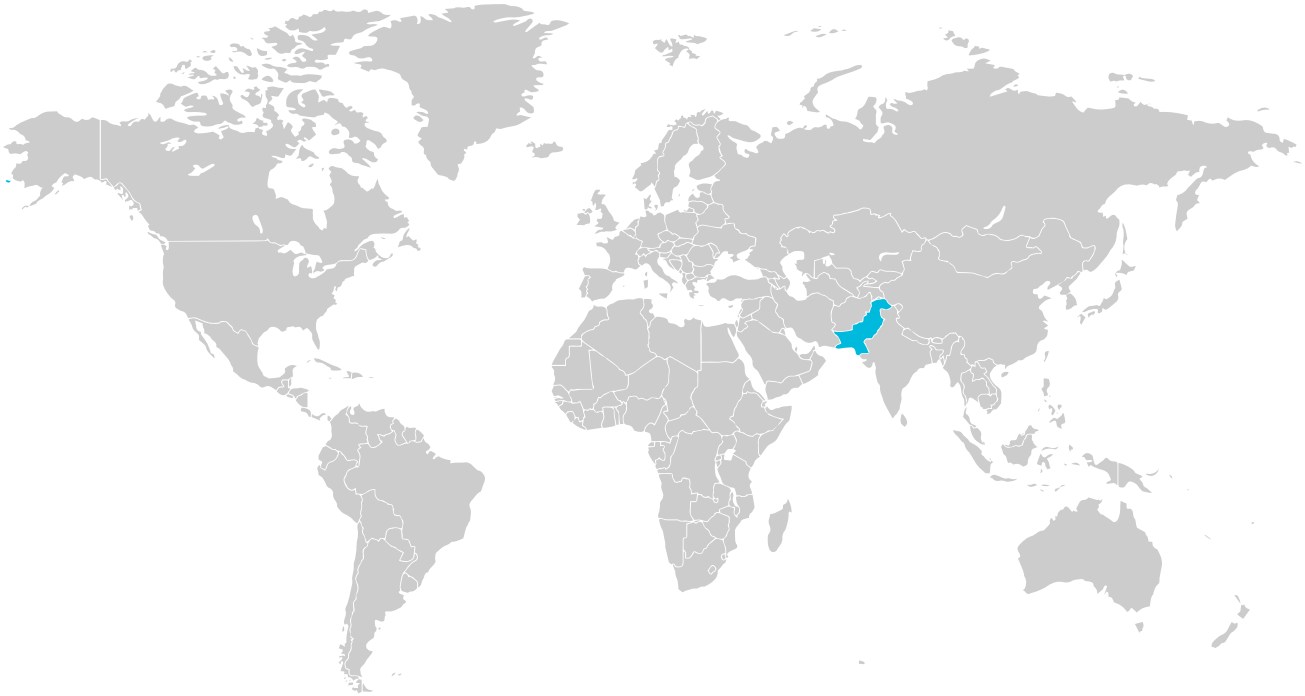
[4] THE CHALLENGE OF ILLICIT TRADE IN CIGARETTES, IMPACT, AND SOLUTIONS FOR PAKISTAN available at http://customnews.pk/wp-content/uploads/2015/09/Illicit-Tobacco-Trade.pdf

[5] https://www.fbr.gov.pk/

[6] http://www.commerce.gov.pk/wp-content/uploads/pdf/SRO-970.pdf

cigarettes, do not. Since they are not made in Pakistan, they can be sold online and in shops for only an added 20% import duty.

Pakistan supports tobacco production and tobacco agriculture, but it is also taking steps to reduce cigarette consumption. At the moment, that does not involve offering Pakistani citizens any sort of smoking cessation support at all. Revenues on domestically produced tobacco and tobacco products are an essential part of Pakistani revenue and Pakistan does not want to eliminate tobacco as a cash crop or the tobacco production industry as an employer. HRPs may be the key to keeping the tobacco economy thriving while eliminating combustible tobacco products and the harm they inflict on human health.



Location of Pakistan

The Islamic Republic of Pakistan came into existence in 1947, and in 2017 was home to 220 million people.[7] Pakistan borders India on the east, Afghanistan on the west, Iran on the southwest, and China in the far northeast, and its coastline stretches along the Arabian Sea and the Gulf of Oman in the south. It is located where three WHO healthcare regions touch: the Eastern Mediterranean Region (EMRO), the South-East Asia Region, and the Western Pacific Region.

[7] http://www.pbs.gov.pk/content/population-census

CHAPTER 1

Global Tobacco Control Review

Key Findings

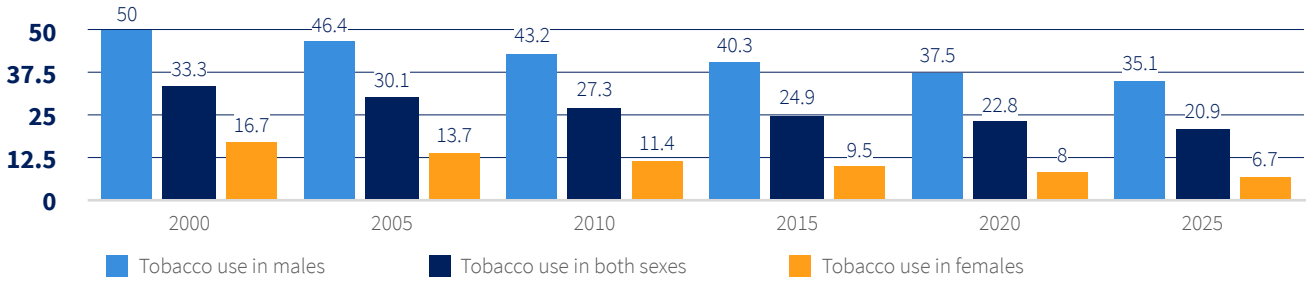
- The WHO Global Plan for Prevention and Control of Non-Communicable Diseases (NCDs) 2013-2020 set a goal of reducing global tobacco use by 30% by 2025. Current efforts around the world will only reduce tobacco use by 23.4% by 2025.
- Lack of smoking cessation programs and smoking cessation products are the most neglected areas.
- In the UK, Public Health England 2019 found that e-cigarettes are the most popular method for switching/quitting, especially for young people. E-cigarettes are regulated in the UK.

Global Tobacco Control Review

A. A brief look at where we stand.

Tobacco causes disease, disability, and death, and killed more than eight million people in 2017.[8][9] The WHO Global Plan for Prevention and Control of Non-Communicable Diseases 2013-2020 has a target of reducing the global use of smoked and smokeless tobacco by 30% by 2025, but at the rate we are going, the reduction will only be 23.4%. Tobacco was used by 33.3% of the global population in 2000, 24.5% in 2015, and will drop to 20.9% in 2025 in people age 15 and older.[10] WHO's Global Report on Trends in the Prevalence of Tobacco Use 2000-2025 shows that the reduction target will fall short by 4.9% in men, but is likely to be met in women.

Figure 1: Global trends in the prevalence of tobacco use by sex



Source: WHO global report on trends in prevalence of tobacco use 2000-2025, third edition

Tobacco use has shifted from being a health issue only to an issue that affects sustainable development and human rights. Smoking costs the global economy 1.4 trillion USD every year, and is a significant threat to existing universal health coverage in many parts of the world. Low-income households are more affected than any others.

B. Where the world stands in FCTC implementation (Article 14 - the neglected article)

Since the adoption of the WHO's FCTC in 2003, 136 countries have implemented at least one of its key tobacco demand reduction interventions. **(Appendix E)**

Article 14 of the FCTC lists cessation help as key to reducing tobacco use. Without it, global targets for reducing tobacco will not be achieved. Unfortunately, smoking cessation services that are fully supported by the national government are available in only 23 countries. Partially cost-covered cessation services are available in 116 countries, and services that are not cost covered are available in 32 countries.

C. Harm Reduction Products: An opportunity to reach world global cessation targets

Smoking cessation medications are less than 20% effective. Many have unpleasant side effects and/or do not reproduce the sensory rewards of smoking, which only makes cravings worse.[11]

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[8] WHO Global Report: Mortality Attributable to Tobacco. Geneva: World Health Organization;2012 (http://www.who.int/tobacco/publications/surveillance/rep_mortality_attributable/en/, accessed 7 March 2018)

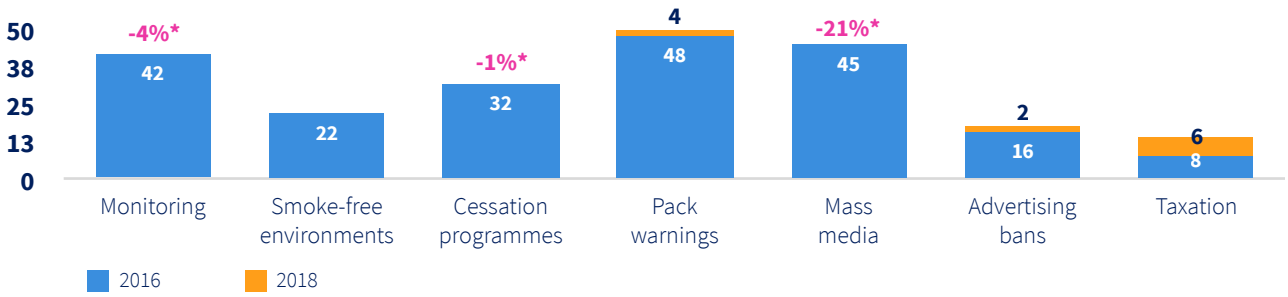
[9] Findings from the Global Burden of Disease Study 2017. Seattle, United States: Institute for Health Metrics and Evaluation (IHME);2018 (http://vizhub.healthdata.org/gbd-compare/).

[10] https://apps.who.int/iris/bitstream/handle/10665/330221/9789240000032-eng.pdf?ua=1

[11] https://www.emerald.com/insight/content/doi/10.1108/DAT-01-2020-0001/full/html

E-cigarettes, which are considered Harm Reduction Products (HRPs), are an excellent smoking cessation aid because they mimic the physical sensations of smoking and also contain nicotine that alleviates tobacco withdrawal symptoms. They are twice as effective as any other quitting method,[12] and, because they are 95% less harmful compared to combustible cigarettes, can also be a viable replacement for combustibles (U.S. National Academies of Engineering, the UK Royal College of Physicians [2016], Farsalinos et al. [2014] and Farsalinos and Polosa [2014]).

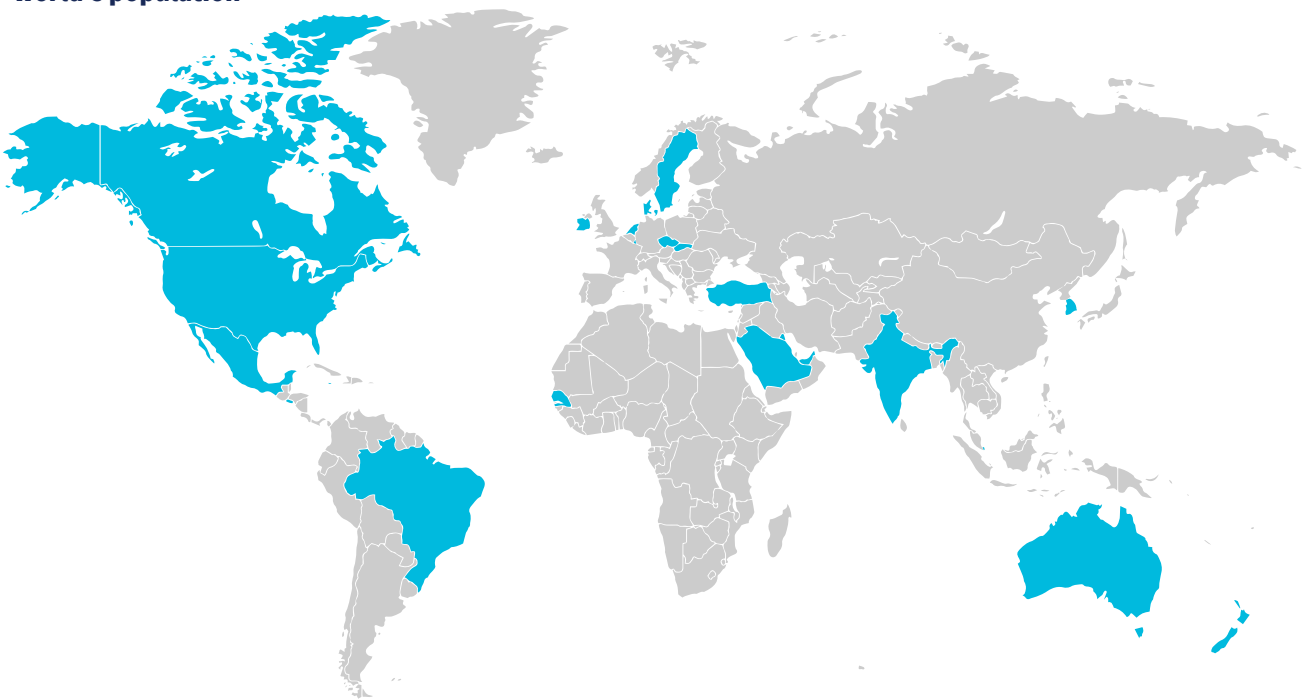
Figure 2: Increase in the share of the world population covered by selected tobacco control policies 2016-2018



Source: WHO report on the global tobacco epidemic, 2019

Currently, only 30% of the world's population has access to comprehensive cessation services. These fortunate individuals live in 16 high-income, six middle-income, and one low-income country (Senegal).

Figure 3: Comprehensive Tobacco Cessation Services in 23 countries covering 2.4 billion people or 32% of the world's population



Source: WHO report on the global tobacco epidemic, 2019.

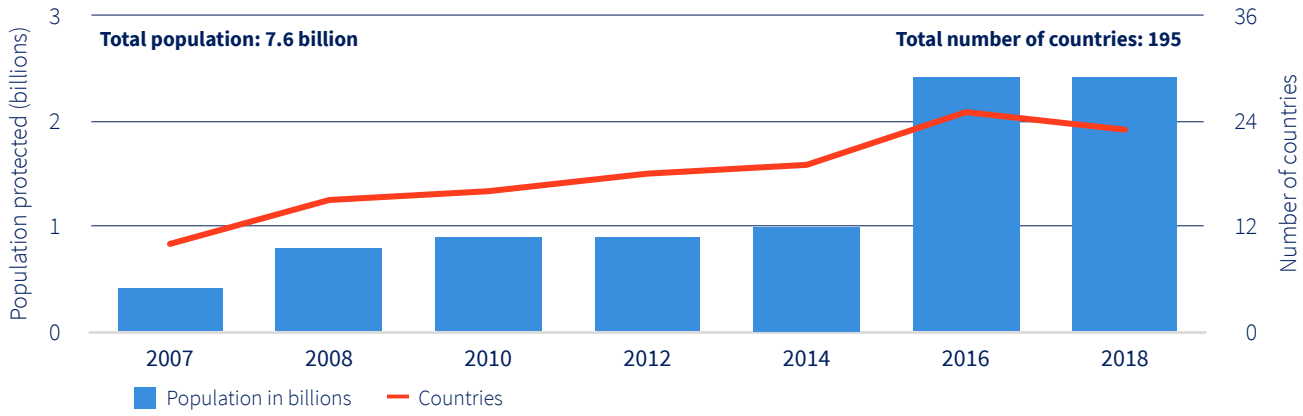
Tobacco Dependence - Highest Achieving Countries; 2018

Countries with the highest level of achievement

Australia, Brazil, Canada, Czechia, Denmark, El Salvador, India, Ireland, Jamaica, Kuwait, Luxembourg, Mexico, Netherlands, New Zealand, Republic of Korea, Saudi Arabia, Singapore, Slovakia, Sweden, Turkey, United Arab Emirates, United States of America

[12] "A randomized trial of E-Cigarettes versus Nicotine-Replacement therapy", New England Journal of Medicine, Vol. 380 No. 7, pp. 629-637, (2019). https://www.nejm.org/doi/full/10.1056/NEJMoa1808779

Figure 4: Progress in tobacco dependence treatment (2007-2018)



Source: WHO report on the global tobacco epidemic, 2011

Cessation support packages in 67 countries have only one of the following elements of best-practice cessation programs: 1) a national toll-free quitline, 2) costs covered for nicotine replacement therapies (NRTs), or 3) cost-coverage for cessation programs in clinical settings or the community. Of these 67 countries, 28 need to add a national toll-free quitline, 38 need to cover the costs of NRTs, and 66 need to cover the costs of cessation services in clinical settings or the community (Côte d'Ivoire is the exception). Cessation programs can also cover adult smokers switching completely from combustible tobacco products to non-combustible, nicotine-containing products like e-cigarettes.[13] Data from the UCL Smoking Toolkit Study of 2017 in the UK showed that around 50,700 to 69,930 UK smokers had quit smoking combustible tobacco by using e-cigarettes.[14] E-cigarettes are regulated in the UK and are the most popular method of quitting or switching, especially among young people.

Quitting smoking before age 45 reduces many of the health risks associated with smoking and adds 9-10 years of life. Quitting after age 45 can reduce up to half the risk and can add 4–6 years of life expectancy.

According to the WHO, only 23 countries offer comprehensive smoking cessation services.[15] A more in-depth analysis of the implementation of Article 14 in 195 countries shows the wide gap between policy and practice.

Table1: Data derived from the WHO Report on the Global Tobacco Epidemic, 2019

Region	No. of countries	NRT NOT available	Cost covered (partial or wholly) for NRT (where available)
Africa	47	23	9
The Americas	35	10	12
South-East Asia	11	6	3
Europe	53	9	12
Eastern Mediterranean	22	8	8
Western Pacific	27	6	12
Totals	**195**	**62**	**56**

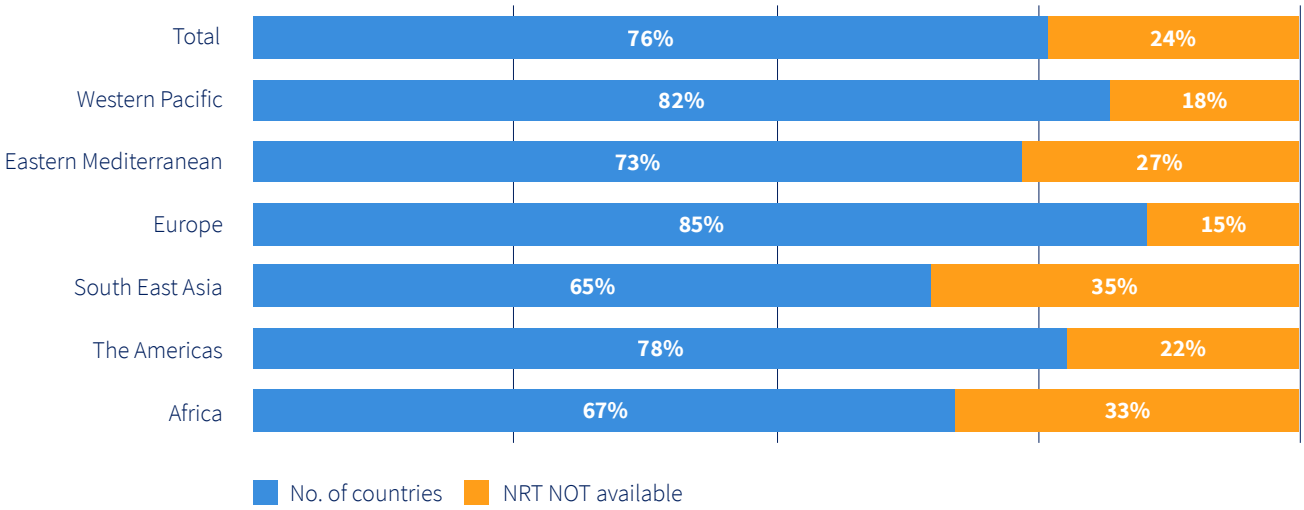
Source: WHO Report on the Global Tobacco Epidemic, 2019.

[13] https://www.emerald.com/insight/content/doi/10.1108/DAT-01-2020-0001/full/html

[14] Beard, E., West, R., Michie, S. and Brown, J. (2019), "Association of the prevalence of electronic cigarette use with smoking cessation and cigarette consumption in England: a time–series analysis between 2006 and 2017", Addiction, Vol. 115 No. 5. https://pubmed.ncbi.nlm.nih.gov/31621131/

[15] https://apps.who.int/iris/bitstream/handle/10665/326043/9789241516204-eng.pdf

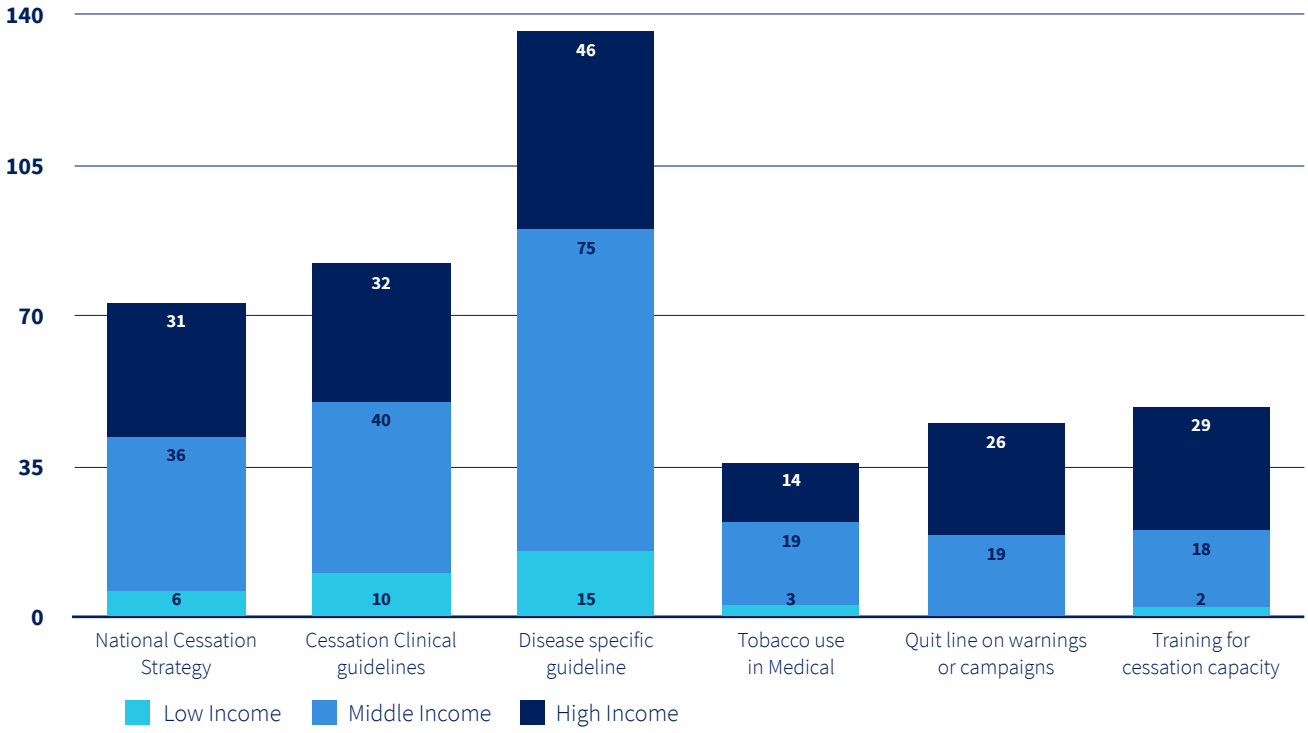
Figure 5: Non-availability of NRT in WHO regions in 2019



Source: WHO Report on the Global Tobacco Epidemic, 2019

Because the cost of current smoking cessation medications is high and their efficacy is low, few people quit smoking in low- and middle-income countries (LMICs). HRPs can help bridge the gap for people who want to quit, reduce morbidity and mortality, and save billions of dollars in healthcare costs worldwide.

Figure 6: Policies and structural capacity for national tobacco cessation support



Source: WHO Report on the Global Tobacco Epidemic, 2019

CHAPTER 2

Tobacco User Demographics

Key Findings

- More than 160,000 of Pakistan's 220 million people die every year from tobacco-related illnesses.
- Both smoked and smokeless tobacco are used in Pakistan.
    - GATS 2014, GYTS 2013, PDHS 2013 and 2017, and STEPS 2014 have been used to assess Pakistan's smoking population. These surveys use different methodologies.
    - GATS: Assessed 23.9 million adults. 31.8% of men and 5.8% of women (19.1% overall) currently use any form of tobacco. A quarter of all smokers tried to quit during the last year.
    - GYTS: 13.3% of boys and 6.6% of girls use any tobacco product. Combustible smoking prevalence was 7.2%.
    - PDHS 2013: 45% per cent of men age 15-49 use some type of tobacco.
    - PDHS 2017: tobacco use in men dropped to 23%.
    - STEPS: 13.9% of the population (28% of men and 4% of women) were daily smokers, and 6.9% (9.9% of men and 4.7% of women) used smokeless tobacco.
- India has the highest incidence of smokeless tobacco use in the world and Pakistan is second. The prevalence of smokeless tobacco use in both countries is over 10%.
- According to Pakistan's 2018 report to the WHO FCTC, the diagnosis and treatment of tobacco dependence and counselling services for the cessation of tobacco use is not included in any national health plan.
- NRT medications were added to the list of National Essential Medicines in 2018.

Tobacco User Demographics

A. Benchmark Countries Selection Criteria

- LMICs
- Countries that share a border with Pakistan and engage in the illicit cigarette trade (Iran, China, Afghanistan and India).
- Countries with a GYTS or GATS survey or bo

Figure 7: Benchmark countries

Source: World Bank, WHO

Figure 8: Benchmark countries selection criteria

Source: QBal research

Table 2: An insight into benchmark country population, health, and life expectancy.

Data Type	Total population (000)			Life expectancy at birth (years)			Health life expectancy at birth (years)		
	Comparable Estimates								
	Male	Female	Both Sexes	Male	Female	Both sexes	Male	Female	Both Sexes
Member state	**2018**			**2016**			**2016**		
Pakistan	109,217	103,012	212,228	65.7	67.4	66.5	57.6	57.9	57.7
Afghanistan	19,093	18,079	37,172	61	64.5	62.6	52.1	54.1	53
Iran	41,359	40, 441	81,800	74.6	76.9	75.7	64.9	65.9	65.4
China	736,377	699,274	1,435,651	75	77.9	76.4	68	69.3	68.7
India	703,056	649,587	1,352,642	67.4	70.3	68.8	58.7	59.9	59.3

Source: Health statistics by country, WHO[16]

Life expectancy at birth is highest in China and Iran at 75-76 years and lowest in Afghanistan at 62.6 years. India's life expectancy is 69.8 years and Pakistan's is 66.5 years.

Tobacco Consumption Patterns

Types of tobacco products in Pakistan

Pakistan is one of the largest tobacco-consuming countries in the world.[17] Tobacco is used in many forms, including the smoking of manufactured cigarettes and waterpipes (shisha), and chewing tobacco.

- Paan/betel with tobacco – a chewed mixture of areca nut (Areca catechu), tobacco, catechu (Acacia catechu) and slaked lime (calcium oxide and calcium hydroxide), wrapped in a betel leaf (Piper betel) with sweetening agents.
- Naswar – a mixture of sun-dried, sometimes only partially cured, powdered local tobacco (Nicotiana rustica), ash, oil, flavouring agents (e.g., cardamom, menthol), colouring agents (indigo) and lime. Predominantly used in Pakistan, Iran, Uzbekistan, Kyrgyzstan, Tajikistan, and Afghanistan.
- Gutka – sun-dried, roasted, finely chopped tobacco, areca nut, slaked lime and catechu mixed with flavours and sweeteners. Predominantly used in Pakistan, India, Bangladesh, Nepal, Myanmar, Sri Lanka, and the UK.[21]
- Zarda- Shredded tobacco leaves are boiled with lime and saffron; the mixture is dried then chewed and spat. Predominantly used in Pakistan, Bangladesh, India, Myanmar, Thailand, Indonesia, Nepal, Maldives, Sri Lanka, and the UK.[18]

[16] https://www.who.int/gho/publications/world_health_statistics/2020/EN_WHS_2020_Annex2.pdf?ua=1

[17] https://www.portal.euromonitor.com/portal/analysis/tab

[18] https://spiral.imperial.ac.uk/bitstream/10044/1/33120/2/Global%20burden%20of%20disease%20due%20to%20smokeless%20tobacco%20consumption%20in%20adults%3A%20analysis%20of%20data%20from%20113%20countries.pdf

Tobacco is also chewed along with betel nuts and is the primary cause of oral cancer in the Indo-Pak subcontinent.[19]

According to the District Health Survey of 2012-13, 16.3% of men and 2.44% of women in Pakistan use some form of smokeless tobacco.[20] Naswar is unregulated in Pakistan and is not taxed, which means the price is low. Cigarettes are currently the main focus of tobacco control in Pakistan.[21]

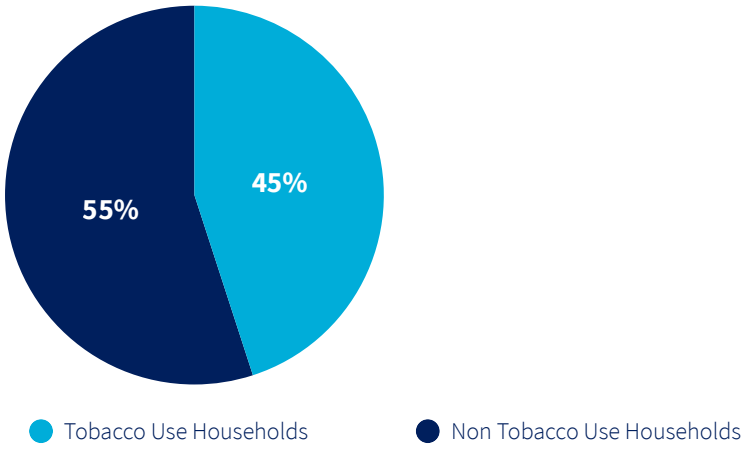
Table 3: Smokeless tobacco use and any type of tobacco use in men and women

Tobacco Product	Women	Men
Snuff by mouth	0.5	0.7
Snuff by nose	0.0	0.1
Chewing tobacco	1.5	8.4
Betel quid with tobacco	1.4	5.5
Any type of smokeless tobacco	3.4	14.6
Any type of tobacco Smoking tobacco including cigarettes, kreteks, pipes and water pipes/hukkah/sheesha	7.8	34.6

Source: PDHS 2017-2018

According to the Pakistan Household Integrated Economic Survey (HIES) 2015-2015, 45% of the households in Pakistan were tobacco consumers. Poorer households spent more of their budget on tobacco than more affluent households (3.02% vs. 2.55%, respectively).[22] Non-tobacco user households spent money on clothing (9.29%), health (3.12%), education (3.98%), transportation (4.50%), communication (2%). and housing (13.45%). Tobacco user households spent 8.39% of their income on clothing, 3.01% on health, 2.61% on education 2.61%, 3.98% on transportation, 1.68% on communication, and 11.99% on housing.

