

ANNEX A

Regional

IFD/FMM

Taxation policies and its effect on tobacco consumption

TERMS OF REFERENCE

Background

Established in 1959, the Inter-American Development Bank (“IDB” or “Bank”) is the main source of financing for economic, social and institutional development in Latin America and the Caribbean. It provides loans, grants, guarantees, policy advice and technical assistance to the public and private sectors of its borrowing countries.

Tobacco consumption and exposure is responsible for 6 million deaths per year worldwide. In Latin America, annual tobacco related mortality totals about 1 million people aged 30 to 70 years; thus, affecting economies and health systems in the region (PAHO 2016). Latin America spends approximately 0.5% of the region’s GDP in health-related costs attributable to smoking, with some countries spending even more than 0.70% of their GDP; namely, Chile (0.86%), Bolivia (0.77%) and Argentina (0.70%). Latin America accounts for about 11% of the one billion smokers in the world and the prevalence of current tobacco smoking is about 17% slightly lower than the world’s rate of 21%. However, considering that the region’s population is 643 million—equivalent to 9% of the total’s world’s population of 7 billion, the prevalence of smoking of 17% is a cause of concern. Furthermore, some countries in the region have a very high prevalence rate, such as Chile, where the prevalence rate is at about 40%. Evidence has demonstrated that smoking is a global health hazard and that has long-term health and economic implications affecting the world and the region. Furthermore, if current trends continue, tobacco consumption will kill more than 8 million people worldwide by 2030 (PAHO 2016).

Tobacco consumption causes economic burden due to the negative effects in population’s health. The total economic loss attributable to tobacco usage will reach about US\$13 trillion over the next 20 years—or 1.3% GDP annually (WHO 2015). The economic toll and the ensuing reduction in productivity would likely increase poverty and hinder development. In Latin America only, the direct cost attributable to smoking is US\$30 billion.

Tobacco taxation has the potential to reduce consumption, and generate revenue for governments to fund health programs and essential services. Indeed, tax and tax policies aimed at increasing consumer after-tax prices will effectively reduce tobacco consumption and alleviate the ensuing health related effects in the economy (WHO 2015). Empirical evidence on the effects of tobacco taxation on consumption in Latin America is recent and scarcer than in industrialized countries. However, a recent review in seven countries in the region reveals promising results on partial use of revenue from taxes on tobacco products to strengthen health programs (PAHO,

2016). In Colombia, for example, the entire surcharge on cigarettes—10% over the retail price—is used for health insurance universalization, unification of contributory and subsidized health insurance regimes, and funding services for the poor population in areas not covered by supply subsidies. In Costa Rica, 60% of the collected revenue is used for the diagnosis, treatment and disease prevention associated with smoking, 20% is earmarked to the Ministry of Health to carry out control activities associated to tobacco's use, 10% goes to finance cessation programs of tobacco and derivatives use, and 10% is allocated to support sport activities. In Jamaica, 20% of the tobacco excise tax and 5% of the excise tax is earmarked to the Jamaican National Health Fund (PAHO, 2016).

The impact of tobacco consumption and the policy intervention through tobacco taxation in Latin America, given their implications, are development issues that merit thorough analysis that will benefit all the countries in the Region. Global efforts on tobacco control show the commitment of the international community to address the fact that tobacco use generates a substantial economic burden for society in general. The 2011 UN Declaration of the High-level Meeting of the General Assembly on the Prevention and Control of Non-communicable Diseases and the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals, highlight the imperative need to implement the WHO's Framework Convention on Tobacco Control (FCTC) by the FCTC Parties, where it is stated that the: "Higher direct health costs associated with tobacco-related disease, and higher indirect costs associated with premature loss of life, disability due to tobacco-related disease and productivity losses, create significant negative externalities of tobacco use." The IDB's intervention as proposed below will: (a) fill the information gap in the region, (b) address the development issues of tobacco consumption, and (c) align with the international community in its efforts to curtail tobacco consumption in Latin America.

The IDB proposes to carry out case studies in five countries in the region analyzing what has been the impact of recent tax increases have had in said countries. The countries to be included¹ will be representative of the Latin American region and that have implemented tax increases as a measure to curtail tobacco consumption. The countries that have these characteristics and have a high potential of sharing a common methodology for their analysis are: Argentina, Mexico, Colombia, Peru, and Brazil.

Consultancy objective(s)

This consultancy will support the Bank's analysis on the impact of recent tax increases in tobacco consumption and health related costs.

Main activities

The contractual will perform the following activities in addition to any other activities as requested by the team leader. Below is a list of indicative activities that the consultant will carry out address information gaps and development issues in tobacco consumption in the region.

¹ Final countries for case studies will be chosen in consultation with Bloomberg Philanthropies.

1. Conduct research that considers the potential of revenues through excise taxes in Argentina, Mexico, Colombia, Peru, and Brazil
2. Estimate the impact of tobacco in health and economic costs including policy implications, discussions and recommendations

Reports / Deliverables

The contractual will deliver the following products and any other as required by the team leader in support of FMM activities in the region:

- Literature review as requested by the team leader
- Draft reports for each country researched
- Submit a marked copy of draft reports indicating all corrections, additions, deletions and other proposed modifications to any research papers.

Qualifications

- Master's degree required (Ph.D. preferred) in economics or related area
- Minimum of 10 years working as international contractual, with extensive experience in tax administration and tax policies
- Proficiency in oral and writing skills in Spanish required

Characteristics of the Consultancy

- Consultancy category and modality: Temporary Term Contractual
- Contract duration: The work will be carried out between January 15, 2018 and April 30, 2019.
- Place of work: Consultant's place of residence
- Responsible: This consultancy will be coordinated by the team leader of the respective operations Karen Astudillo (Fiscal Management Division – FMM), karena@iadb.org.

Payment and Conditions: Compensation will be determined in accordance with Bank's policies and procedures. The Bank, pursuant to applicable policies, may contribute toward travel and moving expenses. In addition, candidates must be citizens of an IDB member country.

Visa and Work Permit: The Bank, pursuant to applicable policies, may submit a visa request to the applicable immigration authorities; however, the granting of the visa is at the discretion of the immigration authorities. Notwithstanding, it is the responsibility of the candidate to obtain the necessary visa or work permits required by the authorities of the country(ies) in which the services will be rendered to the Bank. If a candidate cannot obtain a visa or work permit to render services to the Bank the contractual offer will be rescinded.

Consanguinity: Pursuant to applicable Bank policy, candidates with relatives (including the fourth degree of consanguinity and the second degree of affinity, including spouse) working for the Bank as staff members or Complementary Workforce contractuels, will not be eligible to provide services for the Bank.

Diversity: The Bank is committed to diversity and inclusion and to providing equal opportunities to all candidates. We embrace diversity on the basis of gender, age, education, national origin, ethnic origin, race, disability, sexual orientation, religion, and HIV/AIDs status. We encourage women, Afro-descendants and persons of indigenous origins to apply.