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# GEORGIA

## COUNTRY REPORT

PREPARED BY  
Healthy Initiatives





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# Introduction

Georgia is located in the Caucasus region, on the coast of the Black Sea. Geographically well-positioned as a gateway between Europe and Asia, it shares land borders with Armenia, Azerbaijan, Russia and Turkey.

The history of the economic development of Georgia as an independent country after the collapse of the Soviet Union can be classified into two distinct phases. During the first phase of the transition period, 1991–2003, the country suffered from civil wars in the regions of South Ossetia (1988–1992) and Abkhazia (1992–1993) as well as the violent military coup d'état of 1991 – 1993 (Asatiani & Janelidze 2009). Georgia's economy represented one of the deepest crises in the post-Soviet space - in the three years following independence, real gross domestic product (GDP) fell by 65%, while hyperinflation averaged nearly 7,000% (World Bank 2018). All these resulted in the high growth of the shadow economy, widespread corruption, crime and a large wave of emigration.

**Table 1. Georgia at a glance, 2018-2019**

Area	69,700 km <sup>2</sup>
Population	3.7 million
Life expectancy at birth	73.6 years
Official language	Georgian
Capital	Tbilisi
Currency (code)	Lari (GEL)
GDP (current US \$)	17.7 billion
GDP per capita (current US \$)	4,769
Unemployment rate	11.60%
Ease of doing business ranking	7th
Total tax and contribution rate (% of profit)	9.90%
Poverty headcount ratio at \$3.20 a day (2011 PPP)	15.70%

*Source: World Bank*

The second phase of the transition period, from 2003 to present, was triggered by the so-called “Rose Revolution” followed by anti-corruption reforms. At the same time, reforms were implemented in public services, the energy sector, business regulations, customs, traffic police, education and local governments. Real GDP growth accelerated and reached its highest point of 12% per annum in 2007 (Geostat 2020). However, economic development was interrupted in 2008–2009 as a result of the 2008 Russian invasion and the global financial crisis. Relations with Russia remained tense, as currently Russia occupies about 20% of Georgia's territory in the regions of Abkhazia and South Ossetia (European Parliament 2019).

Since 2003 Georgia has consistently maintained a pro-Western geopolitical orientation and liberal trade policies (World Bank 2018). This has had an impact on tobacco control policies. Georgia introduced its first Tobacco Control Law (TCL) in 2003. That same year, Georgia began an active collaboration with the World Health Organization (WHO), resulting in ratification of the WHO Framework Convention on Tobacco Control (FCTC) in 2006 (WHO FCTC Secretariat 2020a). In 2014, Georgia signed an Association Agreement (AA) and Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU, which obliges it to gradually approximate its national legislation to the tobacco control legislation of the EU (NCDC 2015). Georgia's



obligations under AA and its alarming public health situation caused by smoking and passive smoking played the primary role in changes in tobacco control policies. In addition, Georgia is one of the 24 countries selected for Phase 1 of the FCTC 2030 project (WHO FCTC Secretariat 2020b).

Smoking and passive smoking are among the main public health issues in Georgia. Tobacco smoking prevalence in Georgia was 29.9% in 2017, ranking 23rd highest in the World and 15th in Europe (WHO 2019). Georgia is the “leader” in this indicator compared to its neighbors.

The severity of the problem is more observable on a gender level. In 2017, prevalence among males in Georgia constituted 54.6%, or fifth in the World and first in Europe. Only Kiribati, Timor-Leste, Indonesia and the Solomon Islands rank above Georgia worldwide. The same study suggests that tobacco smoking prevalence is more than 10 times less among females (5.2%), which, according to experts, does not reflect the real picture. In fact, nicotine tests revealed that 12.2% of women smoke tobacco (STEPS 2016). Furthermore, the prevalence of tobacco smoking among adolescents is alarmingly high. According to the latest available data, 12.6% of youth ages 13 to 15 smoke tobacco, of which 16.9% are boys and 7.6% are girls (GYTS 2017).

In addition to a high prevalence of tobacco smoking, 43% of the adult population of Georgia are exposed to secondhand smoke at home and 15.8% are affected in the workplace. In total, more than half of the population is affected by secondhand smoke without their consent (STEPS 2016).

As a result, 11,400 people die annually from tobacco-related diseases in Georgia, out of which about 2100 deaths are related to passive smoking. The estimated total economic costs of smoking in Georgia, which includes direct healthcare, indirect morbidity and mortality costs, amount to GEL 825 million, accounting for 2.4% of the country’s annual GDP (UNDP 2018).

## Prevalence

In Georgia, national sources of official statistics do not provide data on smoking. The only public entities that indirectly cover topics related to smoking are the National Statistics Office of Georgia (Geostat) and National Center for Disease Control and Public Health (NCDC). Since a typical Georgian consumer’s basket includes cigarettes, Geostat collects data on prices of the most popular brands of the product to calculate the Consumer Price Index (CPI) inflation.<sup>1</sup> In line with the World Health Organization (WHO), NCDC analyzes the data on non-communicable diseases to develop analytical reports on diseases that are related to smoking.

The main sources of information on smoking prevalence in Georgia are WHO and Euromonitor International. WHO collects, analyses and disseminates data on risk factors for non-communicable diseases in member countries using the STEPwise approach to Surveillance (STEPS).<sup>2</sup> It includes information about different dimensions of tobacco consumption such as smoking prevalence, intensity, starting age and cessation. In addition, WHO conducts the Global Youth Tobacco Survey (GYTS), which is a school-based survey designed to enhance the capacity of countries to track tobacco consumption among youth.<sup>3</sup>

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<sup>1</sup> Prices are registered from the 10th to the 20th day of each month in six cities (Tbilisi, Kutaisi, Batumi, Gori, Telavi and Zugdidi) at more than 1800 retail outlets.

<sup>2</sup> STEPS surveys were conducted in Georgia twice – in 2010 and 2016.

<sup>3</sup> GYTS surveys were conducted in Georgia in 2008, 2014 and 2017.

In addition to these surveys, WHO produces the Global Tobacco Epidemic Reports, which monitor the status of the tobacco epidemic and evaluate the impact of interventions that are being implemented to prevent it. These reports contain data on tobacco use and prevention policies, smoke-free legislation, tobacco cessation, health warnings and mass media campaigns, tobacco advertising, tobacco advertising, promotion and sponsorship (TAPS) legislation, and prices and taxes of tobacco products. Meanwhile, Euromonitor International provides country reports on an annual basis and compiles internationally comparable statistics on a wide range of consumer goods including tobacco through market research.

Table 2 summarizes all available data on tobacco smoking prevalence in Georgia for 2013-2019. The data is disaggregated by gender. Unfortunately, estimates in WHO Global Tobacco Epidemic Reports are not consistent with estimates produced in previous editions. According to WHO, each report improves upon earlier

**Table 2. Tobacco smoking prevalence indicators (in %)**

Indicator / Data source	Sex	2013	2014	2015	2016	2017	2018	2019
Age-standardized prevalence estimates for current tobacco smoking among persons aged 15 and above / WHO, Global Tobacco Epidemic Reports	Both	30		28.8		29.9		
	Males	58.5		55.7		54.6		
	Females	5.8		5.3		5.2		
Crude prevalence estimates for current tobacco smoking among persons aged 18-69 / STEPS survey	Both				31			
	Males				57			
	Females				7			
Number of adult smokers / Euromonitor International	Both	29.6	29.5	29.4	29.4	28.9	28.5	
	Males	56.5	56.4	56.2	56	55	54.1	
	Females	6.3	6.3	6.3	6.2	6.2	6.2	
Crude prevalence estimates for current tobacco smoking persons aged 13-15 / GYTS	Both		10			12.6		
	Males		13.9			16.9		
	Females		5.7			7.6		
Number of "smoking" households / IHS, Geostat, authors' calculations	Households	36.5	38.1	34.9	33.4	28.4	27	26.2

Source: WHO, Euromonitor International, Geostat, author's calculations

published estimates, so only the latest available data should be used. Therefore, no conclusions about changes in smoking prevalence could be elaborated based on this source. Neither STEPS survey helps in this regard, as only one observation point is available for Georgia during this period of interest. Meanwhile, Euromonitor International provides estimates of crude prevalence for current tobacco smoking among adults for 2013-2018.<sup>4</sup> It suggests that in 2018 smoking prevalence declined by 1.1 percentage points compared with 2013. The main driver of this change was the lower prevalence of smoking among males, which decreased by 2.4 percentage points during the same period. Interestingly, the same indicator for females accounted for 6.2% in 2018, down from 6.3% in 2013.

The last row in the Table 2 shows authors' estimations of smoking prevalence based on data from the Integrated Household Surveys (IHS). IHS is an annual survey conducted by Geostat that comprises a stratified random sample of about 11 thousand households. IHS collects information on weekly household consumption of goods and services, including three types of tobacco products - filtered cigarettes, non-filtered cigarettes, and fine tobacco. This data is used to estimate smoking prevalence among households, which are classified as "smokers" if they report positive consumption of tobacco products during the survey.

<sup>4</sup> "Current" means smoking at the time of the survey, including daily and non-daily smoking. "Tobacco smoking" means smoking any form of tobacco, including cigarettes, cigars, pipes, hookah, shisha, water-pipe, etc. and excluding smokeless tobacco (WHO 2019)

As smoking prevalence is estimated at the household level, these figures are likely to differ from official data provided by WHO and Euromonitor International, which are given at the individual level. At the same time, compared with other sources, IHS has two main advantages. First, this survey has a representative sample of 11 thousand households (50 thousand people) that covers all regions of Georgia, in both urban and rural areas. Second, this survey is conducted regularly on an annual basis, and its methodology is consistent during the entire reference period. Therefore, IHS is the most reliable source of information in Georgia, which could be used to analyze the changes and dynamics of smoking patterns.

As shown in Table 2, our estimates of smoking prevalence for all years of the reference period (except 2017 and 2018) are higher than the same figures provided by WHO and Euromonitor International. In addition, smoking prevalence calculated based on IHS data fluctuates with higher amplitude than official statistics suggest. When all types of cigarettes are considered (filtered, non-filtered and RYO cigarettes), smoking prevalence in Georgia estimated at a household level decreased by 10.3 percentage points (or 28.2%) compared to 2013. The largest annual decline was observed in 2017, coinciding with the biggest hike in excise taxes on tobacco products in the history of Georgia.

Conversely, teen smoking rates are exhibiting an upward trend in Georgia. According to GYTS, tobacco smoking prevalence among adolescents aged 13 to 15 increased by an alarming 2.6 percentage points (or 26%) in 2017 compared to 2014. This increase was observed across both boys and girls.

Table 3 shows the use prevalence of smokeless tobacco and e-cigarettes in Georgia among adults and youth. According to Euromonitor International, the popularity of e-cigarettes is still low, but steadily increasing in the country. In 2019, the number of adult vapers rose fourfold compared to 2013 and constituted 1.6% of the total adult population. As for the use of smokeless tobacco, its prevalence among adults is zero according to Euromonitor International for observed years, while the same indicator is nearly zero (0.3%) according to the 2016 STEPS survey. E-vapers and smokeless tobacco are much more prevalent among adolescents aged 13 to 15, and the corresponding indicators for 2017 are 13.2% and 4.4% respectively (GYTS 2017). Analysis of gender-disaggregated data suggests that the prevalence of use of new tobacco products' use is significantly higher among males.

**Table 3. Use prevalence of HRP (in %)**

Indicator / Data source	Sex	2013	2014	2015	2016	2017	2018	2019
Current smokeless tobacco use prevalence among persons aged 18-69 / STEPS	Both sexes				0.3			
	Males				0.5			
	Females				0.1			
Current e-cigarette use prevalence among adults/ Euromonitor International	Both	0.4	0.7	1	1.2	1.3	1.4	1.6
	Males	0.9	1.5	2.2	2.5	2.6	2.9	3.3
	Females	0	0	0	0	0.1	0.1	0.1
Current smokeless tobacco use prevalence among persons aged 13-15	Both		3.4			4.4		
	Males		4			5		
	Females		2.8			3.2		
Current e-cigarette use prevalence among persons aged 13-15/ GYTS	Both		5.7			13.2		
	Males		7.4			17.3		
	Females		4			7.7		

Source: WHO, Euromonitor International

Meanwhile, the number of adolescents using e-cigarettes is rapidly rising in Georgia, with the number of users increasing more than two times between 2014 and 2017. According to the latest GYTS survey, e-cigarettes are even more popular than conventional tobacco cigarettes among persons aged 13 to 15.

