



The share of the burden of illicit trade of cigarettes in Islamabad.

Report by:

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A Study conducted by FFO

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Muhammad Faisal

Project Manager FFO

Islamabad 14th February 2019

O. EXECUTIVE SUMMARY

Taxation is known to be the most cost-effective tobacco control measure available to governments throughout the world. Tobacco industry compels Governments, that they should not increase tobacco taxes. In 2016-17, the Government of Pakistan had reduced tobacco taxes by 50 % & introduce 3rd tier, arguing for increased scale of illicit trade. To combat illicit trade on the cigarette, transparent public data on illicit trade, was not available in Pakistan. All the data available were Tobacco Industry sponsored, twisted & overblown.

Therefore, quantifying the burden of illicit trade in the country was imperative for the sake of legislation, policy making, and enforcement of laws & to counter the false arguments of Tobacco Industry, against any policy or decision with regards to tobacco control in the country. It was, therefore, vital and premeditated to acquire independent, transparent estimation of the burden of illicit trade in Pakistan. This is a pilot study carried out in urban and rural areas of Islamabad. In the next phase, it is expected to replicate this study in other cities of country e.g. Provincial capitals, to get more inside of an exaggerated picture of illicit trade by Tobacco Industry.

This report looks to assess the share (volume) of the sale of illicit cigarette brands in Islamabad Capital Territory (ICT) and to gather the evidence-based data to counter the overblown claims made by the tobacco industry. In the absence of any reliable study/data on illicit trade of cigarettes in the country, TI claims that the burden of illicit trade in Pakistan has augmented substantially (43.7%) due to higher tobacco taxes. To quantify the share of illicit tobacco, used in Islamabad (ICT), a combined method of consumer survey and cigarette pack observation was used in 30 clusters (1,200 HHs) of Islamabad, in consultation with Professor Hana Ross of University of Cape Town.

The key findings of the study reveal that there was only **15.8%** of the cigarette brands consumed in the ICT, who failed to comply with the six-factor criteria (elaborated below); related to pictorial health warnings, textual health warning, low price/tax evasion, age warning, manufacturer details, printing of retail price and thus classified as illicit.

The survey results have also established that smoking is inversely related to academic qualification and price. The current smokers appear to be less educated (65.7% matriculate or below) and 25.5% of them are willing to quit smoking if the price of cigarette double. Another 36.2% said that a price increase would make them reduce smoking. Increase in tobacco prices through recalibration of tax and setting a higher minimum price will help in reducing the

demand for tobacco. This leads us to the conclusion that price can make a big difference in tobacco control efforts by decreasing smoking prevalence. Mandatory health warnings also play a vital role as 37.7 % of respondents said that they consider quitting tobacco after viewing the horrifying pictorial warning on cigarette packs.

The survey findings further reveal that the prevalence of illicit cigarette use in ICT is **15.8%** which is significantly below the much-propagated figure of 43.7% by the tobacco industry. There are different variations and permutations that can be applied to the data, but the maximum percentage of illicit cigarettes in ICT doesn't contradict with this research finding. Further, the percentage of illicit cigarette usage was higher in rural as compared with urban. Given the complexity of the issue, countries need to take comprehensive and rigorous multi-pronged efforts to curb smoking.

Since illicit tobacco trade is driven by both supply and demand-side factors, efforts should be made to reduce supply as well as demand for tobacco. On the supply side, there are a number of points along the supply chain where tobacco and tobacco products can be diverted to the illicit market. Interventions aiming to control and monitor the participants at each stage in the supply chain—such as licensing vendors by invoking Pakistan Tobacco Van Act 1958, electronic tax stamps, track-and-trace systems—and strict tobacco tax administration with enforcement of relevant laws can play a pivotal role in the management of the issue. Public awareness campaigns are another policy option to change the public attitudes towards smoking with a special focus on the population with high prevalence of smoking including illiterate / semi-literate, youth in the age group of 21-30 and people working in the private sector.

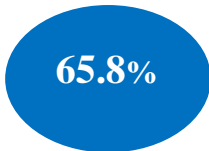
It is therefore, multidimensional approach should include (i) **Controlling the Supply Chain** to prevent diversion into the illicit market by imposing licensing and regulatory requirements on participants (ii) **Introduce Technology**(Track & Trace System) to control counterfeit products (iii) **Recordkeeping and continuous monitoring** across players in the tobacco supply chain (iv) **Strict enforcement of existing laws** especially ban on smoking at public places, government offices, academic institutions, underage and sale below specified minimum price sale (v) **Public awareness campaigns** shall change the public attitudes towards smoking/tobacco use with special focus on population with high prevalence of smoking including illiterate / semi-literate, youth in age group of 21-30 and people working in the private sector and (vii) **Re-calibration of cigarette taxation policy**.

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Summary of Key Findings



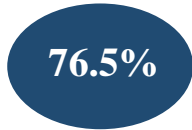
of the current smokers are matriculate or below



of the smokers also using other tobacco products.



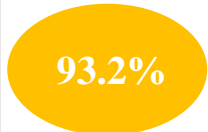
Smokers are in private jobs



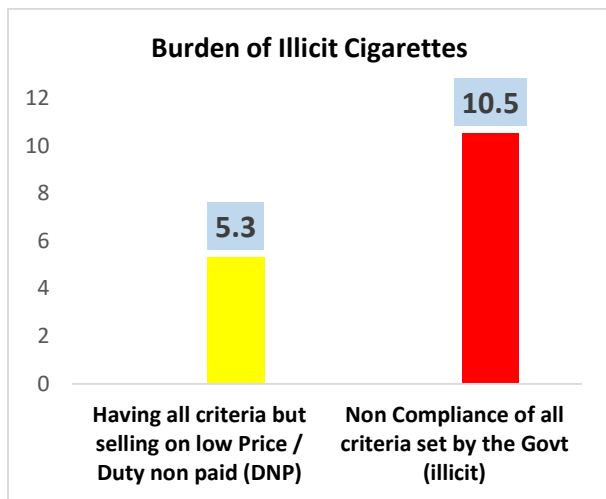
Daily Cigarette Consumption
Current smokers consume 6 and more cigarettes daily



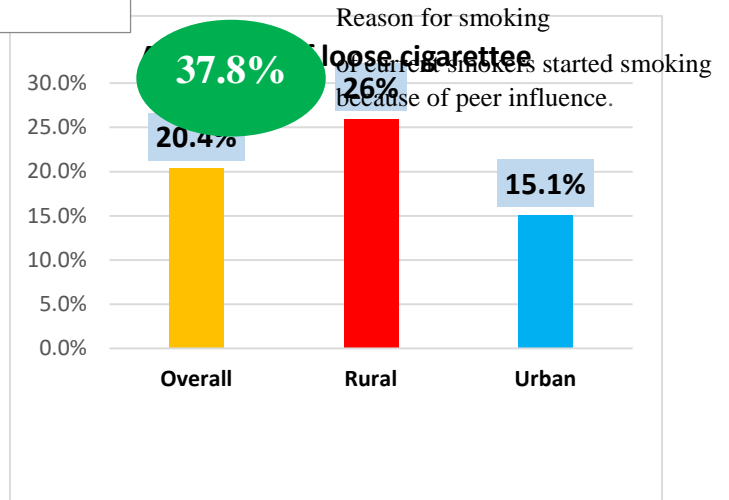
Health Warning
Health warning noticed on cigarette packs



Knowledge
Current smokers believe that smoking is injurious to health



There are 5.3% cigarette packs available in the market that meets all the criteria of legal brands but selling on low price (Rs. 25 to 40)



According to law shopkeeper is not allowed to sale loose cigarette but 20.4% smokers said that loose cigarettes are available in the market.