Figure 9: Tobacco user, non-user households



Source: Pakistan Household Integrated Economic Survey (HIES) 2015-2015

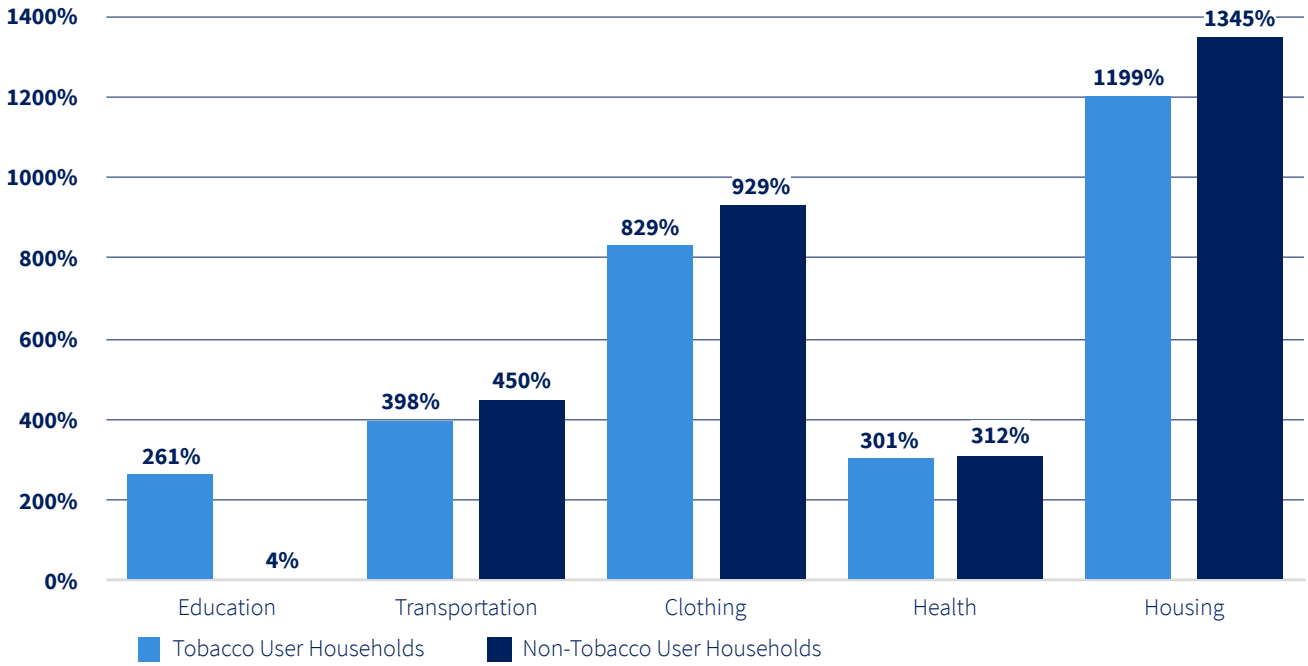
[19] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5543298/pdf/epih-39-e2017009.pdf

[20] https://spiral.imperial.ac.uk/bitstream/10044/1/33120/2/Global%20burden%20of%20disease%20due%20to%20smokeless%20tobacco%20consumption%20in%20adults%3A%20analysis%20of%20data%20from%20113%20countries.pdf

[21] http://documents1.worldbank.org/curated/en/498131560807146415/pdf/Pakistan-Overview-of-Tobacco-Use-Tobacco-Control-Legislation-and-Taxation.pdf

[22] https://www.spdc.org.pk/publications/the-impact-of-tobacco-use-on-household-consumption-patterns-in-pakistan

Figure 10: A comparison between tobacco user and non-user household expenditures



Source: Pakistan Household Integrated Economic Survey (HIES) 2015-2015

B. User Demographics

Pakistan's high level of tobacco use has led to a high prevalence of tobacco-related diseases. The estimated total number of tobacco-related deaths is 160,100 per year.[23]

According to the Global Adult Tobacco Survey (GATS 2014),[24] almost 24 million (19.1%) adults currently use tobacco in any form. That breaks down into 15.6 million adults who currently smoke tobacco, 3.7 million adults who use some form of water pipe, and 9.6 million who use smokeless tobacco. The Global Youth Tobacco Survey (GYTS 2013) states that 13.3% of boys and 6.6% of girls are current tobacco users, and the number of girls is growing. The WHO is concerned about that narrowing gap, and is also concerned that young people also use water pipes, which are as dangerous as smoking cigarettes.

Table 4: Tobacco use and smoking prevalence

GLOBAL ADULTS TOBACCO SURVEY 2014						
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
	SMOKING			TOBACCO USE		
Prevalence	19.4	1.0	10.5	31.8	5.8	19.1
Residence						
Urban			9.3			15.9
Rural			11.2			21.1

Source: GATS 2014 Pakistan

[23] https://untobaccocontrol.org/impldb/pakistan/#tabs-2

[24] http://www.emro.who.int/pak/programmes/tobacco-free-initiative.html

Pakistan's key achievements[25]

- Pictorial Health Warnings covering 85% of both sides of cigarette packs.
- Ban on smoking in public places, whether workplaces or recreational facilities,
- Ban on smoking in public service vehicles.
- Ban on sale of cigarettes to minors.
- Mandatory display of "No Smoking" signs in public places.
- Ban on tobacco advertisements in Print and Electronic Media (through billboard, posters, or banner affixed outside a shop, kiosk, or mobile trolley etc.).
- Ban on the import of shisha (tobacco and non-tobacco) and related substances.
- Ban on manufacturing, importing and selling of cigarette packs having less than 20 cigarettes.
- Ban on tobacco companies offering free samples, cash rebates, discounts, or sponsoring public events.

Source: WHO

The GATS survey involved 9,856 households and the Pakistan Demographic Health Survey (PDHS) involved 11,869. The PDHS survey reported a higher rate of tobacco consumption than the GATS survey.

Table 5: Tobacco-related surveys conducted in Pakistan

Pakistan Demographic & Health Survey	Global Adult Tobacco Survey (GATS)	Global Youth Tobacco Survey (GYTS)	STEPS Survey
2012-2013 2017-2018	2014	2003 2013	2014

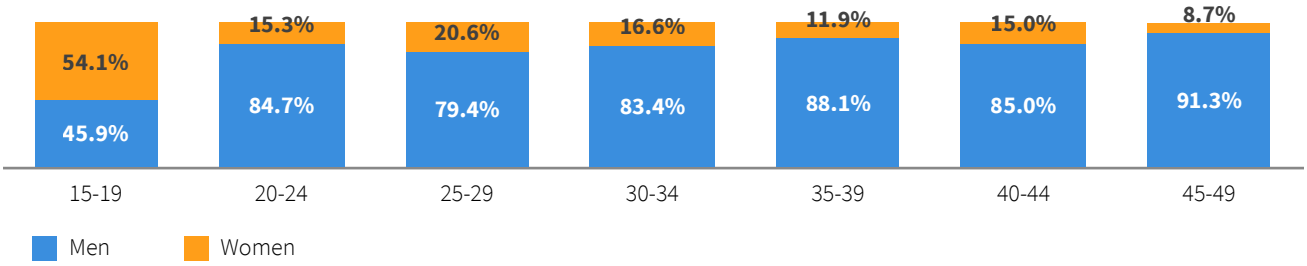
Source: PDHS, GATS, GYTS & STEPS surveys in Pakistan

According to PDHS 2012-13, 45% per cent of men age 15-49 reported using some type of tobacco, and 28% smoked cigarettes. In PDHS 2017-18, tobacco use among men dropped to 23% and 22% of them smoked cigarettes.[26]

[25] http://www.emro.who.int/pak/programmes/tobacco-free-initiative.html

[26] PDHS 2017-2018 http://nips.org.pk/abstract_files/PDHS%202017-18%20-%20key%20%20findings.pdf

Figure 11: Smoking percentage by age group, PDHS 2017-18



Source: PDHS 2017-2018

PDHS 2012-13[27] showed that the incidence of smoking increased with age: 4.7% of people 15-19 smoked, as did 18.4% of those 20-24, 20% of those 25-29, 30% in the 30-34 age group, 23.5% of those 35-39, 38% of those 40-44, and 30.7% of people age 45-49.

In PDHS 2017-2018,[28] statistics showed that 12% of those age 20-29 smoked cigarettes, 19.6% of people 30-34 smoked, 26% smoked in the 35-39 age group, 28% in the 40-44 age group smoked, and 31.4% of those in the 45-49 age group were smokers. Between 2013 and 2017, the incidence of smoking dropped in the 20-29 age group but slightly increased in those above 45 years of age. Tobacco use in men was found to be similar in urban and rural areas.

Table 6: A Comparison of PDHS 2012-2013 and PDHS 2017-2018

	PDHS 2012-13	PDHS 2017-18	% Change	PDHS 2012-13	PDHS 2017-18	% Change	PDHS 2012-13	PDHS 2017-18	% Change	PDHS 2012-13	PDHS 2017-18	% Change
	Men						**Women**					
	Smoking			**Tobacco Use**			**Smoking**			**Tobacco Use**		
Age												
15-19	4.7	1.7	3%	13.3	1.7	11.6%	0.4	2.0	1.6%	2.5	3	0.5%
20-24	18.4	12.7	5.7%	22.7	12.7	10%	0.4	2.3	1.9%	2.0	3.1	1.1%
25-29	20.1	12.3	7.8%	23.9	12.9	11%	0.4	3.2	2.8%	3.1	4.4	1.4%
30-34	30.4	19.6	10.8	21.5	19.6	1.9%	1.2	3.9	2.7%	4.3	4.8	0.5%
35-39	23.5	26	2.5%	19.7	27.0	7.3%	2.1	3.5	1.4%	5.8	5.2	0.6%
40-44	38.3	28.3	10%	18.5	29.0	10.5%	2.6	5.0	2.4%	8.8	7.0	1.8%
45-49	30.7	31.4	0.7%	26.2	33.1	6.9%	2.0	3.0	1%	9.7	5.1	4.6%
Residence												
Urban	27.0	19.4	7.6%	21.4	19.7	1.7%	0.8	3.0	2.2%	3.1	4.0	0.9%
Rural	28.0	23.6	4.4%	22.2	24.6	2.4%	1.6	3.6	2%	6.1	5.1	1%
Education												
No Education	34.6	23.3	11.3%	27.4	25.3	2.1%	2.1	4.1	2%	7.8	6.2	1.6%
Primary	27.8	27.3	0.5%	26.3	27.3	1%	0.4	3.0	2.6%	2.4	4.0	1.6%
Middle	32.3	22.4	9.9%	18.7	22.8	4.1%	0.3	2.9	2.6%	2.1	3.9	1.8%
Secondary	20.5	19.9	0.6%	19.7	20.5	0.8%	0.2	2.2	2%	0.8	2.7	1.9%
Higher	17.9	16.2	1.7%	12.1	16.2	4.1%	0.2	2.5	2.3%	0.2	2.5	2.3%
Wealth												
Lowest	24.9	26.5	1.6%	27.9	28.4	0.5%	2.5	6.0	3.5%	10.9	8.9	2%
Highest	20.5	16.9	3.6%	19.3	17.0	2.35	0.2	2.8	2.6%	1.1	3.1	2%

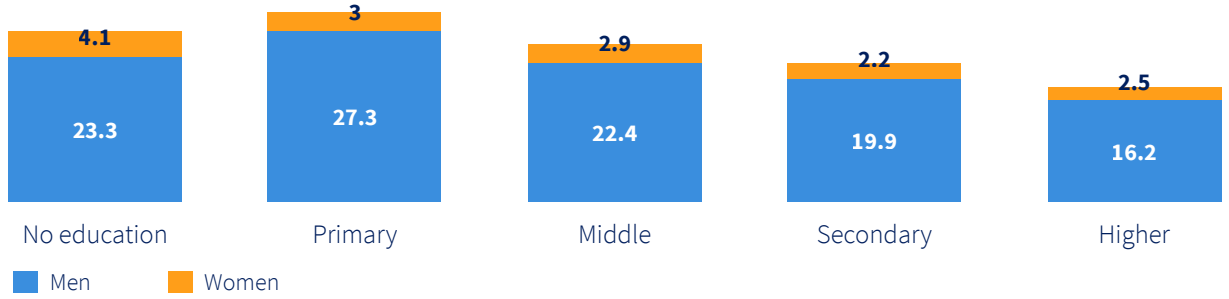
Source: PDHS 2012-2013 & 2017-2018

[27] PDHS 2012-2013 http://nips.org.pk/abstract_files/PDHS%20Final%20Report%20as%20of%20Jan%2022-2014.pdf

[28] PDHS 2017-2018 http://nips.org.pk/abstract_files/PDHS%202017-18%20-%20key%20%20findings.pdf

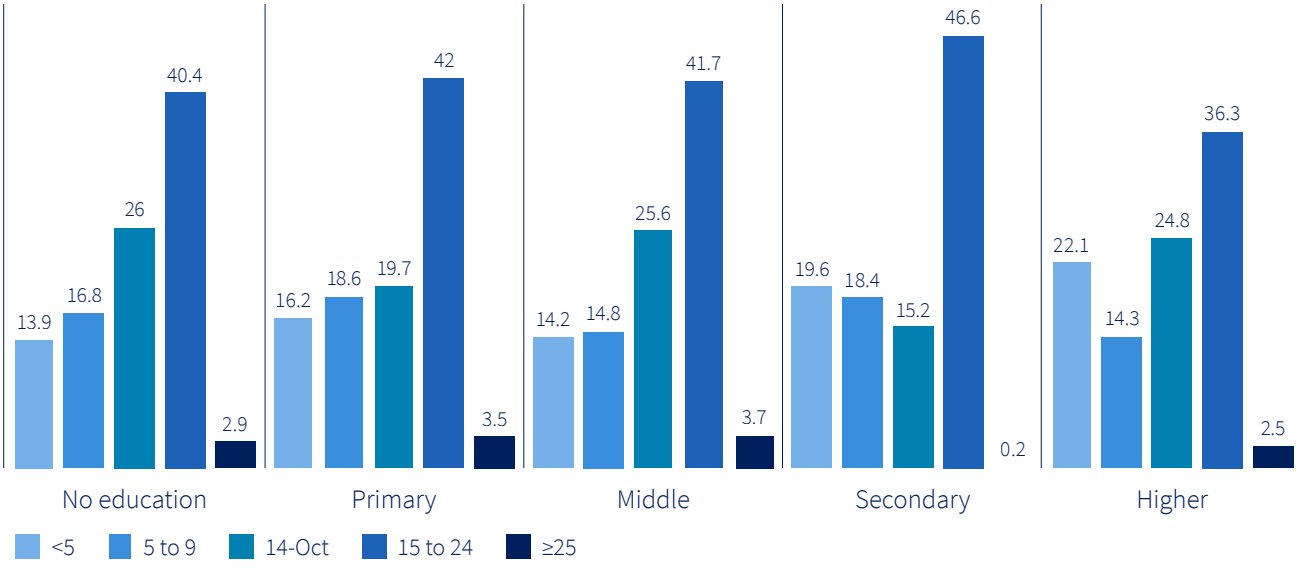
Another finding recorded by both PDHS studies is that cigarette smoking decreases with education. In people with no education, 4% of women and 23.3% of men smoked cigarettes; but 22.3% of men with a middle-level education, 19.9% of those with a secondary-level education, and only 16.2% of those in the higher education group smoked. The same was true for women. In the group with no education, 4% smoked. That number was 3% in the primary education group, 2.9% in the middle level education group, 2.2% in the secondary education group, and 2.5% in those with a higher education.

Figure 12: Smoking percentage by level of education



Source: PDHS 2017-2018

Figure 13: Average number of cigarettes smoked daily by men with different levels of education



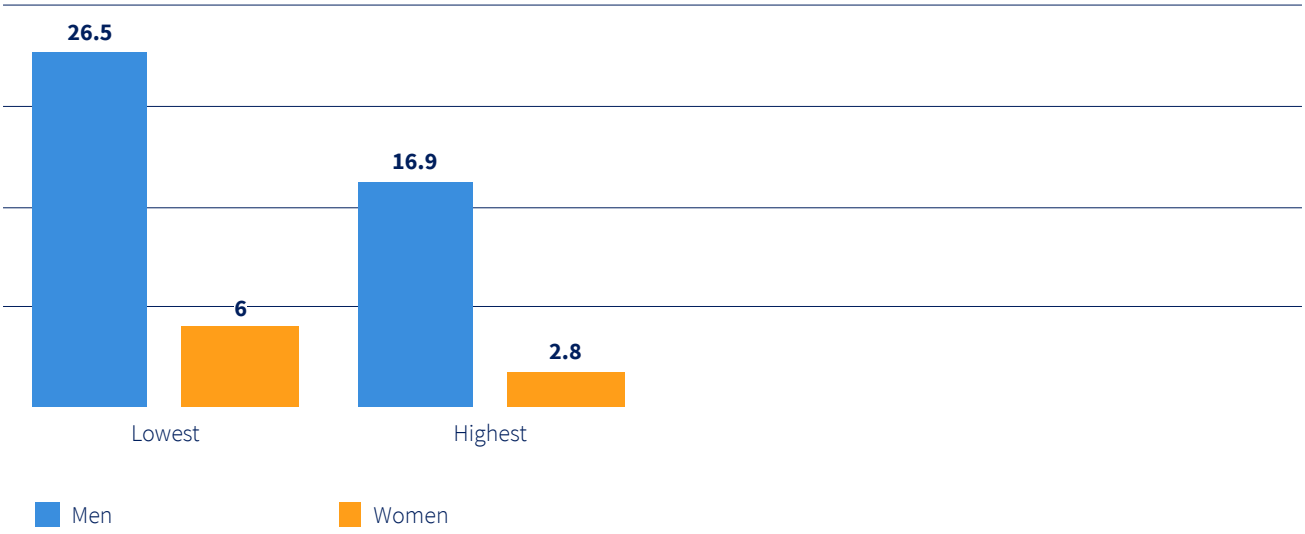
Source: PDHS 2017-2018

According to PDHS 2012-13, 2.0% of women between 15-49 years of age used any form of tobacco. This number increased to 3% in PDHS 2017-18, and smoking cigarettes increased from 0.4% to 2.0% over the same time period. Women who lived in rural areas were also slightly more likely to use tobacco than women in urban areas.[29,30]

[29] PDHS 2012-2013 http://nips.org.pk/abstract_files/PDHS%20Final%20Report%20as%20of%20Jan%2022-2014.pdf

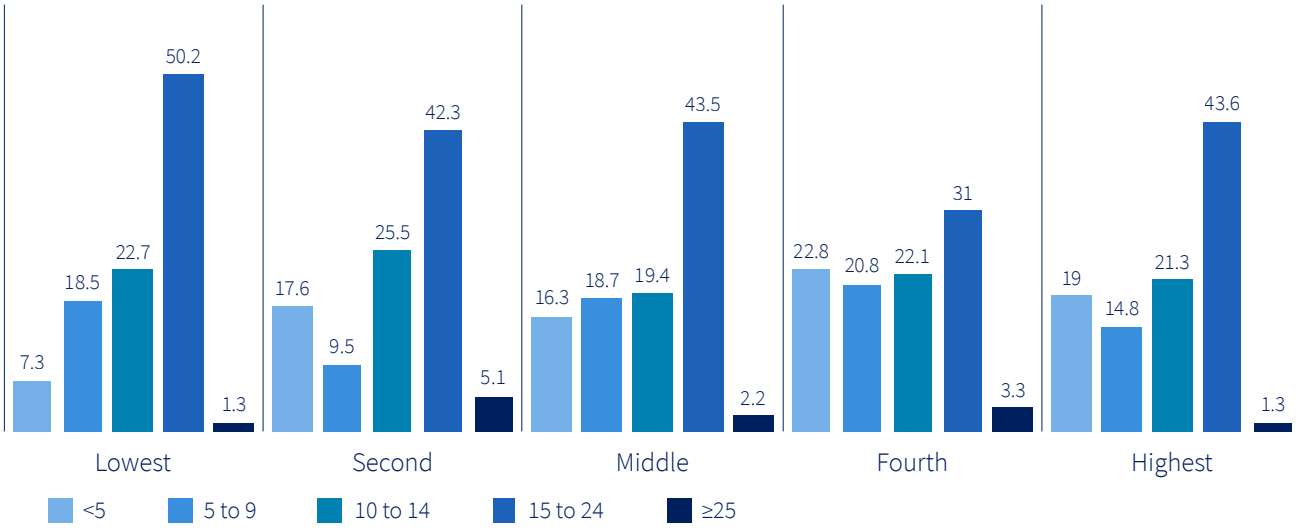
[30] PDHS 2017-2018 http://nips.org.pk/abstract_files/PDHS%202017-18%20-%20key%20%20findings.pdf

Figure 14: Smoking percentage by wealth status



Source: PDHS 2017-2018

Figure 15: Average number of cigarettes smoked daily by men by wealth status



Source PDHS 2017-2018

Smoking Frequency

GATS showed that 23.9 million of Pakistan's 220 million adults (19.1%) currently use tobacco products. Cigarette smokers make up 12.4% of that total. While 31.8% of men and 5.8% of women currently use tobacco products, the prevalence of cigarette smoking is 22.2% in men and 2.1% in women.

Both men and women smoke more if they live in rural areas (13.9% in the country and 10.0% in the city). Among all adults, 11.5% were daily smokers, and 0.9% were occasional (less than daily) smokers. Almost 45% of current daily tobacco users had their first tobacco product of the day within 30 minutes of waking up. Daily cigarette smokers consumed an average of 13.6 cigarettes per day (men smoked 13.7 and women smoked 10.3 cigarettes per day). The average age of daily smoking initiation among daily smokers age 20-34 was 18.7 years.

There are 9.6 million (7.7%) adult smokeless tobacco users in Pakistan, 8.2% of them in rural areas and 6.7% in urban areas.[31]

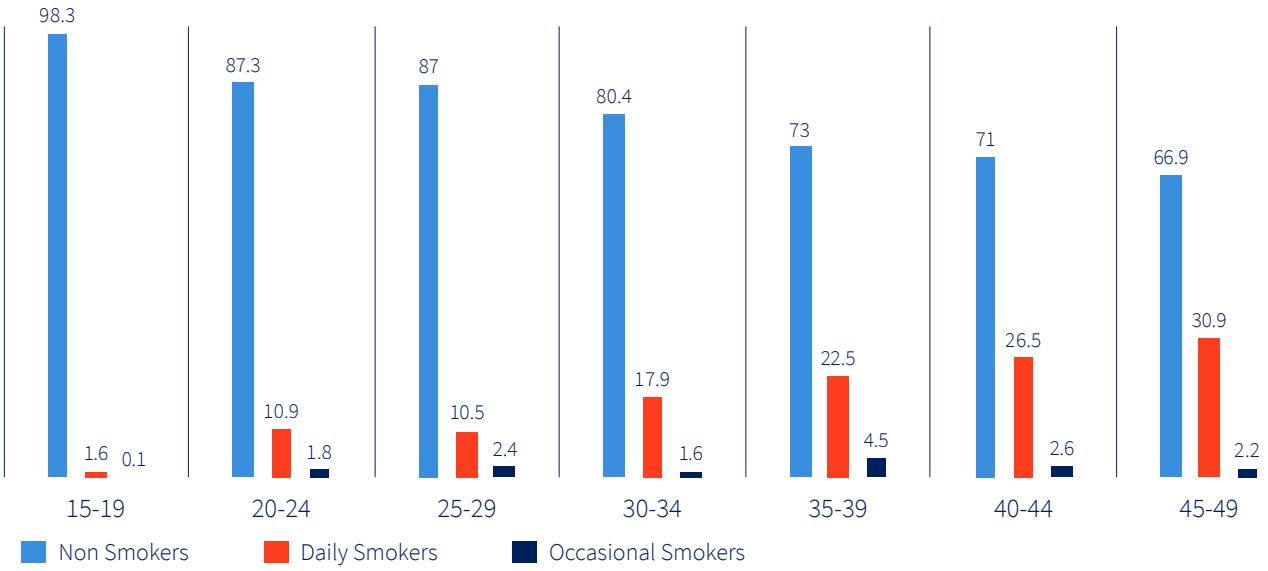
Daily cigarette use (manufactured cigarettes, hand-rolled cigarettes, and kreteks) increases with age. PDHS 2017-18 showed that men age 20-24 smoked an average of 12.7 cigarettes per day, men 25-29 smoked 12.3 per day, 30-34 smoked 19.6 per day, 35-39 smoked 26 per day, 40-44 smoked 28.3 per day, and men 45-49 smoked an average of 31 cigarettes per day.[32] For women, the frequency of smoking increased with age, peaking in the 40-44-year age group and starting to decline between 45 and 49.

Table 7: Percentage of ever-married men aged 15-49 who smoke various tobacco products and percent distribution of ever-married men by smoking frequency, according to age and residence

Characteristics	Percentage who smoke			Smoking frequency		
	Cigarettes	Other types of tobacco	Any type of tobacco	Daily smoker	Occasional smoker	Non-smoker
Age						
15-19	1.7	0.0	1.7	1.6	0.1	98.3
20-24	12.7	0.8	12.7	10.9	1.8	87.3
25-29	12.3	1.6	12.9	10.5	2.4	87.0
30-34	19.6	1.2	19.6	17.9	1.6	80.4
35-39	26.0	3.2	27.0	22.5	4.5	73.0
40-44	28.3	2.4	29.0	26.5	2.6	71.0
45-49	31.4	5.4	33.1	30.9	2.2	66.9
Residence						
Urban	19.4	0.6	19.7	17.3	2.4	80.3
Rural	23.6	3.8	24.6	21.9	2.7	75.4

Source: PDHS 2017-18

Figure 16: Percent distribution of ever-married men by smoking frequency, according to age



Source: PDHS 2017-18

[31] https://www.who.int/tobacco/surveillance/survey/gats/pak-report.pdf?ua=1

[32] PDHS 2017-2018 http://nips.org.pk/abstract_files/PDHS%202017-18%20-%20key%20%20findings.pdf

Table 8: Percentage of ever-married women age 15-49 who smoke various tobacco products, according to age and residence

Characteristics	Percentage who smoke			
	Cigarettes	Other types of tobacco	Any type of tobacco	Number of women
Age				
15-19	2.0	1.0	3.0	600
20-24	2.3	0.9	3.1	1,889
25-29	3.2	1.7	4.4	2,548
30-34	3.9	1.2	4.8	2,413
35-39	3.5	2.2	5.2	2,163
40-44	5.0	2.8	7.0	1,437
45-49	3.0	2.3	5.1	1,316
Residence				
Urban	3.0	1.3	4.0	4,550
Rural	3.6	2.0	5.1	7,814

Source: PDHS 2017-18

A National STEPS survey of chronic disease risk factors was carried out by the government of Pakistan in collaboration with the WHO in 2014.[33] A total of 7,366 individuals were enrolled: 57% were women and 43% were men between the ages of 18 and 69. The findings showed that 13.9% (28% of men and 4% of women) were daily smokers and 6.9% of the study population (9.9% of men and 4.7% of women) used smokeless tobacco. The types of smokeless tobacco used were snuff 59.8%, chewing tobacco 23.1%, and Paan (betel and quid) 20.4%.

Table 9: Percentage of current smokers among all respondents

	Men	Women	Both
	Percentage current smoker	Percentage current smoker	Percentage current smoker
18-29	15.5	1.2	**6.2**
30-44	30.1	2.7	**14.0**
45-59	35.1	10.4	**21.9**
60-69	36.8	12.9	**25.2**
18-69	27.8	4.2	**13.9**

Source: Non-communicable Diseases Risk Factors Survey-Pakistan (STEPS)

The mean age when people started using tobacco was 22 (men 21, women 25). The prevalence of smoking increased with age and was the highest (25.2%) in the 60-69-year age group.

Eight percent of the people in the study were daily smokeless tobacco users (12% were men and 5% were women). The types of smokeless tobacco used were oral snuff (59.8%), chewing tobacco (23%), betel and quid (20%), and nasal snuff (7%).