The major reason for low use prevalence of tobacco harm reduction products (HRPs) in Georgia is the government's policy against smoking, which does not include tobacco harm reduction. Its taxation and regulation mechanisms do not promote switching to e-cigarettes or heated tobacco (discussed in detail in later sections). At the same time, consumers' perceptions and attitudes toward HRP in Georgia is unknown, as existing research do not cover this topic.

In addition to the government's policy, which does not differentiate smoke-free alternatives from traditional cigarettes, IQOS was not officially presented in Georgia until July 27th, 2020.

## Tobacco control policies

### Tobacco control legislation

Comprehensive tobacco control and taxation policies are the main tools of policy makers in the process of fighting the tobacco epidemic. In 2003, Georgia introduced its first Tobacco Control Law (TCL) and started an active collaboration with WHO, which resulted in the ratification of the WHO Framework Convention on Tobacco Control (FCTC) in 2006. The country committed itself to implementing a set of measures to decrease its alarmingly high smoking prevalence. Since then, TCL has been modified several times. In 2008, the amendments to TCL prohibited smoking in educational, medical, sport, and cultural facilities. However, smoking was allowed in other indoor facilities (such as bars and restaurants) if they had designated smoking areas. The law also banned the sale of cigarettes within 50 meters of schools and in places where children's clothing or toys were sold. In addition, tobacco advertisement was banned on TV/radio and within 100 meters of schools. In 2010, the TCL introduced new packaging regulations requiring health warnings covering 30% of the front and back of all cigarette packages.



In 2014, Georgia signed an Association Agreement (AA) with the EU. Among other things, this AA obliges the country to gradually approximate its national legislation to the tobacco control legislation of the EU (NCDC 2015). Georgia's obligations under AA played the primary role in future changes in tobacco control policies.

Georgia made the most radical step towards a tobacco-free society in 2017, when the Parliament adopted a comprehensive package of legislative amendments to its Tobacco Control Law, Law on Advertising, Law on Broadcasting and Administrative Offences Code. New regulations came into force on May 1, 2018. The main changes can be summarized as follows:

1. Restrictions on **consumption** of any kind of tobacco products in indoor public spaces, indoor workplaces and public transport. As a result, the law prohibited smoking in restaurants, bars and nightclubs. **It should be emphasized that according to TCL, a tobacco product is defined as “any product containing tobacco or its components, except for nicotine-containing medications, which are intended for smoking, chewing or sniffing”. It includes filtered and non-filtered cigarettes, papirosas, cigars and cigarillos, pipe and rolling tobacco, tobacco for hookahs, chewing tobacco and snuff, e-cigarettes or other similar nicotine-delivering devices containing materials / cartridges / capsules.**

Use of tobacco products is still allowed in:<sup>5</sup>

- a. Places of residence;
  - b. Taxis and boats;
  - c. Cigar bars established according to the permits issued by the Law of Georgia on Licenses and Permits;
  - d. Casinos;
  - e. Transit zones of an airport;
  - f. Specialized laboratories equipped for studying tobacco smoke;
  - g. Penitentiary institutions and pre-trial detention cells;
  - h. Designated areas of inpatient psychiatric facilities and palliative care facilities
2. Restrictions on **sales**. The TCL prohibited the sale of tobacco products, accessories and devices within a 50-meter radius of educational facilities, in sport, healthcare and cultural facilities, via internet or email and via drive-through.<sup>6</sup>
  3. Bans of all kinds of **advertising**. The TCL prohibited any type of advertisement of tobacco products, tobacco accessories and devices<sup>7</sup>. Specifically, tobacco products cannot be advertised on billboards and posters in public spaces (from September 1, 2018). Before the amendment, cities in Georgia, especially Tbilisi, were flooded with printed and electronic billboards promoting cigarettes. Further, advertisements of tobacco products accounted for around 30%-55% of total revenues generated in outdoor advertising (CBW 2016, CBW 2017).

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<sup>5</sup> Use of tobacco products was allowed in no more than 20 percent of the hotel rooms and at the stadiums with administrators until January 1, 2020 (TCL 2020).

<sup>6</sup> Except tobacco accessories and devices, to which trademarks and/or names of the products of tobacco business entities are not applied. According to TCL, tobacco accessories and devices include “a mouthpiece, pipe, hookah, device for snuff tobacco, electronic cigarette or a similar device, special cigarette lighter, tobacco rolling paper, tobacco rolling device, tobacco cutting device, ashtray, any kind of a cigarette case or any other item that is mainly intended for tobacco use or storage, as well as any illustrations of cigarettes, cigarette packs or the above mentioned items or any items depicting them”.

<sup>7</sup> Except for the printed or electronic material developed exclusively for industry representatives and designated for a particular individual and not reaching other individuals.

As for indoor advertisements (product displays at point of sale) the law banned tobacco displays at the point of sale that are visible from outside the shop, except in the duty-free zone at airports. In addition, the ban on the display of tobacco products inside shops will come into effect on the 1st of January 2021, again with an exception provided for duty-free zones at airports.

4. Restrictions of **sponsorship**. Amendments to the Law on Advertising prohibited all direct and indirect sponsorship of events, activities, individuals, organizations or governments by manufacturers, importers, and retailers of tobacco products. However, sponsorship is defined as contributions made in exchange for the advertising of goods manufactured by the sponsor. Thus, contributions not made in exchange for advertising, such as so-called “corporate social responsibility” donations, are allowed. In addition, publicizing the facts of these donations is not restricted by law.
5. Changes in **packaging and labeling**. According to amendments to the law, the minimum size of health warnings on package of all tobacco products increased from covering 30% of front and of back surface of the package to 65%. Additionally, pictorial health warnings became obligatory. In the case of smokeless tobacco products, the TCL required a text-only health warning message to appear on 30% of the front and back of the packaging. According to the law, plain packaging will be in force from December 31, 2022.

In order to increase the effectiveness of the TCL, starting from November 2019, Georgia banned the sale of pipe and fine tobacco, tobacco for hookah, raw tobacco and tobacco waste without standardized packaging. According to the legislative changes, the sale of listed tobacco products is allowed only in packages weighing 50 and 100 grams. Furthermore, an excise stamp and corresponding health warnings must be placed on the packaging (TCL 2020).

The recent changes in the TCL law are in line with Georgia’s commitments under the implementation of the WHO FCTC. The current status of compliance with FCTC requirements regarding three policies from its MPOWER package<sup>8</sup> is presented in detail in the Appendix (Tables A1-A5). Table 4 presents the status of smoke-free environments according to WHO (2019) versus author’s estimates based on existing tobacco control legislation. An analysis of TCL shows that contrary to WHO’s information, some public places, e.g. health and government care facilities, indoor offices and workplaces, cafes, pubs, and bars, are not 100% smoke-free. Therefore, these gaps should be addressed by policymakers in the future.

**Table 4. Public places with smoke-free legislation**

	Health-care facilities	Education facilities	Universities	Gov. Facilities	Indoor offices and workplaces	Restaurants	Cafes, pubs and bars	Public transport	All other indoor public places
WHO	+	+	+	+	+	+	+	+	-
Authors analysis based on TCL	-	+	+	-	-	+	-	-	-

Source: WHO, TCI

<sup>8</sup> These policies are: 1) Protect people from tobacco smoke; 2) Warn about the dangers of tobacco; 3) Enforce bans on tobacco advertising, promotion and sponsorship.

## Cessation Programs

Comprehensive cessation services with full or partial coverage, including counseling, medication and toll-free telephone quitlines, can more than double a tobacco user's chance of successfully quitting (WHO 2019). Therefore, providing a full range of cessation services is important to achieve full benefits of tobacco control efforts.

Georgia adopted a national tobacco cessation strategy and clinical guidelines in 2013. However, as of 2020, smoking-cessation services are available only in seven primary healthcare facilities, which are privately owned (NCDC 2020). The costs are partially covered by Georgia's universal healthcare insurance. In Georgia, nicotine replacement therapy (NRT) is not available, but varenicline can be legally purchased in a pharmacy without a prescription; the cost of this medication is not covered by the universal healthcare insurance.<sup>9</sup> In order to improve access to cessation services, treatments for tobacco use are exempted from VAT and import duties from January 2020 (Tax Code of Georgia 2020).

Georgia provides toll-free smoking Quitline services for smokers.<sup>10</sup> Following the enactment of the new TCL in May 2018, the Quitline service for smoking cessation has been significantly intensified in Georgia (Bakhturidze 2019). Demand for smoking cessation consultations and information on new regulations has also increased. A total of 3,027 people (2,673 men, 354 women) called the tobacco hotline in May-December 2018, while the number of calls in the first four months of 2018 was only 193. From January-July 2019, statistics showed that the number of calls slightly decreased to 2,627 (2,298 men, 329 women). About 60% of callers had questions on smoking cessation, 10% were informed about new regulations, and 30% people were referred to various medical facilities. Despite the relative increase in demand for hotline services, its effectiveness remains extremely low, as only about 0.7% of smokers used the service in 2019.<sup>11</sup>

As an additional measure, in 2017 NCDC launched the Georgian version of a mobile application that helps customers quit smoking (BMG 2017).<sup>12</sup> This application was initially developed by the Tobacco Control Department of the International Cancer Institute in the United States. This interactive app allows for creation of an individual's smoking history, sends individualized encouraging advice, provides information on the benefits and guidelines of quitting smoking, etc. Unfortunately, this application is available only for Android users. Its number of downloads suggests that more than ten thousand users tried to quit smoking with the help of this application, which accounts for only 1.1% of current smokers.

According to STEPS (2016), 25.3% of current smokers tried to quit smoking during the past year. Of those who have tried to quit, 11% consulted a primary healthcare facility, 9.4% switched to electronic cigarettes, and 0.3% and 0.4% used nicotine replacement therapy and pharmacotherapy (Tabex, Bupropion) respectively. However, none of them used the Quitline service. The remaining 78.9% tried to give up smoking without any help or support. Unfortunately, data on quitting smoking in recent years is not available. Nevertheless, it appears that in terms of access to smoking-cessation services, Georgia lags behind in overall success in fighting against tobacco use. Table 5 summarizes the status of cessation programs in Georgia and emphasizes

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<sup>9</sup> Varenicline is medication used to treat nicotine addiction.

<sup>10</sup> Hotline (Telephone number: 166001) operates from 10 am to 6 pm, 7 days a week.

<sup>11</sup> Author's estimation based on number of calls and smoking prevalence.

<sup>12</sup> The name of the application is "I quit". Application is free and could be downloaded from [here](#).

the main, existing gaps to FCTC requirements in the area of “offer help to quit tobacco use”. These gaps include low availability and accessibility of cessation support.



**Table 5. Support for treatment of tobacco dependence**

Indicator		Status
Free quit line		+
Nicotine replacement therapy	Place available	Pharmacy, cost not covered +
	Primary care facilities	- In some, cost partially covered
Smoking cessation support	Hospitals	-
	Offices of health professionals	-
	The community	-
	Other	-

Source: WHO

According to a WHO report on the global tobacco epidemic (2019), countries must recognize the unmet need for cessation support programs and act on it immediately as part of a comprehensive tobacco control strategy. Cost-effective tobacco cessation interventions linked with the use of new technologies should be a priority for countries to improve access for large and hard-to-reach populations.

# Tobacco & HRP Market

## Tobacco Market

Cigarette consumption, measured by the number of packs sold, has been relatively stable in 2013-2016 and began to decrease since 2017 (Table 6A). This exactly mirrors the trend of smoking prevalence calculated based on IHS data (Table 2). In 2018, approximately 375 million packs of cigarettes were smoked, which was 46 million packs (11%) less than in 2013.