TOBACCO BRANDS IN USE

ILLICIT BRAND		
Brand Name	No of Smoker	%age
Kisan	42	23
Dunhill (Switch)	25	14
Marlboro / Marlboro Gold	24	13
Benson & Hedges	22	12
Milano	14	8
Pine	10	6
Visa	9	5
Mond	6	3
Dunhill International	6	3
Pine Lite	4	2
Hi Lite	2	1
Highway	2	1
Napoli	2	1
Dubai Lights	2	1
Business King	1	1
Dubai International	1	1
Gold street	1	1
Hero	1	1
Macbeth	1	1
More	1	1
Press	1	1
Silk Cut Silver	1	1
Tender	1	1
23 Brands	179	100

LICIT BRANDS		
Brand Name	No of Smoker	%age
Capstan Pall Mall	438	46
Gold Leaf	165	17
Morven Gold	134	14
Red & White	96	10
Diplomat	27	3
Gold Flake	28	3
Marlboro	24	3
Dunhill	12	1
Capstan	9	1
Marlboro Gold	8	1
Benson & Hedges	5	1
Dunhill (switch)	3	0
Gold Leaf lite	1	0
John Player	1	0
Red & White (Special)	1	0
Embassy	1	0
16 Brands	952	100

Total 1131 smokers interviewed and found 179 smokers using illicit brands and 952 were using legal brands below graphs portrays top 5 brands of both categories.

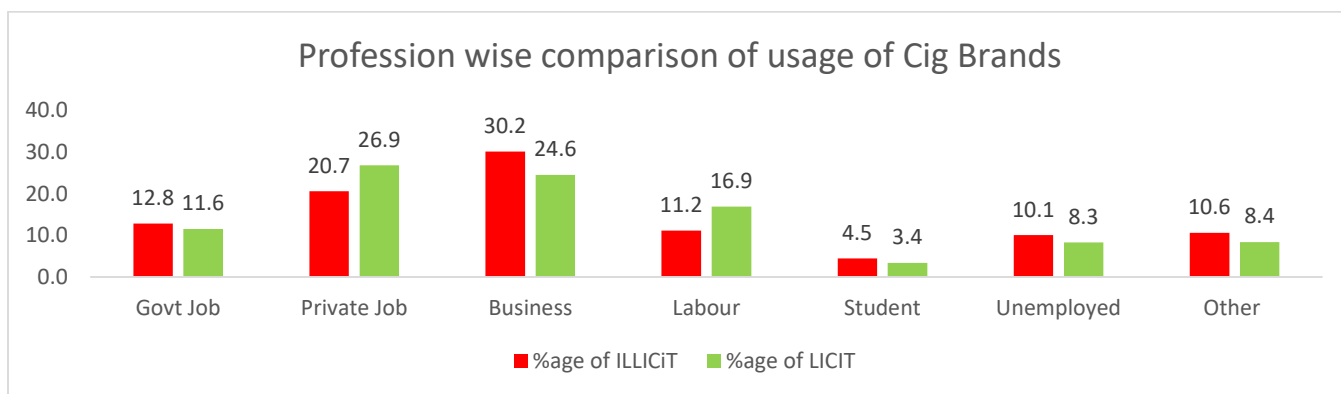
Cigarette brands fail to comply with legal criteria

There were 5.3% cigarette packs available in the market that meets all the criteria of legal brands but selling on low price made them illicit (Tax evaded/ DNP) and 10.5% cigarette packs fail to comply all criteria set by government except manufacturer details.

Association of usage of illicit cigarette brands

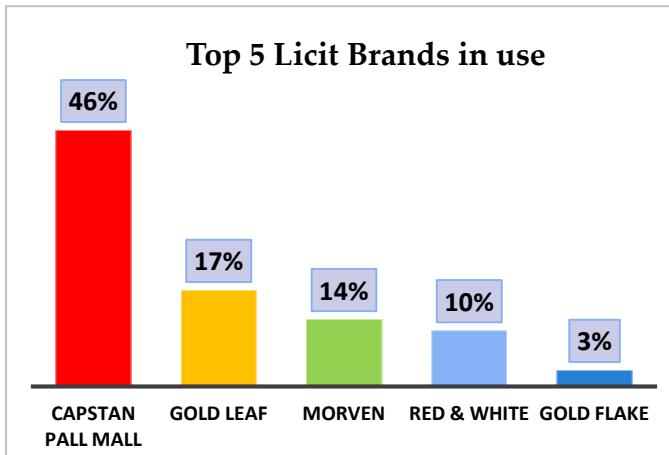
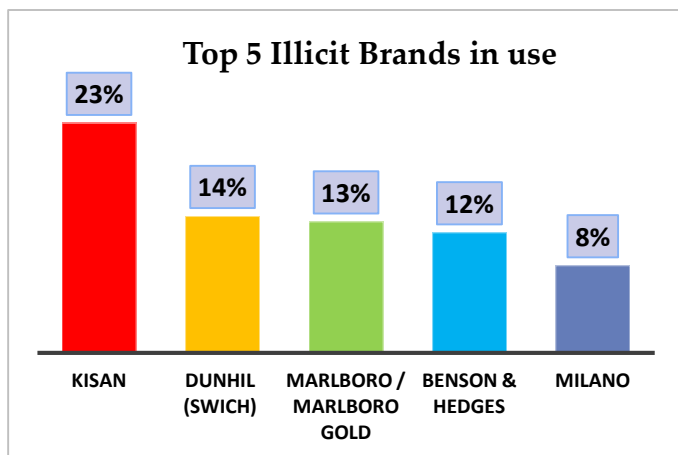
Profession wise

Although there was no identifiable (as below graphs shows) argument found for use of illicit and licit cigarette brand associated with regard to the profession of the smokers but the usage of illicit brands comparatively high in the smoker who have their own business.

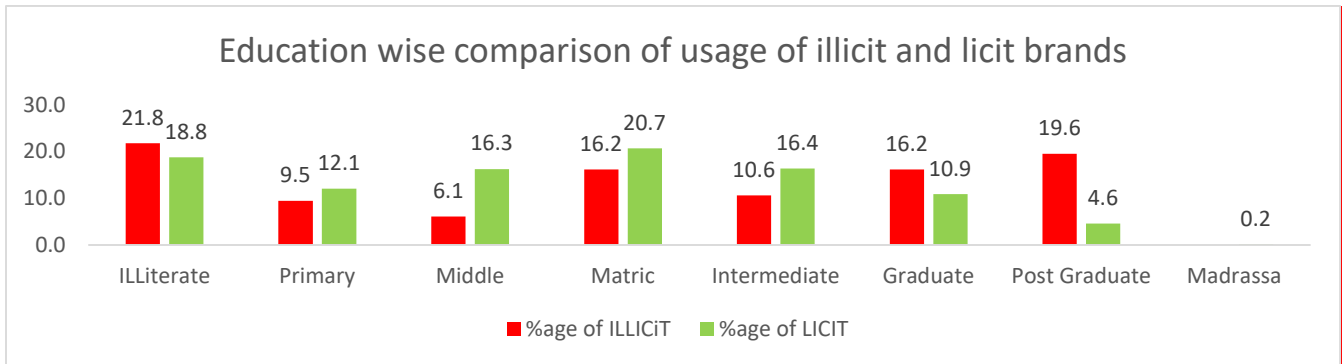


Education Wise

As our study proved that there was a strong relationship between smoking and education. It was also proved that 65% low price cigarette were used by illiterate smokers. The main reason may be the financial condition of these smokers as they are illiterate and were assumed to belong from low-income generation professions. Same was the graphic percentage shows that the ratio of illicit cigarette brands (smuggled/high price) was high with the smokers who were well



