

# Raising Tobacco Taxes and Prices

for a healthy and prosperous  
**Indonesia**





# Raising Tobacco Taxes and Prices

---

for a healthy and prosperous  
**Indonesia**

Title: Raise Tobacco Taxes and Prices for a Healthy and Prosperous Indonesia

ISBN: 978-92-9022-774-8

© World Health Organization 2020

Some rights reserved. This work is available under the Creative Commons Attribution-NonCommercial-ShareAlike 3.0 IGO licence (CC BY-NC-SA 3.0 IGO; <https://creativecommons.org/licenses/by-nc-sa/3.0/igo>).

Under the terms of this licence, you may copy, redistribute and adapt the work for non-commercial purposes, provided the work is appropriately cited, as indicated below. In any use of this work, there should be no suggestion that WHO endorses any specific organization, products or services. The use of the WHO logo is not permitted. If you adapt the work, then you must license your work under the same or equivalent Creative Commons licence. If you create a translation of this work, you should add the following disclaimer along with the suggested citation: "This translation was not created by the World Health Organization (WHO). WHO is not responsible for the content or accuracy of this translation. The original English edition shall be the binding and authentic edition".

Any mediation relating to disputes arising under the licence shall be conducted in accordance with the mediation rules of the World Intellectual Property Organization.

**Suggested citation.** Raise Tobacco Taxes and Prices for a Healthy and Prosperous Indonesia. Jakarta, Indonesia: World Health Organization, Regional Office for South-East Asia; 2020. Licence: CC BY-NC-SA 3.0 IGO.

**Cataloguing-in-Publication (CIP) data.** CIP data are available at <http://apps.who.int/iris>.

**Sales, rights and licensing.** To purchase WHO publications, see <http://apps.who.int/bookorders>. To submit requests for commercial use and queries on rights and licensing, see <http://www.who.int/about/licensing>.

**Third-party materials.** If you wish to reuse material from this work that is attributed to a third party, such as tables, figures or images, it is your responsibility to determine whether permission is needed for that reuse and to obtain permission from the copyright holder. The risk of claims resulting from infringement of any third-party-owned component in the work rests solely with the user.

**General disclaimers.** The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of WHO concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. Dotted and dashed lines on maps represent approximate border lines for which there may not yet be full agreement.

The mention of specific companies or of certain manufacturers' products does not imply that they are endorsed or recommended by WHO in preference to others of a similar nature that are not mentioned. Errors and omissions excepted, the names of proprietary products are distinguished by initial capital letters.

All reasonable precautions have been taken by WHO to verify the information contained in this publication. However, the published material is being distributed without warranty of any kind, either expressed or implied. The responsibility for the interpretation and use of the material lies with the reader. In no event shall WHO be liable for damages arising from its use.

Printed in Indonesia

# Contents

|   |    |
|---|----|
| Acknowledgments   | 1  |
| Executive Summary   | 2  |
| <hr/>   |    |
| I. High prevalence of tobacco use poses a challenge for Indonesia   | 5  |
| II. Tobacco consumption is having a significant impact on health of Indonesians   | 6  |
| III. Tobacco use in Indonesia is jeopardizing its human capital development   | 8  |
| IV. Low prices of tobacco in Indonesia are a major cause of high tobacco consumption  | 9  |
| V. The economic burden of tobacco consumption is enormous   | 12 |
| VI. Tobacco's contribution to the economy through the industry, farming and employment sectors is overstated                          | 13 |
| VII. Increasing tax and simplifying tobacco tax structure is the most effective way to reduce tobacco use and improve health outcomes | 15 |
| <hr/>   |    |
| Conclusion & Recommendations  | 19 |
| References  | 21 |

# Acknowledgments

The WHO country office for Indonesia gratefully acknowledges the following individuals who helped compiling the evidence and writing of this policy paper.

Hana Ross, Principal Research Officer, University of Cape Town, South Africa, developed the first draft. Farrukh Qureshi, Medical Officer, WHO Indonesia and Anne Marie Perucic, Economist, WHO Headquarters Geneva, reviewed and finalized the document and collaborated its execution under the overall guidance of Dr Navaratnasamy Paranietharan, WHO Country Representative to Indonesia.

Valuable inputs from the following individuals are also acknowledged. WHO: Alaka Singh, Dina Kania, Jagdish Kaur, Jeremias Paul Jr., Kerstin Schotte, Madeleine Broadbridge, Tjandra Yoga Aditama. Campaign for Tobacco Free Kids US: Anuradha Khanal. International Union against tuberculosis and lung disease: Tara Singh Bam. Bloomberg Philanthropies: Jo Birckmayer. University of Illinois at Chicago: Erika Dayle Siu, Violeta Vulovic.

The production of this review was made possible by funding from Bloomberg Philanthropies.

# Executive Summary

During 2020–2024, the government of Indonesia is focused on improving the wellbeing of Indonesians by taking advantage of the demographic dividend for all-inclusive economic growth. And, recognizing the critical dual causality concept, human capital development has been declared a top priority for the government – specifically, improving the health of citizens to impact on productivity and growth.

Indonesia's health profile indicates a high and increasing disease burden from noncommunicable diseases (NCDs) with cardiovascular diseases (CVDs), chronic respiratory diseases and diabetes being prominent among the top 10 causes of long-term illnesses and early deaths. Three risk factors account for most of the disease burden: dietary risks, high blood pressure and tobacco use.

Tobacco consumption is a critical public health challenge for the country. Indonesia has one of the highest prevalence of smoking in the world, with 62.9% of adult males smoking. Tobacco use kills about 225 700 Indonesians every year. Further, contrary to global trends, tobacco use continues to be high and even on the rise among young people and deprives the country of 6 million disability-adjusted years of life annually.