In monetary terms, the market size for cigarettes had been steadily growing, as price increases outweighed decreases in the number of sold cigarettes. However, in 2019 the total value of cigarettes sold in Georgia showed a 14% annual decline and amounted to GEL 1,152 million. According to Euromonitor International, this sharp decline in the market value of cigarettes was caused by consumers switching to cheaper alternatives, along with increased illicit sales of cigarettes. Table 6a summarizes trends in market size for the period from 2013 through 2019.

**Table 6a. Cigarette market**

Indicator	2013	2014	2015	2016	2017	2018	2019
Sales of Cigarettes (mln. GEL)	1,212	1,225	1,242	1,329	1,400	1,413	1,152
Sales of Cigarettes (mln. sticks)	421	439	415	410	390	375	n/a

Source: Euromonitor International

Table 6b shows alternative estimations of the cigarette market in Georgia. We calculated the number of factory-made and roll-your-own (RYO) cigarettes sold in the country based on production and trade data provided by Geostat.<sup>13</sup> Additionally, the cigarette market size was estimated using the number of excise stamp sales by the Ministry of Finance (MoF).

The number of factory-made cigarette packs is robust across different sources such as Euromonitor International, Geostat and MoF. Estimates of the market size for 2017 and 2018 are nearly identical. Most importantly, all three sources show the same dynamics: the cigarette market size has been rapidly shrinking since 2017. The biggest contraction occurred in 2019, when the sales of factory-made cigarettes fell by 44% or 52% according to MoF and Geostat data respectively.

This remarkable achievement of tobacco control efforts could be potentially hindered by the development of the illegal market (discussed later in this report) or forestalling. The latter implies an increase in production or stock of cigarettes in anticipation of a tax rise: in other words, producers and importers of tobacco order an excessive quantity of tax stamps prior to a tax increase, to use these less-expensive stamps after a tax increase comes into effect. As of 2020, Georgia does not have any anti-forestalling measures, therefore the market indicators presented in Table 6b could be slightly distorted and manipulated by the tobacco industry. Not only does forestalling reduce government revenues from new increases in excise duties, but it also makes taxation policy less effective, as increased taxes are not immediately reflected in tobacco prices.

<sup>13</sup> Market size of factory-made cigarettes = domestic production + import – export of factory-made cigarettes, cigars and cigarillos. Market size of factory made and RYO cigarettes = market size of factory-made cigarettes + domestic production + import – export of raw tobacco, tobacco waste, water-pipe tobacco, homogenized or restored tobacco. As the data on tobacco products that are used for making RYO cigarettes are given in tons, we recalculated it using 1 gram per cigarette (OECD 2019).



**Table 6b. Alternative estimates of cigarette market (in mln packs)**

Indicator	2013	2014	2015	2016	2017	2018	2019
Domestic Production	173	156	94	84	9.5	1.26	1
Export	1	9	40	56	181	660	259
Re-export	0	1	20	50	172	642	255
Import	479	497	461	487	554	980	532
Factory made cigarettes	520	560	455	467	387	374	180
Factory made and RYO cigarettes	651	645	515	514	467	447	274
Factory made cigarettes based on the excise stamps sold	495	486	491	465	397	384	216
Cigarette paper (tons)	304	200	139	166	235	455	873

Source: Geostat, MOF, author's calculations

As will be discussed later in this report, loose tobacco was de facto exempt from any excise tax until November 2019. Consequently, the relative prices of RYO cigarettes compared to filtered or non-filtered cigarettes has been drastically decreasing, possibly attracting smokers looking for cheaper alternatives. Our estimates of factory-made and RYO cigarettes justify this hypothesis; the share of RYO cigarettes in the total cigarette market increased from 20% in 2013 to 34% in 2019. Therefore, imposing excise duties on loose tobacco in November 2019 was a necessary step to prevent further popularization of RYO cigarettes in Georgia. However, the existing tax rate on loose tobacco could be insufficient. Assuming 1 gram of tobacco is needed to make a RYO cigarette, the 20-RYO cigarette pack would be taxed by GEL 1.2, which is significantly lower than the excise tax on factory-made cigarettes.

## HRP Market

The market of HRPs, particularly e-cigarettes, is emerging in Georgia (Euromonitor International 2020). In 2019, the number of adult vapers in Georgia increased fourfold compared with 2013. This increase is partially explained by the low consumer base, as only 0.4% of adult total population used e-vapor products in 2013. Prevalence was very low in 2013, therefore a fourfold increase in prevalence is not very impressive. 1.6% of the population used e-cigarettes in 2019. However, e-vapor products and smokeless tobacco are much more popular among adolescents aged 13 to 15 (GYTS 2017).

Table 7a presents the sales dynamics of HRPs in Georgia. The market size of e-vapor products increased from GEL 0.7 million in 2013 to GEL 16.5 million in 2019. However, it constitutes only 1.1% of the total sales of cigarettes. According to Euromonitor International, no smokeless tobacco or heated tobacco products (HTPs) were officially available in Georgia in 2013-2019.

**Table 7a. HRP market (in mln GEL)**

Type of tobacco product	2013	2014	2015	2016	2017	2018	2019
<b>Smokeless Tobacco</b>							
E-Vapor Products	0.7	1.5	5.8	9.6	14	15.2	16.5
Closed Vaping Systems	0	0	0.1	0.1	0.2	0.2	0.3
Cig-a-likes	0	0	0.1	0.1	0.2	0.2	0.3
<b>Single Use Cig-a-likes</b>							
Rechargeable Cig-a-likes (incl. starter kits)	0	0	0	0.1	0.1	0.1	0.2
Cig-a-like Cartridges	0	0	0	0	0.1	0.1	0.1
<b>Non-Cig-a-like Closed System</b>							
Non-Cig-a-like Closed System (incl. starter kits)							
Open Vaping Systems	0.7	1.4	5.7	9.5	13.8	15	16.3
Open Vaping Systems	0.3	0.7	2.6	3.8	5	6	7.1
Charging and Vaporising Devices (E-liquids)	0.4	0.7	3.1	5.6	8.9	9	9.1
<b>Heated Tobacco</b>							
Total	0.7	1.5	5.8	9.6	14	15.2	16.5

Source: Euromonitor International

Within the e-cigarette segment, open vaping systems dominated closed alternatives during the review period. The variety of available e-cigarettes expands every year. The latest product developments have focused on new fruit flavors, such as strawberries and watermelon (Euromonitor International 2020).

The market for e-cigarettes is highly fragmented in Georgia (Euromonitor International 2020). The Ritchie Group and Apollo Future Technology were the leaders in 2019, with 8.8% and 8.3% of total retail value of e-cigarettes respectively. In 2018, the first local producer of e-liquids Kilo E-Liquid began operation in the country. This company quickly gained popularity and reached 4.8% of total e-cigarette sales in 2019. However, it only produces the packaging and bottle, while the actual e-liquid contents are sourced from third-party suppliers.

Table 7b provides different estimates of the alternative tobacco products market in Georgia. Calculations are based on trade data provided by Geostat. Contrary to Euromonitor International, Geostat data shows that both smokeless and HTPs entered the Georgian market in 2017. However, chewing tobacco and snuff failed to retain their market, as the biggest share of the product imported in 2018 was re-exported in the following year. HTPs have not gained popularity among Georgian consumers, and the volume of HTPs imported in 2018 was sufficient to meet demand in 2019 as well. Only liquids for e-vapor products showed resilience in 2019.

In addition, IQOS was not officially present in Georgia until July 27th, 2020 (CBW, 2020). This product is now available in most supermarkets in Georgia with a price (6.5 GEL per pack)<sup>14</sup> comparable to the price of the current premium brand of cigarettes, so it could quickly gain a huge popularity among Georgian smokers.

<sup>14</sup> Author's observations based on field visits to local supermarkets.

**Table 7b. Alternative estimates of HRP market (in thousands US \$)**

Type of tobacco product		2013	2014	2015	2016	2017	2018	2019
<b>Chewing tobacco and snuff</b>	thousands US\$	0	0	1	1	20	160	-292
	kg	0	0	4	4	638	4,236	-3,097
<b>HTPs</b>	thousands US\$	0	0	0	0	7	151	0
	kg	0	0	0	0	40	15,037	0
<b>Liquids with or without nicotine</b>	thousands US\$	0	0	0	0	182	151	207
	Kg	0	0	0	0	5,632	2,168	1,357

Source: Geostat

## Taxation and Government Revenues

### Taxation of tobacco products and HRPs

In Georgia, tobacco products (of all types, including smokeless tobacco and HRPs) are taxed by excise duties and VAT (Tax Code of Georgia 2020). The VAT rate is 18% and, in the case of domestic tobacco manufacturing, is payable when the consumer purchase takes place. For the imported tobacco VAT is payable at the time of import. Excise taxes are payable at the time of import as well. In the case of domestic production, tax is payable upon goods at the time of pickup from the warehouse for sales purposes, or when they are supplied to the final consumer.

Between 1991 and 1997 cigarettes were not taxed at all in Georgia. This situation changed in 1997, when a specific excise tax was imposed on imported cigarettes, while domestic cigarettes were taxed by 100% of their production costs. Since then, excise duties in Georgia on tobacco products have changed many times, with differential tax treatment of domestic and imported cigarettes persisting until 2010. For research purpose, this study reviewed the dynamics of these changes only for 2013-2019 (Table 8). Until 2015, specific excise duties only were imposed on tobacco products. In 2015, the so-called hybrid system of excise duties was introduced, which provides for the taxation of tobacco products with both specific tax (Sp) and ad valorem (Ad) duties. The rate of specific excise duty is a fixed amount of GEL per pack of cigarettes, which does not depend on its price, while the ad valorem tax component is expressed as a percentage of the retail cigarette price.<sup>15</sup>

Before September 2013, the excise tax rate was GEL 0.6 for filtered and GEL 0.15 for non-filtered cigarettes. Then the excise duties on filtered and non-filtered cigarettes increased by GEL 0.15 (+25%) and GEL 0.05 (+33%) respectively<sup>16</sup>.

In January 2015, there was another GEL 0.15 (+20%) and GEL 0.05 (+25%) rise in the excise. Beginning in July of the same year, an ad valorem component was introduced that constituted 5% of the retail price of a pack of cigarettes. In January 2016, the specific excise tax became GEL 1.1 for filtered cigarettes and GEL 0.3 for non-filtered cigarettes, while the ad valorem component grew to 10%. In addition, excise tax rates increased on cigars, cigarillos, water-pipe tobacco, chewing tobacco and snuff.

<sup>15</sup> "For calculating the excise amount, the retail sale price of the goods shall be determined based on the retail sale prices presented by the producer/importer of this product to a tax authority and other information available at the tax authority not later than 1 December of each year and shall be effective during one year from 1 January of the following year" (Tax Code of Georgia 2020).

<sup>16</sup> In percentage terms the growth of excise tax rates is large due to low base effect.

The first major hike in excise duties for tobacco products took effect in January 2017, when the specific component of excise tax increased by GEL 0.6 (+54%) and GEL 0.3 (+100%) for filtered and non-filtered cigarettes respectively. Key changes since then were the increase in ad valorem tax rates and equalization of excise duties for filtered and non-filtered cigarettes. Specific tax was equalized at the GEL 1.7 level in January 2019, while ad valorem tax was equalized at a 30% level in November 2019. Tobacco tax levels from 2012 through 2019 are summarized in Table 8.