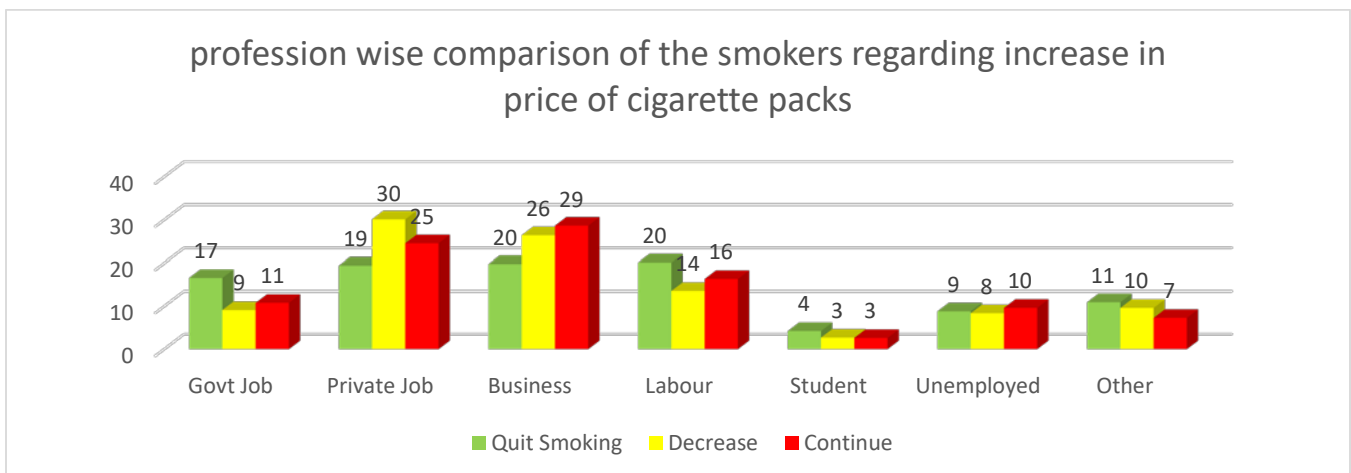
educated. The reason indicates that as they were well educated and assumed to belong to high-income professions.



Potential Impact of increase of prices on cigarette

Profession wise

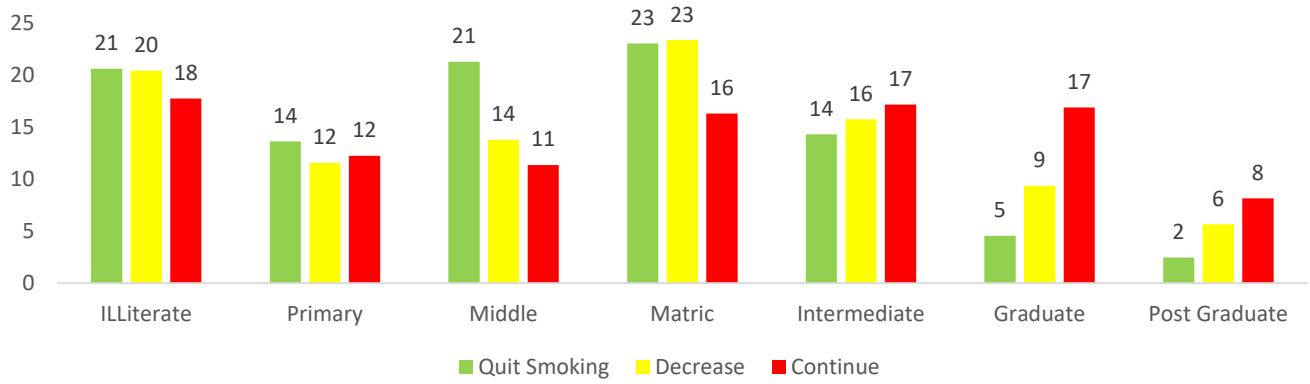
The survey recorded the responses of smokers on "if the cigarette pack prices are doubled", Impact of increase of prices on cigarette packs mainly effect to smokers, who belong to the low-income profession as 20% smokers who were laborer by profession will quit smoking if prices are doubled. Economic stability allows smokers to continue smoking at same ratio in spite of a 100% increase in of prices on cigarette packs.



Education wise

As there was a strong link between education and profession. 79%smokers (who replied to quit in case of price be doubled) were matriculated and low education will quit smoking if the price of cigarette packs be doubled. Whereas 42% of smokers with education standard of intermediate and higher were ready to continue smoking in spite of the increase in price.

Education Wise comparison of the smokers regarding increase in price of cigarette packs



1. INTRODUCTION

The Islamic Republic of Pakistan is the thirty third largest country in terms of area and fifth-most populous with a population of over 210 million. The country has a huge reservoir of young people, with 64% of the population below the age of 29 and 30% between 15 and 29 years. According to the World Bank's statistics, Pakistan is among Asia's five fastest emerging economies, registering a growth rate of over 5.7% in 2017, a trend which is projected to continue in 2018 as well.

Like other countries of the region, Pakistan also faces significant challenges and effective tobacco control is one of those challenges. Pakistan is one of the largest tobacco-consuming countries in the world. Tobacco is consumed in many forms which include smoking of cigarettes, water pipe (hookah/shisha), chewing paan, gutka, and naswar. Cigarettes account for most of the smoked tobacco consumption.

In 2016, Pakistan was the 8th largest tobacco growing country in the world and produced about 116,016 tons of tobacco. There is no provision in current law for estimating and monitoring and regulating the contents of cigarettes. Furthermore, there is no laboratory available in the country to monitor and evaluate the contents of cigarettes. These cigarettes contain the significant levels of chemicals and nicotine; its combustion in the presence of paper of cigarettes further worsens. Cigarette smoking harms nearly every organ of the body, causes many diseases, and reduces the health of smokers in general. Cigarette smoking is the leading preventable cause of death. Smoking causes diminished overall health, increased nonappearance from work, and increased health care utilization and cost. Smokers are at greater risk for diseases that affect the heart and blood vessels.

The tobacco industry has always portrayed high figures of illicit trade (as it is global phenomenon) to strengthen their business against tobacco control legislation, enforcement of laws etc. In 2016- 2017, Pakistan had reduced tobacco taxation by 50% & introduce 3rd tier, arguing for increased scale of illicit trade; the regime has been controversial since the start. The tobacco industry, however, welcomed its commencement on grounds that it would help to fight 'illicit' trade and they eventually turned around their fortunes. With the introduction of the 3rd tier of tobacco taxation in Pakistan, the prices of cigarettes dropped, and consumption increased. The cigarette production hitting through the roof in FY 18, accompanying a tax loss of over Rs 30 billion amid cigarettes becoming cheaper by over 20 percent in real terms.

These trends prompted independent studies to assess the volume of illicit trade in Pakistan. One recent study (Economics of Tobacco Taxation and consumption) - commissioned by Pakistan Institute of Development Economics (PIDE) at the 34th Annual General Meeting reported that the estimated loss of tax revenue due to three-tier FED structure (along with a reduction in the

<https://www.statista.com/statistics/261173/leading-countries-in-tobacco-production/>

tax rate) is Rs. 42.5 billion in 2017-2018. PIDE study analyses also show that a 10% increase in price will lead to an 11% reduction in cigarette consumption, translating into annual savings of Rs. 16 billion by the individual, make a convincing case to reconsider the multi-tier FED regime. PIDE study further elaborate that backtracking to a two-tier tax system with higher FED as suggested will raise the average cigarette pack price; reduce smoking prevalence among current and future smokers by 2.6 million individuals; and avert almost one million premature deaths as a result. Those health outcomes are more than double what can be achieved from the existing three-tiered system.

A second study, 'Macroeconomic Impacts of Tobacco Use in Pakistan', which was authored by researchers at the Social Policy and Development Center (SPDC). The study conclude that cigarette industry had 1 percent share in industrial production (FY18) and a 0.3 percent share in industrial employment (FY15), makes the case that the economy will be slightly better off if higher taxes force consumers to switch their expenditure towards food items.

Another study conducted by Pakistan National Heart Association and Human Development Foundation, launched on 5th April 2018 - has come up with a finding that the volume of illicit trade is recorded at only 9%. That study used the retail data only for the selection of its study locale. But it was conducted at robust sample collection on its own.