Twenty-nine percent of women and 25.3% of men were exposed to secondhand smoke at home, and 31% of the men and 7.2% of the women were exposed to secondhand smoke at their workplace. The survey showed that 58% of current smokers had tried to quit smoking.[34]

[33] https://www.who.int/ncds/surveillance/steps/pakistan/en/

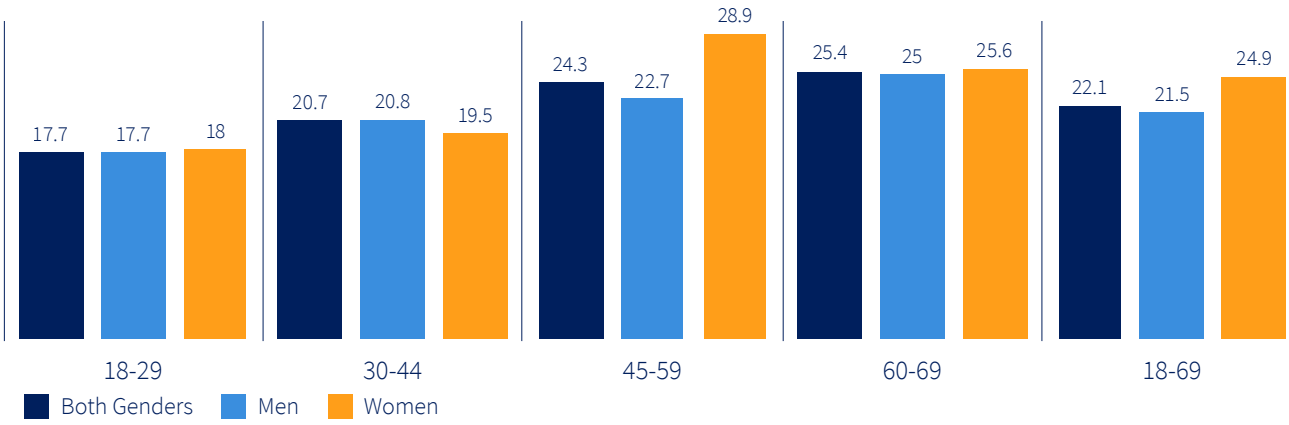
[34] https://www.who.int/ncds/surveillance/steps/pakistan/en/

Table 10: STEPS survey and GATS 2014: A comparison

Surveys Pakistan	STEPS 2014 Both Genders	GATS 2014 Both Genders
Mean age at initiation of smoking	22 years	-
Current smokers who tried to stop smoking	58.2%	24.7% in the past 12 months
Current users of smokeless tobacco	6.9%	7.7%
Exposed to secondhand smoke at home during the past 30 days	27.3%	48.3%
Exposure to secondhand smoke at the workplace during the past 30 days	16.5%	69.1%
Exposure to secondhand smoke in public places		
Secondhand smoke in government buildings	-	64.6%
Secondhand smoke at healthcare facilities	-	37.6%
Secondhand smoke at restaurants	-	86.0%
Secondhand smoke in public transport facilities	-	76.2%

Source: STEPS Survey 2014, GATS 2014

Figure 17: Mean age at initiation of smoking



Source: Non-communicable Diseases Risk Factors Survey-Pakistan (STEPS)

According to Ordinance, SRO 863(I)/2010 Prohibition of Sale of Cigarettes to Minors Rules, 2010,[35] the minimum legal smoking age in Pakistan is 18. Enforcement of this law is weak, and underage smoking a significant problem in the country.

According to the Pakistan Bureau of Statistics, Pakistan had a population of 207,774,000 in 2017,[36] 64% of whom were under the age of 29 (29% between 15-29 and 35% between 0-14), which means that Pakistan is one of the youngest countries in the world.[37,38] Keeping young people from smoking means they will lead productive lives in the future and the burden of non-communicable diseases in Pakistan will decrease.

[35] http://www.tcc.gov.pk/downloads.php

[36] http://www.pbs.gov.pk/content/population-census

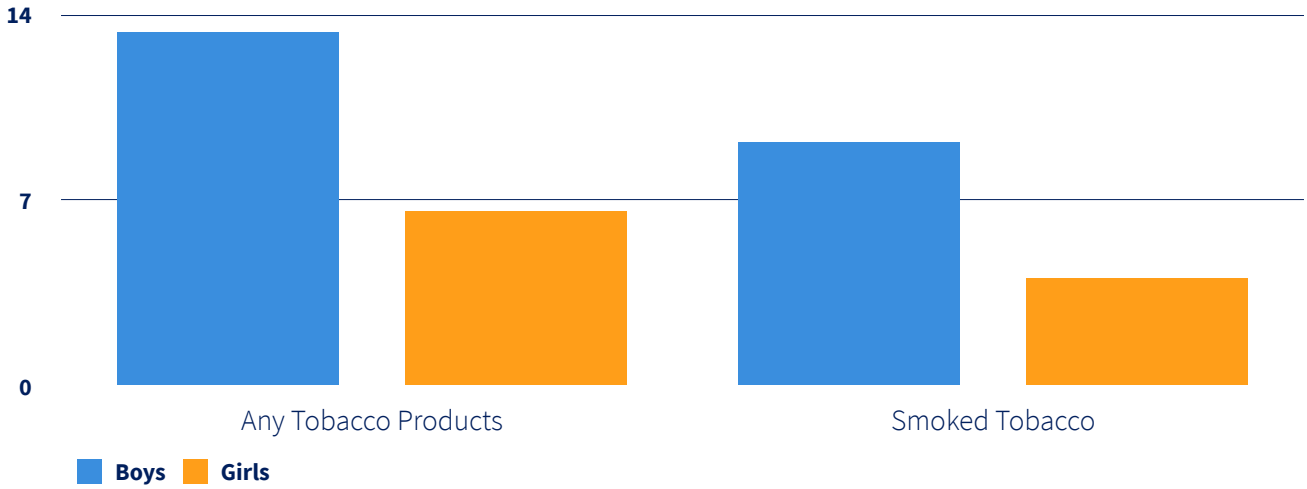
[37] http://nhdr.undp.org.pk/

[38] https://data.worldbank.org/indicator/SP.POP.0014.TO.ZS?locations=PK

The GYTS was conducted in 2003 and 2013 in Pakistan. The first Global Youth Tobacco Survey (GYTS) was conducted in Islamabad and Lahore in 2003 and was not a nationally representative survey. The 2013 GYTS was a nationally representative, school-based survey of students 13-15 years of age.

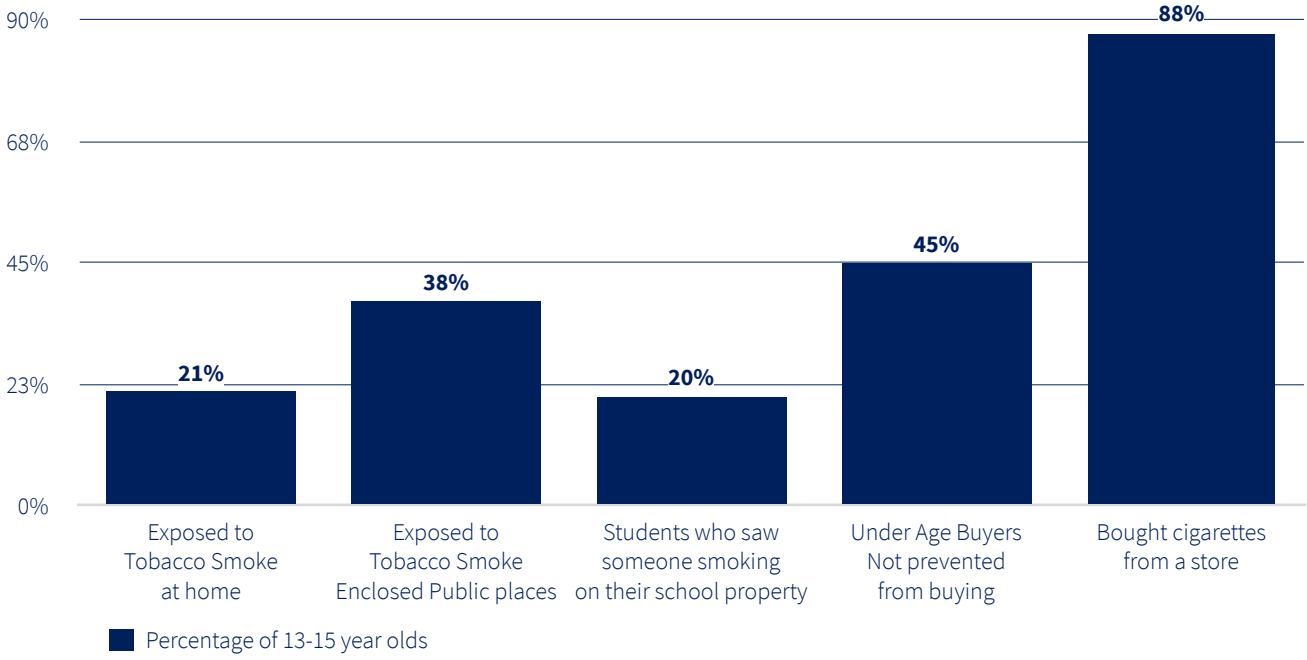
According to GYTS 2013, 10.7% of all young people (13.3% of boys and 6.6% of girls) used a tobacco product, and 7.2% (9.2% of boys and 4.1% of girls) smoked tobacco. Sixty percent of young people had tried to quit during the preceding year.[39] Twenty-one percent were exposed to tobacco smoke at home, and 37.8% were exposed in enclosed public spaces. Most of them (87.6%) bought cigarettes from a store, shop, street vendor, or kiosk, and almost half (44.9%) were not challenged about their age by the shop owners. One-fifth saw someone smoking inside their school building or outside on school property.

Figure 18: Tobacco use among 13-15-year olds



Source: GYTS 2013-2014 Pakistan

Figure 19: GYTS Data for 13-15-year olds



Source: GYTS Data (2013-2014)

[39] http://www.emro.who.int/images/stories/tfi/documents/GYTS_FS_PAK_2013.pdf?ua=1

C. Geographical Concentration of Tobacco Users and the Types of Products They Use

Pakistan has four provinces and the Islamabad Capital Territory (ICT). The incidence of smoking is highest in the Punjab, which is the largest province, followed by Sindh, Khyber Pakhtunkhwa, Baluchistan, and the ICT.

Table 11: Tobacco user and cigarette smokers in the provinces of Pakistan

Provinces	Percentage who smoke		Smokers
	Cigarettes	Other tobacco products	
Punjab	27.8	4.5	29.1
Sindh	16.3	0.2	16.3
Khyber Pakhtunkhwa	12	0.1	12.2
Baluchistan	18.7	0.5	18.7
ICT	29.5	0	29.5

Source: PDHS 2017-2018

D. Tobacco Use Among Health Professionals

Healthcare providers have a key role in fighting the tobacco epidemic, but many of them are addicted to tobacco themselves. The Global Health Professions Student survey, conducted in Pakistan in 2011, revealed that 10.8% of health professions students were current smokers and 26.7% of them were cigarette experimenters. The prevalence of current cigarette smoking was 19.7-30.1% in men and 2.4-6.2% in women. A review of published studies concluded that 37% of doctors, 35% of paramedics, and 32.7% of medical students were smokers.[40]

Figure 20: Percentage of smokers among health professionals

Source: Journal article

[40] http://documents1.worldbank.org/curated/en/498131560807146415/pdf/Pakistan-Overview-of-Tobacco-Use-Tobacco-Control-Legislation-and-Taxation.pdf

E. Benchmark Countries Comparison

Pakistan shares borders with China, India, Afghanistan, and Iran and its geopolitical position is crucial to understanding smoking within the country.

Table 12: A comparison of benchmark country tobacco use dynamics and MPOWER policy implementation

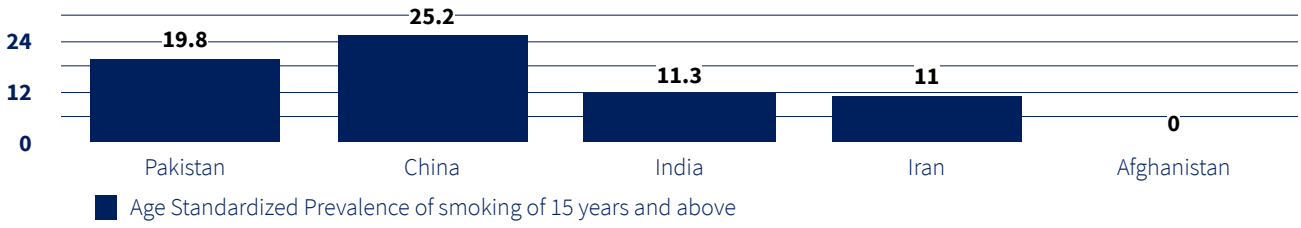
Country		Pakistan	Iran	India	Afghanistan	China
Income-group [41]		Middle-income	Middle-income	Middle-income	Low-income	Middle-income
Legal Age of Smoking		18		18	18	18
Total Legal Smoking population (000s)		127,518		901,201	-	1,105,509
No of Smokers (000s)		26,782		33,659	-	308,109
No of vapers (000s)		21		965	-	3,109
FCTC Ratification		November 3, 2004	November 6, 2005	February 5, 2004	August 13, 2010	October 11, 2005
MPOWER (policy)						
M		Complete	Complete	Minimal	Minimal	Moderate
P		Complete	Complete	Moderate	Complete	No Policy
O		Moderate	Moderate	Complete	Minimal	Moderate
W	Health Warnings	Complete	Complete	Complete	No	Minimal
	Mass Media	Complete	Minimal	Moderate	No	Moderate
E	Advertising Bans	5	10	7	6	7
	Taxation	56.4%	21.7%	54%	4.1%	55.7%
R		No trend or change in affordability	YES, cigarettes became less affordable	YES, cigarettes became less affordable	YES, cigarettes became less affordable	No, cigarettes did not become less affordable

Source: Tobacco: Euromonitor from trade sources/national statistics

Other than Afghanistan, all the other countries had a legal smoking age of 18. All the countries except India had a moderate to minimal cessation policy in the MPOWER framework. The lowest taxation was in Afghanistan at 4.1% and the highest was in Pakistan at 56.4%.

China had the most smokers in the 15+ age group (25.2%) and Pakistan was in the second position (19.8%). No data was available for Afghanistan.

Figure 21: Age-standardized prevalence of tobacco smoking, age 15 and older



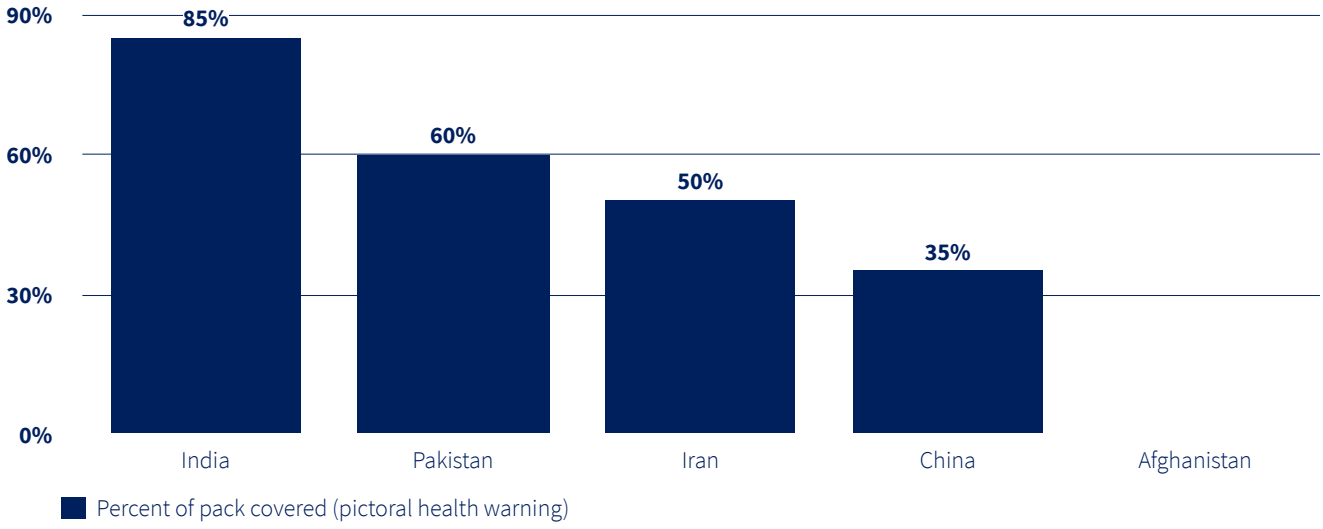
Source: WHO 2018[42]

[41] https://www.who.int/tobacco/surveillance/policy/country_profile/en/

[42] https://apps.who.int/gho/data/node.sdg.3-a-viz?lang=en

Pictorial or graphic health warnings are an essential component of the MPOWER policy. All the countries except Afghanistan have graphic health warnings (GHW). They cover 85% of the cigarette packs in India. On June 1, 2019, the GHW on cigarette packs in Pakistan was raised from 50 to 60%.

Figure 22: Percentage of pack covered with a pictorial health warning in benchmark countries

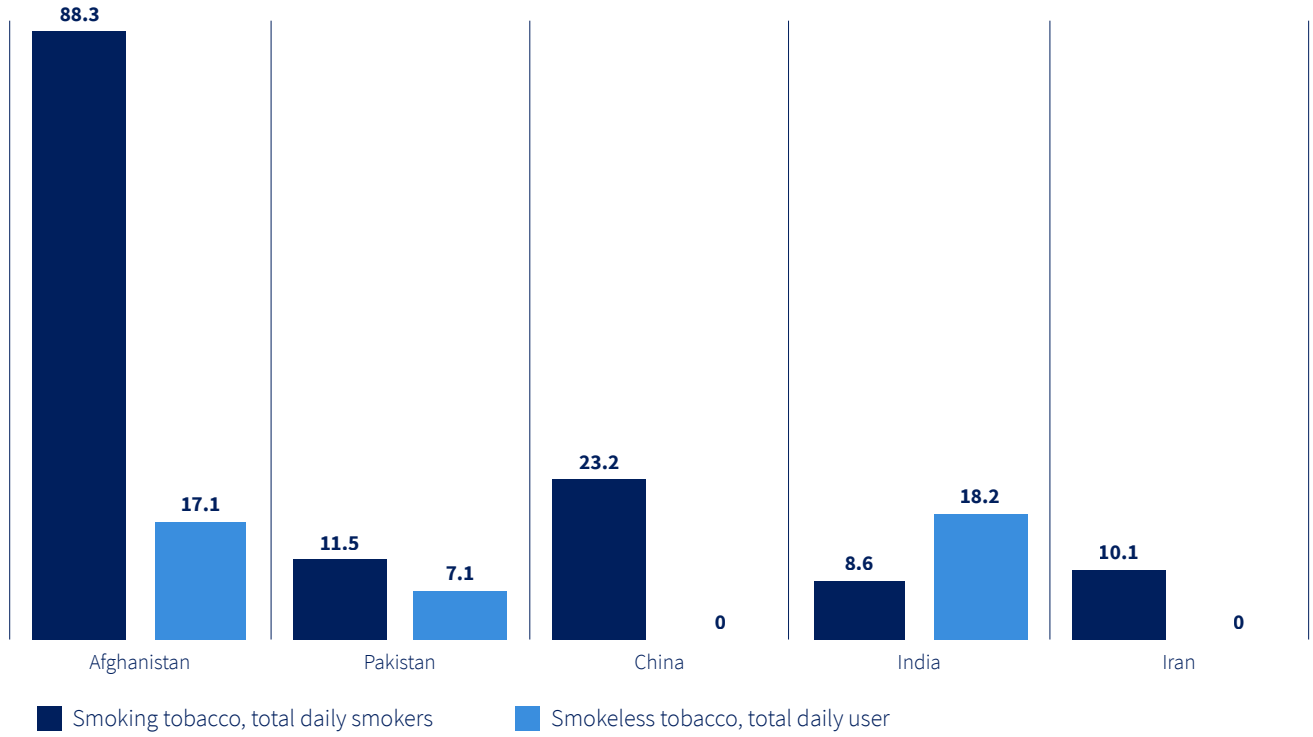


Source: Tobacco Atlas

Tobacco smoking and smokeless tobacco use was highest in Afghanistan, at 88.3% and 17.1%, respectively.

Figure 23: Smoking and smokeless tobacco daily users (adults) in benchmark countries.

Source: WHO FCTC, reported 2020



The GYTS survey for 13-15-year olds has been conducted in all benchmark areas, starting with Iran in 2007 and India in 2009. The highest number of current adolescent cigarette smokers was found in Pakistan (7.2%). All types of tobacco use was highest in Iran (26.1%), India (14.6%), and Pakistan (10.7%).

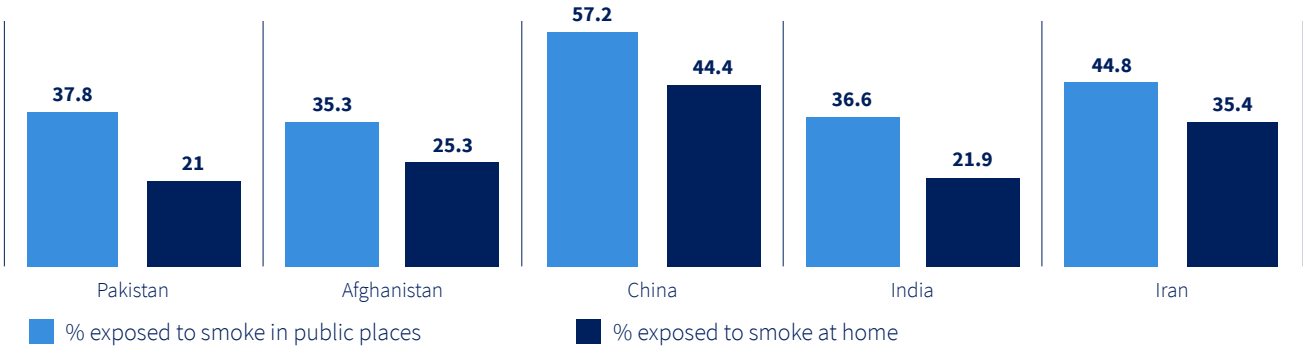
Table 13: GYTS selected benchmark countries comparison

Country	Pakistan	Afghanistan	China	India	Iran
Percentage of Population 0-14 years	35	42	18	27	25
GYTS statistics (Ages 13-15)	2013	2017	2014	2009	2007
Current cigarette smokers	7.2	6.3	6.9	4.4	3
Current tobacco users	10.7	8.3	6.4	14.6	26.1
% exposed to smoke at home	21	25.3	44.4	21.9	35.4
% exposed to smoke in public places	37.8	35.3%	57.2	36.6	44.8
Smoked the first cigarette before age 10	2 in 5 or 40	-	-		36.1
Current smokers who want to stop smoking	57.9	-	-	66.1	60.1
Current smokers who received help/advice from a program or professional to stop smoking	27	17.2	-	94.3%	

Source: World Bank data; Global Youth Tobacco Surveys

Even though many of the countries have bans on smoking in public places, the bans are poorly enforced. Adolescents exposed to smoke in public places ranged from 35% in Afghanistan, 36.6% in India, 37.8 % in Pakistan, 44.8% in Iran, and 57% in China. More than 20% of adolescents were exposed to cigarette smoke at home.

Figure 24: Percentage of 13-15-year-olds exposed to tobacco smoke at home and public places in benchmark countries

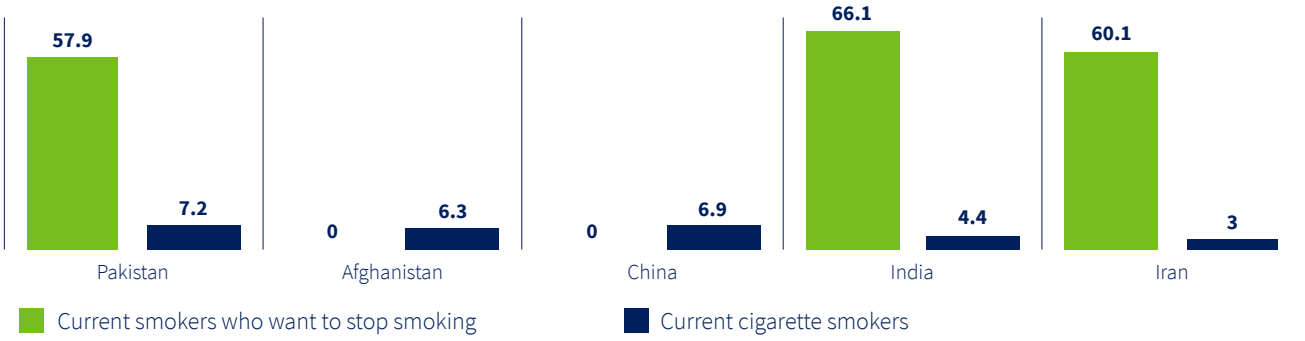


Source: GYTS

The percentage of adolescents who wanted to quit smoking was highest in India (66.1%), followed by Iran and Pakistan.

Figure 25: Current 13-15-year old cigarette smokers in benchmark countries and the percentage of them who want to stop smoking

Source: GYTS



F. Cessation Services

Although a substantial number of cigarette users want to stop smoking, cessation is not supported in most of the benchmark countries. The WHO global report on trends in the prevalence of tobacco use 2000-2025[43] states that reducing tobacco use in men will probably not reach the WHO's Sustainable Development Goal of 30% by 2025.

The WHO also states that 70% of smokers want to quit smoking, which means that Pakistan needs to provide cessation facilities to 14.7 million people.

Nicotine reduction therapy (NRT) medications were added to the National Essential Medicines list in Pakistan in 2018 under therapeutic category 24.5. Pakistan has 2 mg and 4 mg Policrilex chewing gum and 5-30 mg transdermal patches available, but smoking prevalence has not decreased.[50]

According to the report submitted to the FCTC by Pakistan in 2018, tobacco dependence and counselling services for the cessation of tobacco use are not included in national programs, plans, and strategies for health, education, or tobacco control. No rehabilitation centers for the treatment of tobacco dependence or a national quitline are available. The healthcare infrastructure (primary, secondary or tertiary) does not provide any programs for the treatment of tobacco dependence.[44]

Table 14: Comparison of cessation services in benchmark countries

Cessation Services[45]						
Country		**Pakistan**	**Afghanistan**	**Iran**	**India**	**China**
Policy		Moderate	Minimal	Moderate	Complete	Moderate
Toll-free quit helpline		No	No	Yes	Yes	No
Nicotine Replacement Therapy (NRT)	Sold legally in the country	Yes	Yes	Yes	Yes	No
	Where and how can it be purchased	-	Pharmacy without Rx	Pharmacy without Rx	General Store	-
	Covered by National/Federal health insurance	No	No	No	Fully	-
	Is any NRT on the country's essential drug list	Yes (2019)	No	Yes	No	No
Bupropion	Is the product sold legally in the country	Yes	Yes	Yes	Yes	Yes
	Where and how can it be purchased	--	Pharmacy without Rx	--	Pharmacy With Rx	Pharmacy with Rx

[43] https://www.who.int/publications/i/item/who-global-report-on-trends-in-prevalence-of-tobacco-use-2000-2025-third-edition

[44] https://untobaccocontrol.org/impldb/wp-content/uploads/Pakistan_2018_report.pdf

[45] https://www.who.int/tobacco/surveillance/policy/country_profile/pak.pdf?ua=1
https://www.who.int/tobacco/surveillance/policy/country_profile/chn.pdf?ua=1
https://www.who.int/tobacco/surveillance/policy/country_profile/afg.pdf?ua=1
https://www.who.int/tobacco/surveillance/policy/country_profile/ind.pdf?ua=1
https://www.who.int/tobacco/surveillance/policy/country_profile/irn.pdf?ua=1

	Covered by national/ federal insurance	No	No	No	No	No
Varenicline	Sold legally in the country	No	Yes	Yes	Yes	Yes
	Where and how can it be purchased	-	Pharmacy without Rx	--	Pharmacy with Rx	Pharmacy with Rx
	Covered by national/ federal insurance	-	No	No	No	No
Is smoking cessation support available in the following places in your country?	Health Clinics or primary care facilities	No	Yes, in some	Yes, in some	Yes, in some	Yes, in some
	Hospitals	No	No	Yes, in some	Yes, in some	Yes, in some
	Office of a health professional	No	No	Yes, in some	Yes, in some	Yes, in some
	In the community	Yes, in some	No	Yes, in some	Yes, in some	Yes, in some
	Other	Yes, in some	No	Yes, in some	Yes, in some	Yes, in some
Does the national/federal health insurance or the national health service cover the cost of this support?	Health Clinics or primary care facilities	-	-	Partially	Fully	Partially
	Hospitals	-	-	Partially	Fully	Partially
	Office of a health professional	-	-	No	--	Partially
	In the community	Partially	-	No	--	No
	Other	Partially	-	No	Fully	Partially

Source: WHO report on the global tobacco epidemic, 2019

In September of 2020, Pakistan's National Health Services committed to providing support to The Diabetes Centre (TDC) Pakistan so it could establish the first tobacco cessation clinic in the private sector.

Drugs to help people stop smoking will be an essential part of this clinic. Bupropion is available in all the benchmark countries and is sold legally, but Pakistan is the only country where varenicline is not legally available. All the countries need to offer more cessation services, including counselling, and cover them financially, if cessation efforts are going to have any chance of success.

The role of harm reduction products (HRPs) in cessation is essential. They are twice as effective as gums or patches at helping people quit, according to a National Health Service trial conducted in the UK.[46] Such tools are game-changers, especially in lower- and middle-income countries where resources are scarce and little is spent on tobacco control.

[46] https://www.nhs.uk/live-well/quit-smoking/using-e-cigarettes-to-stop-smoking/

CHAPTER 3

National Tobacco Control: Regulatory Framework

Key Findings

- Pakistan does not have a well-articulated 'right to health' in its constitution.
- Since 2010, the provinces have increasingly handled healthcare and almost taken over from the federal government. This happened without official policy changes, leaving both parties uncertain about their roles and responsibilities.
- All Pakistan's tobacco laws were passed before the country ratified the FCTC in 2005.

National Tobacco Control: Regulatory Framework

From a constitutional and legal perspective, tobacco control is a multi-sector issue with multiple dimensions, including merchandising, public health, international commitment, regulation, communication (advertisements), industrial and trading activity, intellectual property rights, and inter-provincial coordination.

Different articles and provisions of Pakistan's constitution govern this subject. The foremost is Article 9 of the Constitution under Fundamental Rights, which states "No person shall be deprived of life or liberty save in accordance with law."