**Table 8. Tobacco taxlevels and structure (in GEL for Sp, in % for Av)**

Code	Product	Amount	4/12	9/13	1/15 (7/15)		1/16		1/17		8/17		1/19		11/19	
			Sp	Sp	Sp	Ad	Sp	Ad	Sp	Ad	Sp	Ad	Sp	Ad	Sp	Ad
<b>2401</b>	Raw tobacco, tobacco waste	1 kg													60	
<b>2402 10 000 01</b>	Cigars	1 cig	0.9	0.9	0.9		1.3		1.9		1.9		1.9		1.9	
<b>2402 10 000 02</b>	Cigarillos	20 cigs	1	1	1		1.5		2.2		2.2		2.2		2.2	
<b>2402 20</b>	Cigarette (filtered)	20 cigs	0.6	0.75	0.9	5	1.1	10	1.7	10	1.7	10	1.7	30	1.7	30
	Cigarettes (non-filtered)	20 cigs	0.15	0.2	0.25	5	0.3	10	0.6	10	0.6	10	1.7	10	1.7	30
<b>2403 11 000 00</b>	Water-pipe tobacco	1 kg	20	20	20		25		35		35		35		60	
<b>2403 19 000 00</b>	Other	1 kg	20	20	20		25		35		35		35		60	
<b>2403 91 000 00</b>	Homogenized or restored tobacco	1 kg													60	
<b>2403 99 100 00</b>	Chewing tobacco and snuff	1 kg	20	20	20		25		35		35		35		60	
<b>2403 99 900 01</b>	Capsules and similar products	20 pcs									1.7	10	1.7	30	1.7	30
<b>2403 99 900 02</b>	HTPs	20 pcs									1.7	10	1.7	30	1.7	30
<b>3824 90 980 01</b>	Liquids with or without nicotine	1 ml									0.2		0.2		0.2	

Note: "Sp" and "Ad" stands for specific and ad valorem components of excise tax

Source: Tax Code of Georgia

During the same period excise duties on other tobacco related products sold by weight nearly doubled to reach GEL 60 per kg.<sup>17</sup> However, it remains relatively low. Assuming that one cigarette contains 1 gram of fine tobacco, the estimated excise tax on 20 sticks of RYO cigarettes would be GEL 1.2 (OECD 2019), which is only 70% of specific component of excise tax on filtered and non-filtered cigarettes. When the ad valorem

<sup>17</sup> In addition, excise tax (GEL 60 per kg) on raw tobacco and tobacco waste, as well as for homogenized or recovered tobacco was introduced (Tax Code of Georgia 2020).

component of excise duties is considered, total excise tax per gram of tobacco on RYO cigarettes is almost 3 times lower than on conventional cigarettes.

In addition, specific and ad valorem excise duties have also been introduced on capsules and similar products, HTPs, and liquids with or without nicotine in August 2017. It is noteworthy that excise duties imposed on HTPs were matched to the rates levied on filtered cigarettes. However, the excise tax calculated per one gram of tobacco is 3 times higher on HTPs compared to conventional cigarettes and 13 times higher than on RYO cigarettes (Table 9).

**Table 9. Specific component of excise tax per gram of tobacco in 2020**

Tobacco product	Sp tax per 20 cigarettes (GEL)	Ad tax per 20 cigarettes (GEL)	Excise tax per gram of tobacco
Cigarettes	1.7	1.7	0.17
RYO cigarettes	1.2	0	0.06
HTP	1.7	3	0.78

*\*Assuming 20 and 6 gram of tobacco per pack of cigarettes and 1--HTP respectively.*

*Source: Tax Code of Georgia, author's calculations*

The government's future plans for cigarette taxation have not been determined. According to AA, Georgia is obliged to harmonize its tobacco tax policy with that of the EU. The overall tax rate must be at least 60% of the weighted average retail selling and a minimum of 1.8 Euro equivalent in GEL per pack. This means that at some point, the sum of the specific and ad valorem components of the excise tax should be equalized to about GEL 6.5 per pack, which is significantly more than the existing level of GEL 3.4 per pack.

The initial deadline for tax policy harmonization was 2022. However, due to suspicious reasons, this deadline was extended at least until 2026, and no increase in excise taxes is expected in the upcoming years (Interpressnews, 2020). The official explanation provided by MoF is "unfavorable social conditions" and "not increasing tax rates in neighboring countries". While there are no proven facts of any recent interference from the tobacco industry in policy making, it has been stated as such in the media since 2017. Using data manipulation and misinformation on illegal trade, the negative health effects of recent changes in tobacco control, and declines in tax revenues, industry representatives and their lobby groups have been actively criticizing recent tobacco control and taxation policies of the government. It seems that the tobacco industry is achieving their goal of preventing further increases in excise tax rates by influencing not only public opinion, but also the decisions of policy makers.

Based on the existing taxation and regulation framework of HTPs, it can be concluded that the government's policy against smoking does not include tobacco harm reduction. Current legislation does not differentiate smoke-free alternatives from traditional cigarettes. In addition, key stakeholders relevant to national tobacco control policymaking are influenced by WHO's views on HTPs. NCDC spreads information about the negative health effects of HTPs, as the increasing prevalence of use among youth has become of great concern. According to NCDC, "numerous studies have suggested that the use of e-cigarettes for the purpose of giving up smoking is a misconception. On the contrary, it promotes the consumption of tobacco or in many cases combined consumption."



The recent decision of US Food and Drug Association (FDA) to authorize the marketing of IQOS as modified risk tobacco products (MRTPs)<sup>18</sup> could potentially change the situation around regulations of HRP in Georgia. However, NCDC has not reacted to the FDA's decision yet, and is possibly waiting for the WHO's official response and guidelines. Conversely, the tobacco industry has initiated changes to the TCL, with the aim of losing regulations for HRP, in 2018 and 2019 without achieving any success (Interpressnews 2019). The recent FDA decision could facilitate the process of softening regulation and taxation of HTPs, however as of October 15, 2020 no draft law has been initiated in Parliament.

## Share of Taxes in Prices of Cigarettes and HRP

**Table 10. Taxes as a share of price of cigarette (in %)**

Cigarette type/ Dam source	Taxs	2013	2014	2015	2016	2017	2018	2019	2020
<b>Domestic filtered (average) / Geostat</b>	Sp	49	45	47	51	56	50	45	
	Ad	0	0	5	10	10	10	30	
	VAT	15	15	15	15	15	15	15	
	Total	64	60	67	76	81	76	90	
<b>Imported filtered (average) / Geostat</b>	Sp	30	30	0.33	39	44	41	32	30
	Ad	0	0	5	10	10	10	30	30
	VAT	15	15	15	15	15	15	15	15
	Total	45	45	53	64	69	66	77	75
<b>Domestic non-filtered (average) / Geostat</b>	Sp	33	30	32	33	49	44	71	
	Ad	0	0	5	10	10	10	10	
	VAT	15	15	15	15	15	15	15	
	Total	48	45	52	58	74	69	97	
<b>Most sold brand / WHO</b>	Sp		34		44		46		
	Ad	0	0	5	10	10	10	10	
	VAT	15	15	15	15	15	15	15	
	Total		49		69		71		
<b>Average / Euromonitor International</b>	Sp	26	27	30	34	47	45		
	Ad	0	0	5	10	10	10		
	VAT	15	15	15	15	15	15		
	Total	41	42	50	59	73	70		

Source: WHO, Geostat, Euromonitor International, author's calculations

Table 10 shows WHO's estimates of the tax share in the final consumer price of cigarettes. In addition, it represents the same statistics calculated based on the Tax Code of Georgia and different price data on cigarettes. These estimates suggest that by increasing excise duties in 2017, Georgia achieved a benchmark of 70% of the total tax share in the final consumer price. However, the gradual decrease of the specific excise tax share in price of filtered cigarettes indicates the need for a further increase in tax rates at least to maintain the achieved level. As for HTPs, according to WHO Global Tobacco Epidemic Report (2019), specific excise taxes account for 17% of the price, while VAT accounts for 15.25%. Surprisingly, data published by WHO shows 0% for the ad valorem component of excise tax, however, as discussed earlier HTPs are taxed at the same level as conventional cigarettes (Table 8). Thus, considering a 30% ad valorem tax, the total share of tax in HTPs' price was 62.25% in 2018.

<sup>18</sup> FDA, 2020. Retrieved from: <https://www.fda.gov/news-events/press-announcements/fda-authorizes-marketing-iqos-tobacco-heating-system-reduced-exposure-information>

## Tax Revenues

Due to its high prevalence of smoking, the tobacco industry is an important source of revenues in Georgia. Unfortunately, data on tax collection does not distinguish between revenues from conventional tobacco products versus HRPs. However, considering the extremely low consumption of HRPs in Georgia, nearly zero tax revenues from the sale of these product could be assumed.

Table 11 shows excise tax revenues generated by imported and domestic cigarettes sales, which grew from 4.5% to 6.9% of total tax revenues from 2013 to 2019. Current figures do not include VAT, profit and income taxes generated by tobacco and adjacent industries, which makes the role of the industry in supporting public finances even more important. Therefore, when designing taxation policy, the government should not only consider its effect on public health, but also the potential impact on the budget.

Before 2018, revenues from excise tax on cigarettes were increasing every year in parallel with increasing tax rates. In 2017, excise tax collection amounted to GEL 672.4 million, which is 122.1% higher than in 2013.<sup>19</sup> However, the situation changed in 2018, when revenues fell slightly below the previous year's figure. In 2019, as a result of an additional increase (and equalization) in tax rates, government tax receipts rose by 8.2% and constituted GEL 724.4 million.

**Table 11. Government budget revenue from excise tax on cigarettes**

	2013	2014	2015	2016	2017	2018	2019
<b>Total (mln GEL)</b>	302.8	349.3	3772	548.6	672.4	669.3	7244
<b>Imported (mln. GEL)</b>	2164	2753	3206	5186	619.7	6143	689.3
<b>Domestic (mln. GEL)</b>	86.4	74.0	56.6	30.0	52.7	54.9	35.1
<b>Share in total tax revenues (%)</b>	4.5	4.8	4.7	6.2	6.9	6.4	6.3

Source: MoF

The lower growth rates of government revenues after 2016 from excise taxes on tobacco products could be partially explained by declines in tobacco consumption (Tables 6a and 6b, Figures 1a and 1b). More importantly, heterogeneous taxation policy stimulated downward substitution in 2017-2019. As a result, smokers switched to cheaper tobacco products (non-filtered and RYO cigarettes), which generated lower tax revenues. According to our estimates, because of these changes in consumption (e.g. the net effect of downward substitution), the State budget lost GEL 261.2 million in 2017-2019.<sup>20</sup>

In addition, policy makers should keep in mind that once price hikes reach a certain level and tobacco control tightens further, tax revenues from cigarettes will start to drop.

<sup>19</sup> At the same time, the contribution of domestic production of cigarettes in total excise tax collection declined from 28.5% to 8%, reflecting the decreasing demand on domestically produced cigarettes in Georgia.

<sup>20</sup> GEL 27.1 million in 2017, GEL 49.1 million in 2018 and GEL 185 million in 2019.

## Prices and Affordability

Table 12 combines price data from different sources – Geostat, WHO and Euromonitor International. Geostat collects monthly price data on domestic and imported filtered and domestic non-filtered cigarettes. By comparison, WHO estimates prices of most the sold brand, while Euromonitor International provides average prices of all cigarettes.

As expected, changes in excise duties have been reflected in price dynamics in the tobacco market. According to Geostat, compared to 2013 prices of both domestic and imported filtered cigarettes more than doubled, while non-filtered cigarettes became four times more expensive in 2019. Similar dynamics but with less magnitude is seen in WHO and Euromonitor International data.

While cigarette prices show how expensive the product is now compared to past, they do not measure an individual's ability to purchase cigarettes. Rapid growth in income levels of the population could make tobacco products more affordable and stimulate tobacco use, so it is vital to monitor and reduce tobacco affordability.

