

January 6, 1999

ACTION MEMORANDUM FOR THE ADMINISTRATOR

FROM: AA/PPC, Thomas H. Fox

SUBJECT: USAID Policy on Tobacco

Issue: USAID has no official policy or position on tobacco; clear guidance is needed to respond to official queries on current and future activities related to tobacco and to guide operational activities related to tobacco.

Background: Tobacco use results in a tremendous health burden worldwide and is a growing problem in transitional' countries and the developing world. There are 1.1 billion smokers in the world today, and it is estimated that the number will grow to 1.6 billion by the year 2025, mostly because of demographic shifts, increased incomes, and increased smoking by women. By 2025, 85 percent of all smokers will be in developing countries. The economic losses from tobacco are staggering, estimated at \$200 billion annually.

However, in some developing countries, tobacco is an important cash crop and plays an important role in the development of agribusiness. Therefore, while the anti-tobacco efforts are important in addressing health concerns, they may adversely impact efforts in economic development unless mitigated in some way, such as through the identification and introduction of alternative cash crops. Guidance is needed to ensure that tobacco production and related agribusiness activities, processing, imports, and marketing are not supported by USAID.

National and international anti-tobacco efforts: Major efforts are already underway both at the national level and internationally. The Administration remains strongly committed to anti-tobacco policies. For example, the Department of Health and Human Services maintains a strong position on the link between tobacco use and adverse health outcomes and is implementing activities supporting that position. In addition, the Department of State has issued a cable detailing U.S. policy on tobacco, including exports. While addressing health concerns, the cable does not address the issue of crop diversification.

Internationally, USAID's key partners have already taken strong anti-tobacco positions. The World Bank has had a formal tobacco policy since 1991. The policy specifies that anti-tobacco activities be included in sector work, policy dialogue, and lending operations, specifying that loans will not be provided for tobacco production, processing, imports or marketing. Furthermore, the Bank recommends that governments:

- 1) significantly increase tobacco taxes;
- 2) ban advertising and promotion of tobacco products;
- 3) disseminate information on health risks;
- 4) research the causes, consequences and costs of tobacco use; and,
- 5) increase human and financial resources for tobacco control units.

Under the leadership of its new Director-General, the World Health Organization (WHO) has launched a major anti-tobacco initiative. As a first step, in collaboration with UNICEF, WHO has announced the initiation of a new project, "Building Alliances and Taking Action for a Generation of Tobacco-free Children and Youth." Issues in the full life-cycle of tobacco use will also be addressed including the impact of smoking during pregnancy and of environmental tobacco smoke exposure on children's health.

USAID has been approached by OMB and WHO to participate in anti-tobacco initiatives and we anticipate that other interested parties will request support from USAID. Such requests underscore USAID's need for clear policy guidance so that a consistent position can be articulated Agencywide and externally, and to provide the basis for implementation guidelines for operational programs.

Discussion of USAID's potential role: Large-scale anti-tobacco efforts by USAID in the relevant sectors of health, economic growth, and education would require additional financial resources and add to management and planning requirements of staff in the field and in Washington. Even if funding would be available for PSCs or contractors to implement an anti-tobacco program, the management burden for USAID's direct-hire staff would also be increased. Therefore, there is agreement within the Agency that large-scale efforts cannot be undertaken.

Nevertheless, several bureaus have indicated that they wish to retain the flexibility to implement limited tobacco-related activities. There are a number of small-scale, low-cost efforts that could be undertaken to combat tobacco use in a more limited

way within the context of sector objectives articulated in the Agency strategic Plan. These efforts include, but are not limited to, participating in international and national policy dialogue relevant to tobacco issues. Missions, as well as regional, and central Bureaus should be given the latitude to design and implement anti-tobacco activities within their current strategic frameworks. Language reflecting the Agency consensus on this issue has been included in the draft policy attached.

More controversial are the issues surrounding tobacco production, processing, marketing, and use as they relate to the Agency's activities in development of competitive agricultural sectors in developing countries. One Mission was identified, in the R4 process and through informal consultations, whose agricultural program has included activities which have enabled small farmers to produce and market tobacco. Further, that Mission has stated they feel an urgent need to move their small-farmer focus beyond tobacco, and they plan to reflect increased attention to other cash crops in their next strategic plan. While this one program is only a small part of the Agency agricultural portfolio, it deals with one of the poorest countries in the world.

Summary: The attached draft USAID Policy on Tobacco:

- . Recognizes the health impact of tobacco use on transitional and developing country populations,
- . Prohibits support for the growth of tobacco as a cash crop and for agribusiness activities contributing to tobacco production, promotion, and use while recognizing that it may be necessary to allow a transitional period to identify alternative cash crops for poor farmers,
- . Supports and is consistent with USG policy on tobacco, and
- . Supports other international policy guidance on tobacco.

Recommendation: That you signify by signing below, approval of the attached document entitled "USAID Policy on Tobacco". An EBBS message will send out distributing this Policy and the Policy will be incorporated into the ADS.

Approve: _____ (signed)

Disapprove:

Date: January 25, 1999

Attachment: USAID Policy on Tobacco

Clearances:

PPC/PDC:FCarr	<u>cleared in draft</u>	date	
PPC/DAA:LGarber	<u>LG</u>	date	<u>12/22/98</u>
G/AA:SColby-Shelton	<u>SSC</u>	date	<u>1/4/99</u>
SDAA/G:BTurner	<u>BT</u>	date	<u>1/4/99</u>
DAA/G/PHN:DGilliespie	<u>RC for</u>	date	<u>12/30/98</u>
DAA/G/EGAD:ESimmons	<u>JSW for</u>	date	<u>1/1/99</u>
AA/AFR:VDerryck	<u>(signed)</u>	date	<u>1/15/99</u>
AID/ES:RConroy	<u>(signed)</u>	date	<u>1/15/99</u>
A/AID:HBabbitt		date	

PPC/SPG:cmiller:eprince:12/22/98:2-4681:u:tobfin2.mem
revised in ES 1/8/98 for format, grammar: [99000840]