The study in hand is another attempt to quantify the burden of illicit tobacco trade in ICT. This study is different from all other studies on this subject as it is household study and 1st of its kind across the region. This study is complementing the earlier study on the same subject.

2. DEFINITION

2.1. In the Protocol to Eliminate Illicit Trade in Tobacco Products, the World Health Organization (WHO) defines illicit trade as “any practice or conduct prohibited by law and which relates to production, shipment, receipt, possession, distribution, sale or purchase, including any practice or conduct intended to facilitate such activity”. (Article 1.6; WHO, 2012)

2.2. Illicit tobacco trade also refers to any practice related to distributing, selling, or buying tobacco products that are prohibited by law, including tax evasion (sale of tobacco products without payment of applicable taxes), counterfeiting, disguising the origin of products, and smuggling. Illicit trade can be undertaken both by illicit players who are not registered with relevant government agencies, as well as by legitimate entities whose business operations are contrary to applicable laws and regulations. (Confronting Illicit Tobacco Trade: A Global Review of Country Experiences; World Bank Report)

2.3. Forms of Illicit trade

Illicit trade in cigarettes is any practice prohibited by law and which relates to production, shipment, receipt, possession, distribution, sale or purchase of cigarettes including any practice or conduct intended to facilitate such activity. Illicit cigarettes primarily exist in three forms:

a. Smuggled: The unlawful movement of cigarettes (genuine or counterfeit) from one tax jurisdiction to another without the payment of applicable taxes or in breach of laws prohibiting its import or export.

b. Counterfeit: Illegal manufacturing in which cigarettes bear a trademark without the owner's consent. These are sold with the intent of being passed off as genuine (it was not in the mandate of study).

c. Local Tax Evaded: Cigarettes manufactured for consumption in the same jurisdiction, which is not declared to tax authorities. These cigarettes are sold without paying tax and may be manufactured in approved factories or illegal covert operations.

2.4. Illicit Tobacco in Islamabad Capital Territory

Illicit trade of cigarettes is a global phenomenon and all countries, be they developed, developing or in transition, suffer its negative consequences.

In Pakistan, there was no exact and authentic estimate of illicit tobacco trade is available. Most of the data is provided by the tobacco industry and is often exaggerated to get the benefit regarding favorable taxation and legislation. However, independent studies have always challenged such high figures.

To quantify the share of the burden of illicit tobacco trade in Islamabad Capital Territory, FFO conducted the study in 30 clusters including 15 clusters in Urban and 15 clusters in a rural area of Islamabad.

No other survey in the region has provided such a significant finding which ensures the accurate number of illicit tobacco use at the Household level. It is expected that the survey findings will



contribute to help policymakers bringing taxation reforms and to control the menace of illicit tobacco.

This study will initiate a new debate about tobacco industry interference by deliberately stating incorrect statistics of illicit trade and betraying Governments for favorable policies and distracting the direction of policymakers. It is expected that this study will play a vital role to undo steps taken by the policymakers in favor of the tobacco industry. Detailed research findings are presented in the following sections.

3. STUDY DESIGN

3.1. Objective

The objective of the study was;

- To quantify share of the burden of illicit cigarette trade in the urban and rural setting of capital Islamabad

The main focus of the exercise was to gather updated information on cigarette users (licit & illicit) and recommendation for tobacco control taxation reforms in the country.

3.2. Methodology

The methodology of the study was finalized with the consultation of Professor Hana Ross (Consultant of The Union). To quantify the burden of illicit trade in Islamabad Capital Territory (ICT), we used household smoker survey methodology which also provides a response-based view of the smokers and track respondent's (smokers) consumption behaviors and purchase patterns in the targeted clusters. From these responses, data on the average daily consumption was collected to estimate total consumption of the market and the share of non-duty paid packets.

The smoker/respondent was asked about the current cigarette smoking practices and types of brands they are using, socio-economic indicators like (gender, age, level of education, employment status, and profession), and a number of cigarettes smoked per day, cost of cigarette stick or cost per pack. One question in the questionnaire was left open-ended, to capture the information about local and International brands to enlist the brands of cigarettes.

There were two parts in the questionnaire:

- a) To document the response of the respondent/smoker,
- b) To observe the cigarette packs used by the respondent. The respondent/smoker at household was asked to show the pack of cigarettes if available to him. These cigarette

packs were inspected/examined and identified as illegal if they carried a minimum of one of the following:

- Inappropriate health warning (i.e., a pack with health warnings in a foreign language or without health warnings, or it had no graphics health warnings (approved by Govt. of Pakistan) on both front and back of cigarette packs or;
- Its price was substantially below the known price of PKR 48/58 in the participant's market or it had no printing of retail price & sales tax or;
- It had no mandatory textual health warning in Urdu and English or;
- It had no warning that sales under 18 are prohibited or;
- It had no printing of name and address of manufacturer and country;

3.3. Geographical Coverage

A total of 1,177 smokers were approached and 1,131 interviewed under this survey and 46 of them were found migrated, no response refused and shifted to another location. 50% of smokers from each rural (568) and urban (563) settings were selected for an interview.

3.4. Study Population

The sample size for the HH Survey was calculated based on the smoker population of ICT which is as follows.

Districts	Overall Population of District	Target Pop i.e. Smokers
Islamabad (ICT)	1,014,825.00	125,838

The population of smokers was calculated from the whole population using the GATS (Global Adult Tobacco Survey of Pakistan). As per GATS in Pakistan, 12.4% of the population out of the total population is a smoker so we applied the same percentage to calculate the exact number of smokers in ICT.

3.5. Sampling Strategy / Technique to select the sample from ICT

Pakistan Bureau of Statistics was asked to sample the list of 30 clusters over the whole population of ICT including urban and rural settings. To conduct the survey of at least 1200 households among ICT, a two-stage cluster sampling strategy was carried out.

In 1st Stage, Field teams collected data of all the HHS of the target area and developed the list of all the smokers.

In the 2nd stage, smokers survey carried out within clusters selected in stage one. The household selection is done through a systematic sampling technique. The survey team was provided with the list of smokers to be interviewed and KG method was applied.

Kish Grid: It was developed by statistician Leslie Kish in 1949. It is a technique widely used in survey research. The Kish grid or Kish selection grid is a method for selecting members within a household to be interviewed. It uses a pre-assigned table of random numbers to find the person to be interviewed.

Below table has provided a clear picture of the sample

Districts	Clusters in Islamabad	Households per village	Total Sample Size
ICT	30	40	1200

3.6. Sampling Design

Utilizing the statistical assumptions of a confidence level of 95, the sample size was calculated through Selvin's formula. The formula resulted that at-least 1110 individuals to be surveyed and to accommodate for the departure from sampling approach for sample selection, and in accordance with the proposed sampling strategy, the initially calculated sample size was then amplified of at-least 1130 households as the calculated sample size. Keeping in view an assumed non-response rate of 5% among the survey participants, the final sample $\{(1130 \times 0.05) + 1130\} = 1200$ households were selected for the survey. Interviewees were either smoker male or smoker female adult member of the household. The Solvin's formula for sample size calculation is as below:

$$n = \frac{N}{1 + N(e)^2}$$

Where "n" is sample size, "N" is the total population of smokers in ICT, "e" is the margin of error which we have decided as 3%. So, on the basis of this formula, we have calculated the below information.