Under Article 18 of the Constitution[47], there is freedom of trade in Pakistan, but trade may be regulated by the federal government.[35]

The state of Pakistan has signed and ratified international treaties and the FCTC's Sustainable Development Goals (SDGs), and accepts its responsibilities to regulate tobacco.[35] Tobacco control is a matter of public health and falls under the jurisdiction of the four provinces, all of which grow and trade tobacco.[35]

Existing federal and provincial laws and regulations

There are many national laws and executive orders that enforce tobacco control in Pakistan.[48]

The Prohibition of Smoking and Protection of Non-smokers Health Ordinance, 2002 (Ordinance No. LXXIV of 2002),[49] put together by the federal government, is the comprehensive tobacco control law in Pakistan. It covers multiple areas of tobacco control, including restrictions on public smoking; sale to minors; and tobacco advertising, promotion, and sponsorship. Several other pieces of legislation augment the terms of this primary ordinance.

This law focuses on the protection of public health and gives a clear signal that tobacco control is a public health priority. It covers smoking in public places, smoking in vehicles, sale of tobacco products to minors, the prevention of smoking in educational institutions, and a partial ban on tobacco advertising, promotion, and sponsorship.

The Cigarettes (Printing of Warning) Ordinance, 1979 (Ordinance No. LXXIII of 1979). This measure requires that both pictorial and text health warnings be printed on tobacco product packaging. Several executive notifications (SROs) were added after 1979.

The West Pakistan Tobacco Vend Ordinance 1958 regulates retail sales and the sale of manufactured tobacco in urban areas of the Punjab. The law was repealed by The West Pakistan Repealing Ordinance, 1970, and has existed as a provincial law in each of the four provinces since then.

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[47] (1973). The Constitution of the Islamic Republic of Pakistan.
Article 18 – Subject to such qualifications, if any, as may be prescribed by law, every citizen shall have the right to enter upon any lawful profession or occupation, and to conduct any legitimate trade or business.

[48] CTFK. (2018) from https://www.tobaccocontrollaws.org/legislation/country/pakistan/summary

[49] (2002). Prohibition of Smoking and Protection of Non-smokers Health Ordinance 2002. F.No.2(1)/2002-Pub
http://www.tcc.gov.pk/Downloads/Prohibition%20of%20Smoking%20and%20Protection%20of%20Non-Smokers%20Ordinance%20%202002.pdf

Existing implementation mechanism

The Tobacco Control Cell was created in the Ministry of Health (Defunct) on July 1, 2007 under the Joint Secretary Level Director General for Implementation. It was part of the non-development budget, to fulfill the obligation under Article 5.2 of the FCTC. The Cell was meant to enhance tobacco control efforts in Pakistan, coordinate tobacco control efforts within the provinces, and meet the international obligations mandated by the FCTC. The Cell is now under the jurisdiction of the Ministry of National Health Services, Regulations, and Coordination that was set up at the federal level in May of 2012.[50]

Status of The Existing Tobacco Control Laws

In 2010, the Eighteenth Constitutional Amendment established the exclusive domain of the provinces over a large number of subjects, including health. However, the Amendment did not change the status of laws that were made under the previous constitutional arrangement, so the Prohibition of Smoking and Protection of Non-Smokers Health Ordinance 2002 and the Cigarettes (Printing of Warning) Ordinance, 1979 will remain in force unless a provincial government or the federal government repeals them.

Under the "Declaration and Continuance of Laws, etc.," Articles 270AA (2)[51] and 270AA (6)[52] of the Constitution of Pakistan, all laws and subordinate legislation shall remain in place unless they are altered, repealed, or amended by competent authorities.

[50] http://www.tcc.gov.pk/downloads.php

[51] Article 270AA(2) states: "Except as provided in clause (1) and subject to the provisions of the Constitution (Eighteenth Amendment) Act, 2010 all laws including President's Orders, Acts, Ordinances, Chief Executive's Orders, regulations, enactments, notifications, rules, orders or by-laws made between the twelfth day of October, one thousand nine hundred and ninety-nine and thirty-first day of October , two thousand and three (both days inclusive) and still in force shall, continue to be in force until altered, repealed or amended by the competent authority."

[52] Article 270AA(6) states: Notwithstanding omission of the Concurrent Legislative List by the Constitution (Eighteenth Amendment) Act, 2010, all laws with respect to any of the matters enumerated in the said List (including Ordinances, Orders, rules, bye-laws, regulations and notifications and other legal instruments having the force of law) in force in Pakistan or any part thereof, or having extra-territorial operation, immediately before the commencement of the Constitution (Eighteenth Amendment) Act, 2010, shall continue to remain in force until altered, repealed or amended by the competent authority.

CHAPTER 4

Tobacco Health Implications

Key Findings

- According to the Global Burden of Disease (GBD), Institute of Health Metrics and Evaluation (IHME) USA, 2017, tobacco use went from fifth place to fourth place as a driver of death and disability in Pakistan as the result of a 4.3% increase in smoking.
- Deaths in Pakistan were attributed to ischemic heart disease 29.1%, COPD 24.3%, lower respiratory tract infections 20.8%, and stroke 20.7%.
- The principal tobacco-attributed illnesses in Pakistan were COPD, cardiovascular disease, and lung cancer in 2018-2019, according to data from a study of 14 major tertiary care hospitals. Forty-four percent of people with these three conditions were smokers.
- The total economic burden of COPD, cardiovascular disease, and lung cancer was PKR 192 billion (USD 1.37 billion) and was significantly higher for men.
- The World Bank reported in 2017 that Pakistan spends 2.90% of its GDP on health.
- The GDP lost from smoking-related illnesses is 0.41%.
- The annual out-of-pocket cost to Pakistani citizens of tobacco-related illnesses was PKR 42,566 (USD 304.47).

Tobacco Health Implications

According to the Study on the Global Burden of Disease (GBD) by the Institute of Health Metrics and Evaluation (IHME) USA, 2017, tobacco use rose from fifth place to fourth place as a driver of death and disability in Pakistan after a 4.3% increase in smoking (Figure 33).[53]

The WHO states that tobacco use, is a significant risk factor for cardiovascular and respiratory diseases, cancers, and other morbidities. Cigarette smoking is not only deadly for the user but is a threat to non-smokers when they breathe secondhand smoke.[54]

Even though Pakistan boasts of three policies that ban smoking in enclosed public places, the enforcement of these policies is weak. The GATS 2014 revealed that 16.8 million adults were exposed to tobacco smoke in the workplace, 21.2 million adults were exposed in restaurants, and 49.2 million were exposed on public transportation. Similarly, 37.8% of people 14 and under were exposed to cigarette smoke in public places according to the GYTS 2013.

Figure 26: Risk factors driving the most death and disability combined. Source: Global Disease Burden

Source: Global Disease Burden

[53] http://www.healthdata.org/pakistan

[54] https://www.who.int/health-topics/tobacco#tab=tab_1

Table 15: Smoke-free laws in Pakistan

Smoke-Free Laws Pakistan		
Healthcare facilities	✓	-
Educational facilities except for universities	✓	20.3% of students 13-15 years of age saw people smoking inside the school building or outside on school property.
Universities	✓	-
Government facilities	✓	-
Indoor offices and workplaces	✓	16.8 million adults were exposed to tobacco smoke at their workplace.
Restaurants	✓	21.2 million adultswere exposed to tobacco smoke in restuarants (GATS 2014).
Cafes, pubs and bars	✓	-
Public transport	✓	49.2 million adults were exposed to tobacco smoke while using public transportation.
All other public places	✗	-

Source: Tobacco Atlas

Table 16: Legislation summary Pakistan

A	B	C	D	E	F	G	H	I
FCTC ratification (year)	Minimum smoking age (years)	Tar cap (max mg)	Verbal pack health warning	Graphic pack health warning	Advertising ban or restriction	Retail point-of-sale restrictions	Public smoking ban	Restaurant/bar public smoking ban
Yes	2016	18	No	Yes	Yes	Yes	No	No

Source: Euro-monitor International

Most deaths in Pakistan 2017 were attributed to ischemic heart diseases (IHD), stroke, lower respiratory tract infections, and Chronic Obstructive Pulmonary Disease (COPD). Smoking is a key risk factor for all these morbidities (West, 2017).

According to the 2019 WHO Report on the Global Tobacco Epidemic, two of Pakistan's cities (Lahore and Karachi) were placed on the 100 biggest cities in the world list, and were selected as cities with the highest level of achievement in selected tobacco control measures.[55]

A. Tobacco Health Costs

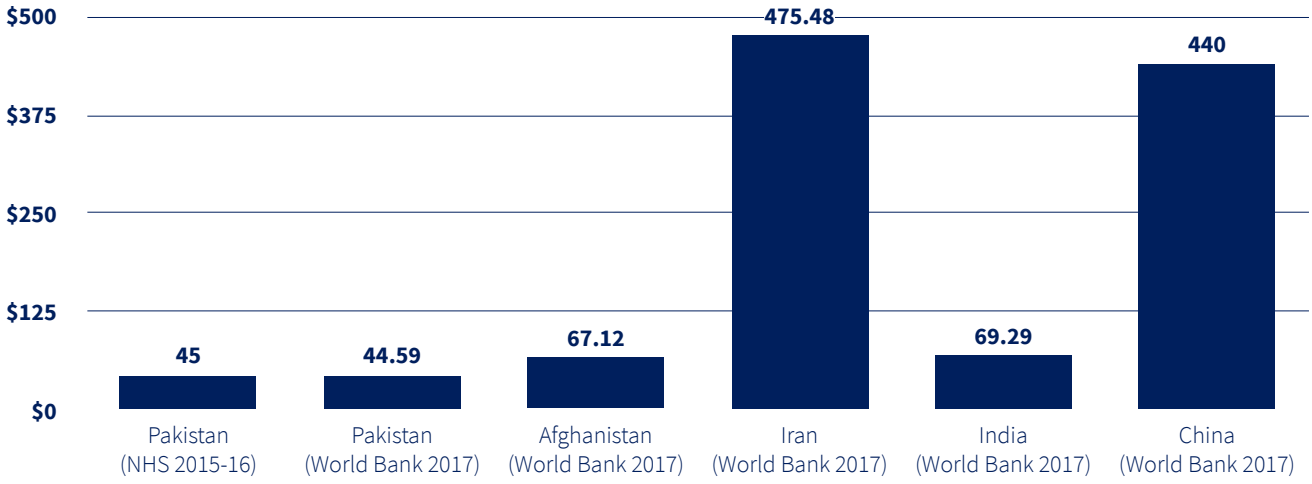
Two years into the WHO's Sustainable Development Goals era, global spending on health continues to rise.[56] It was USD 7.8 trillion in 2017, or about 10% of the global GDP and $1,080 per capita. This is up from USD

[55] https://escholarship.org/content/qt1g16k8b9/qt1g16k8b9.pdf

[56] https://www.who.int/health_financing/documents/health-expenditure-report-2019/en/

7.6 trillion in 2016. Low-income countries, however, spent only USD 41 per person on health in 2017, compared to USD 2,937 in high-income countries. High-income countries account for about 80% of global spending, but the middle-income country share increased from 13% to 19% of global spending between 2000 and 2017. The annual per capita health expenditures for Pakistan, according to the Pakistani National Health Accounts 2015-16 are USD 45 (PKR 4,688). In 2017, World Bank statistics for annual per capita health expenditures were Afghanistan USD 67.12, Iran USD 475.48, India USD 69.29, and China USD 440.[57]

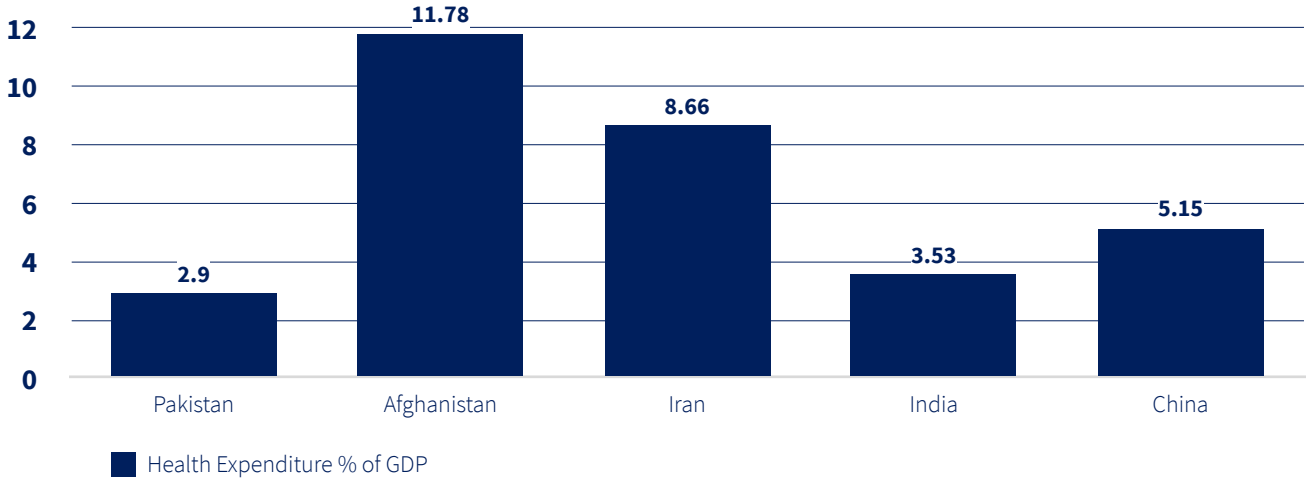
Figure 27: Annual per capita health expenditures in USD for benchmark countries



Source: World Bank Statistics 2017

Pakistan spent 3.1% of its GDP on health in 2015-16 according to the National Health Accounts (NHA). Public sector (government) health expenditures were 9.7% and private sector health expenditures were 2.5% of total household incomes.[58]

Figure 28: Health expenditures as a percentage of the GDP in benchmark countries



Source: World Bank

Most of the deaths in Pakistan were attributed to ischemic heart disease 29.1%, COPD 24.3%, lower respiratory tract infections 20.8%, and stroke 20.7%. Risk factors for these disorders were, in order of severity, malnutrition, bad diet, high blood pressure, and tobacco use.[59]

[57] https://data.worldbank.org/indicator/SH.XPD.CHEX.PC.CD

[58] Pakistan National Health Accounts 2015-2016 http://www.pbs.gov.pk/sites/default/files//NHA-Pakistan%202015-16%20Report_0.pdf

[59] http://www.healthdata.org/pakistan

Table 17: Causes of Disability-Adjusted Life Years (DALYs) lost due to smoking, causes of Years Lived with Disability (YLDs) due to smoking, and causes of death due to smoking in Pakistan

Causes of Disability- Adjusted Life Years (DALYs) lost due to smoking		
Cause	**DALYS (Percentage)**	**Risk Factor Attribution**
Ischemic heart disease	6.4 (5.37%-7.53%)	24.45% (21.64%-27.27%)
Stroke	1.42 (2.91%-3.96%)	15.32% (13.16%-17.83%)
Tracheal, bronchial and lung cancer	0.48 (0.39%-0.59%)	53.28% (48.75%-57.55%)
Laryngeal cancer	0.21 (0.17%-0.25%)	54.26% (45.07%-61.91%)
Pancreatic cancer	0.07 (0.066%-0.093%)	12.58% (9.98%-15.36%)
Esophageal cancer	0.29 (0.24%-0.35%)	23% (18.68%-27.8%)
Asthma	0.88 (0.65%-1.2%)	9.82% (5.44%-14.61%)
COPD	1.85 (1.59%-2.15%)	34.65% (30.28%-39.07%)
Tuberculosis	2.29 (1.98%-2.69%)	10.42% (7.69%-13.6%)
Diabetes mellitus	2.14 (1.82%-2.49%)	5.53% (4.17%-6.91%)
Causes of Years Lived with Disability (YLDs) due to smoking		
Cause	YLDs	RFA
Ischemic heart disease	(0.42%-0.56%)	23.31% (21.05%-25.58%)
Low back pain	6.03% (5.04%-7.05%)	10.81% (8.27%-13.64%)
COPD	2.91% (2.18%-3.73%)	26.32% (22.9%-29.97%)
Diabetes mellitus	4.13% (3.51%-4.79%)	7.42% (5.76%-8.97%)
Blindness and vision impairment	2.19% (2.44%-3.52%)	3.25% (2.29%-4.29%)
Asthma	1.25% (0.97%-1.59%)	5.88% (3.21%-8.26%)
Causes of death due to smoking		
Cause	% of Total Deaths	RFA
Ischemic heart disease	15.31% (13.73%-16.92%)	21.64% (19.17%-24.23%)
Stroke	8.29% (7.37%-9.25%)	13.83% (11.83%-16.11%)
Tracheal, bronchial, and lung cancer	1.06% (0.91-1.24%)	58.11% (53.72%-62.23%)
COPD	3.54% (3.05%-4.17%)	42.02% (36%-47.5%)
Diabetes mellitus	2.89% (2.48%-3.29%)	4.06% (2.73%-5.46%)
Alzheimer's disease (dementias)	1.6% (1.39%-1.83%)	10.83% (6.09%-16.17%)
Lip and oral cavity cancers	1.42% (1.23%-1.62%)	22.18% (16.27%-28.07%)
Tuberculosis	3.12% (2.75%-3.62%)	13.64% (10.12%-17.59%)
Lower urinary tract infections	4.2% (3.43-5.24%)	5.27% (3.24%-7.87%)

Source: Health data GBD Compare[60]

[60] https://vizhub.healthdata.org/gbd-compare/

Tobacco use has direct costs (consultation fees, medication, hospitalizations, and transportation to health centers) and indirect costs (number of workdays missed and premature death), regardless of the length of time someone has smoked or the onset of disease.

COPD, cardiovascular disease, and lung cancer were the three major illnesses attributed to smoking in 2018-2019, according to a study of 14 major tertiary care hospitals in Pakistan. Smokers comprised 44% of people with these conditions.[61]

In 2018, the annual out-of-pocket expenditures attributed to these illnesses was PKR 42,566 (USD 304.47). The cost for the management of lung cancer was PKR 128,425 (USD 918.63) followed by COPD PKR 39,038 (USD 279.24) and cardiovascular disease PKR 30,640 (USD 219.17). The costs of cardiovascular disease varied considerably. Out-of-pocket costs for men were higher than those for women.

Table 18: Average direct, indirect, and total costs (median) for the management of lung cancer, COPD, and cardiovascular disease for 2018

Illness	Currency	Health Care Costs	Other Costs	Productivity losses	Total Costs
Lung Cancer	PKR	70,125 (79,200)	40,400 (76,540)	10,500 (15,850)	128,425 (173,300)
	USD	501.6 (566.52)	288.98,(547.50)	75.10 (113.38)	918.63 (1,239.63)
COPD	PKR	21,000 (39,099)	4,420 (7,800)	11,600 (12,000)	39,037.5 (55,925)
	USD	150.21 (279.68)	31.61 (55.79)	82.97 (85.84)	279.23 (400.04)
Cardiovascular disease	PKR	17,804 (45,000)	4,000 (6,100)	7,500 (19,420)	30 640 (68,046)
	USD	127.35	28.61 (43.63)	53.64 (138.91)	219.17 (486.74)
Totals	PKR	27,000 (58,560)	5,000 (12,100)	10,000 (1,5200)	42,566 (93,074)
	USD	193.13 (418.88)	35.76 (85.55)	71.53 (108.73)	304.47 (665.77)

Source; Economic burden of smoking attributed illnesses in Pakistan [62]

PKR 192 billion (USD 1.37 billion) is the economic burden of lung cancer, COPD, and cardiovascular disease combined on Pakistani society. It amounts to 0.41% of Pakistan's total GDP (USD 314.58) for 2018-19, and experts attribute most of that burden to the influence of tobacco. Cardiovascular disease accounts for 64% of those costs. The costs for treating men with the three disease is significantly higher than the costs of treating women.

The economic burden of smoking-related non-communicable diseases in Pakistan almost equals that of India (USD 1.7). The percentage of GDP lost in Pakistan (0.41%) is higher than the losses in Iran (0.26%), Korea

[61] https://www.medrxiv.org/content/10.1101/2020.06.15.20131425v1.full.pdf

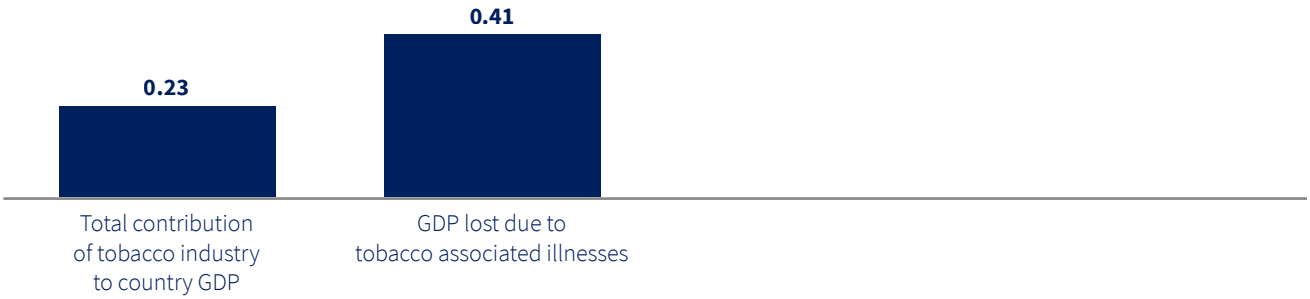
[62] https://www.medrxiv.org/content/10.1101/2020.06.15.20131425v1.full.pdf

(0.2%), and Sri Lanka (0.15%), almost identical to the losses in Taiwan (0.4% if secondhand smoke-related illnesses are included), but lower than those in Thailand (0.7%) and Uganda (0.5%).

Because two-thirds of Pakistan's healthcare is delivered by private doctors in private hospitals instead of state-sponsored medical institutions, direct costs are high (60%). They top direct costs in Vietnam (51%), China (21-25%), and Thailand (15%) and place a massive burden on patients' families.

For the year 2018-19, the total revenue collected from the tobacco industry in Pakistan was PKR 110 billion (USD 0.74 billion). This amounts to only 57% of the economic burden caused by tobacco-associated illnesses and is only 0.23% of the GDP. No matter how high the taxes the tobacco industry pays to the Pakistani government are, they do not outweigh the costs of the damage tobacco does to human health in Pakistan.[63]

Figure 29: GDP lost due to tobacco-associated illnesses vs. tobacco industry contribution to GDP in Pakistan

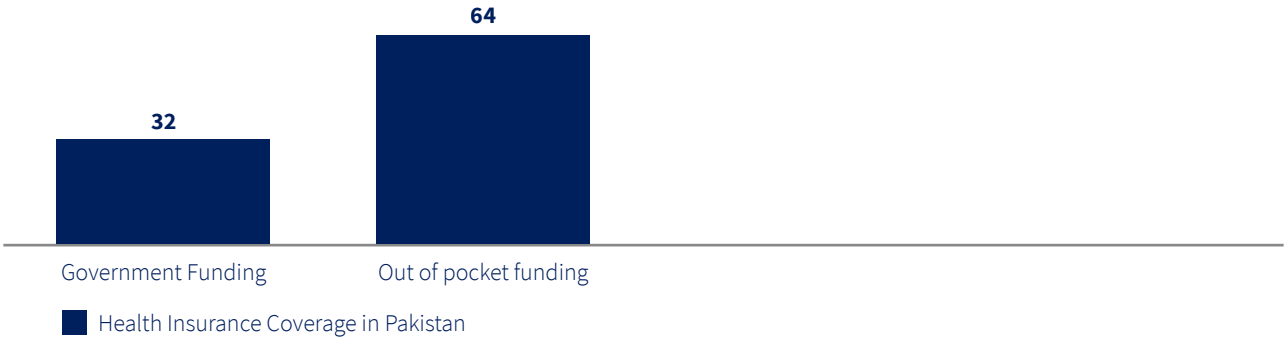


Source: Economic burden of smoking attributed illnesses in Pakistan

B. Health Insurance Coverage in Pakistan

In Pakistan, the government funds public sector hospitals and provides free medicines, emergency treatment, and hospital stays. Patients are responsible for all other costs, including medicines that are not in the hospital pharmacy. The government funds 32% and patients fund 54% of total health costs.

Figure 30: Health insurance coverage in Pakistan (government and out-of-pocket funding)



Source: Pharmaceutical Policy in Pakistan

The government spends only 22% of its operational budget on non-salary items, including medicines, which is less than USD 2 per person per year (the amount recommended by the WHO). The WHO also recommends that governments spend at least USD 34 per capita per year on direct health costs and Pakistan spends USD 14 per capita per year.

[63] https://www.medrxiv.org/content/10.1101/2020.06.15.20131425v1.full.pdf

In Pakistan, patients have to spend about PKR 200 or USD 1.91 per prescription at a public healthcare facility and PKR 250 or USD 2.39 per prescription at a private sector healthcare facility. Healthcare expenses in the private sector, which handles 66% of healthcare needs in Pakistan, and the absence of affordable health insurance make the financial burden of healthcare crippling for the poor.[64] There are many private insurance companies in Pakistan covered by Insurance Ordinance 2000 that provide health insurance to employees working in the corporate sector, but only 5% of the population has health insurance. They are the people with the country's highest incomes. Low- and middle-income people seldom have insurance because the premiums are too costly.[65,74,75]

Table 19: Men and women with private health insurance in Pakistan

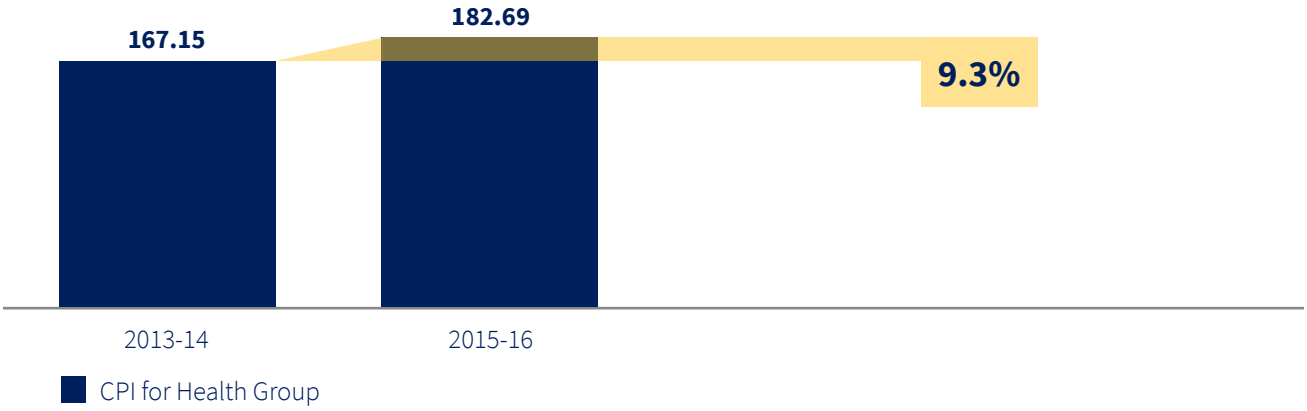
Age Groups	Health Insurance	
	Women	Men
20-24	0.2%	2.3%
25-29	0.9%	1.4%
30-34	1.9%	5.0%
35-39	2.0%	4.1%
40-44	1.9%	5.2%
45-49	2.3%	6.5%

Source: PDHS: 2017-2018

In response to this need, the Prime Minister's National Health Insurance Program was launched in 2015 to serve 3.1 million poor people and improve healthcare delivery services in 23 districts.

In 2016, an average of USD 41 was spent on health per person: $11 from the government, $26 from patients, and the remaining $4 from development assistance for health and prepaid private spending.[66] There was a price increase of 9.3% in outpatient service costs between 2013-14 and 2015-16.[67]

Figure 31: Consumer price index for health group category for the years 2013-14 and 2015-16



Source: Pakistan Bureau of Statistics

[64] https://www.researchgate.net/publication/315858373_Pharmaceutical_Policy_in_Pakistan

[65] Pakistan National Health Accounts 2015-2016 https://www.pbs.gov.pk/national-accounts-publications

[66] http://www.healthdata.org/pakistan

[67] Pakistan National Health Accounts 2015-2016 https://www.pbs.gov.pk/national-accounts-publications

CHAPTER 5

Linkages between Tobacco Taxation, Illicit Trade, and Production

Key Findings

- Retail taxes on tobacco products are 59%.
- There is a two-tier cigarette excise tax.
- Both the government and the tobacco industry claim that higher taxes results in an increase in the illicit cigarette trade on which no taxes are paid.
- The World Bank says that the tobacco industry neutralizes tax increases by forestalling, over-shifting prices, and overestimating the illicit trade.
- The PIDE says that the own-price elasticities of tobacco products are negative and significant for the rural region, while in the urban region they are insignificant.
- The SPDC says that the tobacco industry under-reported cigarette production by approximately 20% in FY 2015-16, 71% in FY 2016-17, and 23% in FY 2017-18.
- In 2017, Oxford Economics estimated Pakistan's illicit tobacco trade at 41.9%
- On September 22, 2020, the FBR said the cigarette industry had to install electronic monitoring equipment on their premises to monitor real-time cigarette production.

Linkages Between Tobacco Taxation, Illicit Trade and Production

FCTC Article 6 and the Protocol to Eliminate Illicit Trade in Tobacco Products have produced different results than were originally planned. In 2017, the increase of one rupee in the tax on cigarettes led to an 0.8 paisa increase in cigarette retail prices,[68] which decreased cigarette consumption. Except for this brief dip, cigarette consumption is on the rise.

In Pakistan, the three FCTC articles related to taxation, illicit trade, and tobacco production and livelihood are not mutually exclusive. Cigarette taxes are 59%, which is much lower than the tax rate recommended by WHO. Both the government and the tobacco industry claim that higher taxes increase the illicit cigarette trade, but tobacco control advocates, and the World Bank, say that the tobacco industry neutralizes tax increases by forestalling, price over-shifting, and overestimating the illicit trade.

The government tried to introduce a sin tax under that would have allocated a portion of revenue to a health insurance scheme, but it was not successful.