As one of the major risk factors for NCDs, tobacco use impacts resources available for economic growth in Indonesia in two ways. First, the increasing cost of providing NCD-related curative care has been the underlying cause of the growing deficit in the national health insurance, which has spearheaded the country's efforts towards Universal Health Coverage (UHC) – increases in the health budget are simply drained off to meet this shortfall, jeopardizing the financial sustainability of the entire health system. Second, the premature morbidity and mortality caused by tobacco use directly impacts productivity of human capital including competitiveness and innovation – through both lower output and absenteeism due to ill health. Notably, this would apply to the entire workforce given the use of tobacco across all age groups (albeit lower for women).

Importantly, the health and human capital impact of tobacco use can be intergenerational. Two thirds of children in Indonesia are exposed to second-hand smoking at home and evidence suggests that this contributes to stunting and impedes childhood development. Tobacco use has implications for equity as well, with the poor suffering disproportionately from

both the health and economic impact of tobacco use.

The most cost-effective and impactful way to reduce the health and economic impact of tobacco use is to implement an evidence-based tobacco tax policy. Higher tobacco taxes that reduce the affordability of tobacco products would reduce the prevalence of smoking among all population segments. As youth and lower-income groups are more price-sensitive, higher taxes will particularly decrease their consumption more than that of higher-income smokers. Therefore, a tobacco tax increase is a progressive tax policy that also supports the development of future human capital.

Indonesia has a complex, multi-tiered tobacco tax system. International experience suggests that such systems are administratively challenging, they allow tax avoidance and evasion, and undermine the public health benefit of higher tobacco taxes. However, Indonesia does have the requisite capacity to undertake necessary reforms to simplify the tax system and enforce it effectively to both decrease the prevalence of smoking and health costs on the one hand, and increase efficiency of tax collection and government revenue on the other.

Reforms in tobacco taxation to increase government revenue would bring a lasting impact on public health not only by curbing the direct health consequences of tobacco use but also by providing the opportunity to review allocations for health from the national budget.

The argument that the tobacco industry or its impact on the labour market balances the negative influence on economy is misleading. The contribution of the tobacco industry to the Indonesian economy is relatively small. Tobacco manufacturing generates 0.6% of the total employment and tobacco farmers represent only 1.6% of the workforce in the cultivation sector. Moreover, most households involved in tobacco farming and kretek rolling are on social assistance, implying social subsidization by the tobacco industry and further reducing its net economic contribution. Alternative cash crops can bring better returns for farmers and the economy. In fact, since any significant decline in tobacco use will be gradual, both the supply as well as demand side shall have sufficient time to adjust to the changes in the market. Studies carried out in Indonesia show that a reduced demand for tobacco products would increase spending on other products/services, fueling economic growth and job creation in other competitive sectors of the economy.

During his second term of 2020–2024, President Joko Widodo has shared his government’s vision to maximize the human capital benefits of Indonesian youth as a competent and healthy future workforce. This vision is embodied in implementing the Sustainable Development Goals that include reducing premature mortality from NCDs by a third by 2030. Reducing the prevalence of tobacco is one of the key indicators to achieve reductions in premature mortality due to NCDs. Curbing the tobacco epidemic is one of the key health indicators specified in Indonesia’s Med-term

Development Plan (RPJMN) 2020–2024 [1].

This document is a compilation of evidence on the serious problem of tobacco use in Indonesia, and its negative consequences for public health, human capital and overall economic development. It also summarizes the evidence on the real contribution of the tobacco industry to the economy and shows how tobacco taxation can mitigate those damages while improving population health, human development indicators and the fiscal health of the economy.

## Key messages from this review

- Improving human capital development and achieving UHC goals will require Indonesia to address the high prevalence of tobacco use.
- Indonesia’s health profile indicates a high and increasing disease burden from NCDs; tobacco use is a leading risk factor for NCDs.
- Contrary to the global trends of reduction in tobacco use, the prevalence of smoking in Indonesia remains high, particularly among the youth.
- Excise taxes on tobacco products are low in Indonesia; as a result, cigarettes are becoming more affordable over the years. This contributes to the increasing prevalence of smoking especially among the youth.
- Tobacco use exacerbates disparities in income and levels of poverty. It also slows down progress towards UHC by increasing health-care costs.
- Health and economic costs of tobacco use surpass any perceived economic gains from the tobacco industry.
- Tobacco farmers are poor and constitute a small proportion of the labour force. Many of them can be
- Employment in tobacco manufacturing is negligible in the context of the Indonesian economy. Kretek rollers are poorly paid and likely to be exploited by the tobacco industry.
- Both fiscal and non-fiscal measures are important to reduce the prevalence of smoking. Higher tobacco taxes are the most cost-effective and impactful way to achieve reduction in tobacco use; when combined with other tobacco control policies, the effect on tobacco use would be even stronger.
- Complex tobacco tax structures undermine the country’s revenue generation and public health objectives and, at the same time, fail to protect a labour-intensive hand-rolled market, which is shrinking due to changing market preferences.
- Substantial and repeated tobacco tax increases in Indonesia will bring both public health improvement and fiscal policy benefits.
- Revenue from higher tobacco taxes can support programmes for alternative skills development of farmers and industry workers, and also adequately address public health needs of the population.

预览已结束，完整报告链接和二维码如下：

[https://www.yunbaogao.cn/report/index/report?reportId=5\\_24320](https://www.yunbaogao.cn/report/index/report?reportId=5_24320)

