



Executive Summary

Tobacco Control is currently being implemented in various countries worldwide, as a result of the direct effect of tobacco smoking on health. Lebanon has several pending laws for tobacco control however none is yet ratified and implemented. This paper aims to understand the Lebanese tobacco market and assess whether this market creates an overall revenue or cost to the Lebanese economy. This should inform the current legislative debate on passing a new law for tobacco control and help policymakers further understand the dynamics of the Lebanese market upon instating new policies.

Based on the size of the transaction flows in the market for tobacco and other related markets, we identify four classes of immediate primary stakeholders (consumers of tobacco products, tobacco farmers, the state run monopoly in charge of regulating the tobacco market—the Régie—and licensed local distributors) and two classes of secondary stakeholders (the advertising industry and retailers). Consumers simply pay the final price for tobacco products, as regulated by the Régie. The regulated price affords retailers a small margin of profit and distributors a larger margin. Distributors engage in advertising their product in the local advertising industry. The Régie conducts Lebanon's international trade in tobacco by exporting the local production of tobacco leaves, which it buys at a subsidized price, and importing packaged cigarettes which it then sells to the local distributors. For each of these sets of agents, we estimate the inflow and outflow of cash from the sale or purchase of tobacco-related products. Our estimates show that the net benefit from transactions among direct stakeholders is close to \$271.3 million.

We also identify classes of stakeholders who incur costs and benefits from smoking that are separate from the direct transactional cost and benefits linked to the sale and purchase of tobacco-related goods, and these are the Ministries of Finance and Health, employers, second hand smokers, the environment and the overall Lebanese economy. We estimate the revenues and expenditures linked to tobacco for each of these stakeholders. The sale of tobacco is a source of three classes of revenue for the Ministry of Finance (MoF): excise tax returns, tariff revenue and revenue from the value-added tax. The MoF in turn has to lay out the total amount of the subsidy to local tobacco farmers, via the Régie. Indirect tobacco effects include the costs related to medical treatment from smoking-related illnesses both to smokers and to passive smokers, which are incurred by the Ministry of Health (MoH). The costs also include the lost productivity of smokers and past smokers at work, which are incurred by employers, the cost to the environment in terms of the increased risk of forest fires and the added street waste to be collected, and the cost to the overall economy of foregone production from the premature death of smokers. The indirect benefits include the medical bill savings on old-age related medical care for premature deaths from smoking as well as the saved pension benefits from smokers who die before retirement age. Because of data limitations, we are unable to include the health costs of second hand smoking, the health costs of smoking beyond the three main medical conditions that it causes (cardiovascular disease, lung and bladder cancers and respiratory disease). Our estimates are therefore a conservative lower bound on the costs of smoking given the scarcity of relevant data on a substantial source of smoking related costs, and given our explicitly cautious imputation methods of incidence rates and related medical bills. The net effect we calculate is a loss of 55.4 million.

Overall, we find that even with our conservative estimates for the costs of smoking, on balance the net effect of smoking on the Lebanese economy is a loss of \$55.4 million per year.