Cigarette Taxation:

In 2013, the World Bank report "The Economics of Tobacco and Tobacco Taxation in Pakistan"[69] recommended that a cigarette tax of 70% could reduce overall cigarette consumption by 7.5%, increase tax revenues by 27.2 billion rupees, lead to over half a million users quitting, reduce premature deaths among current adult smokers by over 180,000, and prevent 725,000 young people from taking up smoking.

Table 20: Year-wise percentage contribution of tobacco taxes to federal excise duty

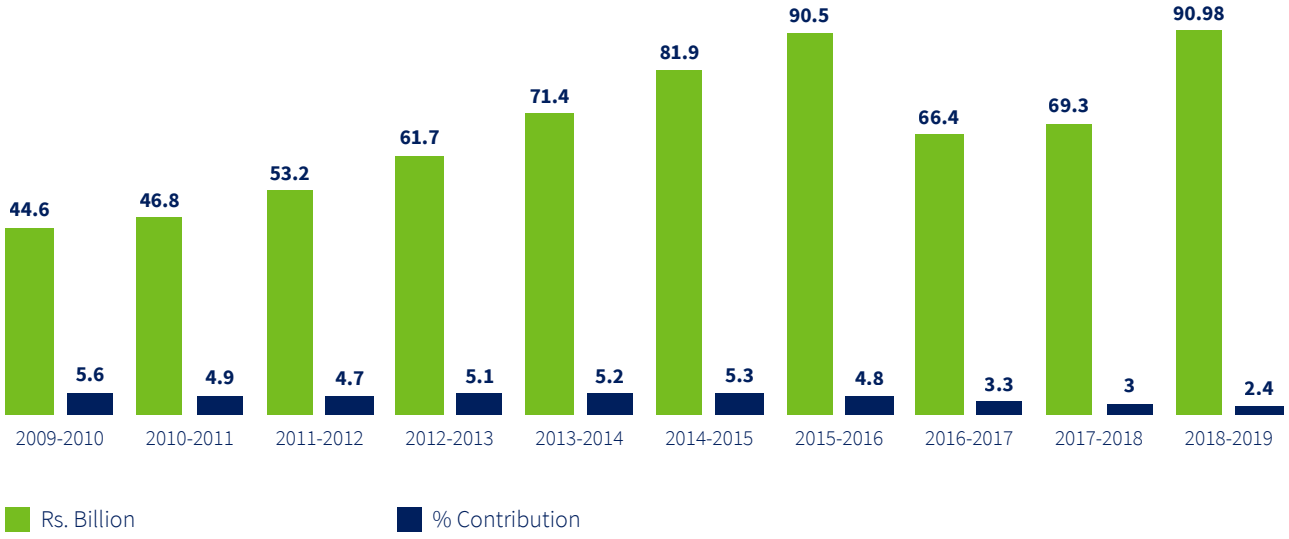
Year	Federal Excise Duty		General Sales Tax (domestic)		Total	
	PKR Billion	% contribution	PKR Billion	% contribution	PKR Billion	% contribution
2009-2010	44.6	5.6	10.9	1.4	55.5	6.9
2010-2011	46.8	4.9	11.5	1.2	58.3	6.1
2011-2012	53.2	4.7	12.5	1.1	65.7	5.7
2012-2013	61.7	5.1	14.5	1.2	76.2	6.3
2013-2014	71.4	5.2	17.7	1.3	89.1	6.5
2014-2015	81.9	5.3	21.0	1.4	102.9	6.6
2015-2016	90.5	4.8	23.8	1.3	114.3	6.0
2016-2017	66.4	3.3	17.4	0.9	83.8	4.2
2017-2018	69.3	3.0	18.2	0.8	87.5	3.8
2018-2019	90.98	2.4	23.1	0.6	114.1	3.0

Source: FBR Year Books

[68] https://www.imf.org/external/pubs/ft/wp/2016/wp16179.pdf

[69] https://tobacconomics.org/wp-content/uploads/2014/05/PakistanReport_May2014.pdf

Figure 32: Year-wise contribution of tobacco taxes to federal excise duty



Source: Federal Board of Revenue Yearbook

The other six recommendations the report made include:

1. Adopting a high cigarette excise tax that significantly raises cigarette prices and reduces tobacco use.
2. Implementing annual adjustments to tobacco tax rates so they retain their real value over time and are not eroded by inflation.
3. Implementing annual adjustments to tobacco excise tax rates so they result in increases in tobacco product prices that are at least as large as the increases in per capita incomes.
4. Increasing taxes on other tobacco products so they are equivalent to cigarette taxes to reduce the use of these products.
5. Strengthening the tobacco tax administration, increasing enforcement, and taxing duty-free sales of tobacco products to reduce tax evasion and avoidance.
6. Earmarking tobacco tax revenues for health projects, including health promotion and tobacco control.

The report noted that: "The overall tax[70] will be less eroded by inflation given the significant ad valorem component; however, the specific component will need to be regularly increased to keep pace with inflation for the overall tax to retain its real value. Similarly, with a significant uniform specific component, the price gap between premium and lower-priced brands tends to be smaller than it would be under a uniform ad valorem tax, which can be advantageous in preventing switching between brands: when all prices are clustered together and rise together with taxes, smokers have a greater incentive to quit rather than switch to smoking cheaper products."

That report coincided with the change in the tax policy recorded by the World Bank report "Pakistan Overview of Tobacco Use, Tobacco Control Legislation, and Taxation."[71]

[70] https://tobacconomics.org/wp-content/uploads/2014/05/PakistanReport_May2014.pdf

[71] http://documents1.worldbank.org/curated/en/498131560807146415/pdf/Pakistan-Overview-of-Tobacco-Use-Tobacco-Control-Legislation-and-Taxation.pdf

Table 21: Excise rates for cigarettes 2005-2012

The new rates were introduced	1 July 2005	1 July 2006	2 July 2007	27 June 2008	1 July 2009	1 July 2010	1 July 2011	27 June 2012
Excise tier 1 (most expensive cigarettes)	63%	63%	63%	63%	64%	65%	65%	65%
Price boundary 1 for 1,000 cigarettes	1,300	1,400	1,500	1,600	1,950	1,950	2,100	2,286
Excise tier 2, rupees per 1,000 cigarettes	245 + 69%	263 + 69%	280 + 69%	370 + 69%	475 + 70%	525 + 70%	640 + 70%	702 + 70%
Price boundary 2 for 1,000 cigarettes	574	617	650	743	1,000	1,000	1,150	1,336
Excise tier 3, rupees per 1,000 cigarettes	245	263	280	370	475	525	640	702

Source: Pakistan Overview of Tobacco use, Tobacco Control Legislation, & Taxation World Bank 2019.

In 2013, Pakistan adopted a new tobacco taxation policy with two specific excise tiers that were regularly increased between 2014 and 2016. The price increase meant that cigarettes were substantially less affordable, but cigarette production did not change much. Total revenue increased by 50% in nominal terms, or by 30% in real terms, in three years.

Table 22: Excise rates for cigarettes in 2013-2018

Date	11 June 2013	4 June 2014	5 June 2015	30 Nov 2015	4 June 2016	1 Dec 2016	29 May 2017	30 April 2018	24 May 2018	18 Sep 2018	12 June 2019	Current rates in US dollars*
Excise tier 1, rupees per 1,000 cigarettes	2,325	2,632	3,030	3,155	3,436	3,705	3,740	3,964	3,970	4,500	5,200	34.7
Price boundary 1 for 1,000 cigarettes	2,286	2,706	3,600	3,600	4,000	4,000	4,500	4,500	4,500	4,500	5,960	39.7
Excise tier 2, rupees per 1,000 cigarettes	880	1,085	1,320	1,420	1,534	1,649	1,670	1,770	1,776	1,840	1,650	11.0
Price boundary 2 for 1,000 cigarettes							2,925	2,925	2,925	2,925		
Excise tier 3, rupees per 1000 cigarettes							800	848	854	1,250		

Source: Pakistan Overview of Tobacco use, Tobacco Control Legislation, & Taxation World Bank 2019.

According to the World Bank report, the situation dramatically changed in May of 2016. Between May 2016 and May 2017, average monthly cigarette production was 50% lower than in previous years. In the 2016-2017 financial year, revenue decreased by 27% and real revenue decreased by 30%. The tobacco industry sources explained the downturn in production and revenue by the alleged huge increase of cigarette smuggling, and persuaded the government to decrease the excise rate for low-priced cigarettes by 51% in May of 2017. While the price of inexpensive cigarettes decreased after the excise reduction, they were still much more expensive than illicit cigarettes, but legal production and sales experienced huge growth, and cigarette production returned to the levels of 2011-2015 by 2018.

Table 23: Trends in production, prices and effective FED on cigarettes - macro data

Fiscal years	Production	Growth rate	Prices	Growth rate	Effective FED	Growth rate
	Billion sticks	%	Index	%	Rupees/cigarette	%
2004-2005	61.1	10.3	82.3	13.5	0.35	8.3
2005-2006	64.1	5.0	86.3	4.8	0.36	0.9
2006-2007	66.0	2.9	95.2	10.4	0.43	20.4
2007-2008	67.4	2.2	100.0	5.0	0.42	-1.8
2008-2009	75.6	12.1	108.7	8.7	0.49	15.3
2009-2010	65.3	-13.6	138.1	27.0	0.68	40.4
2010-2011	65.4	0.2	164.0	18.7	0.71	4.6
2011-2012	62.0	-5.3	173.9	6.0	0.86	20.1
2012-2013	67.4	8.8	193.3	11.1	0.92	6.6
2013-2014	64.5	-4.3	229.8	18.9	1.11	21.0
2014-2015	62.7	-2.8	274.0	19.2	1.31	18.1
2015-2016	53.5	-14.6	345.1	26.0	1.69	29.4
2016-2017	34.3	-35.8	387.6	12.3	1.93	14.1
2017-2018	59.1	72.0	303.4	-21.7	1.14	-41.1

Source: FBR Yearbook, Economic Survey Government of Pakistan various issues.

In 2019, a report entitled "Quantifying the Potential Tax Base of the Cigarette Industry in Pakistan"[72] by the Social Policy and Development Centre (SPDC) was released. It estimated the potential output of the cigarette industry and measured tax evasion on the domestic production of cigarettes in Pakistan.

Two transnational companies (Pakistan Tobacco Company and Philip Morris International) and one national company called the Khyber Tobacco Company were reviewed. The report said that the tobacco industry under-reported cigarette production by approximately 20% in FY 2015-16, 71% in FY 2016-17, and 23% in FY 2017-18.

Table 24: Comparison of cigarettes declared, estimated, and underreported

Fiscal years	Output (million sticks)			Underreporting %
	Declared	Estimated	Underreported	
2015-16	53,522	56,580	3,058	5.71
2016-17	34,342	50,533	16,191	47.1
2017-18	59,058	74,699	15,641	26.5

Source: Monthly Bulletin of Statistics, Pakistan Bureau of Statistics, various issues, Pakistan Economic Survey, various issues.

[72] https://www.spdc.org.pk/publications/quantifying-the-potential-tax-base-of-cigarette-industry-in-pakistan

Since 1989 Pakistan's excise system has evolved

1989–1991: two tiers, ad valorem system

1992–1993: three tiers, specific and composite

1993–1994: two tiers, specific and ad valorem

1995–2012: three tiers, specific, composite, and ad valorem

2013—2016: two tiers, specific only

2017: three tiers, specific only

2019: two tiers, specific only[73]

Taxes on cigarettes

General sales tax (GST) 17%.

5% adjustable advance tax on the purchase value of tobacco from manufacturers of cigarettes (excluding farmers) from July 1, 2017.

Federal tobacco tax per kg ranging from PKR 2.21 to 4.64[74] on different varieties of tobacco.

The customs duty on the import of tobacco products is 100% ad valorem.

FED on filter rods is PKR 1 per filter rod

Federal Excise Dutv (FED)

Retail price	PCT heading	Rate of Federal Excise Duty
Locally produced cigarettes if their on-pack printed retail price exceeds 5,960 rupees per 1,000 cigarettes.	24.02	Rupees 5,200 per 1,000 cigarettes
Locally produced cigarettes if their on-pack printed retail price does not exceed 5,960 rupees per 1,000 cigarettes.	24.02	Rupees 1,650 per 1,000 cigarettes

Source: FBR

The Pakistan Institute of Development Economics (PIDE)[75] concluded in its 2018 "Economics of Tobacco taxation and Consumption in Pakistan" that the price elasticity estimations of tobacco use suggest that the own-price elasticities of tobacco products were negative and significant for rural regions except for the province of Khyber Pakhtunkhwa, while in urban regions it was insignificant.

This could be because of the prevailing income levels in each region. Price elasticity was negative and significant for lower-income households, but in higher ones, it was inelastic. Since the average income in urban areas was higher than that of rural areas, this makes sense. Most urban consumers belong to higher income groups. The cost of tobacco is a small fraction of their budget so an increase in tobacco prices has a negligible effect on demand.

[73] https://www.pide.org.pk/Research/Economics-of-Tobacco.pdf

[74] http://documents1.worldbank.org/curated/en/498131560807146415/pdf/Pakistan-Overview-of-Tobacco-Use-Tobacco-Control-Legislation-and-Taxation.pdf

[75] https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=IX-4-a&chapter=9&clang=_en

Cigarette Prices and Taxes of The Most Sold Brand					
	Pakistan	**Afghanistan**	**Iran**	**India**	**China**
Most sold brand cigarette price (pack of 20)	PKR 48	AFN 30	IRR 45000	190 INR	14.07 CNY
In international dollars (purchasing power parity adjusted)	1.60	1.50	3.68	10.51	4.02
In US dollars at official exchange rates	0.39	0.41	1.02	2.77	2.06
Total taxes on the brand	56.4%	4.1%	21.7%	54%	55.7%

Source WHO (tobacco taxation policy and prices as at 31st July 2018)

Cigarette consumption has been rising in Pakistan for the past two decades, both in the aggregate and per capita. Virtually all cigarettes sold in Pakistan are filter-tipped, and about 85% of these use Virginia tobaccos. An additional 10% use an American blend of tobacco. Mid-tar brand cigarettes account for about 90% of the market, while low-tar brands account for less than 4% of the market. Few Pakistani cigarette smokers smoke menthol brands, which account for only 4% of the market.

In 2010, about 60% of cigarettes were sold in packs of 20, with 10-packs accounting for 30% of the market and 14 packs accounting for the remainder. The sale of cigarette packs containing less than 20 sticks was banned in Pakistan since October 1, 2011.

The World Bank's[76] analysis of the available data has led to the conclusion that the tobacco industry carefully planned the decline in government revenue in 2016-2017 to reduce the excise rate and was successful. They did this by forestalling, price over-shifting, and overestimating the illicit trade.

Forestalling means increasing the production of a product in anticipation of a tax increase. The tobacco industry overproduced cigarettes between 2014 and early 2016 and paid taxes on them, but kept the overproduced cigarettes in stock until May of 2016. After cigarette taxes went up, they used their stock of already taxed cigarettes for retail sales until the excise tax rate was reduced in May of 2017, when the industry's cigarette production returned to pre-2014 levels.

Price over-shifting means increasing the price of your product by more than tax increases and inflation require, thereby increasing your profits. If you say that your price increase was driven by tax increases, it usually hides your tactics.

Overestimating the illicit trade. If you say that tax increases stimulate illicit trade in your product, you are in a good position to request that taxes be reduced. This may require the cooperation of other people in your industry. After the two-tier cigarette excise tax system was introduced in Pakistan in 2014, cigarette manufacturers produced reports that over-estimated the amount of illicit trade in cigarettes the new tax system had caused. The results of all the reports were very close, but their methods were different, contradictory, and questionable, leading many people to believe that they were not valid.

[76] http://customnews.pk/wp-content/uploads/2015/09/Illicit-Tobacco-Trade.pdf

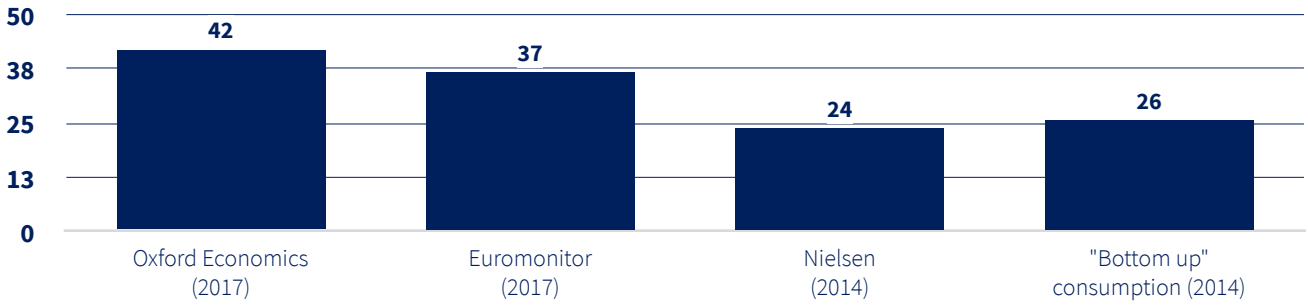
A. Illicit Tobacco Trade Dynamics

Pakistan is located in the centre of many trade connections, both legal and illegal. Pakistan has a seacoast and provides sea access to landlocked Afghanistan under the "Afghanistan–Pakistan Transit Trade Agreement." The China-Pakistan Economic Corridor (CPEC) is a framework of regional connectivity with improved road, rail, and air transportation systems, and will soon connect these two countries with Iran, Afghanistan, India, and the Central Asian Republic. The Financial Action Task Force (FATF) says that Pakistan's geography and porous borders increase smuggling and narcotics trafficking.

"Smuggling of all types, including currency, is a significant risk for Pakistan. Smuggling of currency into Pakistan has been detected at a high rate and is assessed as related to unregulated trade routes with Iran and Afghanistan (as key pilferage points for currency smuggling) to foreign destinations for parking proceeds of crime including the UAE, UK, US, and followed by southeastern jurisdictions. Other smuggling risks include petroleum products from Iran, cigarettes, foodstuffs, livestock, and wildlife. In many of these instances, trans-national organized crime networks are behind the local trade."

Pakistan followed India in June of 2018 and adopted the WHO's Protocol to Eliminate Illicit Trade in Tobacco Products.[77] It was followed by Iran, and then China, which signed the protocol in 2013 but has not yet adopted its tenets. Afghanistan has not signed the protocol.

Figure 33: Pakistan: Alternative estimates of illicit consumption



Source: Asia Illicit Tobacco Indicator 2017: Pakistan

In 2014, more than two billion cigarettes[78] were smuggled into Pakistan. Afghanistan plays a key role in this traffic. Locally produced cigarettes that were not taxed took a major chunk out of the illicit cigarette trade, and Pakistan's tax authorities are struggling to develop an enforcement mechanism to curb this phenomenon. Both production under-reporting (mostly by transnational companies) and tax evasion by local companies cause the problem.

In 2005, Pakistan's Federal Board of Revenue (FBR) planned to use modern technologies to curb the under-reporting of cigarettes or affix security stamps to each cigarette pack to stop tax evasion, but the tobacco industry kept these plans from being implemented. In 2007-2008, the FBR tried to introduce a track and trace system to stop tax evasion, but since the initial cost of such a system was high, further study was recommended and it never got off the ground. In 2014, the FBR launched a new initiative with the name 'System for Electronic Monitoring of Production' (SEMP), but the tobacco industry successfully opposed this plan as well.

In 2015-16, the government proposed a system that tracked cigarette production, sales, clearances, stocks, and supplies, using tax stamps, banderols, stickers, labels, and barcodes. They asked for bids on the track and

[77] https://www.thenews.com.pk/print/718494-fbr-binds-30-manufacturing-sectors-to-install-monitoring-equipment

[78] http://customnews.pk/wp-content/uploads/2015/09/Illicit-Tobacco-Trade.pdf

trace system in 2017, but not much progress was made until October of 2019, when the FBR awarded a five-year contract to a firm. This award was overturned by Pakistan's High Court, which ordered a new bidding process.

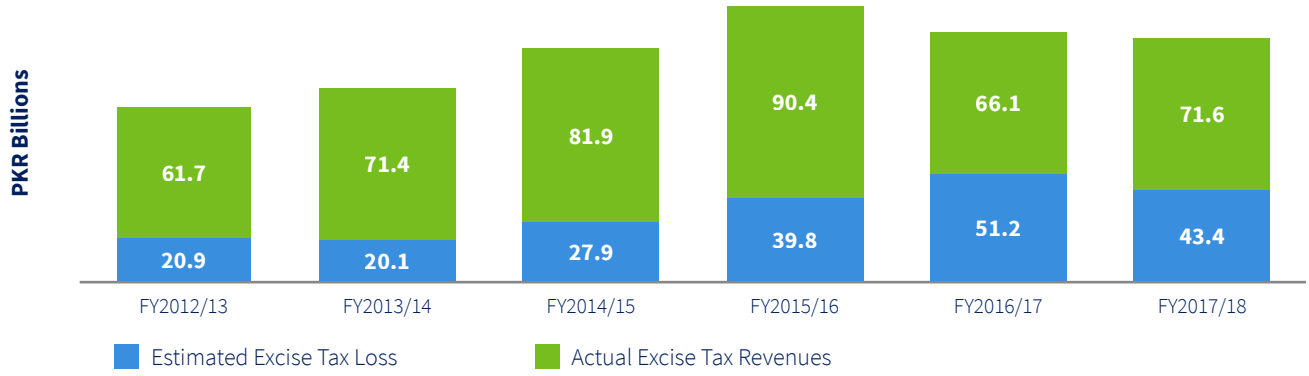
On September 22, 2020, the FBR issued Statutory Regulatory Order (SRO) 889 (I) 2010 to amend the Sales Tax Rules, 2006, which required over 30 major manufacturing sectors, including the cigarette industry, to install electronic monitoring equipment[79] at their premises to monitor real-time production. The new regulation requires that the equipment have high-definition video cameras and sensors that can record and count production, weigh the product in bags, and transmit the data from these operations to a central control room in the FBR. Unauthorized production will set off an alarm. The system should have sixty days of remotely retrievable data on any location specified by the FBR, and the central control room will have the capacity to store data for up to five years. The onsite equipment and the equipment in the central control room must be stable, fault-tolerant, secure, and accessible only by usernames and passwords authorized by the Board.

B. Duty Non-Paid Cigarettes

In 2013,[80] Pakistan had the fourth highest level of illicit cigarette trade in Asia, which amounted to more than 19.5 billion sticks in 2014. Approximately one out of every four cigarettes solid in Pakistan is illicit, which is 137 basis points higher than the global average. On average, more than 1.6 billion illicit cigarettes are sold in Pakistan every month, and this trade segment has grown by 43.5% over the last six years. During that time, tax-paid cigarette volume has declined by 11%. According to Oxford Economics, 41.9% of total cigarette consumption in Pakistan is illicit.[81]

Legal domestic sales were estimated at 45.1 billion cigarettes in 2017, which was a decrease of 7.4% compared to 2016. Legal sales in Pakistan have fallen every year since the beginning of the Asia Illicit Tobacco Indicator research program in 2012, and were nearly 30% lower in 2017 than they were in 2012.

Figure 34: Pakistan: Actual government revenues and estimated excise tax loss



Source: Pakistan Federal Board of Revenue and Oxford Economics based on PM data

[79] https://illicittobacco.oxfordeconomics.com/markets/pakistan/

[80] http://www.commerce.gov.pk/

[81] http://www.mnfsr.gov.pk/

Philip Morris and British American Tobacco account for nearly all legal domestic cigarette sales in Pakistan. The government has steadily increased the Federal Excise Duty (FED) rate over the past decade, from PKR 352 per 1,000 cigarettes in 2008 to PKR 1,649 per 1,000 at the beginning of 2017 (based on the Most Sold Brand). This is equivalent to an annual increase of nearly 19%.

In July 2017, the government amended the structure of the FED by introducing a new third tier covering low-cost cigarette brands to encourage producers of illicit tobacco to formalize in the market. The price of the Most Sold Brand was PKR 48.0 (USD 0.46) per pack of 20 cigarettes in October 2017. Before the introduction of a new third tier FED in July 2017, the price of the Most Sold Brand was PKR 72.0 (USD 0.69) per pack of 20 cigarettes. However, the Most Sold Brand was repositioned into the new low-tax-tier following the restructure, resulting in a decline in the applicable FED from PKR 1,649 per 1,000 cigarettes to PKR 800. As a consequence, the price of 20 cigarettes of the Most Sold Brand declined by one-third.

Total Consumption (legal and illicit) was estimated at 77.8 billion cigarettes in 2017. Of this, an estimated 58% was Legal Domestic Consumption, 0.1% was Non-Domestic Legal, and the remaining 41.9% was Illicit Consumption. Illicit Consumption was primarily domestically produced cigarettes in 2017. Domestic Illicit accounted for nearly three-quarters of all illicit cigarettes consumed in 2017.

Illicit consumption declined by 14% in 2017 to 32.6 billion cigarettes, accompanied by an 11.4% decline in Domestic Illicit and a 20.5% fall in Non-Domestic Illicit. This is the first time since 2013 that illicit consumption has fallen in Pakistan.

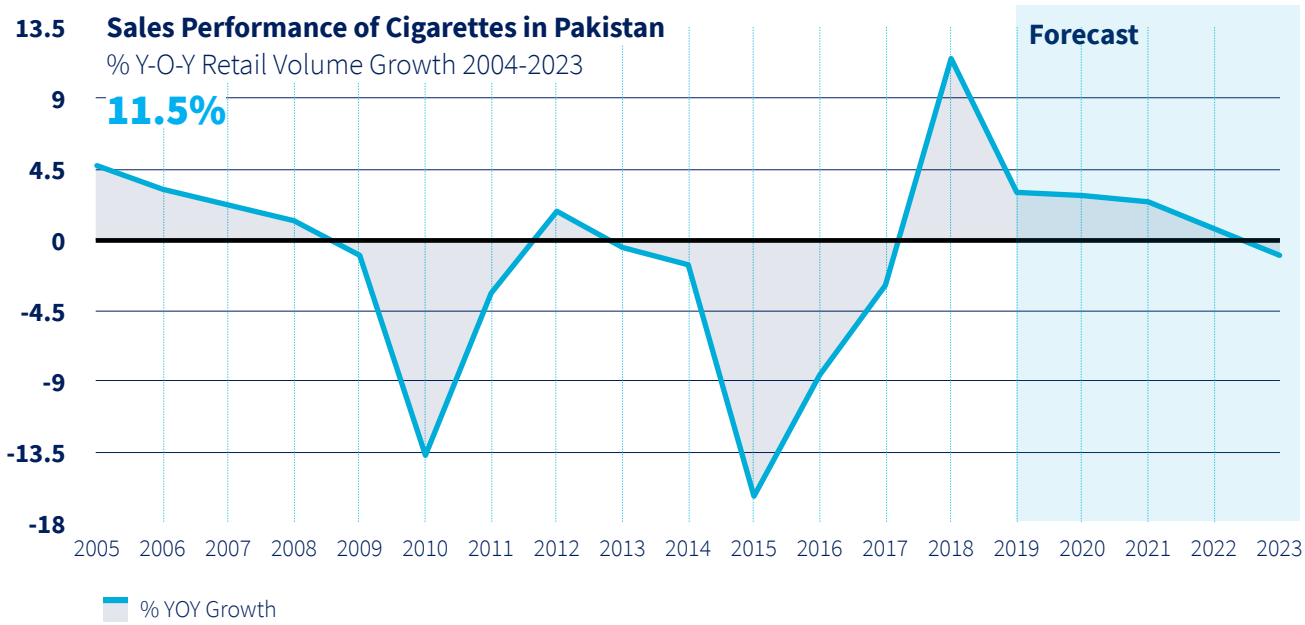
The State Bank of Pakistan noted that the tobacco industry is facing immense competitive pressure from tax-free cigarettes, which are far cheaper than tax-paid brands. As a result, not only the sale volumes of the legitimate and tax-paying segment of the industry are facing a decline ¸ the government is also losing revenue.

Cigarette tax evasion generally takes one of the following three forms:

1. Imported International Transient Brands incur duties, excise, and sales tax. They often evade taxes outright or importers pay lower taxes.
2. Locally produced cigarettes may be manufactured in approved factories, but not declared to the authorities so no taxes are paid, or they may be manufactured in unapproved factories that are unregulated and avoid taxes this way.
3. Counterfeit products infringe Intellectual Property Rights (IPR). These products are identical or near-identical copies of genuine branded products. They are illegal because the brand owner did not authorize the manufacturer to use brand assets. Counterfeits may be produced for the local market or exported.

Source: World Bank

Figure 35: Sales performance of cigarettes in Pakistan, retail volume growth 2004-2023



Source: State Bank of Pakistan, Euromonitor 2020.

In the first quarter of 2019, the output of the cigarette industry rose by 4.4%, but it declined by 34.5% during first quarter of 2020. The primary reason was the significant increase in FED rates on two tiers and the elimination of the third tier of locally produced cigarettes.

The increase in FED had negative implications for the growth of the formal cigarette industry, because it pushed consumers towards cheaper alternatives that were out of the tax net. These include both locally produced counterfeits and cigarettes smuggled into Pakistan from abroad. To curb the number of illegal products in the market, the government has developed a track and trace program that will penalize illegal tobacco dealers.

Green Leaf Threshing (GLT) Stage 3 involves processing tobacco leaves before they are shipped to cigarette manufacturing factories. Reforms in GLT duty rates can impact both the revenues and counterfeit production. GLT reforms have always been contested; but S.R.O. 1149(I)/2018, dated September 18, 2018, introduced reforms, including issuing a tax invoice for every sale, banning the sale of unmanufactured tobacco to a person who is not an active Pakistani taxpayer, supervising sales at Stage 6 GLT, and sending tax invoices with shipments as they are transported. Unfortunately, the revenues that would have resulted from these reforms if they had been strongly enforced have never appeared in Pakistan's annual budget document.