REGION WISE DISTRIBUTION OF THE POPULATION AND SAMPLE

DISTRICT	POPULATION OF SMOKERS	SAMPLE SIZE
ICT	125,838	1200

3.7. Survey Questionnaire

As part of the research study, a comprehensive questionnaire was developed to interview the selected smokers. The questionnaire had the following sections:

- **Background characteristics:** This included information on gender, age, education, and occupation status etc.
- **Tobacco smoking:** Questions on patterns and frequency of use, former tobacco consumption the age of initiation of daily smoking, consumption of different tobacco products and consultations with health care providers.
- **Smokeless tobacco:** This section collected information about using smokeless tobacco, such as naswar, nass (sniffed in the nose), paan, gutka, and others.
- **Cessation:** Questions on receiving advice to quit smoking by health care providers in last one year.
- **Economics:** This section included questions on the brand, quantity, cost, and source of cigarettes in the last purchase.
- **Advertising:** Questions on exposure tobacco advertising and promotion and their response to health warning labels on cigarette packs. The reference period for the questions in this section was the last 30 days.
- **Knowledge, attitudes, and perceptions:** In this section, it was asked about knowledge, health effects of both smoking and smokeless tobacco.
- **Cigarette packs observation:** to observe and record information printed on any cigarette packs that respondents/smokers have (brand, health warning, manufacturer details, and retail price).

4. DATA COLLECTION

Enumerators were trained by FFO to interview the respondents in the field using the hard copies of the questionnaire.

4.1. Data Processing, Aggregation, and Analysis

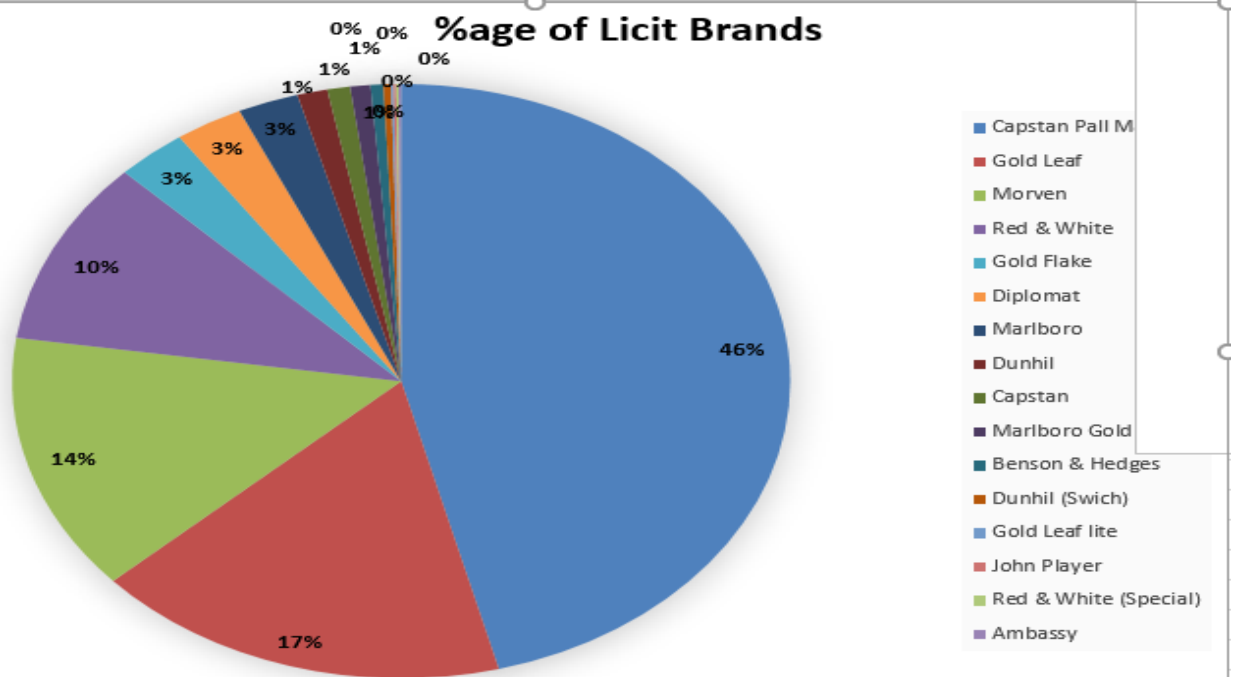
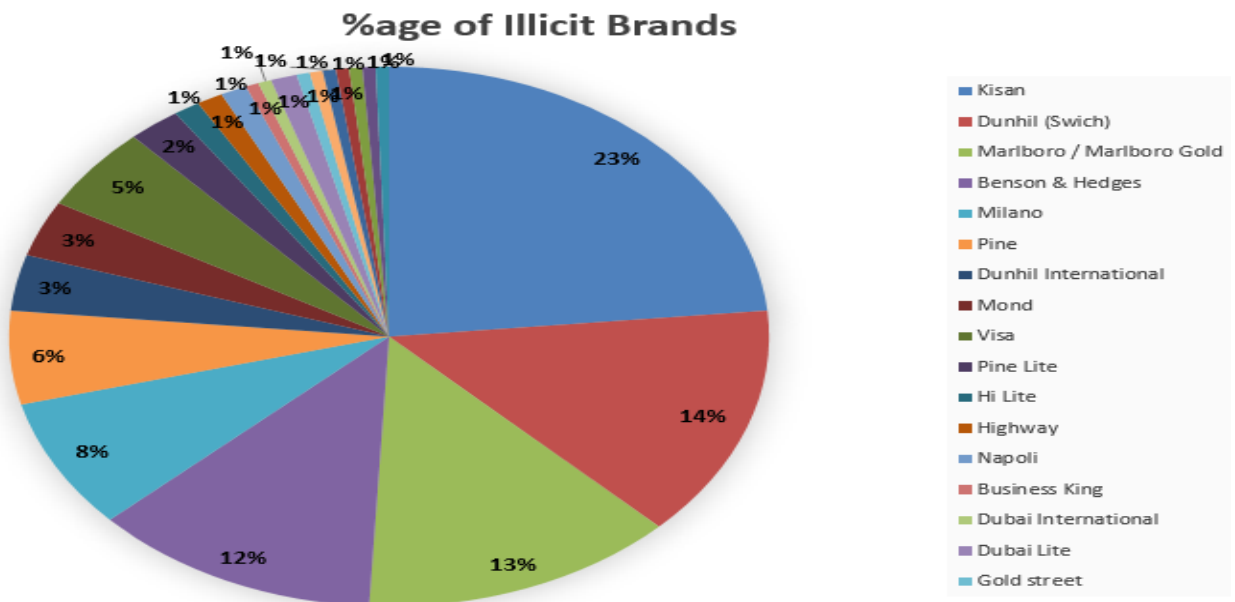
After interviewing the respondent hard copies of the questionnaires were submitted to Central place (central process unit) and data entry has been carried out by trained data entry operators. Data cleaning and analysis has been carried out using SPSS in tabular form including frequency, graphs, and percentages.

5. SURVEY FINDINGS

This section concerns with the findings of a survey relating to the prevalence of cigarette use in Islamabad and other tobacco-related behaviors.

Key finding

To quantify the share of illicit tobacco, use in ICT, a combined method of smoker survey and cigarette pack observation was used in 30 clusters (1,200 HHs) of Islamabad. The key findings of the study revealed that **15.8%** of the cigarette brands consumed in the federal capital failed to comply with the six-factor criteria (elaborated below) related to pictorial health warnings, textual health warning, low price/tax evade, underage warning, manufacturer details, printing of retail price and thus classified as illicit. This study also reveals that 10.5% of cigarettes were illicit cigarettes and 5.3% illicit as low price/ tax-evaded cigarettes.