**Table 12. Price of a 20-cigarette pack (in GEL)**

Cigarette type / Data Source	Currency	2013	2014	2015	2016	2017	2018	2019	2020
<b>Domestic filtered (average) / Geostat</b>	GEL	1.5	1.7	1.9	2.2	3	3.4	3.8	
	International \$, PPP	21	23	25	29	38	41	44	
	US\$	0.9	0.9	0.8	0.9	1.2	1.3	1.3	
<b>Imported filtered (average) / Geostat</b>	GEL	2.5	2.5	2.7	2.9	3.8	4.2	5.3	5.8
	International \$, PPP	35	3.5	36	3.8	4.8	51	62	
	US\$	1.5	1.4	1.2	1.2	1.5	1.6	1.9	
<b>Domestic non-filtered (average) / Geostat</b>	GEL	0.6	0.7	0.8	0.9	1.2	1.4	2.4	
	International \$, PPP	0.8	0.9	1	1.2	1.5	1.7	2.8	
	US\$	0.4	0.4	0.3	0.4	0.5	0.5	0.8	
<b>Most sold brand / WHO</b>	GEL		2.2		2.5		3.7		
	International \$, PPP		3		3.3		45		
	US\$		1.2		1.1		1.5		
<b>Average / Euromonitor International</b>	GEL	2.9	2.8	3	3.2	3.6	3.8		
	International \$, PPP	40	3.9	40	43	4.5	4.6		
	US\$	1.7	1.6	1.3	1.4	1.4	1.5		

Source: Geostat, WHO, Euromonitor International, World Bank, author's estimations

Based on the price data (Table 12), we calculated affordability indices of different types of cigarettes in Georgia using relative income price (RIP) and minutes of labor methods (Guindon et al. 2002; Blecher & van Walbeek 2006). The first method shows the share of GDP per capita needed to purchase 100 cigarette packs, while the second estimates minutes of labor required to purchase a pack of cigarettes. The results are presented in Tables 13a and 13b respectively.

**Table 13a Cigarette affordability, RIP (in %)**

Cigarette type / Data source	2013	2014	2015	2016	2017	2018	2019
<b>Domestic Filtered (average) / Geostat</b>	2	2	2.1	2.3	2.8	2.8	2.8
<b>Imported Filtered (average) / Geostat</b>	3.3	3	3	3	3.5	3.5	3.9
<b>Domestic non-filtered (average) / Geostat</b>	0.8	0.8	0.9	0.9	1.1	1.1	1.8
<b>Most sold brand / WHO</b>		2.6		2.6		3.1	
<b>Average / Euromonitor International</b>	3.7	3.3	3.3	3.4	3.3	3.1	

Source: Geostat, WHO, Euromonitor International, author's calculations

Surprisingly, the estimates differ by the types of cigarettes and sources of information. According to Geostat, affordability of all types of cigarettes is decreasing, as a higher share of GDP per capita or more labor time is needed to purchase cigarettes. Conversely, affordability has been gradually increasing according to Euromonitor International. Interestingly, in 2014-2016 all affordability indices were stable or even increased compared to 2013. These affordability trends emphasize the need of a further increase in excise duties in the future. When taking the decision about the size of an increase in tax rates, policy makers should consider income growth rates to ensure reduction in the affordability of tobacco products.<sup>21</sup>

**Table 13b Cigarette affordability, Minutes of Labor (in %)**

Cigarette type/ Data source	2013	2014	2015	2016	2017	2018	2019	201)
<b>Domestic filtered (average) / Geostat</b>	20.8	21.5	22.5	24.5	32.1	33.4	35.6	
<b>Imported filtered (average) / Geostat</b>	34.7	32.3	32	32.1	40.6	41	49.5	52.9
<b>Domestic non-filtered (average) / Geostat</b>	8.4	8.7	9.2	10.2	13	13.6	22.2	
<b>Most sold brand/ WHO</b>		28.4		28.1		36.6		
<b>Average /Euromonitor International</b>	39.3	36	35.1	36.4	38	37.3		

Source: Geostat, WHO, Euromonitor International, author's calculations

As for HTPs, according to the WHO Global Tobacco Epidemic Report (2019), the retail price of heated tobacco products was 10 GEL (4.1 US\$) in 2018. However, HTPs officially entered the Georgian market in late July 2020, when IQOS became available in most of supermarkets in Georgia with a price of 6.5 GEL per pack (CBW, 2020; author's field research; Philip Morris International 2020). Unfortunately, Geostat does not collect information on prices of HTPs, as these products are not included in its consumer basket. Consequently, price information on other HTPs are not available.

Table 13c shows the price and affordability indicators for tobacco sticks called HEETS. The data suggest that in 2020, HTPs became significantly more affordable in Georgia compared to the previous years. Affordability of

<sup>21</sup> According to AA, Georgia is obliged to harmonize its tobacco tax policy with that of the EU. The overall tax rate must be at least 60% of the weighted average retail selling and a minimum 1.8 Euro equivalent in GEL per pack.

HTPs estimated using minutes of labor required to buy a pack was only slightly higher than the same indicator for traditional cigarettes in 2020. However, the high initial fixed cost (249 GEL) of purchasing the actual heating device substantially decreases the affordability of HTPs compared to cigarettes.

**Table 13c. Price and affordability of HTP 20-cigarette pack (IQOSHEETS)**

Indicator	2013	2014	2015	2016	2017	2018	2019	202)
Price (in GEL)						10	10	6.5
Affordability, RIP (in %)					8.4	7.4		
Affordability, Minutes of Labor (in %)					98.9	93.5	59.7	

Source: WHO, Philip Morris International, author's field research

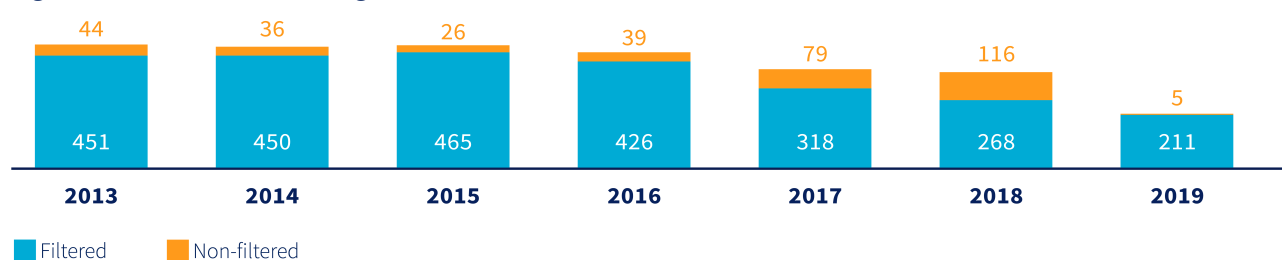
## Changes in Consumption Structure

Literature suggests that tax policies are one of the most effective tools to influence the consumption of tobacco products. Empirical evidence shows that increases in excise duties and, consequently, prices affect both the prevalence of tobacco use and the intensity of tobacco consumption (WHO 2019). Therefore, the role of effective taxation in improving public health is essential.

Despite the notable increase in excise tax rates, not all tobacco products were taxed equally in Georgia. Specific tax has been consistently higher on filtered cigarettes compared to non-filtered cigarettes until January 2019. The introduction of an ad valorem component in 2015 only increased the existing price differences between lower and higher-priced products or brands. Increases in the ad valorem tax rate worsened the situation further.<sup>22</sup>

The scale of downward substitution could be indirectly observed in the official statistics on excise stamps purchased by tobacco industry during the year provided by MoF (Figure 1a). The number of stamps represents the number of standard packs (20 cigarettes) of filtered and non-filtered cigarettes sold on the legal market in Georgia. The data suggests that in 2017 and 2018 the share of non-filtered cigarettes rapidly increased compared to the previous years and constituted 19.9% and 30.1% of total cigarette sales respectively. According to Euromonitor International “domestic players have found an effective way to overcome this by offering non-filter cigarettes with a separate pack of filters which can be used to convert the cigarettes to filter formats, whilst avoiding the higher taxes as legally these products are non-filter. This supported an increasing share for economy cigarettes... while the share of premium formats is set to witness a steep decline as these become less affordable for many smokers.”

**Figure 1a. Excise stamps on cigarettes packs (million)**



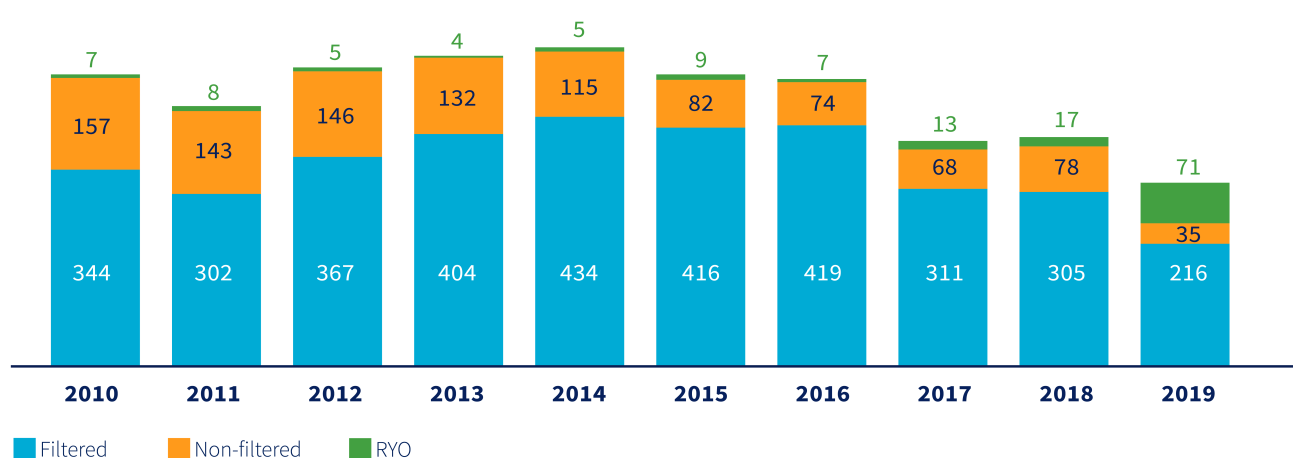
Source: MoF

<sup>22</sup> Due to its nature, the higher the rate of ad valorem tax, the larger the difference between lower and higher-priced products or brands.



In 2019, the market immediately reacted to the equalization of tax rates on filtered and non-filtered cigarettes, and the number of stamps purchased for non-filtered cigarettes became almost zero, as shown in Figure 1a. However, this figure does not include the data on fine tobacco, which until November 2019 was not subject to excise tax at all if it was packed in primary packaging with a net weight of more than 500 grams. This meant that RYO cigarettes were de facto exempt from any excise tax. In addition, as shown in Table 8 and 9, even after 2019 excise duties levied on RYO cigarettes are much lower than on conventional cigarettes and HTPs. Figure 1b shows our estimates of cigarettes consumption by type of cigarettes based on IHS data. As discussed earlier, the share of RYO cigarettes in the total cigarette market has been increasing since 2017. We estimated that in 2019 the share of RYO cigarettes constituted 22% of total cigarette sales in Georgia, which is a significant increase compared to a maximum of 2% before 2017.

**Figure 1b. Purchases of cigarettes packs (million)**



Source: IHS, author's calculations

The possible health benefits of the implemented tax policies have been hindered by the heterogeneous nature of taxation, which encourages downward substitution and shifting to smoking RYO cigarettes instead of the desired reduction in smoking or switching to HTPs.

## Illegal Market

Illicit trade of tobacco products lowers the effectiveness of tobacco control and taxation policies by providing goods at lower prices, mainly through the avoidance of government taxes through smuggling, illicit production and counterfeiting. The illegal tobacco market reduces government revenues and, therefore, decreases the available resources for socio-economic development. Alongside increasing taxes and legislative changes, policy makers should focus on fighting against the illegal trade of tobacco products.

As discussed in previous sections, excise duties on cigarettes in Georgia have tripled since 2013 (Table 8). Excise tax rates on other tobacco products also showed significant increases, creating incentives for illicit trade. International differences in tobacco prices are another driver of illicit tobacco trade. Table 14 shows the prices of a 20-cigarette pack of the most sold, premium and cheapest brands sold in Georgia and its

neighbors. Currently, cigarettes in Georgia are cheaper than in Turkey and Russia, therefore, it is less likely that illegal cigarettes are imported from these countries. However, the Georgian territories Abkhazia and South Ossetia, currently occupied and controlled by Russia, could be a source of illicit tobacco products (World Bank 2019). In addition, cigarettes are cheaper in Armenia and Azerbaijan, which motivates cross-border shopping.