CHAPTER 6

Tobacco Agriculture

Key Findings

- Unlike tobacco control, which is regulated by the provinces, tobacco growing is regulated by the federal government under the Pakistan Tobacco Board (PTB).
- The PTB is under the control of the Federal Ministry of Food Security and Research. It was previously under the Federal Ministry of Commerce.
- The PTB has licensed 53 companies (two transnationals) to buy tobacco from farmers at rates fixed by the PTB.
- Pakistan is among the top ten raw tobacco producers in the world.
- Tobacco is not a major crop in Pakistan and accounts for less than half a percent (0.42) of the total value of all Pakistan's agricultural produce, 0.25% of the total area under cultivation, and only 0.03% of agricultural employment.
- There are 75,000 tobacco growers in the country.
- Between 2014 and 2017, the annual production of tobacco decreased from 129,878 tons to 117,750 tons.
- The State Bank of Pakistan considers the tobacco value chain the most enterprising in the SME sector. It has been developing since the inception of Pakistan.

Tobacco Agriculture

Officially Pakistan has treated tobacco as a commercial product and its production is managed by the Federal Ministry of Commerce[82] under the Pakistan Tobacco Board (PTB). In 2019, the federal government decided to link tobacco agriculture with food security and research by placing the PTB under the Federal Ministry of Food Security and Research.[83]

Pakistan is one of the top ten raw tobacco producers in the world and was ranked ninth in 2016.[84] Despite being one of the largest tobacco growing countries, tobacco is not a major crop in Pakistan. It accounts for less than half (0.42) a percent of the total value of agricultural produce, 0.25% of the total area under cultivation, and only 0.03% of agricultural employment (8,200 people).

There are 75,000 tobacco growers in Pakistan. More than 45,000 are located in the Khyber Pakhtunkhwa province and they produce 98% of Flue-Cured Virginia (FCV) tobacco on 25,500 hectares in the districts of Swabi, Mardan, Charsadda, Buner, and Mansehra. FCV is the main ingredient of Pakistani cigarettes, and 70-75 million kg of FCV is produced in Khyber Pakhtunkhwa every year.

The cigarette industry is not a major contributor to Pakistan's manufacturing sector and GDP. Its share in the country's total industrial output is 1.1%, and its share of industrial employment is less than a half percent (0.3%). The cigarette industry as a net importer is actually a drain on foreign exchange.

According to the FAO database, the area harvested for tobacco decreased from about 70,000 hectares in the late 1960s to less than 40,000 hectares in 1987, but has remained stable at around 50,000 hectares since the early 1990s. Raw tobacco production in Pakistan decreased from about 140,000 tons in 1967 to less than 60,000 tons in 1976, then increased to about 100,000-120,000 tons in the 1990s and 2000s. In 2014-2017, tobacco production decreased from 129,878 to 117,750 tons.

The cigarette industry has backward linkages[85] with all three economic sectors (agriculture, industry, and services). Interestingly, the agricultural sector contributes a meager 5% of the total value of cigarette production. This is a reflection of the reliance of the cigarette industry on imported components like filters and chemicals. Other industrial inputs include paper and packaging materials and utilities (electricity, gas, and water), which contribute more than 7% of the final value of cigarette production. The value of the cigarette industry to Pakistan is its operating surplus and high profitability.

A. Pakistan Tobacco Board's Mandate under Federal Ministry Food Security and Research

The PTB was formed in 1968 through a statute known as PTB Ordinance No. 1 of 1968, which became a part of the Constitution of Pakistan in 1973, for the promotion of the cultivation, manufacture, and export of tobacco and tobacco products. It is a statutory semi-autonomous corporate body with a board of directors and a chairman who heads the organization. It is regulated under Pakistan's Ministry of Commerce and Trade.[86]

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[82] https://www.spdc.org.pk/publications/role-of-tobacco-in-pakistans-economy-an-untold-reality

[83] https://www.spdc.org.pk/publications/role-of-tobacco-in-pakistans-economy-an-untold-reality

[84] Article 131
(1) The Central Legislature shall have exclusive power to make laws (molding laws having the extra-territorial operation) for the whole or any part of Pakistan with respect to any matter enumerated in the Third Schedule.
(2) Where the national interest of Pakistan in relation to-
(a) the security of Pakistan, including the economic and financial stability of Pakistan;
(b) planning or coordination; or
(c) the achievement of uniformity in respect of any matter in different parts of Pakistan;
so, requires, the Central Legislature shall have the power to make laws (including laws having the extra-territorial operation) for the whole or any part of Pakistan)

[85] (2018). Minimum Indicative Price. S.R.O. 699(I)/2018. Pakistan. http://www.ptb.gov.pk/sites/default/files/Revised%20MIP%20and%20Cess%20rates%20for%20tobacco.pdf

[86] PTB (2018). Tobacco Requirements for the year 2018. Pakistan, Pakistan Tobacco Board. http://www.ptb.gov.pk

The PTB's functions include:

- Regulating, controlling, and promoting the export of tobacco.
- Fixing tobacco grading standards.
- Conducting research on tobacco.
- Training people in tobacco testing.
- Developing new tobacco growing areas and establishing model farms, and
- Collecting statistics on any matter relating to tobacco.

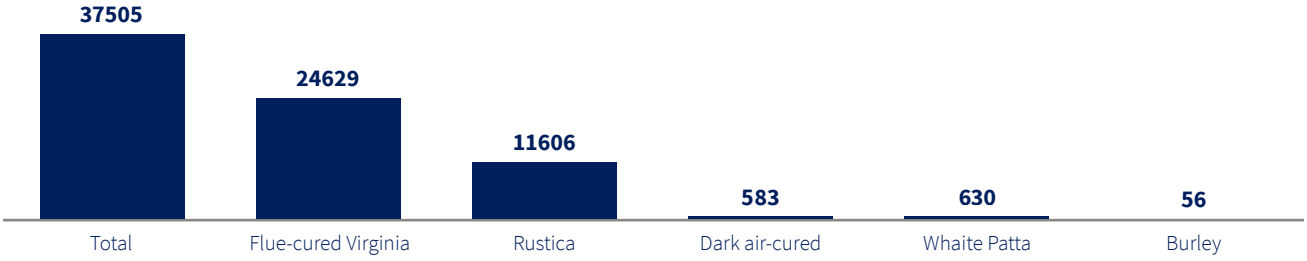
The PTB meets its running expenses by imposing tobacco taxes between PKR 2 to PKR 4 per kg on raw tobacco, depending on the variety. In 2015-16, it collected PKR 116 million from these revenues. During the five years preceding this report, its income from raw tobacco duties was PKR 492 million. In 2018, the per kg revenue rate[87] was PKR 2.01 to PKR 3.67.

The most crucial function of the PTB is to regulate affairs between companies and farmers. Every year at the start of the sowing season in October, it announces what the tobacco companies must pay tobacco growers.[88] The PTB also fixes Minimum Indicated Prices (MIP) per kg for tobacco grades every year. According to the law, the MIP should not be less than the Weighted Average Prices of tobacco for the preceding year, so tobacco grade prices cannot drop. If there is surplus growth, the PTB ensures that the tobacco industry purchases the surplus.

In 2017-18, the MIP for Flue-Cured Virginia (FCV) was PKR 176 for plains areas and PKR 202 for sub-mountainous areas. Dark Air-Cured Tobacco (DAC) was PKR 87.5, White Patta (WP) was PKR 76.5, and Burley was PKR 139.

The total annual requirements of the 53 tobacco companies in Pakistan, both manufacturers and wholesale dealers, are 49.675 million kg. Of this, FCV tops the list with 47.890 million kg, DAC contributes 0.815 million kg, WP 0.500 million kg, and Burley 0.060 million kg.

Figure 36: Area under different types of tobacco in Pakistan (hectares)



Source: Pakistan Tobacco Board (2018-19)

The two multinational companies use 36.37 million kg of Pakistan's total tobacco crop.

Tobacco is a great source of revenue, employment, and foreign exchange earnings in Pakistan. The total amount paid to farmers in 2016 for growing 49.45 million kg was only PKR 184.46 million; but government

[87] SBP (2014). Tobacco Value Chain in Pakistan. A. C. M. Department. Pakistan. http://www.sbp.org.pk/publications/ChainReport/2015/Report%20on%20Tobacco%20Value%20Chain%20in%20Pakistan.pdf

[88] PTB (2017). Tobacco Statistical Bulletin Volume 40-41. M. o. Commerce. Peshawar, PTB. **40-41.**

revenues in 2015-16 were PKR 114.2 billion (PKR 90.4 billion in federal excise duty, PKR 23.7 billion in sales tax, and PKR 1.23 billion from export duties).

Types and amounts of tobacco produced in Pakistan

There are two types of tobacco grown in Pakistan:[89] Virginia (Nicotiana Tabacum) and an indigenous variety (Nicotiana Rustica). While the indigenous variety dates back to the 17th century, Nicotiana Tabacum was first cultivated in Pakistan in 1948.

Flue-Cured Nicotiana Tabacum is known as Flue-Cured Virginia (FCV) and is grown in the provinces of Khyber Pakhtunkhwa and the Punjab for cigarette production.

Burley tobacco is also used for cigarettes. It is Light Air-Cured and grown in Khyber Pakhtunkhwa's Swat valley. Light Sun-Cured Burley is grown in the Punjab and Sindh provinces and used for traditional Hookahs (water pipes).

Dark Air-Cured Nicotiana Tabacum (DAC) is also used for smoking and is grown in the Punjab.

Nicotiana Rustica is semi-oriental and is called White Patta (WP). It is used for Naswar (smokeless) tobacco and water pipes and is primarily grown in Khyber Pakhtunkhwa, Balochistan, and the Punjab, which is also the home of Dark Sun-Cured Naswar.

Production: In 2015-16, there were 35,251 hectares under tobacco cultivation in Pakistan, FVC was produced on 29,061 hectares and resulted in 72.29 million kg with a 2,490 kg/ hectare yield. DAC was cultivated on 872 hectares that produced 2.14 million kg with an average 2,450 kg/hectare yield. WP was cultivated on over 5,278 acres and produced 11.71 million kg with an average 2,220 kg/hectare yield. Burley's per hectare average yield of 2,000 kg was secured from 40 hectares that produced 0.08 million kg.

Typology: Each type of tobacco is graded around the issues of plant position, plant color, plant elasticity, plant texture and the cleanliness of the tobacco leaf. There are 17 grades of FCV, 14 grades of Burley, 5 grades of WP, and seven grades of DAC.

Sale and purchase: Every year in October, the PTB ascertains the requirements of various tobacco companies and tells them to the growers to ensure that there is no gap between demand and supply. Each tobacco company signs an agreement with farmers and submits the details to the PTB. The basic unit of each agreement is 2,100 kg against one barn. This unit and the number of barns are further multiplied.

Source: PTB

[89] http://documents1.worldbank.org/curated/en/498131560807146415/pdf/Pakistan-Overview-of-Tobacco-Use-Tobacco-Control-Legislation-and-Taxation.pdf

B. Tobacco Value Chain

The State Bank of Pakistan[90] stated in its 2014 report that, "The tobacco value chain is the most enterprising [small and medium enterprise] SME sector and has been developing since the inception of Pakistan. The value chain presents an enormous opportunity in its growth and development as it is driven by the SME sector and from its outset being an excellent example of contract growing in the country."

The tobacco value chain is highly regulated by the PTB, and there are many laws that determine tobacco production, prices, and marketing. The value chain is also heavily taxed and is the only value chain in agriculture in Pakistan where the raw material is also being taxed. This additional tax is collected by the government in addition to the Federal Excise Duty (FED) and the General Sales Tax (GST) collected on finished goods.

[90] The Government of **Pakistan signed** the Framework Convention of Tobacco Control (**FCTC**) on May 18, 2004, and **ratified** it in the same year on November 3, 2004. The FCTC Protocol to Eliminate Illicit Trade in Tobacco Products was ratified on June 29, 2018.

Tobacco Control legislation in Pakistan can be seen as pre- and post-FCTC. The two principal ordinances governing tobacco control in Pakistan are,

1.Cigarettes (Printing of Warning) Ordinance, 1979

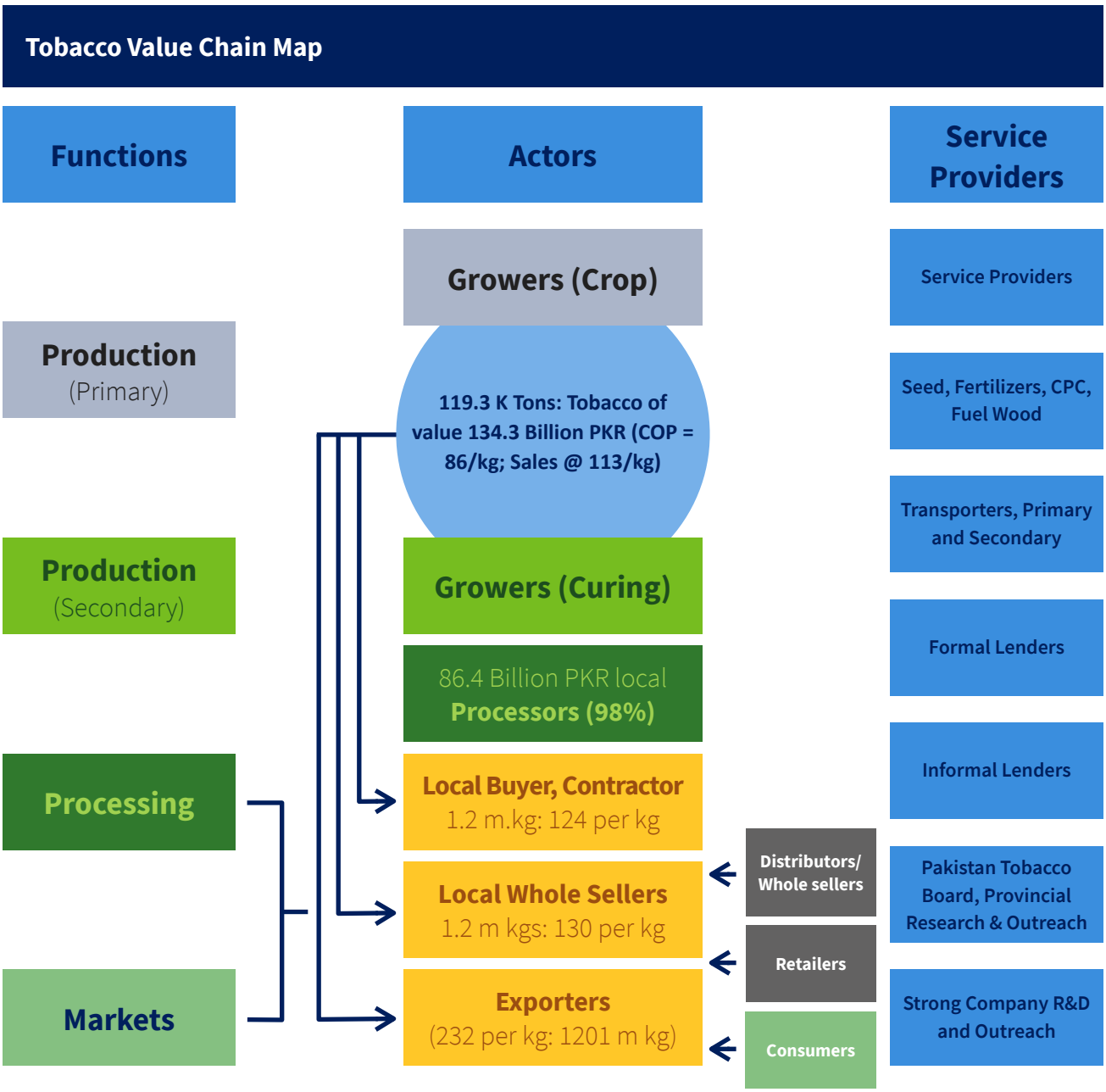
2.Prohibition of Smoking in Enclosed Places and Protection of Non-smokers Health Ordinance, 2002 (Ordinance No. LXXIV of 2002)

Both these ordinances were brought in the pre-FCTC era. Post FCTC era is defined by a series of SROs (or statutory notifications) to implement, amend, and update these tobacco control laws. Hence Pakistan was already ambitious in the tobacco control domain before the ratification of FCTC, whereas post-FCTC, the drive to control tobacco, has been somewhat watered down.

The ordinance of 2002 Prohibition of Smoking in Enclosed Places and Protection of Non-smokers Health Ordinance governs multiple areas of tobacco control, including restrictions on public smoking, sales to minors, as well as tobacco advertising, promotion, and sponsorship and has been augmented by various other supplementary legislations in the form of SRO's listed below.

- **SRO 653(I)/2003 lists additional places as "places of the public work or use" included in that ban on the use of tobacco products**
- **SRO 655(I)/2003 establishes a Committee on Tobacco Advertisement Guidelines. (In terms of tobacco advertising, `promotion, and sponsorship)**
- **Federal Excise Rule, 2005**
  - **It includes provisions regulating minimum price, excise stamps, and banderols and some packaging and labelling requirements.**
- **Federal Excise Act of 2005**
  - **It establishes the federal excise duties for tobacco and tobacco products**
- **SRO 51(KE)/2009 requires all of such places to be 100% smoke-free.**
- **Advertisement guidelines have been issued in Notification F.13-5/2003, SRO 882(I)/2007, SRO 53(KE)/2009, and, most recently, SRO 1086(I)/2013.**
- **SRO 863(I)/2010 established the Prohibition of Sale of Cigarettes to Minors Rules, 2010. These rules place duties on manufacturers, importers, and retail sellers to take steps to protect against targeting minors and the sale of cigarettes to minors.**
  - **SRO 654(I)/2003 and SRO 277(I)/2011 identify those individuals authorized to enforce the 2002 Ordinance**

Figure 37: **Tobacco value chain actors and their responsibilities**



The following are the main tobacco value chain actors in Pakistan and their key functions:

1. **Input Suppliers**
   Seeds are supplied by the tobacco companies on loan. Fertilizers, plant protection chemicals (PPCs), farm machinery, irrigation systems, fuelwood, and other crucial elements are supplied by various vendors at their sale/distribution points.

2. **Producers**
   The primary and secondary producers are true small businesses. They are run by families and both produce tobacco and cure it in kilns. Each kiln cures tobacco from one hectare of land. The majority of growers are smallholders and have one or to two kilns.
   There are strategically located procurement points set up by the tobacco companies.

3. **Aggregators**
   Big volume buyers like the Pakistan Tobacco Company and Philip Morris International have contractual

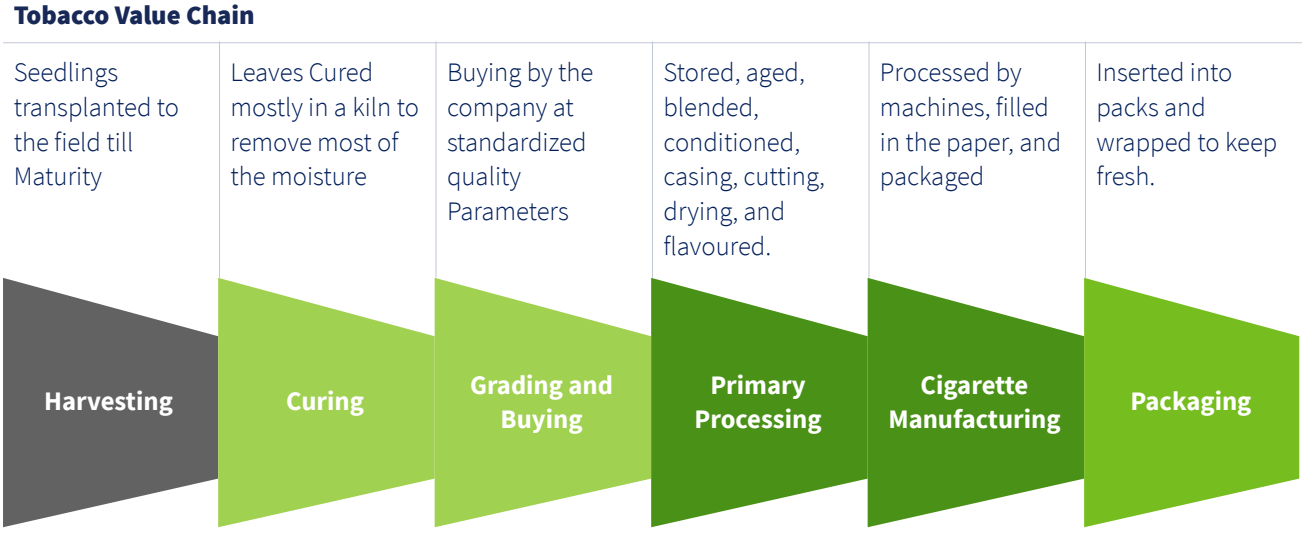
arrangements with the growers at prices fixed by the PTB. Small processors do not make such arrangements; but local buyers collect the produce from group growers and these local buyers are either connected to small processors directly or sell their collection to volume buyers who sell it to small processors. The small network of buyers collects produce for exporters at the same time. Exporters can purchase tobacco directly from their group of growers, but they do not have a contractual arrangement. Although the PTB fixes the prices of various grades of produce, there is much variation in cash versus credit buying by multiple players in the market.

4. **Processors**
   These fall into large, medium, and small categories, based on their processing capacity. Like growing, processing units are located close to the principal producing areas, such as Khyber Pakhtunkhwa. Processors purchase the cured and graded tobacco at their collection centers (depots) in the growing and curing areas according to quality standards regulated by the PTB.

5. **End market buyers**
   These are categorized as local small volume buyers, large volume buyers for small to medium companies, and large processors with well-established buying teams and collection depots.

6. **Supporting institutions**
   There are national and provincial support institutions that conduct research and link extension services to primary growers. Large processors, such as the Pakistan Tobacco Company and Philip Morris International, have well-established research and development departments and many field support personnel.

Figure 38: Tobacco value chain process



Source: State Bank of Pakistan

7. **Key input providers and their organization**
   In the farming areas, there are dealer networks of critical farming supplies. They exist close to farms and beside company warehouses. They can quickly send their stock to the growers that need them. Some fertilizer and crop protection chemical (CPC) suppliers place their products in the tobacco processors' warehouses. The processors give the supplies directly to the farmers but pay the suppliers. The suppliers have field personnel who collaborate with the tobacco processors' field staffs to provide farmers with the technical expertise they need to meet crop production demands.

The dealers provide fuelwood for the drying and curing kilns. Both cash and credit transactions are available. Farmers mostly acquire fuelwood on loan, and the cost is taken out of the final sale price of the tobacco.

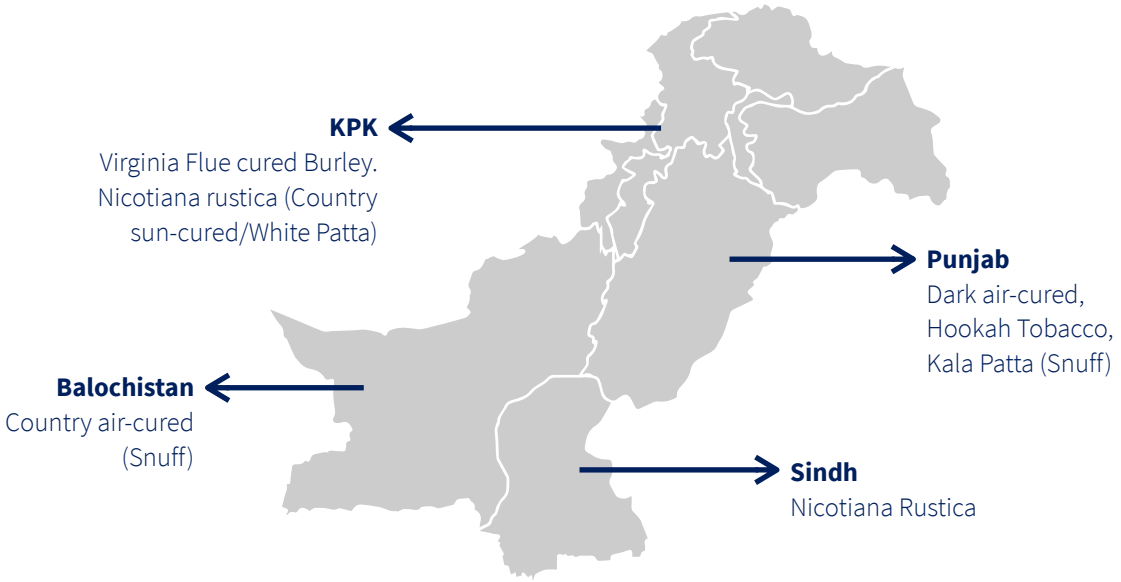
8. **Contractual arrangements**
   Fertilizers and CPC dealers purchase their supplies with cash from input supply companies under a dealership agreement. These dealers have a limited capacity to advance supplies to growers, which forces growers to borrow from informal lenders at very high rates.

9. **Quality control measures**
   The PTB and tobacco processors make sure that the tobacco value chain has well-established quality control standards and control measures. These standards are set for each type of tobacco used in a cigarette blend. Manufacturers of fertilizers and CPCs maintain good manufacturing practices, and the Provincial Agricultural Department checks samples of their products before they are offered for sale to make sure of that.

10. **Input supply contracts**
    The Marketing control Rules of 1993 require every tobacco company that intends to purchase during a crop year to tell the PTB the total amount of tobacco it will require for the year by October 21. The company must then make contractual agreements with the farmers as soon as possible after that date, and must furnish a list of such agreements to the PTB as soon as possible after they are executed.

    The PTB scrutinizes the agreements executed by each tobacco company to ensure that they are genuine. Exporters and other informal buyers do not make formal contracts with the growers. They buy on the spot. For finished goods (cigarettes), the distributors, dealers, and retailers have a formal agreement for purchases and sales and a volume business commitment. Input supply companies appoint a dealer and enforce these formal contracts through a PTB field officer assigned to the area. In case of any serious breach of contract, the dealer is fired and a new dealer for the area is appointed. Some companies designate growers that produce significant volumes of tobacco as their dealers in an area. Such a grower represents a group of other growers, and processing companies create contracts with all of them using the prices fixed by the PTB. All contracts are binding upon all the parties involved.

Figure 39: Tobacco geography



Source: Pakistan Tobacco Board

Table 25: Operating installed capacity versus actual production

Operating Installed Capacity versus Actual Utilization of Processors				
S. No.	**Companies**	**Operating installed capacity on three shifts per annum (in millions)**	**Average utilization of production capacity (in millions)**	**% of utilization of production capacity**
1	Pakistan Tobacco Co., British American Tobacco Co.	44,986	25,220	56.06%
2	Philip Morris	37,060	20,093	54.22%
3	Other Companies	13,601	418	0.03%
	Totals	**95,647**	**45,731**	**47.81%**

Source: State Bank of Pakistan

C. Available and Utilization of Processing Capacity in the Chain for Different Products

The total available capacity of the processing industry in Pakistan is around PKR 123 billion pieces per annum. Average utilization during the five years preceding this report has been around 65 billion pieces per annum. The underutilization indicates a disconnect between supply and demand, but it also indicates improvements in the export part of the value chain.

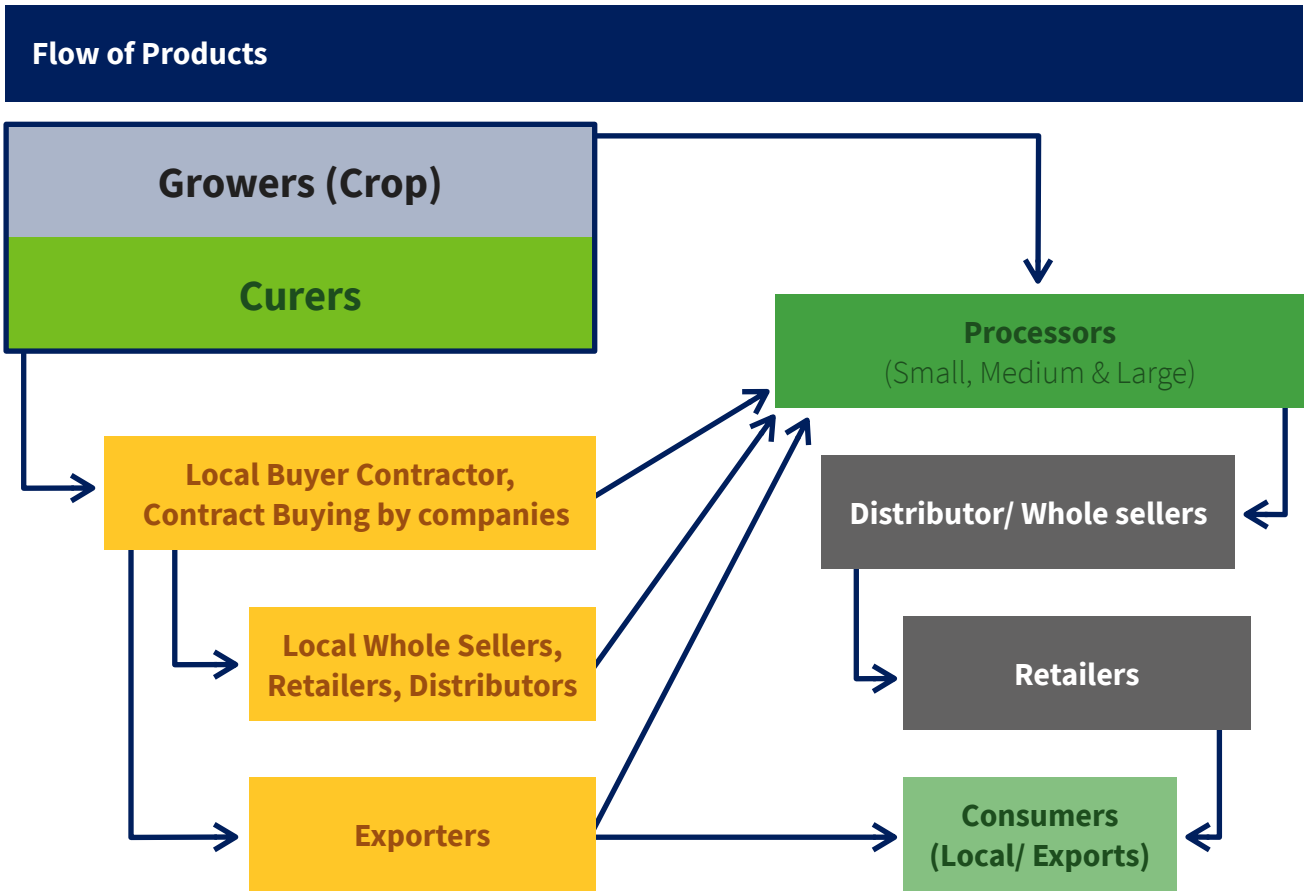
The clear underutilization of 47% of the total capacity indicates some sort of under-invoicing by the small manufacturers to evade heavy taxation. The 45% underutilization of large companies is also inexplicable unless the illegal tobacco trade and undocumented manufacturing is factored in. These practices may account for half of the missing production capacity; but the remaining half may provide an opportunity to expand the export of processed goods vs. raw materials.