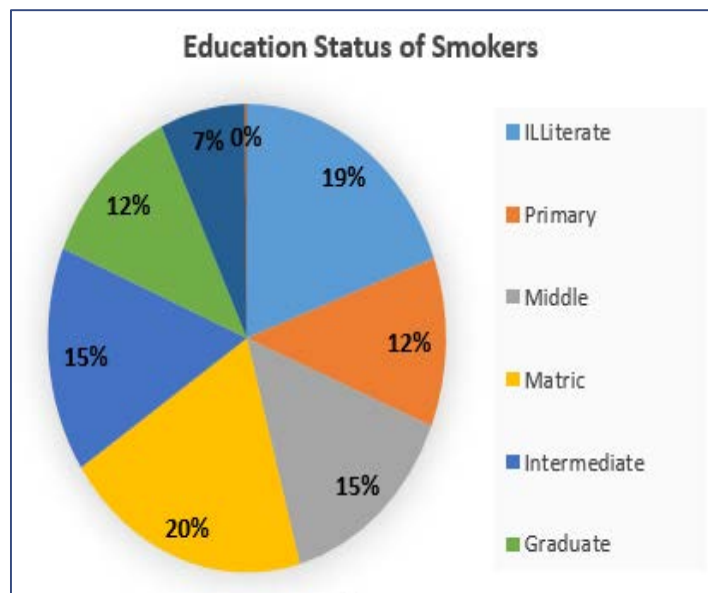


5.1. Educational Background and Profession

There was a strong relationship between smoking and education. The study found that adults with college degrees are less likely to smoke than adults with less education.

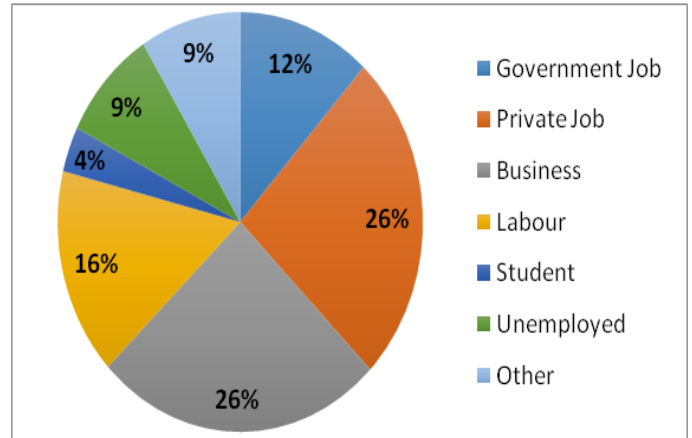
The survey findings confirmed that smoking is prevalent among people with low educational attainment. Amongst the surveyed populations, 65.7% were matric or below, the intermediate was 15.6%. Respondents with a graduate degree or above made 18.7%. Madrassa students only made 0.2% of the respondents.

Educational status and prevalence of smoking		
Education	Frequency	Percent
Illiterate	220	19.5
Primary	132	11.7
Middle	165	14.6
Matric	226	20.0
Intermediate	176	15.6
Graduate	132	11.7
Post Graduate	78	6.9
Madrassa	2	0.2
Total	1131	100.0



Another aspect of the analysis in the below graph revealed that the prevalence of smoking in people working in the private sector is more than government employees. Overall, 11.8% government employees are smokers (Urban: 19%, Rural: 5%) while incidence of smoking with private jobs is 25.6% (Urban: 20% Rural: 31%). The incidence of smoking in people with businesses is 25.5% (Urban: 27% Rural: 24%) laborers in an urban area are smokers while 14% belongs to a rural area. Survey findings also noted that 4% of students from urban are smokers while 3% in rural. Unemployed smokers ration is comparatively high in rural with 11% however 6% in urban.

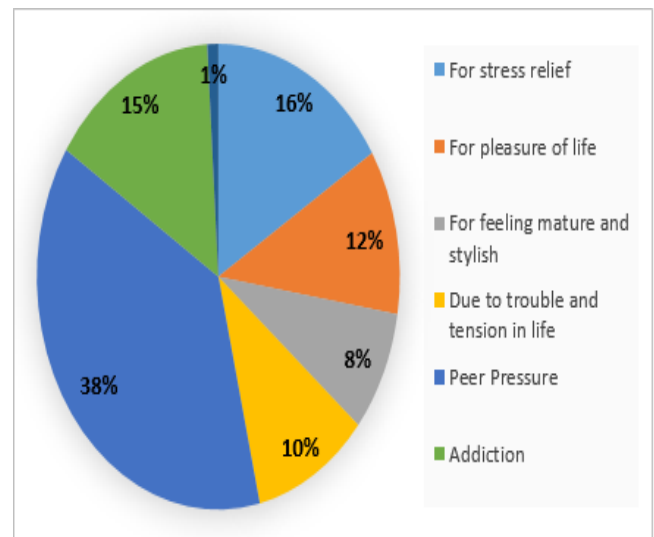
Smoking and Profession			
Profession	Urban	Rural	Total
Government Job	19	5	11.8
Private Job	20	31	25.6
Business	27	24	25.5
Labor	18	14	16.0
Student	4	3	3.5
Unemployed	6	11	8.7
Other (Retired, Drivers etc.)	7	11	8.9



5.2. Reasons to initiate Smoking

Survey findings revealed that 38% of current smokers (Urban: 49%, Rural: 27%) started smoking on peer pressure while 16% started smoking for stress relief.

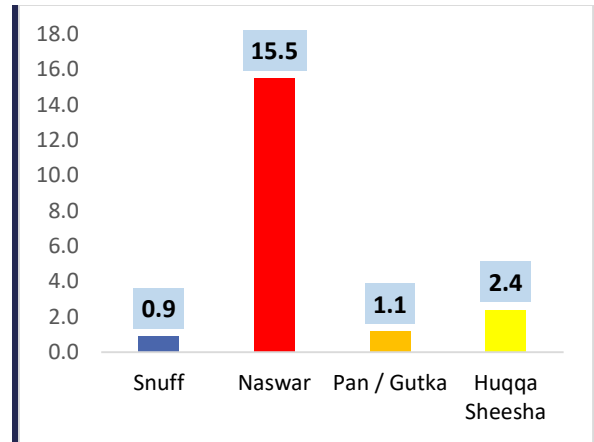
Reason to initiate smoking			
	Urban	Rural	Total
For stress relief	11	21	16.1
For the pleasure of life	11	12	11.5
For feeling mature and stylish	7	10	8.4
Trouble and tension in life	8	13	10.3
Peer Pressure	49	27	37.8
Addiction	13	17	14.9
Other	2	0	1.0
	100	100	100.0



5.3. Tobacco Use other than cigarette

This section presents information about the usage of tobacco other than cigarette by smokers. Overall 20% of the smokers were also using tobacco in any other form. Among these forms, the use of Naswar was highest (15.5%) followed by 2.4 using Huqqa / Sheesha, 1.1% using paan/gutka. Naswar was more common in rural and urban settings.

Smokeless Tobacco Products in Use			
Other Tobacco Products	Urban	Rural	Total
Snuff	0	2	0.9
Naswar	21.5	8.5	15.5
Pan / Gutka	1	2	1.1
Huqqa Sheesha	2	2	2.4

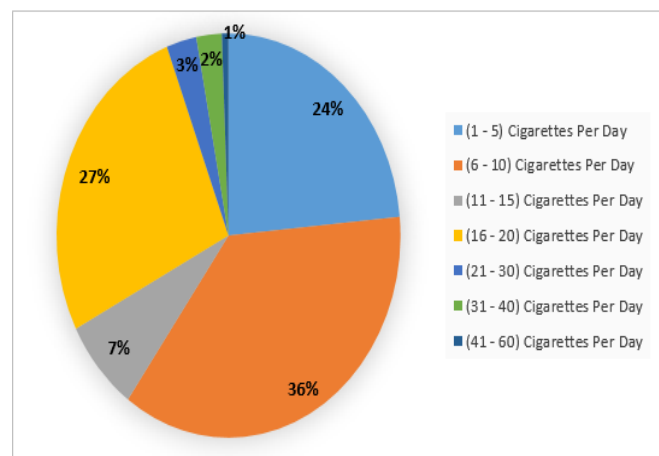


5.4. Number of Cigarettes Smoked Per Day

The average number of cigarettes smoked per day was calculated for daily smokers.

Daily cigarette smokers consumed **14463** cigarettes per day. Overall 12.78 cigarettes are consumed by a smoker. Majority of respondents (36.4%) reported consuming 6-10 cigarettes per day while 26.8% of respondents were smoking 16-20 cigarettes per day. 5.8 % of daily smokers are consuming over 20 cigarettes is a day.