**Table 14. Price of a pack in Georgia and its neighbors (in US\$)**

20-cigarette pack of	Country	2014	2016	2018
<b>Most sold brand</b>	Armenia	1.5	1.3	1.4
	Azerbaijan	1.8	1.8	0.7
	Georgia	1.3	1.1	1.5
	Russia	1.9	1.6	2
	Turkey	3.8	3.3	2.8
<b>Premium brand</b>	Armenia	1.5	1.3	1.5
	Azerbaijan	3.2	2	1.5
	Georgia	1.8	1.4	1.8
	Russia	2.4	1.9	2.3
	Turkey	4.8	4.5	2.8
<b>Cheapest brand</b>	Armenia	0.4	0.3	0.6
	Azerbaijan	0.8	1.1	0.4
	Georgia	0.5	0.3	0.4
	Russia	1	0.7	1.1
	Turkey	2.6	2.2	1.5

Source: WHO, Philip Morris International, author's field research

The main concerns in terms of illicit tobacco cross-border trade are small-scale cigarette smuggling related to other criminal activities and the transit of illicit cigarettes through Georgia (World Bank 2019). The first typically involves small trucks or cars and takes the form of bootlegging or “ant smuggling”<sup>23</sup> and generally occurs on the borders with Turkey and Armenia. This is considered a comparatively minor problem. However, the more important problem is transit of illegal cigarettes from Russia, Armenia, Azerbaijan, or Ukraine via Georgian territory to third-country destinations.

This systematic violation of the tobacco excise tax law inside the country is observed in the Samegrelo region – located next to Abkhazia, which is occupied and controlled by the Russian government. A weak administrative border makes this region, and Georgia as a whole, vulnerable to illicit cigarettes coming from Abkhazia.

“Manchester” brand cigarettes with Abkhazian excise stamps represents the largest-selling illegal product in Samegrelo (Commersant 2019). Price per 20-cigarette pack varies around GEL 2.5, while according to Geostat the average price of legally imported filtered cigarettes is GEL 5.8 (Table 12).

The only official statistics available on the illegal tobacco market in Georgia is data on seizures of illegal cigarettes provided by the MoF (Table 15). According to the data, the scale of illegal trade jumped after the tax increase in 2017. In that year, the Customs Service of Georgia seized 228,071 packs of undeclared cigarettes, 63% of which were captured on the borders with Armenia and Turkey. In 2018 and 2019 (Jan-Oct) the situation

<sup>23</sup> Frequent cross-border movement of small amounts of cigarettes. According to tax code of Georgia international travelers can bring either 200 cigarettes or 50 cigars or 50 cigarillos or 250 grams of other tobacco products or 10 capsules for e-cigarettes to Georgia tax free.

stabilized on the state borders with the neighboring countries and number of seizures was at the level of previous years. The Investigative Services unit of the MoF seized 11,325 and 49,090 packs of illegal cigarettes in 2017 and 2018 respectively. In January-October 2019, the number reached 135,920 packs.

Tobacco industry representatives actively use the statistics on the increased number of seizures to draw attention to the illicit tobacco trade problem and raise the question of the effectiveness of current tobacco taxation policy in Georgia. However, seizures are not the best indicator of the level of illicit trade activity, since they also depend on intense levels of law enforcement support. Given the number of seizures, the share of the illegal cigarette market in Georgia is less than 1%.

**Table 15. Seizures of illicit cigarettes**

Year		2013	2014	2015	2016	2017	2018	2019 (Jan-Oct)
<b>The Investigative Services unit of MOF</b>	# of packs			3,024	1,003	11,325	49,090	135,920
	# of cases	73	51	63	69	212	283	1,092
<b>Customs services of Georgia</b>	# of cases	73	51	63	69	212	283	1,092
	# of packs	16,391	12,186	110,696	96,896	228,071	69,238	57,729

Source: MoF

Euromonitor International provides estimates of illicit trade of cigarettes in Georgia over time (Table 16).<sup>24</sup> Calculations are based on official statistics and interviews with trade associations. The data suggests that despite an expected increase in the share of illicit market in 2017 and 2018, the levels remained relatively low – 4% and 4.1% respectively.

**Table 16. Illicit market estimate of cigarettes (in %)**

<b>Share of illicit market</b>	2.5	2.3	2.6	2.9	4	4.1
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Source: Euromonitor International

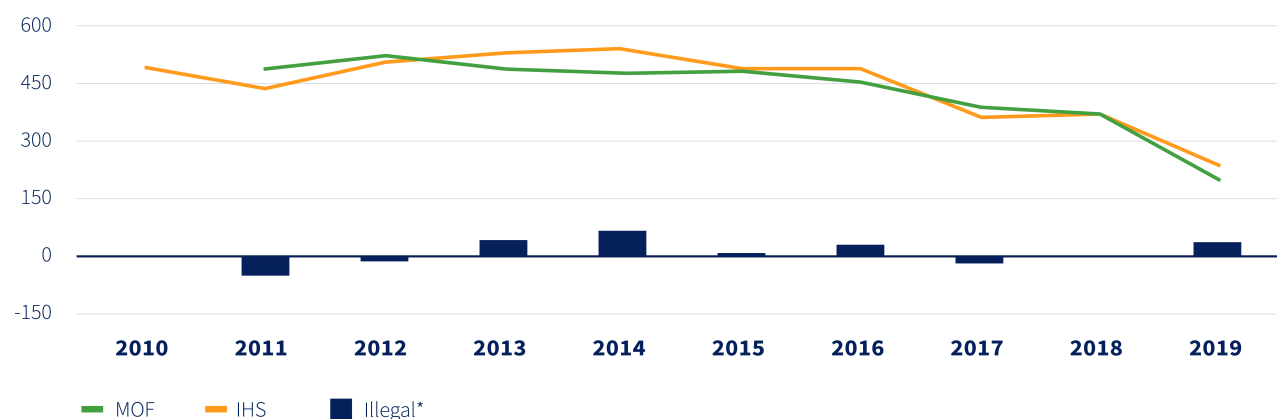
Little et al. (2019) also provided estimates of the illegal cigarette market in Georgia. This study conducted a survey of 2997 smokers in five municipalities of Georgia (Tbilisi, Kutaisi, Zugdidi, Gori and Akhaltsikhe) in 2017. During these interviews, smokers were asked to show available cigarette packs to the surveyors. Packs were checked for tax stamps and health warnings, which allowed for an assessment of illegal cigarette consumption in Georgia. This study found that illicit cigarette trade is at a low rate of 1.5%. However, regional differences persist, and the highest share of illicit cigarette packs (6%) is observed in Zugdidi (Samegrelo region). This underlines problems with tobacco smuggling on the de facto borders with Abkhazia. However, the estimates of Little et al. (2019) could be conservative, as 28% of respondents did not show any packs to the surveyors when interviewed.

To address the problem of data availability regarding the illegal market for cigarettes in Georgia, we used the residual method – a comparison of tax-paid sales and self-reported consumption measures. Based on IHS data, we estimated the total number of packs of filtered and unfiltered cigarettes purchased by households. Then we compared these with the official statistics provided by the MoF on excise stamps purchased by the tobacco industry (Figure 2). As IHS data consists of reported (household) purchases of tobacco products, it contains data on both legal and illegal products, while official statistics only contain information on legal

<sup>24</sup> The reliability of Euromonitor data has been questioned (World Bank 2019). In addition, the data for Georgia are not consistent between reports of different years.

products.<sup>25</sup> Therefore, assuming no measurement error or underreporting of illegal tobacco products by households, the difference between IHS and MoF data indicates the size of illegal market of cigarettes.

**Figure 2. Number of cigarettes packs purchased/sold (million)**



Source: MoF, IHS, author's calculations

As shown in Figure 2, our estimates of purchased cigarettes packs are very close in absolute terms with the official statistics on sales provided by the MoF, which emphasizes the quality and reliability of IHS data. Surprisingly, in 2011, 2012, 2017 and 2018 our estimates of the cigarettes market were lower than what was suggested by official statistics. Besides measurement errors and the underreporting of illegal tobacco products by households, forestalling could be an underlying cause for this underestimation. More precisely, MoF data shows the number of excise stamps bought by tobacco industry due to forestalling. This number could be higher than actual sales (purchases by households) in one year and less in the following year. Still, both data sources show similar patterns with no alarming signs of increased smuggling in recent years.

The illegal trade of HRP has not been a concern in Georgia from 2013 through 2020, as no single source indicated violations of the excise tax on international borders or inside the country. This could be explained by low popularity of HRP in Georgia, which makes this segment unattractive for smugglers. However, given the increasing HRP market and high taxation levels, this situation could change in the future.



<sup>25</sup> In order to make both sources more comparable RYO cigarettes were excluded from the analysis, as MoF data does not include the number of excise stamps purchased by tobacco industry for fine tobacco.

## Key Findings

- 1. It is difficult to assess the effectiveness of recent tobacco control measures and to design future policy due to outdated information and the lack of high-quality time series data on smoking. However, some conclusions can be made based on IHS data, as it collects information on weekly household consumption of goods and services, including three types of tobacco products - filtered cigarettes, non-filtered cigarettes, and fine tobacco.**

Using IHS data, we estimated that considering all cigarettes (filtered, non-filtered and RYO cigarettes), smoking prevalence in Georgia decreased by 10.3 percentage points between 2013 and 2019. The largest annual decline was observed in 2017, coinciding with the biggest hike in excise taxes on tobacco products in history of Georgia. Furthermore, smoking prevalence and the cigarette market have both been steadily decreasing since 2017. Our findings suggest that Georgia has made significant progress in the fight against the tobacco epidemic by implementing recent tobacco control measures.

- 2. Smoking and passive smoking are among the main problems for public health in Georgia. Tobacco smoking prevalence in Georgia was 29.9% in 2017. Prevalence among males constituted 54.6% – fifth place in the World and first in Europe. About 0.4% of the adult population of Georgia die annually from tobacco-related diseases. The estimated total annual economic costs of smoking account for 2.4% of GDP. Meanwhile, alternative tobacco products are not popular among adults in Georgia. Only 0.3% uses smokeless products, while prevalence of e-cigarettes is 1.4%. Market analysis suggests that nearly zero percent of adult population smoke HTPs. However, the number of adolescences using e-cigarettes is rapidly rising in Georgia, 13.2% among persons aged 13 to 15. E-cigarettes are even more popular than conventional tobacco cigarettes among youth.**

The major reason for low use prevalence of HTPs in Georgia is the Government's policy against smoking, which does not include any tobacco harm reduction actions. Its taxation and regulation mechanisms do not stimulate switching to e-cigarettes or heated tobacco. All key stakeholders relevant to national tobacco control policymaking are influenced by WHO's views on HTPs. Furthermore, NCDC spreads information about the negative health effects of HTPs, as increasing prevalence among youth became of great concern. According to NCDC "numerous studies have suggested that the use of e-cigarettes for the purpose of giving up smoking is a misconception. On the contrary, it promotes the consumption of tobacco or in many cases combined consumption". The recent decision of the FDA to authorize marketing of IQOS as a MRTP could potentially change the situation around regulations of HTPs in Georgia. However, NCDC has not reacted to the FDA's decision yet, potentially waiting for WHO's official response and guidelines.

In addition to the government's policy, which does not differentiate smoke-free alternatives from traditional cigarettes, IQOS was not officially presented in Georgia until July 27th, 2020. As this product now is available in most supermarkets in Georgia, with a price comparable to the price of premium brand of cigarettes, it can quickly gain popularity among Georgian smokers.



