

THE UNION'S BRIEF ON FINANCING PUBLIC HEALTH PREPAREDNESS FOR PANDEMICS

SUMMARY

- COVID-19 is having a profound effect on public health, public health systems and economies
- Countries must be better prepared to face future pandemics and public health emergencies
- Some leading countries are raising taxes on tobacco to fund public health and emergency response systems and many others are reviewing finance options
- Raising tobacco tax will simultaneously improve the health of the populace, reduce health inequities, and lessen the burden on health care systems.

INTRODUCTION

The current COVID-19 pandemic is producing both public health and fiscal crises. As of 11 June 2020, there were close to 7.5 million reported disease cases and about 419,300 premature deaths.ⁱ In addition to the human tragedy, protective social distancing measures to contain the disease are severely impacting economic activity. Estimates project that the global economy will contract by at least three percent in 2020, far more than during the 2008-09 financial crisis.ⁱⁱ

PUBLIC HEALTH SYSTEMS UNDER SEVERE STRAIN

The 2019 Global Health Security Index (GHSI) raised concerns about severe gaps in countries' preparedness to face health crises, linking them to a lack of political will and insufficient sustainable financing.ⁱⁱⁱ In this context, the current pandemic is placing undue stress on public health systems and exposing emergency response paralyse. The absence of systematic planning and the lack of funding are resulting in heavy death tolls for many countries. In Brazil, for example, the high death rate is attributed to its lack of preparedness, limited access to health care, politicising of science, and the lack of clear public communication, as well as the high prevalence of non-communicable diseases due to public health underfunding.^{iv}

LOW- AND MIDDLE-INCOME COUNTRIES MOST UNPREPARED TO FACE PANDEMICS

The situation is particularly severe in low- and middle-income countries (LMICs)^v where lack of funding and resources are delaying government responses to COVID-19 and resulting in high preventable loss of life.^{vi} In India, the lack of emergency preparedness^{vii} combined with inadequate investment in the public health system inhibits effective containment plans.^{viii} Pakistan's health system is unable to adequately scale up both detection and treatment to address the COVID-19 outbreaks due to its underfunded and fractured healthcare system.^{ix} The situation is similar in Bangladesh, where COVID-19 is a humanitarian crisis with a public health dimension. More than 90 percent of labour in Bangladesh is employed in the informal sector and a large-scale physical distancing brings an economic shock resulting in food insecurity.^x

As countries adapt to the new world with COVID-19, strengthening public health systems must rank high on the list of priorities.^{xi} This document outlines **three recommendations** to generate critical funding for future pandemics and emergencies.

1. Raise tobacco tax: a win-win solution to effectively strengthen public health emergency response

The World Health Organization (WHO), the World Bank, and academic institutions have frequently debated the best mechanism to fund robust public health systems. The landmark 3rd UN Conference on Financing for Development (Addis Ababa, 13-16 July 2015) endorsed higher tobacco taxes as the most cost-effective measure to reduce tobacco consumption and related health-care costs.^{xii} The rationale behind this endorsement is simple: As tobacco use causes more than eight million deaths each year, governments can easily raise taxes to encourage and incentivise quitting *and* simultaneously generate much needed revenue^{xiii,xiv} There is much room for improvement; the WHO states that 155 countries have taxes that are lower than the minimum benchmark recommended by the WHO.^{xv}

Countries use tobacco excise tax to fund health programmes

Earmarked taxes reduce the use of addictive substances and also raise additional funds for health promotion, health care, disaster preparedness, and other social development programmes.^{xvi,xvii,xviii} Indeed, at least 80 countries are using some form of tax earmarking to address funding gaps in health financing. Among those, at least 35 countries earmark tobacco tax for health.^{xix}

For example, the Philippines, Vietnam, Bangladesh and South Korea earmark tobacco taxes using different models based on their country context.

- The Philippines recently increased tobacco tax, earmarking the newly generated revenue to fund universal health care to achieve the millennium development goals, fund health awareness programmes, and invest in health care facilities.^{xx} As a result of the tax reform, the Ministry of Health's budget increased by 57 percent in the first year and health insurance coverage among the poor increased from 7.9 million to 40.5 million members.^{xxi} For the first time, additional income from sin-tax reform now funds health insurance for uninsured elderly Filipinos.
- The Vietnam Tobacco Control Fund, established in 2012, receives a two percentage points surcharge above the existing excise tax rate.^{xxii} The money supports prevention and control of tobacco harms and reflects close collaboration between the Ministries of Health and the Ministry of Finance. In a win for health, the fund awarded USD 15.1 million to tobacco control in 2016 alone,^{xxiii} greatly exceeding the USD 4.3 million projected.^{xxiv}
- A 'health development surcharge' of one percent is levied in Bangladesh on the value of tobacco products, exclusive of VAT, from 2015. The Ministry of Health uses these resources for a national tobacco control programme that includes funding for research and for awareness campaigns, rehabilitating tobacco users, and ensuring overall health development.^{xxv} The surcharge raises at least USD 31 million per year.^{xxvi}
- South Korea, widely praised for its response to the COVID-19 pandemic, earmarks tobacco tax to be used for funding the National Health Promotion Fund (NHPF); subsidising national health insurance and providing for government health promotion programmes, including tobacco cessation programmes. As of 2018, 54 percent of the NHPF budget was used to subsidise national health insurance, while about 46 percent is used for general health expenditures.^{xxvii}