Ave Cigarette Consumption in day			
	Overall	Rural	Urban
(1 - 5) Cigarettes Per Day	23.5	24	22
(6 - 10) Cigarettes Per Day	36.4	37	36
(11 - 15) Cigarettes Per Day	7.4	8	7
(16 - 20) Cigarettes Per Day	26.8	24	30
(21 - 30) Cigarettes Per Day	2.8	3	2
(31 - 40) Cigarettes Per Day	2.4	3	2
(41 - 60) Cigarettes Per Day	0.6	1	0

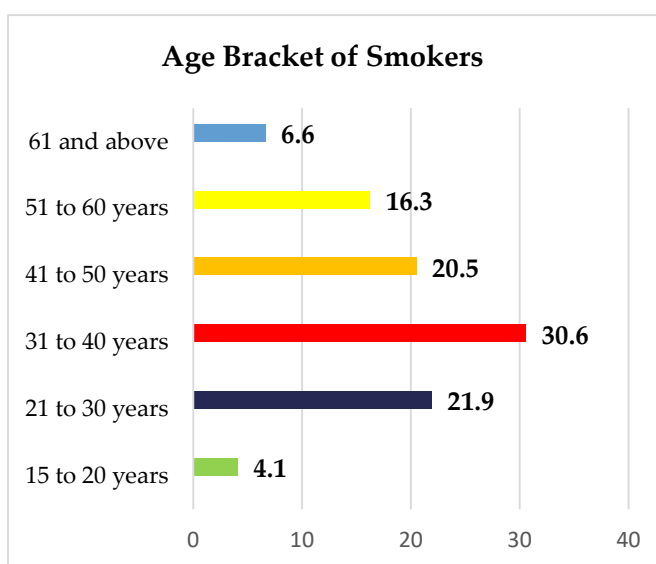


5.5. Age wise Consumption

In line with overall tobacco consumption, consumption of manufactured cigarettes generally increased with age. Interestingly, the survey findings showed that the highest cigarette consumption found in the age group (31 to 40) years as 30.6%.

The graph below showed that the cigarette consumption gradually increased as 4.1% from the age group (15-20) to 21.9% in the age group (21-30) and 30.6% in the age group (31-40) and decreased in the age group (41-50). Cigarette consumption decreased as 16.3% in age group (51-60) to 6.6% in the age group (61 and above). Below table presents the age wise cigarette consumption in both rural and urban area. The survey noted the highest consumption in the age group (31-40) as 34.3% in rural and 26.8% in urban area. The survey findings revealed that smokers of age 41 and above decrease smoking on doctor advice.

Ave Cigarette Consumption with Age			
Age Bracket	Overall	Rural	Urban
15 to 20 years	4.1	3.9	4.3
21 to 30 years	21.9	18.8	25.2
31 to 40 years	30.6	34.3	26.8
41 to 50 years	20.5	18.5	22.6
51 to 60 years	16.3	18.1	14.2
61 and above	6.6	6.3	6.9



5.6. Expenditure on Cigarettes

1. This section focuses on the economic aspects of cigarette use among smokers. Important indicators were calculated, such as overall cigarette consumption and price per pack, monthly expenditures on cigarettes, place of cigarette purchases, type of cigarettes purchased and any illicit trade of tobacco products.
2. The average price of a pack of cigarettes is 84.31 while on average, current smokers consume 12.78 sticks per day. The average spending on cigarettes per month is PKR 1616 which is 10.79% of minimum wage fixed (PKR 15000) by the government of Pakistan.
3. It is not merely the economic costs rather the money spent on tobacco has other implications as well. Tobacco use tends to be higher among the poor. The poor, in turn, spend a larger proportion of their income on tobacco than do richer households. Food, shelter, education and health care are basic human needs
4. Tobacco also contributes to the poverty of individuals and families since tobacco users are at much higher risk of falling ill and dying prematurely of cancers, heart attacks,

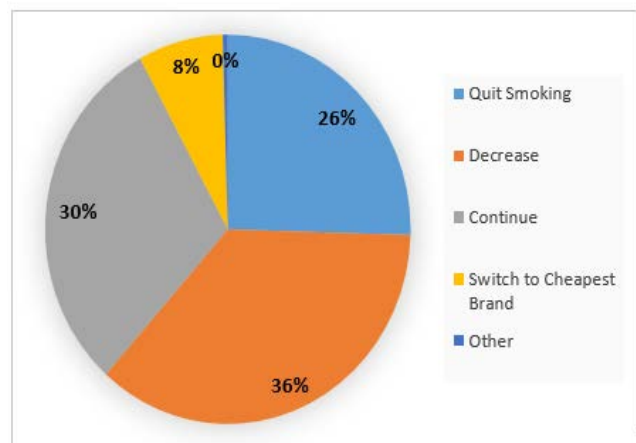
respiratory diseases or other tobacco-related diseases, thus depriving families of much-needed income, imposing additional health-care costs and productivity loss.

5.7. Effect of Increase in Tobacco Prices

The survey recorded the responses of smokers on “if the cigarette pack prices are doubled”, 25.5% respondents said that they would quit smoking if the price is doubled from the existing level, 36.2% said that they would decrease daily smoking while 30.4% said that they would continue smoking at the current level. Average 7.5% of interviewees said they will switch to a cheaper brand if the price is double. However, 3% of smokers in an urban area are of the view that they will switch to cheap cigarette and 11.9% in rural area.

The rural and Urban statistic in the below graphs showed that rural (Smokers) are likely to quit smoking more than the urban user. The results validate the much-advocated policy recommendation that the increase in prices will help curb smoking and the health cost burden will also reduce.

If the cigarette pack price be doubled			
	Overall	Urban	Rural
Quit Smoking	25	28.8	22.2
Decrease	36	29.5	42.6
Continue	30	29.1	31.9
Switch to Cheapest Brand	8	11.9	3.2
Other	0	0.7	0.2
Total	100	100.0	100



6. POPULAR BRANDS

39 smoking brands identified during the interview with smokers.

The survey revealed that among five popular cigarette brands, Capstan Pall Mall was more commonly purchased/used cigarette (38.7 %) followed by Gold Leaf (14.6%), Morven (10.2%), Red & White (8.4%) and Kisan (3.5%). Pall Mall was consumed at a higher rate by both rural and urban dwellers.

7. KNOWLEDGE, ATTITUDE, AND PERCEPTIONS

Tobacco smoke contains more than 7,000 chemicals, and many are considered carcinogenic. Smoking tobacco is one of the major risk factors for several diseases causing premature death and chronic illness such as cancers, lung diseases, and cardiovascular diseases. Smokers and non-

smokers alike often don't fully understand the harm caused by smoking and exposure to smoking, and that the true social norm is to not smoke. It is essential to increase public awareness of the harms caused by smoking and to gather public support for tobacco control.

This section describes survey findings on the knowledge and beliefs the public has on the harms of smoking. Public opinion regarding increasing tobacco tax and their perceptions of large or colored beautifully attracted cigarette packs as a means of tobacco advertisement is also considered.

Overall, 93.2% of adults in ICT reported believing that smoking causes serious illness including heart attack, lung cancer, paralysis, and others. The percentage of past-year smokers who received advice to quit smoking by a health practitioner in the past 12 months was 42.6%. There was no difference in the age groups, residence, and education level.

8. OBSERVATION ON TOBACCO PRODUCT

As part of the study, cigarette packs available with the respondents (smokers) were also examined to measure the burden of illicit trade in ICT.