Table 26: SWOT analysis of value chain

Attributes	Strength	Weakness	Opportunity	Threat
Profitability	Contractual growing, strong technical outreach through companies, rising local demand, and export demand.	Credit availability to the SME sector reduces profitability. Producers pay PKR 200 kg fuelwood for a two-month supply if they buy fuelwood on credit.	Best practices and lower cost of production through credit availability on comparative advantage.	Climatic: Hailstorm reducing quality and quantity.
Stability	Sustainable contractual model due to increasing demands from processors.	Lack of revolving, crop-based credit from banks to SME producers.	Novel financial products to support value chain growth.	Higher lending rates by non-institutional lenders
Growth	Good quality land, ambient water supply, and growing conditions. Sustained volumes and margins of processors and contract growers.	Inadequate policy framework for institutional credit and reliance on informal lenders at a very high mark-up.	Institutionalize credit for all players in the value chain, including contractors and input suppliers.	Lack of appropriate securities of various players for institutional credit.
Regulatory Environment	The PTB, the provincial government, agriculture departments, processors quality assurance teams.	Heavy taxation and tax collection with no improvement of the value chain.	Rational taxation regime, regularization of informal lenders.	Lack of will on the part of the state to reform the sector with equitable distribution of taxation on various crops.
Job Generation	Value chain has great growth potential, meaning more jobs for both skilled and non-skilled workers as the chain expands, yield enhancement, technology interventions, and credit extension on easy terms. Processing and exports have promise.	Lack of ingenious financial products for such a robust industry where domestic production, as well as exports, is thriving sustainably.	Financing of rented agriculture and curing, introducing new but sustainable financial products.	Lack of appropriate credit may lead primary producers to adopt alternative crops as tobacco is extremely input-intensive.
Geographic Focus	Development in Sindh and Baluchistan has great potential for processors in Sindh.	Primary producers lack technical and financial capacity. No credit for SME on easy terms.	Credit at easy terms throughout the value chain. Regularization of informal lenders, input suppliers, investors, cold store operators.	Bring margins down for the core areas.

Source: State Bank of Pakistan

Figure 40: **Market channels**



Source: State Bank of Pakistan

D. Key stakeholders determining market structure

Tobacco marketing in Pakistan is executed through a direct purchase system. The production and marketing of tobacco are regulated under Martial Law Order-487, which was passed in 1985. Many amendments to this order have been introduced. MLO-487 says that the weighted average price for the tobacco crop shall not be lower than the previous year's price, which has played a significant role in safeguarding the interests of the growers. This law obligates manufacturers to purchase their contracted quantity of tobacco, irrespective of changes in their circumstances at the time of purchase. Pricing, timing, quality, and terms are collaboratively executed under the regulatory authority of the PTB, which has established committees composed of all the critical actors in the value chain to decide on the cost of production, purchase price, grades, and quality standards in addition to the volume of tobacco that is grown and purchased.

Table 27: Cycle turnover in the tobacco value chain

Functions	
Crop Inputs (seed, fertilizers, crop protection chemicals)	Seeds are provided for nursery raising in December and the cost is recovered by the company during procurement. Only 20% of the growers on contract use NPK (nitrogen, phosphorus, and potassium) kept by input supplier in the store of processors. Credit is adjusted while the grower cashes the purchase voucher after the sale of the produce at the processors' depot. Suckericide is available from processors as well as at the input supplying dealer. Cash and credit have different terms. The payoff on service is towards the middle of the buying season.
Primary Production (Small, Medium and Large Growers)	Small and medium growers sell most of their loads in the market at lesser margins, to payback credits on inputs to non-institutional creditors (NICs) whereas, the contractual growers get their payments as per the agreed schedule set by the stakeholders monitored by the PTB. Growers under contract with processors are in a better position and have better cash flows as their payback from processors is weekly.
Transportation	Transporters under contract work on weekly payments without a contract on delivery of goods for processors only, others use either their hauling or hired vehicle and are paid by cash.
Processing	Processors in procurement run a 4-6-month cycle with producers whereas; the buyers have an arrangement on invoice to invoice basis.
Markets	Grower-agent and grower-contract cash cycle on borrowed inputs continue for 4-6 months. Agents mostly keep a large portion of cash in this cycle from growers and extend cash to the grower on a need basis. Exports and finished goods sales purchases are on a cash basis and there is little or no credit involved.

Source: State Bank of Pakistan

CHAPTER 7

The Cigarette Industry in Pakistan

Key Findings

- Tobacco is an excellent source of revenue, employment, and foreign exchange earnings for Pakistan.
- the total annual income generated by the tobacco industry in Pakistan is approximate PKR 300 billion, with the industry supporting the livelihood of around 1.2 million people.
- Around 60 billion cigarettes are produced annually in the legal sector
- There are 17 tobacco companies in Pakistan that run 20 cigarette manufacturing factories with an installed capacity of 134,284 million sticks per annum in three shifts.
- The labor force in these factories is around 50,000.

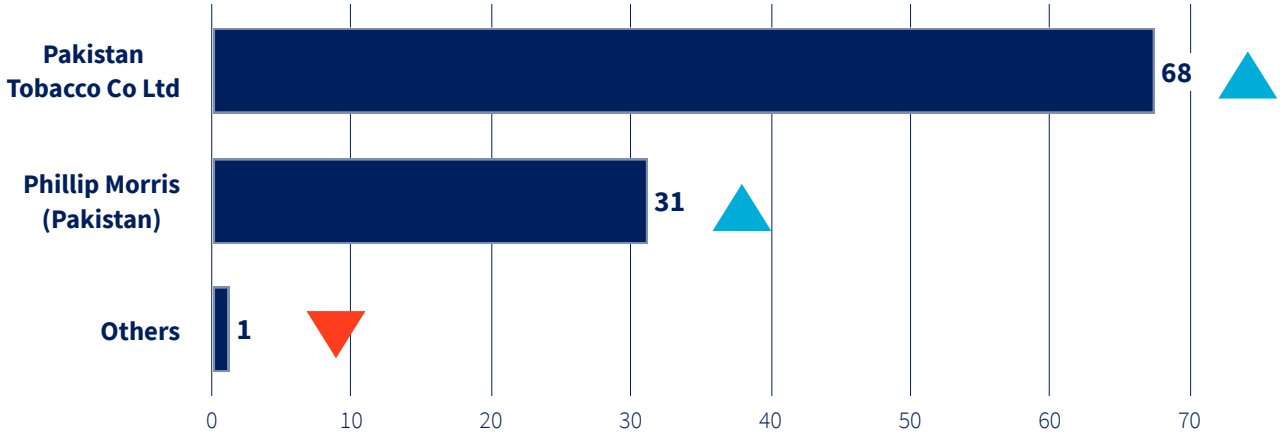
The Cigarette Industry in Pakistan

According to the PTB,[91] the total annual income generated by the tobacco industry in Pakistan is approximate PKR 300 billion, with the industry supporting the livelihood of around 1.2 million people. The labor force for the 21 production factories is around 50,000. During FY 2016-17, PKR 114 billion was collected in FED and GST from the tobacco industry.

Between 70,000 and 80,000 people are employed growing tobacco. Over one-third of Pakistan's 43 million labor force works in the agricultural and fishery sector, but tobacco growing only accounts for about 0.4-0.5% of the total agricultural labour force.

Tobacco provides revenue, employment, and foreign exchange earnings for Pakistan. The total amount paid to the farmers in 2016 for growing 49.45 million kg tobacco was only PKR 184.46 million; but the government earned PKR 114.2 billion in taxes and duties in FY 2015-16. Of this, PKR 90.4 billion came from federal excise duty, PKR 23.7 billion came from general sales tax, and an additional PKR 1.23 billion was earned from exporting tobacco.

Figure 41: Company share of cigarettes in Pakistan, % share (NBO) – retail volume – 2018



Source: Euromonitor International 2020

The PTB publishes the needs of the 53 tobacco companies in Pakistan every year. There are 51 local companies and two multinational companies in this group, and in 2018, the two multinational companies (Pakistan Tobacco Company and Philip Morris International) requested 36.37 million kg. – or 74% of the national tobacco crop – for their use.

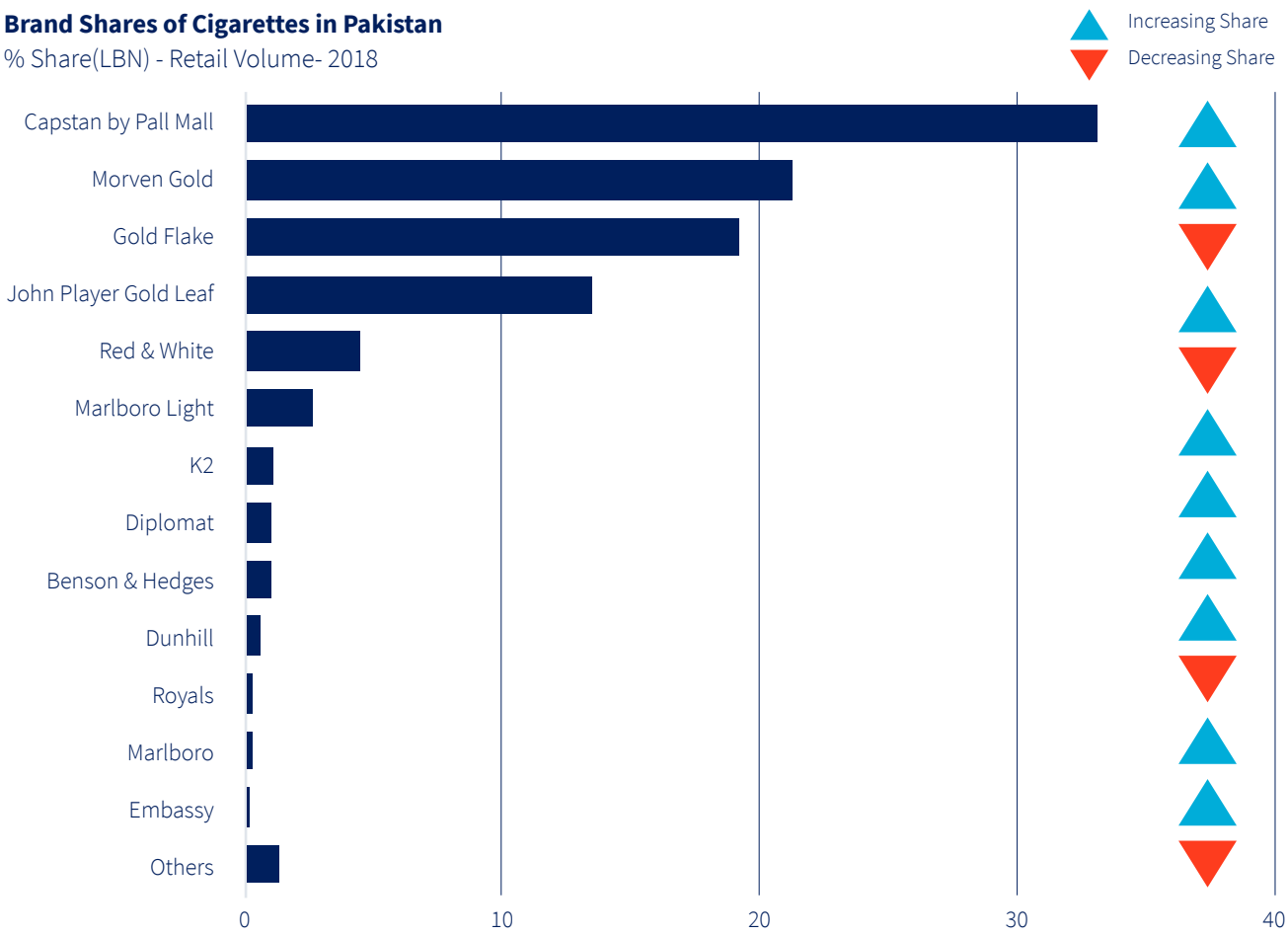
There are 20 cigarette factories in Pakistan, run by 17 tobacco companies, that manufacture 134,284 million sticks per year in three shifts. Ten of these factories are based in Khyber Pakhtunkhwa, and they produce 42,670 million sticks per year. One factory with an annual production rate of 24,700 million sticks is located in Sindh, five factories are located in the Punjab and produce 60,198 million sticks per year, and four factories are located in Azad Jammu and Kashmir (AJK) and produce 6,716 million sticks per year. Detailed statistics are given below.

[91] https://www.dra.gov.pk/Home/DownloadsAllDocs#gsc.tab=0

Cigarette production and sales

The Pakistan Tobacco Company, a subsidiary of British American Tobacco, is one of the oldest tobacco companies in Pakistan. It controlled 55% of the market in 2011 and 66% of the market in 2017 (Euromonitor, 2018). Lakson Tobacco Company – almost wholly owned by Philip Morris International since 2007 – became Philip Morris Pakistan Ltd. In 2011. Its market share decreased from 43% in 2011 to 30% in 2017.

Figure 42: Brand shares of cigarettes in Pakistan, % share (LBN) - retail volume - 2018



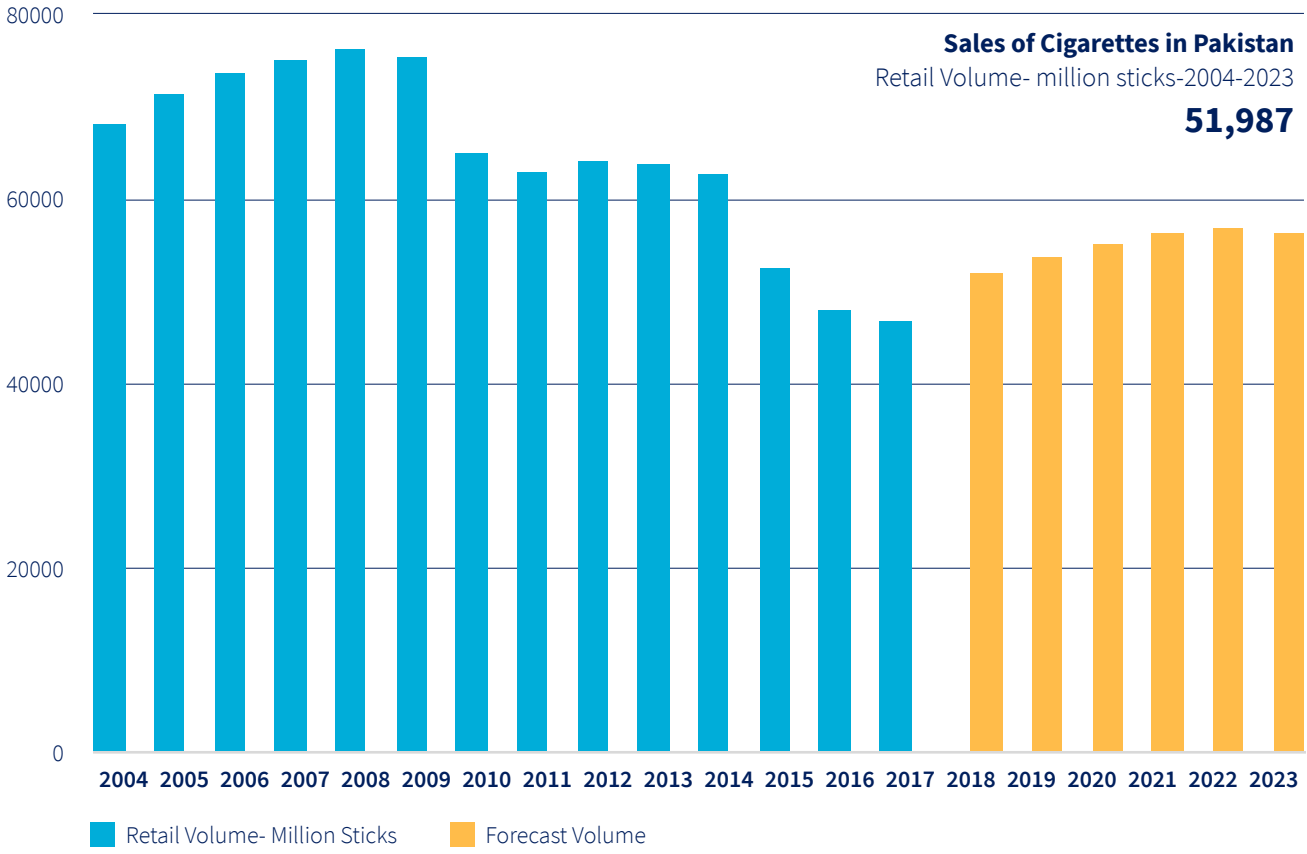
Source: Euromonitor International, 2020

There are several smaller, domestic cigarette companies in Pakistan, at least some of which evade taxes by underreporting production and/or manufacturing counterfeit cigarettes. Very few Pakistanis work in cigarette manufacturing, which accounts for less than 0.1% of all manufacturing jobs in the country. According to the UN database, both the exports and imports of cigarettes in Pakistan are very small. Between 2011 and 2017, Pakistan only imported about 100 million cigarettes and exported about 50 million each year.

Because annual cigarette production between 2011 and 2017 was about 60 billion sticks, both import and export have a negligible impact on sales, so data on cigarette production is used as a proxy for sales data. The Financial Year (FY) in Pakistan starts on July 1, and the national statistics usually report data from July 1 to June 30 of the next year. The data on cigarette production is also by FY.[92]

[92] https://www.medrxiv.org/content/10.1101/2020.06.15.20131425v1.full.pdf

Figure 43: Sale of cigarette in Pakistan, retail volume million sticks 2004-2023



Source: Euromonitor International 2020

Table 28: Installed capacities of the cigarette manufacturing factories

No.	Particulars	Year of establishment	Operating/ installed capacity of 3 shifts basis per annum (in millions)	Location
A. Khyber Pakhtunkhwa				
1.	Pakistan Tobacco Company	1976	24,232	Akora Khattak Nowshera)
2.	Khyber Pakhtunkhwa Company	1954	2,566	Mardan
3.	Sarhad Cigarette Industries	1975	1,150	Nawankili (Swabi)
4.	Saleem Cigarette Industries	1979	1,663	Mardan
5.	Bara Cigarette Industries	1992	800	Bara(Peshawar)
6.	International Cigarette Industries	1991	157	Shewa (Swabi)
7.	Souvenir Tobacco Company	1986	1,650	Mariam Garhi Mardan)
8.	Universal Tobacco Company	1989	7,000	Mardan
9.	Imperial Cigarette Industries	1989	2,300	Dagai Road, Tara Kahi Swabi
10.	Falcon Cigarette Industries	2010	1,152	Mansabdar (Swabi)
		Total	**42,670**	
B. Sindh				
1.	Philip Morris Pakistan Ltd.	1971	24,700	Kotri (Sindh)
		Total	**24,700**	
C. Punjab				
1.	Philip Morris Pakistan Ltd.	1972	8,500	Mandra, (Rawalpindi)
2.	Philip Morris Pakistan Ltd.	1981	24,400	Qadar Abad (Sahiwal)
3.	Pakistan Tobacco Company	1956	26,482	Jhelum
4.	Burley Tobacco Company	1995	600	Fateh Jang
5.	Shaheen Tobacco Company	1997	216	Julian (Taxila)
		Total	**60,198**	
D. Azad Jammu & Kashmir				
1.	New Kashmir Tobacco Ind.	1972	1,716	Bhimber
2.	Walton Tobacco Company	1981	1,980	Chatter Pari, (Mirpur)
3.	Walton Tobacco Company	1956	302	Bhimber
4.	National Tobacco Company	1995	2,718	Bhimber
		Total	**67,16**	
Grand Total			**134,284**	

Source: State Bank of Pakistan

CHAPTER 8

Tobacco Harm Reduction Products

Key Findings

- In Pakistan, any tobacco-containing product, combustible or non-combustible, is covered under the Prohibition of Smoking and Protection of Non-smokers Health Ordinance 2002.
- Nicotine Replacement Therapy (NRT) products like varenicline, bupropion (Trade names Zyban and Wellbutrin) are covered under the Drug Regulatory Authority of Pakistan like other drugs that are considered essential.
- These regulations do not cover e-cigarettes or vaping products that do not use tobacco directly as a source of nicotine.
- E-cigarette machinery has a 20% import duty, and e-liquids are charged at PKR 10 per ml.
- GDP lost due to smoking Pakistan is 0.4% or 1.1 billion. The GDP lost by all smokers converted to HRPs would be 0.055 billion, because HRPs are 95% safer than combustibles.
- Locally conducted studies showed that 64% of respondents had heard about e-cigarettes and 81% expressed a desire to switch to e-cigarettes. Current e-cigarette users were only 39% of the smoking population.
- A survey conducted of the most famous top three vape/e-cigarette retailers in Islamabad and Lahore assessed the prices of vapes and e-liquids and showed price fluctuations in the top five HRPs used.

Tobacco Harm Reduction Products (HRPs)

HRPs can change the future of millions of current and prospective Pakistani smokers. Because cessation is both neglected and overlooked in Pakistan, introducing well-regulated, affordable, reduced risk products to a public that has been educated on their potential would be the ideal strategy to eliminate and reduce smoking and its related harmful effects on human health.

Out-of-pocket expenses for health are high and unavoidable in Pakistan because there is no health insurance and tobacco control laws are weakly enforced. HRPs may be the answer to reducing or ending smoking in Pakistan, which would prevent the people from remaining trapped in a toxic cycle of disease, disability, and poverty.

There are currently no HRP regulations in Pakistan, so this is the ideal time to integrate them into Pakistan's business strategy, educate people (especially health professionals) on HRPs, enhance HRP acceptability, and introduce soft regulations for HRPs with subsidies and lower taxes to make them more affordable and to motivate and attract existing smokers to transition from high-risk to reduced-risk products.

Legal status of HRPs under existing health and tax regulations

In Pakistan, any product containing tobacco – either combustible or non-combustible – is covered under the Prohibition of Smoking and Protection of Non-smokers Health Ordinance 2002.[93] Smoking is defined as the intake of tobacco in any form: cigarettes, cigars, water pipes, wrappers, or instruments.

The definition of tobacco, according to the Pakistan Tobacco Board Ordinance 1968, is a commodity that is made from the leaves of the plant nicotiana tobaccum or nicotiana rustica, commonly referred to as tobacco, plus the adjacent tender stalks or green tobacco. The definition does not include tobacco waste.

Nicotine Replacement Therapy (NRT) drugs, like varenicline and bupropion (trade names Zyban and Wellbutrin) are covered under the Drug Regulatory Authority of Pakistan.[94]

These regulations do not cover e-cigarettes or vaping products that do not use tobacco as a direct source of nicotine. E-cigarettes are mostly imported. An e-cigarette machine has a 20% import duty, and e-liquids are charged at PKR 10 per ml. There are multiple custom codes under which these HRPs are imported into Pakistan.

In Pakistan and China, e-cigarette sales are permitted, but a complete ban on e-cigarettes exists in India and Iran. No policy on e-cigarettes currently exists in Afghanistan.

[93] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6679032/

[94] https://www.spdc.org.pk/assets/upload/5f4584541c6fb-Crowding%20Out%20RR%20Final.pdf

Figure 44: E-cigarette market regulations

Pakistan	Sales Permitted
Afghanistan	No Policy
Iran	The sale, importation and manufacture of e-cigarettes is banned (effective 2008) per Ministry of Health note to Ministry of Industry. The National Tobacco Control Act (2006) prohibits advertising and promotion of tobacco products—this is interpreted to include e-cigarettes.
India	E-cigarette production, manufacture, import, export, transport, sale, and distribution is banned. The law bans the direct and indirect advertisement and promotion of e-cigarettes.
China	Sales Permitted

Source: Tobacco Atlas

A. Harm reduction products can minimize the economic costs of smoking cigarettes.

The study "Economic Burden of Smoking-Attributed Illnesses in Pakistan,"[95] which analyses out-of-pocket expenses for healthcare, showed a significant preventable economic burden produced by tobacco-attributed illnesses. In 2018, Pakistan's National Health Accounts (NHA) only covered 35% of total health expenditures, the rest (63.4%) were covered by the private sector, and 91% of private sector expenses come out of householders' pockets.

In 2016, the Intertemporal Analysis of Post-FCTC Era Household Tobacco Consumption in Pakistan[96] found that tobacco costs accounted for 1.4% of all household expenditures. In tobacco user households, tobacco costs were 3.0% of all household expenditures.

The study "Impact of Tobacco Use on Household Consumption Patterns in Pakistan"[97] states that tobacco-spending households spend nearly 3% of their monthly budget on tobacco, and low-income families devote more of their budget to tobacco than wealthy households. The study also found that reducing tobacco expenditures led to more money being spent on basic food items, health, education, housing, household durables, leisure, and other commodities.

[95] https://www.portal.euromonitor.com/portal/analysis/tab

[96] https://www.athra.org.au/vaping/vaping-cost/

[97] https://www.medrxiv.org/content/10.1101/2020.06.15.20131425v1.full.pdf

B. An Economic Cost Comparison of Harm-Reduction Products vs. Conventional Combustible Cigarettes[98]

Table 29: An economic cost comparison of harm reduction products vs. conventional combustible cigarettes

Cost of Combustible Cigarettes (Smoking)				
Economical Cigarette Brands (Pack of 20)	Morven	Capstan	Gold Flake	**Mean Average Price**
Prices PKR	68	94	77.50	79.83 or 80
Luxury or High-Priced Brands (Pack of 20)	Marlboro Gold	Gold Leaf	Benson & Hedges	Mean Average Price
Prices PKR	*173	164	164	167
Average cigarettes consumed in a day, one pack or 20 cigarettes			**Economical Brand**	**High-Priced Brand**
Price of cigarettes consumed weekly PKR			560	1,169
Price of cigarettes consumed monthly PKR			2,240	4,676
The annual price of cigarette consumed PKR			26,880	56,112
The total average cost of smoking in a year PKR			26,880 to 56,112	
Cost of Vaping (Using ArtisanVapour.pk prices as a reference point)				
One-time Average Cost of e-cigarette /vape device starter kit			PKR 3000-6000	
The average price of 30ml e-liquid			PKR 2500	
For every 20 cigarettes, 4ml of e-liquid is used per day equal to 1460ml per year or 50 bottles[98]				
The total average price of e-liquid consumed annually			PKR 125,000	
Health Costs Comparative				
Annual Out of Pocket Spending (OOPS) on health due to smoking per person due to CA Lung, COPD and CVDs[99]			42,566 To 93,074 or greater	
Economical Brand		Smoking cost + Minimum Health Cost	PKR 69,446	
		Smoking Cost + High Health Cost	PKR 119,954	
High-Priced Brand		Smoking cost + Minimum Health Cost	PKR 98,678	

[98] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/684963/Evidence_review_of_e-cigarettes_and_heated_tobacco_products_2018.pdf

[99] https://www.rcplondon.ac.uk/projects/outputs/nicotine-without-smoke-tobacco-harm-reduction

	Smoking Cost + High Health Cost	PKR 149,186 (exclusive of productivity loss costs)
In addition to OOPS, productivity losses due to Years of Life Lost YLL are[100]		
Cardiovascular disease (Ischemic heart disease)	8.29% (7.02-9.64)	
COPD	1.52% (1.24% -1.87%)	
Lung cancer	0.63% (0.53%-0.77%)	
GDP losses due to Smoking (Total GDP 278.22billion USD in 2018)		
GDP lost due to smoking	0.4% or 1.1 billion USD	
GDP lost due to HRP's If all smokers switched (HRP's are 95% SAFER from Cigarettes) GDP loses would be 5% of 0.4%	0.055 billion USD	
* Cigarette prices have been obtained from the latest packs sold in markets on Aug 27, 2020.QBAL calculations		

Source: Australian Tobacco Harm Reduction Association, Economic Burden of smoking attributed illnesses in Pakistan, GBD Compare, QBal Research Team.

Average health costs of smoking compared to HRP usage were calculated using the most used economical brands identified by Euromonitor,[101] (Capstan by Pall Mall, Gold Flake, and Morven Gold). For the premium brands, the top three most expensive locally produced cigarette brands were chosen. A pack a day (20 cigarettes) was used to calculate the costs of economical and premium cigarette brands (Table 28). The RP usage price was calculated by using the standards mentioned by the Australian Tobacco Harm Reduction Association (ATHRA).[102]

Average health spending due to tobacco use was obtained from the recent study on the economic burden of smoking-attributed illnesses in Pakistan.[103] It can be seen from the table above that, even though HRP usage poses higher initial costs, long-term health costs are reduced. Smoking also poses higher losses to the GDP compared to HRP's which are 95% safer than conventional smoking products.[104,105]

C. Growing Market of Alternative Nicotine Delivery Systems

1. Demographics of e-cigarette users in Pakistan

Locally conducted studies show that people, especially younger people and current smokers, are more aware of e-cigarettes.[106] A study conducted to estimate the prevalence of awareness, current use, and intention to

[100] https://jpma.org.pk/article-details/8544

[101] https://jpma.org.pk/article-details/8544

[102] https://jpma.org.pk/article-details/8544

[103] https://www.portal.euromonitor.com/portal/analysis/tab

[104] https://pk.velo.com/discover-velo

[105] https://www.portal.euromonitor.com/portal/analysis/tab

[106] https://www.rcplondon.ac.uk/projects/outputs/nicotine-without-smoke-tobacco-harm-reduction

use e-cigarettes among adult smokers in Karachi, showed that 64% of the respondents had heard about e-cigarettes, and 81% expressed a desire to switch to e-cigarettes (Figure 52).[107]

Figure 45: The prevalence of awareness, current use and intention to use e-cigarettes among adult smokers in Karachi

Source: Journal Article[108]

Because Harm Reduced Products (HRPs) are not included in the GATS/GYTS or PDHS surveys, there is a large data gap that needs to be remedied.