- 3. Excise duties on cigarettes in Georgia have more than tripled since 2013, however, not all tobacco products are taxed equally. Specific taxes have been consistently higher on filtered cigarettes compared to non-filtered cigarettes until January 2019. Introduction of an ad valorem component in 2015 only increased the existing differences in prices between lower and higher-priced products or brands. Following increases in the ad valorem tax rate, this situation worsened further.**

In addition, fine tobacco was not subject to excise tax at all if it was packed in primary packaging with a net weight of more than 500 grams, until November 2019. As a result, RYO cigarettes were de facto exempt from any excise taxes. Even existing excise duties levied on RYO cigarettes are much lower than on conventional cigarettes and HTPs.

- 4. The existing heterogeneous nature of taxation affects the relative prices of different tobacco products and consequently, consumers' choices. In 2017 and 2018 the share of non-filtered cigarettes rapidly increased compared to previous years and constituted 19.9% and 30.1% of total cigarette sales respectively. In parallel, the share of RYO cigarettes in the total cigarette market has been increasing since 2017. Our estimates based on IHS data suggest that in 2019 the share of RYO cigarettes constituted 22% of total cigarette sales in Georgia, which is a significant increase compared to maximum of 2% before 2017. Therefore, the possible health benefits of implemented tax policies are hindered by the heterogeneous nature of taxation, which encourages downward substitution and shifting to smoking non-filtered and RYO cigarettes instead of reduction in smoking or switching to HTPs; The growth of excise tax revenues generated by cigarettes sales has been lowering since 2017 due to heterogeneous taxation policy, which stimulated downward substitution. Smokers switched to cheaper tobacco products, which generates less tax revenues. According to our estimate this is due to changes in consumption structure (e.g. the net effect of downward substitution), and the State budget lost GEL 261.2 million in 2017-2019, or 2.3% of total tax revenues in 2019.**
- 5. Following a series of increases in excise duties, Georgia achieved the benchmark of 70% of total tax share in the final consumer price of cigarettes. At the same time, prices of filtered cigarettes more than doubled, while non-filtered cigarettes became four times more expensive in 2019 compared to 2013. However, due to economic growth and increases in incomes, affordability of cigarettes did not decline, emphasizing the need of further increase in excise taxes.**

According to AA, Georgia is obliged to harmonize its tobacco tax policy with that of the EU. The overall tax rate must be at least 60% of the weighted average retail selling price and a minimum of 1.8 Euro equivalent in GEL per pack. This means that the sum of specific and ad valorem components of excise tax should be equal to GEL 6.5 per pack, which is significantly more than the existing GEL 3.4 per pack. The initial deadline for tax policy harmonization was 2022. However, due to suspicious reasons the deadline was extended at least until 2026. According to MoF, no increase in excise taxes is expected in upcoming years. The official explanation provided by MoF is “there are unfavorable social conditions”

and “not increasing tax rates in neighboring countries”. While there is currently no proven interference from the tobacco industry in policy making, it has been active in the media since 2017. Using data manipulation and misinformation on illegal trade, the negative health effects of recent changes in tobacco control, and declines in tax revenues, industry representatives and their lobbying groups are actively criticizing recent tobacco control and taxation policies of the government. The tobacco industry appears to be achieving their goal of preventing a further increase in excise tax rates by influencing not only public opinion, but the decisions of policy makers.

**6. Illegal trade of cigarettes is low despite tightened tobacco control and increased excise duties. According to Euromonitor International, the share of the illicit market remained stable at 4%. Given the number of seizures provided by MoF, the share of the illegal cigarette market in Georgia is less than 1%. In addition, our estimates based on IHS data also shows no signs of increased smuggling in recent years.**

Systematic violations of the tobacco excise tax law are only seen in the Samegrelo region, which is located next to Abkhazia, the territory occupied and controlled by Russia. The price of smuggled cigarettes in this region is roughly 50% of the price of legally imported cigarettes. A study by Little et al. (2019) justifies this evidence, finding that illicit cigarette trade levels in Georgia are low at 1.5%. However, regional differences persist, with the highest share of illicit cigarettes (6%) seen in the Samegrelo region.

## Existing Gaps

1. IHS does not collect individual data on smoking, which limits the analysis of available micro data. Considering the existing scale of IHS, introducing a few additional questions on smoking behavior will help it become a unique and more comprehensive data source for researchers and policy makers in the field of tobacco control in Georgia.
2. The existing taxation system of tobacco products encourages downward substitution instead of stopping smoking or switching to HRP. The government should differentiate HRPs from traditional cigarettes and fine tobacco by imposing stricter regulations and higher excise duties on the latter. In addition, following the FDA's recent decision, NCDC should stop spreading misconceptions about HRPs, specifically IQOS.
3. Compared with current excise tax levels, more rapid increases in excise taxes are needed to decrease the affordability of cigarettes in Georgia.
4. Georgia made a major step towards a tobacco-free society in 2017 by adopting a comprehensive package of legislative amendments covering consumption, sale, advertising, sponsorship, packaging and labeling. However, some public places are not 100% smoke-free. Smoking is still allowed in casinos, cigar bars, private taxis, penitentiaries, transit zones of airports, pre-trial detention cells and in designated areas of inpatient psychiatric and palliative care facilities.
5. To align with FCTC Article 13, Georgia should prohibit all tobacco sponsorship and publicity, including indirect publicity. Currently, reverse brand stretching and some corporate social responsibility activities are not banned by legislation. Further, tobacco industry representatives are actively using broadcast media to set their agenda and popularize their company names. For example, one of the most popular job search websites in Georgia ([www.jobs.ge](http://www.jobs.ge)) shows logos of Japan Tobacco Inc. and Philip Morris International, with detailed company descriptions on its home page.
6. Availability and accessibility of cessation support programs in Georgia is extremely low. Smoking cessation services are available only in seven private healthcare facilities, with costs only partially covered by the universal healthcare insurance. NRT is not available. Despite the relative increase in demand for these services, their effectiveness remains extremely low, as only about 0.7% of smokers used these services.
7. Georgia does not have any anti-forestalling measures. Therefore, tobacco control efforts could be potentially hindered by forestalling, while the State budget is losing potential excise tax revenues. To prevent this from occurring, the government should consider implementing anti-forestalling measures, such as: a) restricting the purchase of excessive numbers of excise stamps prior to a tax increase; b) levying the new tax on products already produced or kept in stock, and not yet supplied to the final consumer; c) printing new excise stamps after a tax increase.
8. Even though Georgia was involved in the negotiations related to the FCTC's Protocol to Eliminate Illicit Trade in Tobacco Products, unfortunately it has not ratified this Protocol yet. A weak administrative border with Abkhazia, now occupied by Russia, is the main remaining issue for the Georgian authorities to address.

## Existing Research and Data Needs

Despite being in the spotlight of media and policy making, tobacco and HRPs have not been attractive topics for researchers and academia in Georgia. Existing in-country research focuses on descriptive analysis of the

recent legislative changes and secondary data on smoking patterns collected by WHO. The core literature on the topic is the following:

- Bakhturidze, G. 2019. Effect of tobacco control law on public health and economy in Georgia. Georgian version, retrieved from: <https://www.ncdc.ge/Handlers/GetFile.ashx?ID=fd6eb5de-3653-419b-882c-64e5b90590e0>
- Little M, Ross H, Bakhturidze G, et al. Illicit tobacco trade in Georgia: prevalence and perceptions. *Tobacco Control* 2020; 29: p227-p233. Retrieved from: [https://tobaccocontrol.bmj.com/content/29/Suppl\\_4/s227.citation-tools](https://tobaccocontrol.bmj.com/content/29/Suppl_4/s227.citation-tools)
- NCDC. 2015. Tobacco Products Taxation Policy. Retrieved from: <https://www.ncdc.ge/Handlers/GetFile.ashx?ID=22f78034-431c-489f-8c63-5bda9a793585>
- UNDP, NCDC, RTI International, WHO FCTC Secretariat. 2018. The case for investing in WHO FCTC implementation in Georgia. Retrieved from: [https://www.undp.org/content/dam/undp/library/people/health/WHO%20FCTC%20Implementation/The\\_Case\\_for\\_Investing\\_in\\_WHO\\_FCTC\\_Implementation\\_in\\_Georgia.pdf](https://www.undp.org/content/dam/undp/library/people/health/WHO%20FCTC%20Implementation/The_Case_for_Investing_in_WHO_FCTC_Implementation_in_Georgia.pdf)
- World Bank. 2019. Controlling Illicit Trade: A Global Review of Country Experiences, Georgia. Retrieved from: <http://pubdocs.worldbank.org/en/201931548434869093/WBG-Tobacco-IllicitTrade-Georgia.pdf>.

The lack of research in the field could be explained by the low availability of the data. The main data limitations in the field can be summarized as follow:

1. Smoking related data (prevalence, intensity, quitting rate, etc.) is not collected in Georgia by official sources. Consequently, the latest available data on smoking patterns in Georgia comes from STEPS 2016 and GYTS 2017.
2. Price data on HRP is not collected by official sources;
3. Data on consumers' perceptions toward HRP is not available;
4. Health and death statistics in relation to smoking is not available;
5. No research has been done on price, income and cross-price elasticities of tobacco products in Georgia;
6. Data on the illicit market is not available in Georgia or is incomplete.

The data needs listed above could be addressed separately, however, involving the National Statistics Office of Georgia (Geostat) in the data collection process would simplify the process and ensure data quality. Geostat currently conducts two national surveys: the Integrated Household Survey (IHS) and the Labour Force Survey (LFS). These surveys are conducted on a quarterly basis and are representative on national and regional levels. While IHS is used by Geostat to collect population, demographic, social and education statistics, LFS is used to calculate employment indicators. Considering the existing scale of the surveys, the introduction of few additional questions related to smoking behavior and tobacco products would create a unique and comprehensive data source for researchers and policy makers in the field of tobacco control in Georgia. As the result, all of the data gaps listed above except #2 and #4 would be filled. In this case, the involvement of

international donors (WHO, Eurostat, etc.), which would provide technical and financial assistance to Geostat, will be essential.

As for data limitation #2, Geostat collects monthly price data on cigarettes to calculate inflation. The HRPs are currently out of interest, because it is not included in the consumer basket. At this stage, with the involvement of international donors, Geostat could collect price data for e-cigarettes and heated tobacco products. In the long-term, if and when HRPs become popular enough among Georgian consumers, Geostat would collect price data even without external support.

Alternatively, tobacco and smoking related data could be collected with the help of NGOs who specialize in collecting socio-economic data in Georgia. The most efficient option in terms of time and financial costs is the Omnibus survey conducted by Caucasus Research Resource Center (CRRG Georgia). CRRG's Omnibus survey combine questions from different organizations and researchers into a single survey. This enables data collection at significantly reduced costs compared with commissioning an entire survey.

CRRG Georgia offers a quarterly omnibus survey with a sample size of more than 1000 respondents. It is conducted face to face, and is nationally representative. Demographic cross tabulations are provided for each question, including age, sex, education level, employment status, and settlement type (capital, other urban, rural). The price of including one question into the survey varies between 300 and 750 US dollars based on the type of question. Therefore, high quality micro data related to the tobacco topic could be collected on a quarterly basis using Omnibus surveys.

# Appendix

## Policy Mapping

The stakeholders represented in the first 10 rows of the Table A6 have moderate power and negative attitudes toward HRPs. All of them are under influence of WHO and its views on HRPs. The Tobacco Control Alliance and NCDC are the most radical in this regard, by spreading information about negative health effects of HRPs. The Parliament healthcare and social issues committee, headed by Akaki Zoidze in 2016-2019, has been the main initiator of legislative changes in tobacco control. However, as Zoidze left the parliament, this committee has become passive. All stakeholders in rows 1-6 obtained their educational degrees in medicine or public health.

The tobacco industry and corresponding business associations unsurprisingly promote HRPs and their deregulation in Georgia. PMI's IQOS is officially available in Georgia since 2020 – a sign that company is going to intensify lobbying for its product and HRPs in general. The power of the tobacco industry is quite high in Georgia. It does not have direct contacts with high-level government officials, but its influence on media and some parliament members is tremendous. Through parliament members (see #13 in table A6), the tobacco industry initiated changes to the TCL in 2018 and 2019, aimed at losing regulation of HRPs. These attempts were unsuccessful, however, following the recent FDA decision on IQOS, new efforts from the tobacco industry to soften regulation and taxation for HTPs will follow.