Higher tobacco tax will boost the population's fitness to face future epidemics

By reducing the prevalence of tobacco use, higher tobacco tax improves public health and reduces health disparities.^{xxviii} Emerging evidence shows that populations with underlying health conditions that are caused or worsened by tobacco use are the most vulnerable to the COVID-19 pandemic.^{xxix} People with tobacco-related diseases have worse outcomes and need more time to recover.^{xxx,xxxi} There is no better time for governments to encourage tobacco users to quit and non-users to continue abstaining from tobacco.^{xxxi} Countries that reduce tobacco use now and invest in preparedness for future public health crises will boost population fitness, increase labour productivity, and reap huge returns on their investment by becoming better prepared for future pandemics.

Higher tax will protect the poor who are hardest hit by COVID-19

Many tobacco users are already poor; the pandemic will impoverish others. Both groups will be particularly vulnerable to future pandemics, as well as other poverty-related diseases, including tuberculosis.^{xxxiii} The pandemic may also diminish resources dedicated to other public health emergencies affecting poor people, such as malaria or polio.^{xxxiv}

Quitting tobacco use improves the wellbeing of poor populations and reduces health and economic disparities.^{xxxv} Money not spent on tobacco can be allocated to food, health care and other necessities. Such a demand shift has the potential to partially offset the economic consequences of COVID-19 and shorten the time to economic and social recovery.

Higher tobacco tax has additional economic benefits

Higher tobacco tax that reduces tobacco use prevalence also lowers future health care costs, reduces pressure on health care capacity, and increases life expectancy and labour productivity. Globally, the total economic cost of smoking amounts to two trillion dollars every year, an amount equivalent to almost two percent of the world's total economic output.^{xxxvi} Reducing this toll can contribute significantly to the post-COVID-19 economic recovery. Evidence shows that tobacco control policies have the potential to stimulate economic growth; better health accounted for nearly 24 percent of income growth in LMICs in the period of 2000-2011.^{xxxvii}

2. Resist industry pressure to reduce or maintain current tobacco tax

Though most economic sectors are negatively impacted by COVID-19, the tobacco industry is a notable exception; the business of selling addictive tobacco products is weathering the crisis quite well.^{xxxviii} The industry is offering cash and other support to governments in exchange for various concessions including delay on excise tax payments.^{xxxix, xl, xli, xlii} It is utterly unconscionable to promote lung-damaging, addictive products in the midst of a respiratory pandemic.^{xliii, xliv} Tobacco excise taxes must be increased, and governments should not succumb to the industry's flagrant manipulations.

3. Establish a health defence fund

The 2019 Global Health Security Index (GHSI) exposed an urgent need for new financing mechanisms emphasising sustainable domestic financing in order to fill epidemic and pandemic preparedness gaps.^{xlv} The urgency of establishing such mechanism has been amplified by the current crisis. The USA, for example, is debating setting up a health defence fund^{xlvi} while the EU has broadened the scope of its Solidarity Fund to permit spending on containing the spread of the disease and strengthening preparedness and communication.^{xlvii} Indonesia utilises the Tobacco

Products Excise Sharing Fund (DBHCHT) to assist in mitigating the impact of COVID-19 in several regions,^{xlviii} while India increased the National Calamity Contingency Duty (NCCD) on cigarettes and other tobacco products to raise funds to support its response to this crisis.^{xlix}

The International Working Group on Financing Preparedness convened by the World Bank advised that enhanced domestic fiscal mobilisation is the best way to ensure sustained funding, because it allows for better integration with broader efforts to strengthen the health system without the need to accommodate competing priorities of external funders.ⁱ There is considerable potential in most low- and middle-income countries to increase fiscal space by increasing taxes on products that harm public health or the environment, and by improving tax administration.ⁱⁱ Introducing a mandatory surcharge/tax on products that harm public health as was done in Vietnam, Bangladesh, the Philippines and Korea, for example, would not only raise revenue, but also enhance preparedness by improving public health and lowering demand on health care systems.

The United Nations-led Inter-Agency Task Force on Financing for Development mandated by the Addis Ababa Action Agenda could take the leading role in assisting governments with setting up health defence funds in order to meet the minimum GHSI score. The Task Force has a history collaborating effectively with researchers and analysts across UN agencies, the International Monetary Fund, World Bank Group, and other international institutions. Its recommendations in the 2020 Financing for Sustainable Development Report called for, among others, the expansion of public health spending and social protection.ⁱⁱⁱ

Relatively small annual contributions to such funds from increasing excise tax on harmful products would prevent or limit extremely high future losses caused by health crises. Estimates suggest that the annual cost of global preparedness would be around US\$ 4.5 billion, less than US\$ 1 per person.^{liii}

CONCLUSION

COVID-19 has shone a bright and glaring spotlight on the inadequacies of many public health systems. Even in the richest countries, institutions are not ready for emerging pandemics and populations are not sufficiently resilient. **Increasing tobacco taxes—and dedicating all or a portion of these funds to public health systems—not only improves public health and health equity, but also provides sustainable funding mechanisms to prevent, detect, and respond to public health threats.**^{liv} Public health history demonstrates that there will be more pandemics. Governments and civil society must work together to fund solutions to protect public health.

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