Low Ignition Propensity (LIP) cigarettes were not present in Pakistan in 2018, nor was there any legislation on such products in the country.

Demand for e-vapor products is growing, although this category is still in its infancy in Pakistan. There are calls by tobacco control advocates for these products to be banned due to a lack of information on their long-term effects on user health and concerns that they are attracting younger consumers.

The government has stated that it will take these recommendations under consideration once it receives a request from the Pakistan Medical Association, and it will also look at how many other markets have banned these products.[109]

2. Types of Harm Reduction Products available in Pakistan

a. Open, closed vaping systems and tobacco heating devices

E-cigarettes

Vapor products: Pod Vapes, Box Mods, Squonk Starter Kits

Nicotine sources

E-liquids or juices (flavored and unflavored)

Nicotine salts

b. Other products

Non-tobacco Nicotine Pouches (VELO, 4mg, 6mg, 10mg)[110] ($0.60 a pouch)

(recently introduced in 2020 by the Pakistan Tobacco Company

NRT products

Snus

A list of the current online and real e-cigarette stores can be found in Appendix B.

[107] https://jpma.org.pk/article-details/8544

[108] https://jpma.org.pk/article-details/8544

[109] https://www.portal.euromonitor.com/portal/analysis/tab

[110] https://pk.velo.com/discover-velo

A small survey was conducted of the most famous top three vape/e-cigarette retailers in the cities of Islamabad and Lahore to assess the prices of vapes and e-liquids. These three retailers were chosen because they had stores in the three largest cities in Pakistan (Islamabad, Lahore and Karachi).[111]

The top five most sold e-cigarette brands and products were identified according to their salespeople. It could not be determined if the products were smuggled and whether or not custom duties of 20% had been paid. Price fluctuations were found between different retailers on the same products.

Table 30: Prices of topmost commonly used HRP's and their price differences from three major e-cigarettes stores in Pakistan

Product	Store					
	Artisan Vapour		Le-Vap		Elite Electronic Cigarettes	
Store Locations	F-11 Islamabad		Lahore		F-11 Islamabad	
	Price USD $ Interbank rate of 166 used (September 2020)					
	PKR	USD $	PKR	USD $	PKR	USD $
JUUL starter kit with 2 mods	7000	42.16	7000	42.16	Rs 7000	42.16
SMOK RPM40 Pod Kit	5,200	31.3	6,000*	36	6,000	36
Vaporesso Armour Pro Kit	13,000	78.3	NA	-	7,500	45
Aspire Breeze AIO Kit – 650mAh – Full Ki	3,500	21	2,700	16.2	4,500	27
UWell Caliburn Pod System Kit 520mAh	5,500	33.1	5,000	30	4,700	28.3

*Highlighted in red shows the store with the highest price for the same brand

Source: By QBal Research Team

[111] https://www.portal.euromonitor.com/portal/analysis/tab

CHAPTER 9

Conclusions and Way Forward

An analysis of the pre- and post-FCTC official interventions on tobacco control in Pakistan shows that the government of Pakistan has major ownership of tobacco control, which should help introduce HRPs to the country.

On one hand, Pakistan is trying to curb tobacco use in order to control health costs, and on the other hand it is promoting tobacco as a substantial source of internal and external revenue to support its struggling economy.

HRPs may be the answer to resolving this dilemma, but more knowledge and internal research are needed.

Pakistan's tobacco intervention can be classified into four phases. At the time of independence in 1947, the country inherited a British law that does not allow the retail sale of tobacco without a license. In 1968, the government came up with the Pakistan Tobacco Board to stringently control and regulate growing and manufacturing and research which include managing the contract between tobacco companies and farmers.

In the third stage in 1979, a law was enacted to print health warnings on the cigarette packs which also resulted in some administrative measures to ban smoking in public places. However, the law in 2002 gave the impetus to tobacco control by focusing on protecting the health of non-smokers, especially children. In the fourth stage, after signing FCTC, the government introduced pictorial health warnings on cigarette packages, increased taxation, partially banned tobacco advertising, and restricted the sale of cigarettes to a minimum pack of 20.

Smokeless tobacco remains mostly ignored. The tobacco cessation program also could not gain ground. Some judicial reviews and surveys show that the enforcement of the law remains lopsided. Different surveys on the issue do not come up with a uniform baseline or results to show if there has been a reduction in the incidence of smoking.

The way forward is led by the following recommendations:

1. Introduce an umbrella tobacco control policy with a dedicated section on HRPs
2. Design smoking policies that focus on the real characteristics of smokers, as well as the demand for and supply of tobacco in Pakistan and the country's health, politics, taxation practices and foreign and domestic economy issues.
3. Make sure that people who regulate tobacco in Pakistan do not own tobacco companies and have no conflicts of interest.
4. Actively increase the enforcement of Pakistan's existing tobacco regulations and make the consequences of breaking these regulations significant and effective.
5. Conduct a comparative study of the health costs of combustible tobacco products and HRPs, and assess the costs and benefits of offering all smokers who want to quit the option to use HRPs.
6. Promote the progressive taxation of HRPs using different economic models.
7. The dynamics of tobacco growing and production in Pakistan are specific to the country, and strategies against tobacco use must be designed with them in mind.
8. Address the rise of smoking in women seen since 2012 in Pakistan.
9. Compare the per capita costs of NRTs and HRPs if they are put on Pakistan's essential drug list.
10. Outline an HRP advocacy campaign that targets lawmakers, policymakers, media practitioners, and health rights activists.
11. Pakistan currently does not have any HRP regulations, so this is the ideal time to improve the perception of HRPs and help enact favorable tax structures and regulations that will keep them affordable and available.
12. Analyze the legal issues involved in executing all these recommendations.

Appendices

Appendix A. E-Cigarette Bans and Regulations: Global Status as of February 2020, posted on 2-24-20 by GGTC

41 COUNTRIES1 BAN SELLING OF E-CIGARETTES

The sale/distribution of e-cigarettes2 is banned in the following forty-one (41) countries:
Antigua and Barbuda*, Argentina, Australia, Bahrain**, Barbados**, Bhutan, Brazil, Brunei Darussalam, Cambodia, Colombia, Costa Rica**, Ethiopia*, Gambia, India, Iran, Japan, N. Korea, Kuwait**, Lao PDR, Lebanon, Mauritius**, Mexico, Nepal, Nicaragua, Oman, Palestine, Panama, Qatar, Seychelles, Singapore, Sri Lanka, Suriname, Syria, Thailand, Timor-Leste, Turkey, Turkmenistan, Uganda, Uruguay, Vatican City, Venezuela*

66 COUNTRIES ALLOW SELLING OF E-CIGARETTES BUT PROVIDE SALES RESTRICTIONS/REGULATIONS

In sixty-six (66) countries that permit the sale of e-cigarettes, there are typically some regulation that govern the sale as cross-border sale restrictions/regulations, restrictions in venues where they can be sold, access restrictions, or other restrictions:
Afghanistan, Austria, Belgium, Bulgaria, China, Canada, Croatia, Cyprus, Czech Republic, Denmark, Djibouti, Ecuador, Egypt, Estonia, Fiji, Finland, France, Georgia, Germany, Greece, Honduras, Hungary, Iceland, Indonesia***, Iraq, Ireland, Italy, Ivory Coast, Jamaica3**, Jordan, S. Korea, Latvia, Libya, Liechtenstein, Lithuania, Luxembourg, Malaysia, Maldives, Malta, Moldova, Morocco, Netherlands, New Zealand, Norway, Palau, Pakistan, Philippines, Poland, Portugal, Romania, San Marino, Saudi Arabia, Slovakia, Slovenia, Spain, Sudan, Sweden, Switzerland4**, Tajikistan, Togo, Tunisia, Ukraine, United Arab Emirates, United Kingdom, Vietnam, Yemen**

32 COUNTRIES REGULATE NICOTINE (and/or OTHER) CONTENT/S OF E-CIGARETTES

Of the sixty-six (66) countries allowing the sale of e-cigarettes, at least thirty-two (32) are known toregulate the amount (concentration/volume) of nicotine in e-liquids — in the EU, the threshold concentration is 20mg/mL “AND” do not permit the use of ingredients (other than nicotine) that pose a risk to human health in heated or unheated form in nicotine-containing e-liquid (“OR” for Canada and Israel):
Austria, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Malta, Moldova, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and United Kingdom.

https://ggtc.world/2020/02/24/e-cigarette-ban-regulation-global-status-as-of-february-2020/

Appendix B. Harm Reduction Products Online and Instore Purchasing Options in Pakistan

Stores **There are more than 38 online and in -store purchasing options are present**
Vape Bazaar www.vapebazaar.pk
Vape Mallwww.vapemall.pk
Elite Electronic Cigarettes www.e-litecigs.com
Artisan Vapor www.artisanvapor.pk
VapeTek www.vapetek.com
The Vape Hub https://www.facebook.com/vapehubpakistan/
Vaperinn
Vape Store https://www.vapestore.com.pk/
Vape station www.vapestation.pk
Tranzax Vapors www.tranzaxvapors.pk
Vapenation www.vapenation.pk
Vapeonhai (http://vapeonhai.com) Facebook: (Vapeonhai) Instagram: (www.instagram.com/vapeonhai)
Vapemall (www.vapemall.pk) Facebook: (Vapemall) Instagram: (www.instagram.com/vapemallpk/)
Clouded Judgement (http://www.clouded-judgement.com/)
White Mist Co. (http://whitemist.co/)
The Wholesale Store (thewholesalestore.pk) FB: https://www.facebook.com/Thewholesalestore.pk/
– Vapor's Loft Pakistan (www.vaporsloft.com)
– Karachi Vapers (www.karachivapers.com)
Millennium Vapor Shop address: shop #7, plaza 181, ground floor, main civic center l, bahria town phase 4
VapeMate (http://www.vapemate.co.uk) (http://www.facebook.com/thevapematepakistan/)
Vapor Boyz PK (http://www.vaporboyz.com/)
Le-Vap Pk (http://www.Le-vape.pk/)
Big Cloud Vaping (http://www.bigcloudvaping.com)
Vapengine Pk www.vapengine.pk www.facebook.com/vapengine www.instagram/vapengineco

Cloud Nation (www.cloudnation.pk) https://www.facebook.com/cloudnationpk
Pak Juices: www.pakjuices.com www.facebook.com/Pakjuices
Vape House (www.vapehouse.pk)
Ejuice Pakistan (www.ejuicepakistan.com)
GreyGorilla Vapor Co (http://www.ggvapes.com/)
Cloud 9 Vaping Company (http://www.cloud9vaping.co/)
Vape Therapy (http://www.vapetherapy.co/)
VapeHex (www.vapehex.com)
Vape Treat (www.vapetreat.com)
Vaper Vault (www.vapervault.co)
Vape Hut PK. (http://vapehut.pk/)
Lahore Vapers (www.lahorevaper.com)
Electronic Clouds (www.electronicclouds.co)
Safest Cig (http://safestcig.com/)

Appendix C. FCTC Articles 5, 18 and 19, Benchmark Countries Comparison

	Pakistan 2020	Afghanistan 2020	Iran 2020	India 2020	China 2020
ARTICLE 5					
C111 - Comprehensive multisectoral national tobacco control strategy	Yes	Yes	Yes	Yes	Yes
C112 - Tobacco control included in national health strategies	Answer Not Provided	Answer Not Provided	Answer Not Provided	Answer Not Provided	Answer Not Provided
C113 - Any aspect of tobacco referred in any national strategy	Answer Not Provided	Answer Not Provided	Answer Not Provided	Answer Not Provided	Answer Not Provided
C114a - Focal point for tobacco control	Yes	Yes	Yes	Yes	Yes
C114b - Tobacco control unit	Yes	Yes	Yes	Yes	Yes
C114c - National coordinating mechanism for tobacco control	Yes	Yes	Yes	Yes	Yes
C121 - Interference by the tobacco industry	Yes	Yes	Yes	Yes	Yes
C122 - Public access to a wide range of information on the tobacco industry	No	Yes	No	No	Yes
C125 - Use of guidelines on Article 5.3	No	Yes	Yes	Yes	Yes
C126 - Details on the use of implementation guidelines	Guidelines for implementation of Article 5.3 of the WHO FCTC have been utilized in development of SOPs and a National Action Plan on Article 5.3 for interacting and managing with tobacco industry.	Answer not Provided	Answer not Provided	Answer not Provided	Answer not provided

C127 - Additional information concerning protection of public health policies	The Pakistan Tobacco Board, operating under the Ministry of National Food Security & Research in the absence of a clear government policy to separate the functions of overseeing this body and setting and implementing tobacco control policies (as recommended in the guidelines for Article 5.3 of the Convention), may interfere with policy making and represent the interests of the tobacco sector.	Answer not provided	Answer not provided	Answer not provided	Answer not provided
ARTICLE 18					
C4111 - Measures implemented in respect to tobacco cultivation considering the protection of the environment	Yes	No	Yes	No	Yes
C4112 - Measures implemented in respect to tobacco cultivation considering the health of persons	Yes	No	Yes	Yes	Yes
C4121 - Measures implemented in respect to tobacco manufacturing for the protection of the environment	Yes	No	Yes	Yes	Yes
C4122 - Measures implemented in respect to tobacco manufacturing considering the health of persons	Yes	No	Yes	Yes	Yes
C413 - Progress made in implementing Article 18	Yes, Steps taken	Answer not given	Yes, Steps taken	Yes, Steps taken	Yes, Steps taken
C414 - Policy options and recommendations on Articles 17 and 18 utilized	No	Yes	No	Yes	Yes

C415 - Details on the use of implementation guidelines	Answer not provided	Answer not provided	Answer not provided	Answer not provided	Answer not provided
C416 - Additional information concerning protection of the environment and the health of persons	Answer not provided	MoF insist that they are making much more money from raw tobacco export so they are still not ready to take measures against it. They also claim raw tobacco is exported, not used by Afghans.	Answer not provided	Answer not provided	Answer not provided
ARTICLE 19					
C421 - Measures on criminal liability contained in the tobacco control legislation	Yes	Yes	No	No	No
C422 - Separate liability provisions on tobacco control outside of the tobacco control legislation exist	No	Yes	No	No	No
C423 - Civil liability measures that are specific to tobacco control exist	No	Yes	No	No	No
C424 - Civil liability measures that could apply to tobacco control exist	No	Yes	Yes	Answer Not Provided	No
C425 - Civil or criminal liability provisions that provide for compensation exist	No	Yes	Yes	Yes	No
C426 - Criminal and/or civil liability action launched by any person	No	No	No	Yes	No
C427 - Actions taken against the tobacco industry on reimbursement of costs related to tobacco use	No	No	No	No	No

Appendix D. Chronology of the National Tobacco Control Regulations of Pakistan

Motor Vehicles Ordinance, 1965 (as amended) - July 10, 1965: Sets forth the definition of "public service vehicle." The Prohibition of Smoking in Enclosed Places and Protection of Non-Smokers Health Ordinance, 2002 incorporates this definition with regards to its smoke free provisions. Has been amended several times since.

Cigarettes (Printing of Warning) Ordinance No. LXXIII, 1979 -September 1, 1980: Requires that health warnings be printed on packets of cigarettes. It prohibits the manufacture, sale, or possession of packets on which the warning is not printed. Has been amended several times.

Prohibition of Smoking in Enclosed Places and Protection of Non-Smokers Health Ordinance No. LXXIV, 2002 - June 30, 2003: Prohibits the use of tobacco in any place of public work or use and in public service vehicles. It also prohibits advertisement of tobacco products; sales to minors; and sale or distribution of cigarettes near educational institutions.

SRO 655(I)/2003 - June 30, 2003: Establishes the Committee on Tobacco Advertisement Guidelines, names its members, and outlines its functions.

SRO 654(I)/2003 - July 3, 2003: Declares several officials and individuals as persons competent to enforce the 2002 Ordinance.

SRO 653(I)/2003 - July 3, 2003: Declares additional locations as places of public work or use for purposes of the ban on using tobacco products contained in the 2002 Ordinance.

SRO 652(I)/2003 - July 3, 2003: Establishes June 30, 2003 as the effective date for the Prohibition of Smoking in Enclosed Places and Protection of Non-Smokers Health Ordinance, 2002.

SRO 1001(1)/2003 - October 27, 2003: Establishes a detailed health warning.

Notification F.13-5/2003 - October 27, 2003: Announces new guidelines issued by the Committee. The new guidelines address a range of issues concerning tobacco advertising, promotion and sponsorship.

SRO 22(1)/2004 on Cigarette (Printing of Warning) Rules, 2003 - January 13, 2004: The Rules provide the specifications (text, font, size, color) of the new health warning established by SRO 1001(1)/2003. The Rules also set forth the date when the new health warning will come into force for each of the three types of advertisements.

Federal Excise Rules, 2005 (as amended) - July 1, 2005: For the purpose of tobacco control, the rules include provisions regulating minimum price, excise stamps and banderols, and some packaging and labelling requirements, among other things.

Federal Excise Act, 2005 (as amended) - July 1, 2005: For purposes of tobacco control, the Federal Excise Act, 2005 establishes the federal excise duties for tobacco and tobacco products.

SRO 882(I)/2007 - August 21, 2007: Announces guidelines on tobacco product advertisements in various types of media.

SRO 956 DSA 2008 - September 6, 2008: Allowed establishment of designated smoking areas at all places of public work or use except health, education, and public transport vehicles and flights.

SRO 51(KE)(Withdrawal of DSAs)/2009 - June 15, 2009: Requires all places of public work or use to be 100% smoke free. It rescinded SRO 956(I)/2008, which had permitted owners of places of public work or use to establish designated smoking areas or rooms.

SRO 53(KE)/2009 - July 1, 2009: Amends the advertisement guidelines issued in SRO 882(I)/2007. SRO 53(KE)/2009 inserts new text addressing free goods, cash rebates, free samples, and discount or below market-value goods as a form of tobacco advertising, promotion and sponsorship.

SROs 01(KE)/2010 and 02(KE)/2010, Amending the Cigarettes (Printing of Warning) Rules, 2009 – January 11, 2010: Delayed the effective date of pictorial warnings from February 1, 2010 to May 31, 2010.

SROs 86(KE)/2009 and 87(KE)/2009 on Cigarettes (Printing of Warning) Rules, 2009 - February 1, 2010: The Rules include the specifications for the new health warning, including size, placement, and rotation requirements. SRO 87(KE)/2009 contains the text and image of the warning to be displayed.

SRO 277(I)/2011 - March 29, 2011: Identifies additional enforcement authorities under the 2002 Ordinance on the Prohibition of Smoking in Enclosed Places and Protection of Non-Smokers Health.

SRO 863(I)/2010 on The Prohibition of Sales of Cigarettes to Minors Rules, 2010 - October 1, 2011: The Rules prohibit the manufacture and retailers on the sale of sweets, snacks, or toys in the form of cigarettes that may appeal to minors; as well as packs with fewer than 20 cigarette sticks.

SRO 1086(I)/2013 - May 31, 2014: Establishes further restrictions on tobacco advertising, promotion and sponsorship.

SROs 22(KE)/2015 and 23(KE)/2015 - March 30, 2015: Originally issued to increase the size of the health warnings to 85% of both front and back of cigarette packages. Additionally, the SROs prescribed rules regarding the rotation, manner, look, and design of the single health warning. The original effective date was March 30, 2015, but implementation was delayed several times. Ultimately, the size of the health warnings was amended to require warnings covering 50% of cigarette packs and outer packaging beginning June 1, 2018.

SRO 562 (I)/2018 - April 18, 2018: Raised Federal Excise Duty (FED) on all three tiers of cigarettes that were announced earlier in the finance bill.

SRO 128(KE)/2017 - June 1, 2018: Establishes the warnings required to appear on packs and outer packaging of cigarettes beginning June 1, 2018.

SRO 127(KE)/2017 - June 1, 2018 Amends the Cigarettes (Printing of Warnings) Rules, 2009 to require pictorial health warnings on 50% of the front and back surfaces of packs and outer packaging of cigarettes. The size of the warnings increased to 60% on June 1, 2019.

Appendix E

FCTC MEASURES RELATING TO THE REDUCTION OF DEMAND FOR TOBACCO

Article 6

Price and tax measures to reduce the demand for tobacco

1. The Parties recognize that price and tax measures are an effective and important means

of reducing tobacco consumption by various segments of the population, in particular young

persons.

2. Without prejudice to the sovereign right of the Parties to determine and establish their

taxation policies, each Party should take account of its national health objectives concerning

tobacco control and adopt or maintain, as appropriate, measures which may include:

(a) implementing tax policies and, where appropriate, price policies, on tobacco

products so as to contribute to the health objectives aimed at reducing tobacco

consumption; and

(b) prohibiting or restricting, as appropriate, sales to and/or importations by

international travellers of tax- and duty-free tobacco products.

3. The Parties shall provide rates of taxation for tobacco products and trends in tobacco consumption in their periodic reports to the Conference of the Parties, in accordance with Article 21.

Article 7

Non-price measures to reduce the demand for tobacco

The Parties recognize that comprehensive non-price measures are an effective and important means of reducing tobacco consumption. Each Party shall adopt and implement effective legislative, executive, administrative or other measures necessary to implement its obligations pursuant to Articles 8 to 13 and shall cooperate, as appropriate, with each other directly or through competent international bodies with a view to their implementation. The Conference of the Parties shall propose appropriate guidelines for the implementation of the provisions of these Articles.

Article 8

Protection from exposure to tobacco smoke

1. Parties recognize that scientific evidence has unequivocally established that exposure to tobacco smoke causes death, disease and disability.

2. Each Party shall adopt and implement in areas of existing national jurisdiction as determined by national law and actively promote at other jurisdictional levels the adoption and implementation of effective legislative, executive, administrative and/or other measures, providing for protection from exposure to tobacco smoke in indoor workplaces, public transport, indoor public places and, as appropriate, other public places.

Article 9

Regulation of the contents of tobacco products

The Conference of the Parties, in consultation with competent international bodies, shall propose guidelines for testing and measuring the contents and emissions of tobacco products, and for the regulation of these contents and emissions. Each Party shall, where approved by competent national authorities, adopt and implement effective legislative, executive and administrative or other measures for such testing and measuring, and for such regulation.

Article 10

Regulation of tobacco product disclosures

Each Party shall, in accordance with its national law, adopt and implement effective legislative, executive, administrative or other measures requiring manufacturers and importers of tobacco products to disclose to governmental authorities information about the contents and emissions of tobacco products. Each Party shall

further adopt and implement effective measures for public disclosure of information about the toxic constituents of the tobacco products and the emissions that they may produce.

Article 11

Packaging and labelling of tobacco products

1. Each Party shall, within a period of three years after entry into force of this Convention

for that Party, adopt and implement, in accordance with its national law, effective measures to ensure that:

(a) tobacco product packaging and labelling do not promote a tobacco product by

any means that are false, misleading, deceptive or likely to create an erroneous

impression about its characteristics, health effects, hazards or emissions, including any

term, descriptor, trademark, figurative or any other sign that directly or indirectly

creates the false impression that a particular tobacco product is less harmful than other

tobacco products. These may include terms such as “low tar”, “light”, “ultra-light”, or

“mild”; and

(b) each unit packet and package of tobacco products and any outside packaging

and labelling of such products also carry health warnings describing the harmful effects

of tobacco use, and may include other appropriate messages. These warnings and

messages:

(i) shall be approved by the competent national authority,

(ii) shall be rotating,

(iii) shall be large, clear, visible and legible,

(iv) should be 50% or more of the principal display areas but shall be no less

than 30% of the principal display areas,

(v) may be in the form of or include pictures or pictograms.

2. Each unit packet and package of tobacco products and any outside packaging and

labelling of such products shall, in addition to the warnings specified in paragraph 1(b) of this Article, contain information on relevant constituents and emissions of tobacco products as defined by national authorities.

3. Each Party shall require that the warnings and other textual information specified in

paragraphs 1(b) and paragraph 2 of this Article will appear on each unit packet and package of tobacco products and any outside packaging and labelling of such products in its principal

language or languages.

4. For the purposes of this Article, the term “outside packaging and labelling” in relation

to tobacco products applies to any packaging and labelling used in the retail sale of the

product.

Article 12

Education, communication, training and public awareness

Each Party shall promote and strengthen public awareness of tobacco control issues, using all available communication tools, as appropriate. Towards this end, each Party shall adopt and implement effective legislative, executive, administrative or other measures to promote:

(a) broad access to effective and comprehensive educational and public awareness programmes on the health risks including the addictive characteristics of tobacco consumption and exposure to tobacco smoke;

(b) public awareness about the health risks of tobacco consumption and exposure to tobacco smoke, and about the benefits of the cessation of tobacco use and tobacco-free lifestyles as specified in Article 14.2;

(c) public access, in accordance with national law, to a wide range of information on the tobacco industry as relevant to the objective of this Convention;

(d) effective and appropriate training or sensitization and awareness programmes on tobacco control addressed to persons such as health workers, community workers, social workers, media professionals, educators, decision-makers, administrators and other concerned persons;

(e) awareness and participation of public and private agencies and nongovernmental organizations not affiliated with the tobacco industry in developing and implementing intersectoral programmes and strategies for tobacco control; and

(f) public awareness of and access to information regarding the adverse health, economic, and environmental consequences of tobacco production and consumption.

Article 13

Tobacco advertising, promotion and sponsorship

1. Parties recognize that a comprehensive ban on advertising, promotion and sponsorship would reduce the consumption of tobacco products.

2. Each Party shall, in accordance with its constitution or constitutional principles, undertake a comprehensive ban of all tobacco advertising, promotion and sponsorship. This shall include, subject to the legal environment and technical means available to that Party, a

comprehensive ban on cross-border advertising, promotion and sponsorship originating from its territory. In this respect, within the period of five years after entry into force of this

Convention for that Party, each Party shall undertake appropriate legislative, executive,

administrative and/or other measures and report accordingly in conformity with Article 21.

3. A Party that is not in a position to undertake a comprehensive ban due to its constitution

or constitutional principles shall apply restrictions on all tobacco advertising, promotion and

sponsorship. This shall include, subject to the legal environment and technical means

available to that Party, restrictions or a comprehensive ban on advertising, promotion and

sponsorship originating from its territory with cross-border effects. In this respect, each Party shall undertake appropriate legislative, executive, administrative and/or other measures and report accordingly in conformity with Article 21.

4. As a minimum, and in accordance with its constitution or constitutional principles, each

Party shall:

(a) prohibit all forms of tobacco advertising, promotion and sponsorship that

promote a tobacco product by any means that are false, misleading or deceptive or

likely to create an erroneous impression about its characteristics, health effects, hazards

or emissions;

(b) require that health or other appropriate warnings or messages accompany all

tobacco advertising and, as appropriate, promotion and sponsorship;

(c) restrict the use of direct or indirect incentives that encourage the purchase of

tobacco products by the public;

(d) require, if it does not have a comprehensive ban, the disclosure to relevant

governmental authorities of expenditures by the tobacco industry on advertising,

promotion and sponsorship not yet prohibited. Those authorities may decide to make

those figures available, subject to national law, to the public and to the Conference of

the Parties, pursuant to Article 21;

(e) undertake a comprehensive ban or, in the case of a Party that is not in a position

to undertake a comprehensive ban due to its constitution or constitutional principles,

restrict tobacco advertising, promotion and sponsorship on radio, television, print

media and, as appropriate, other media, such as the internet, within a period of five

years; and

(f) prohibit, or in the case of a Party that is not in a position to prohibit due to its

constitution or constitutional principles restrict, tobacco sponsorship of international

events, activities and/or participants therein.

5. Parties are encouraged to implement measures beyond the obligations set out in paragraph 4.

6. Parties shall cooperate in the development of technologies and other means necessary to facilitate the elimination of cross-border advertising.

7. Parties which have a ban on certain forms of tobacco advertising, promotion and sponsorship have the sovereign right to ban those forms of cross-border tobacco advertising, promotion and sponsorship entering their territory and to impose equal penalties as those applicable to domestic advertising, promotion and sponsorship originating from their territory in accordance with their national law. This paragraph does not endorse or approve of any particular penalty.

8. Parties shall consider the elaboration of a protocol setting out appropriate measures that require international collaboration for a comprehensive ban on cross-border advertising, promotion and sponsorship.

Article 14

Demand reduction measures concerning tobacco dependence and cessation

1. Each Party shall develop and disseminate appropriate, comprehensive and integrated guidelines based on scientific evidence and best practices, taking into account national circumstances and priorities, and shall take effective measures to promote cessation of tobacco use and adequate treatment for tobacco dependence.

2. Towards this end, each Party shall endeavour to:

(a) design and implement effective programmes aimed at promoting the cessation of tobacco use, in such locations as educational institutions, health care facilities, workplaces and sporting environments;

(b) include diagnosis and treatment of tobacco dependence and counselling services on cessation of tobacco use in national health and education programmes, plans and strategies, with the participation of health workers, community workers and social workers as appropriate;

(c) establish in health care facilities and rehabilitation centres programmes for diagnosing, counselling, preventing and treating tobacco dependence; and

(d) collaborate with other Parties to facilitate accessibility and affordability for treatment of tobacco dependence including pharmaceutical products pursuant to Article 22. Such products and their constituents may include medicines, products used to administer medicines and diagnostics when appropriate.