Additionally, using data manipulation and misinformation on illegal trade, the negative health effects of recent changes in tobacco control, and declines in tax revenues, tobacco industry representatives and their lobby groups are actively criticizing recent tobacco control and taxation policies of the government in the media. BMG (online journal and TV) and Georgia Today (newspaper) seem to have some hidden ties with tobacco industry, as number of topics related to tobacco legislation, tobacco products, corporate responsibilities and global success of tobacco companies notably increased in recent years.

The Georgian Retailers Association is a small organization that comprises about 400 small retailers in Georgia. Its power is extremely limited and it always shares the views of tobacco industry. The Georgian Restaurants Association has a little more influence in Georgia, as its number of members is quite high. However, the head of the association has zero interest in loosening regulations of HRPs.

Research organizations listed in table A6 are neutral toward regulations of HRPs, as the topic was not covered by any of them in the past. They have reputations of being independent institutions with experience of working with the Government, international donors and private sector. These organizations influence policy-making in Georgia through organizing public dialogs, discussions and presentations based on their research findings.

Bidzina Ivanishvili (leader of the ruling party) and the Georgian Orthodox Church have unlimited power in Georgia, however their interest in the topic is zero. At the same time, according to some newspapers from 2015, Prime Minister Giorgi Gakharia was connected with tobacco industry representatives.





# References

**Table A 1. Status of compliance with FCTC requirements - smoke-free legislation**

Indicator	Status
Health-care facilities	Yes
Educational facilities	Yes
Universities	Yes
Government facilities	Yes
Indoor Offices	Yes
Restaurants	Yes
Pubs and bars	Yes
Public transport	No
All other indoor public places	-
Overall compliance of regulations on smoke-free environments	-
Number of places smoke-free	7
Fines for violations	Yes
Fines on the establishment	Yes
Fines on the patron	Yes
Dedicated funds for enforcement	No
Citizen complaints and investigations	No

Source: WHO

Asatiani, N., Janelidze, O. 2009. History of Georgia. Tbilisi:

Blecher, C and P van Walbeek. 2005. International analysis of

**Table A2. Status of compliance with FCTC requirements — health warnings**

Indicator		Status	
		Cigarette packages	Smokeless tobacco packages
Health warnings are mandated		Yes	Yes
% of principal display area mandated to be covered by warnings	Average of front and rear %	65	30
	Front %	65	30
	Rear %	65	30
Specific health warnings on packages	Does the law mandate specific health warnings on packages?	Yes	Yes
	How many health warnings are approved by the law?	12	1
	Do health warnings appear on each package and any outside packaging and labelling used in the retail sale?	Yes	Yes
	Do health warnings describe the harmful effects of tobacco use on health?	Yes	Yes
	Does the law mandate font style, font size and color of health warnings?	Yes	Yes
	Are the health warnings rotating ?	Yes	Yes
	Are the health warnings written in the principal language(s) of the country?	Yes	Yes
	Do the health warnings include a photograph or graphic?	Yes	No

Source: WHO

Publishing House Petite.

cigarette affordability. Tobacco Control 13(4):339-46.

**Table A3. Status of compliance with FCTC requirements bans on direct advertising**

Indicator	Status
National TV and radio	Yes
International TV and radio	Yes
Local magazines and newspapers	Yes
Billboard and outdoor advertising	Yes
Point of sale	Yes
Internet	Yes
Fines for violations of bans on direct advertising	Yes
Overall compliance of ban on direct advertising	9

Score of 0 to 10, where 8-10 is high, 3-7 is moderate and 0-2 is minimal

Source: WHO

Bakhturidze, G. 2019. Effect of tobacco control law on public

BMG. 2017. Georgian version, retrieved from: <https://bm.ge/ka/>

**Table A4. Status of compliance with FCTC requirem — bans on indirect advertising**

Free distribution in mail or through other means	Yes
Promotional discounts	Yes
Non-tobacco products identified with tobacco brand names	Yes
Brand name of non-tobacco products used for tobacco product	No
Appearance in TV and/or films - tobacco brands (product placement)	Yes
Appearance in TV and/or films - tobacco products	Yes
Prescribed anti-tobacco ads required for any visual entertainment media product that depicts tobacco products, use or images	-
Complete ban on sponsorship	Yes
Any form of contribution (financial or other support) to any event, activity or individual	Yes
Ban on the publicity of financial or other sponsorship or support by the tobacco industry of events, activities, individuals	Yes
Fines for violations of bans on promotion and sponsorship	Yes
Overall compliance of bans on promotion and sponsorship	5

Source: WHO

health and economy in Georgia. Georgian version, retrieved from: <https://www.ncdc.ge/Handlers/GetFile.ashx?>

article/aplikacia-romelic-tambaqostvis-tavis-danebebashidagexmarebat-/15246

**Table A5. Status of compliance with FCTC requirements — additional bans on indirect advertising**

Indicator		Status
Ban on corporate social (SR) activities	CSR activities	Yes
	Tobacco companies/tobacco industry publicizing their CSR	Yes
	Entities other than tobacco companies/tobacco industry publicizing the CSR activities of the tobacco companies	Yes
	Tobacco companies funding or making contributions to smoking prevention media campaigns	No
Other bans and measures	Law explicitly bans tobacco products display at point of sale	Yes
	Law bans tobacco vending machines	Yes
	Law bans internet sales of tobacco products	Yes

Source: WHO

ID=fd6eb5de-3653-419b-882c-64e5b90590e0

CBW.2016. Retrieved from: <https://old.cbw.ge/business/prohibition-tobacco-outdoor-advertising-will-considerably-damage-outdoor-advertising-business/>

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European Parliament. 2018. Resolution of 14 June 2018 on Georgian occupied territories 10 years after the Russian invasion (2018/2741(RSP)).

FDA, 2020. Retrieved from: <https://www.fda.gov/news-events/press-announcements/fda-authorizes-marketing-iqos-tobacco-heating-system-reduced-exposure-information>

**Table A6. Stakeholder matrix— attitudes toward HRP**

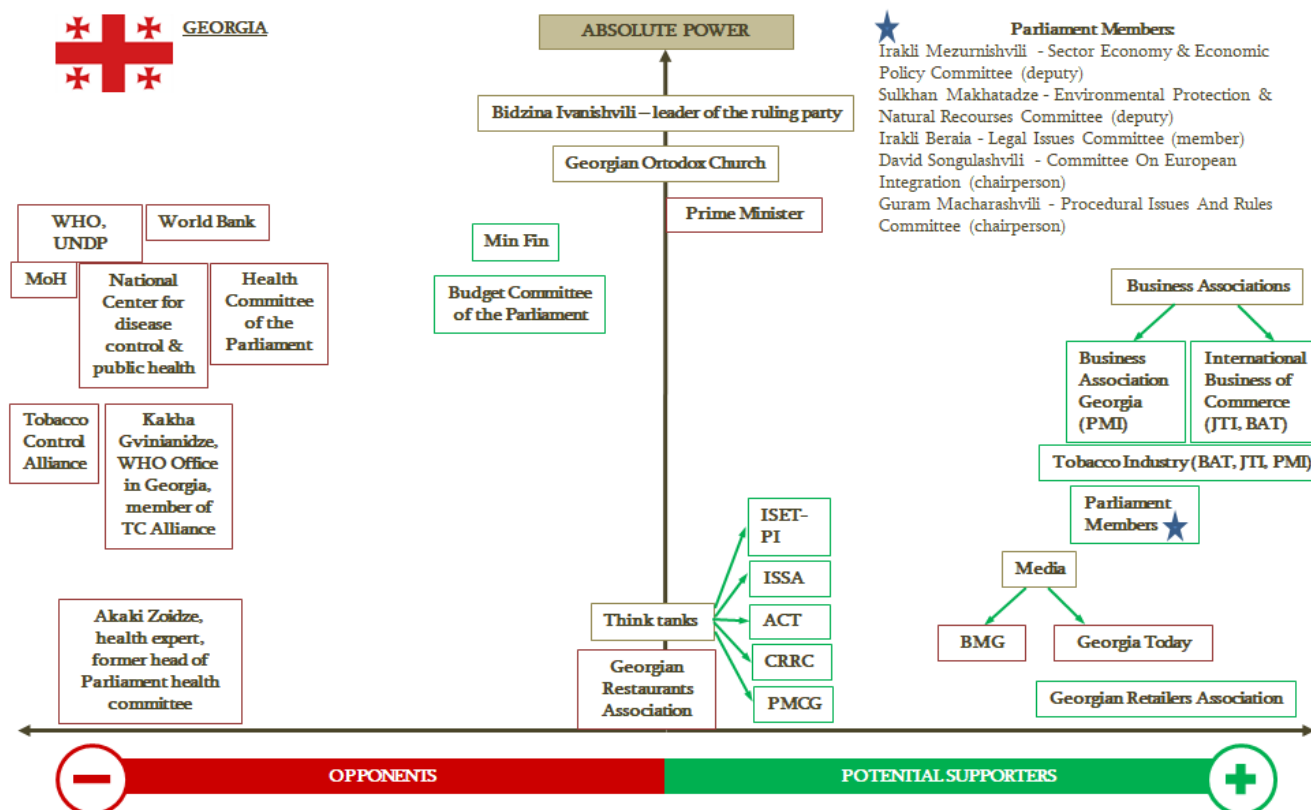
#	Stakeholder	Power	Interest
1	Parliament healthcare and social issues committee	6	-8
2	Akaki Zoidze, health expert, former head of Parliament health committee	2	-9
3	Paata Imnadze, Amiran Gamkrelidze - National center for disease control and public health	6	-10
4	Ministry of Health. Labour and Social Affairs	6	-10
5	Kakha Gvinianidze — WHO office in Georgia, member of Tobacco Control Alliance	4	-9
6	Giorgi Bakhturidze - Tobacco Control Alliance	4	-10
7	WHO. UNDP	6	-10
8	World Bank	6	0.8
9	Ministry of Finance		7
10	Parliament budget committee	6	-2
11	Business Associations:		
11.1	Business Association Georgia (PMI is a member) — Nika Nanuasheili, legal analyst	5	10
11.2	Intenadonal Chamber of Commerce (JTI and BAT are members)	5	10
12	Tobacco Industry:		
12.1	BAT - Zviad Skhvitaridze. Director of Legal and External Affairs	4	10
12.2	JTI — Iva Khasia, Corporate Affairs & Communications Director	4	10
12.3	PMI	4	10
13	Parliament members		
13.1	Irakli Mezurnishvili - Sector Economy and Economic Policy Committee (deputy)	4	8
13.2	Sulkhan Makhatadze - Environmental Protection And Natural Recourses Committee	4	8
13.3	Izakli Beraia - Legal Issues Committee (member)	3	8
13.4	David Songulashvili - Committee On European Integration (chairperson)	4	8
13.5	Guram Macharashvili - Procedural Issues And Rules Committee (chairperson)	4	8
14	Georgian retailers association	1	8
15	Media:		
15.1	Business Media Georgia	3	7
15.2	Georgia Today	2	7
16	Research organizations:		
16.1	ISSET Policy Insititute	3	0
16.2	Institute of Social Studies and Analysis (ISSA)	2	0
16.3	Analysis and Consulting Team (ACT) Georgia	2	0
16.4	The Caucasus Research Resource Centers (CRRC) Georgia	3	0
16.5	Policy and Management Consulting Group (PMCG)Georgia	3	0
17	Georgian restaurants association - Shota Burjanadze	2	0
18	Bidzina Ivanishvili - leader of the ruling jury	10	0
19	Georgian Orthodox Church	10	0
20	Giorgi Gakharia - prime minister	9	1

Source: Author's own elaboration

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# MAP OF STAKEHOLDERS ON THEIR ATTITUDE TO HRP AS A TOOL TO END SMOKING EPIDEMIC



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