8.1. Health Warning Labels

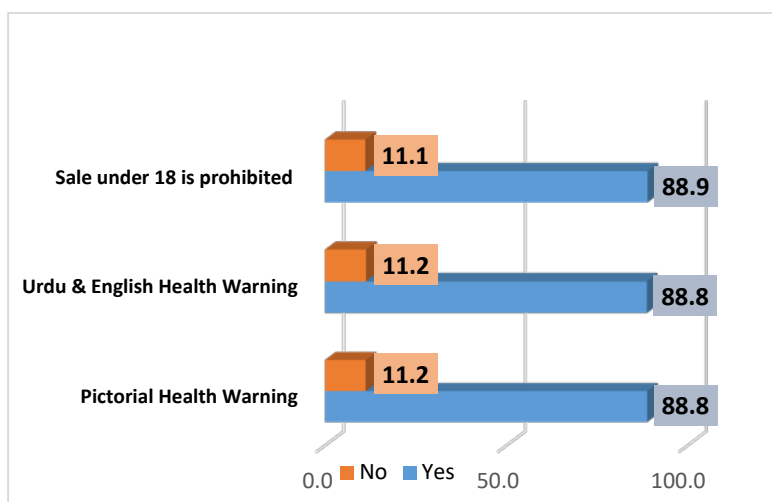
Among the current use of cigarettes, 88.8% of cigarette packs noticed having pictorial health warnings. 88.8% of cigarette packs noticed having a textual warning in English and Urdu.

8.2. Warning Related to Underage Sale

The study findings showed that 88.9% of cigarette packs contain underage warnings on cigarette packs.

8.3. Price and Manufacture Details

Only 9.8% reported that the minimum price was not mentioned on the cigarette pack. 97.9% noticed the name and address of the manufacturer printed on the cigarette pack. No cigarette pack reported having any tax stamp on cigarette packs.



9. Assessment of Illicit Packs

Based on the combination of the packs' characteristics, the percentage of illicit packs was 15.8 percent. This number was based on the criteria mentioned above. There are different variations and permutations that can be applied to the data, but the percentage of illicit cigarettes in ICT is 15.8% percent of the total cigarettes consumed within the target smokers. Overall, daily smokers in ICT consume 5.3% illicit cigarettes that meet all the criteria but sold on a price lower than PKR 48/58; duty not paid (DNP). The share of illicit cigarettes with missing all criteria/smuggled cigarette is 10.5%. Overall, 179 current smokers out of 1131 smokers consume 2,307 illicit cigarettes daily.

Illicit, Meets all Criteria except price Less than Rs .48/ 58)	Illicit, missing all criteria/smuggled	Total
Kisan, Visa, Dubai International, Hero, highway, Dubai Lights, Gold Street, Tender, Press	Milano, hi-lite, pine, business king, Mond, Napoli, Marlboro, Dunhill International, Dunhill switch, Benson & Hedges, Marlboro/Marlboro gold, Macbeth, Silk cut Silver, More	
60 smokers	119 smokers	179 smokers
5.3 %	10.5%	15.8%

10. GIFT / PROMOTIONAL SCHEME ON TOBACCO PRODUCT

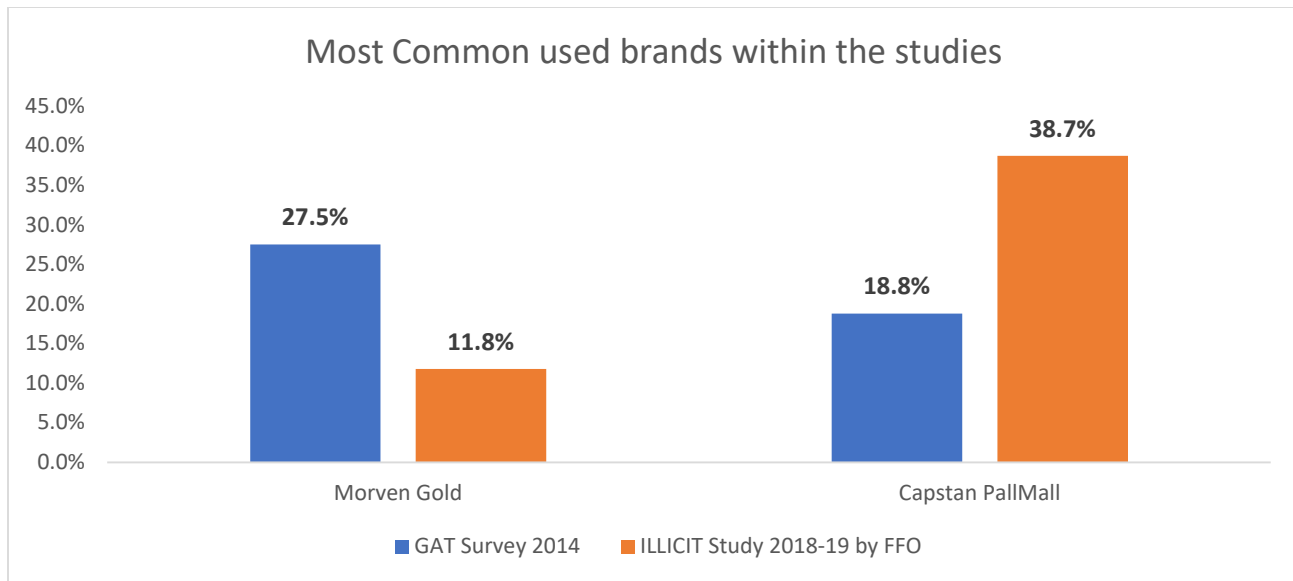
The smokers were asked about the gifts if they received after purchasing the cigarette pack. 99% smokers both in the rural and urban area responded that they didn't get any gift. Only 1% responded that they got gifts like lighter with brand print, cup, cap, extra small cigarette pack, save money etc.



11. COMPARISON BETWEEN FFO STUDY AND GAT-2014 STUDY

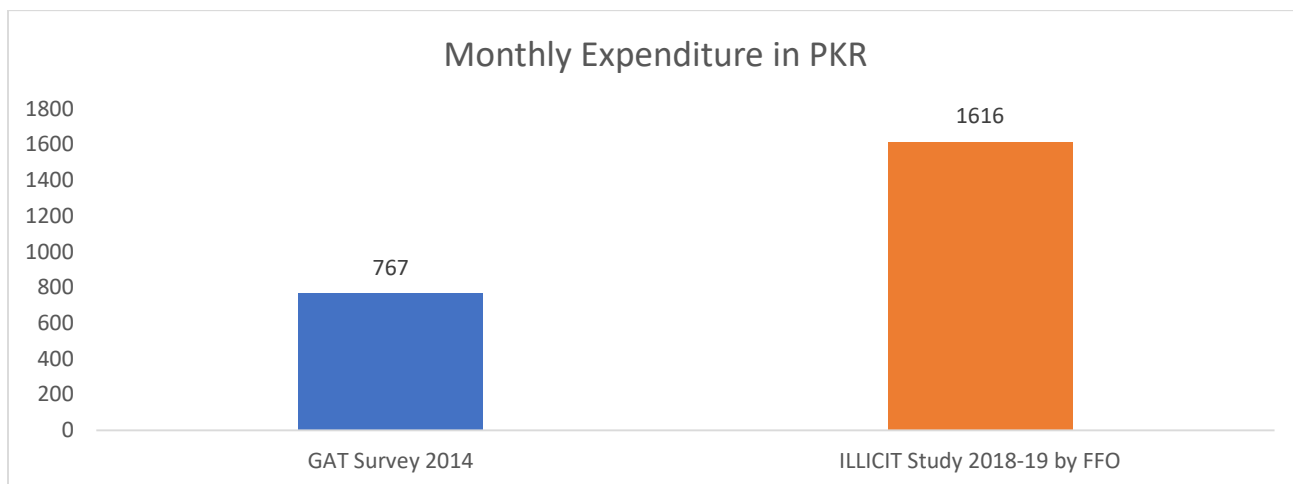
Most Popular Brand

Morven Gold was most commonly purchased (27.5%) brand according to GAT-2014 survey while Capstan Pal Mall is with 38.7% according to FFO study.



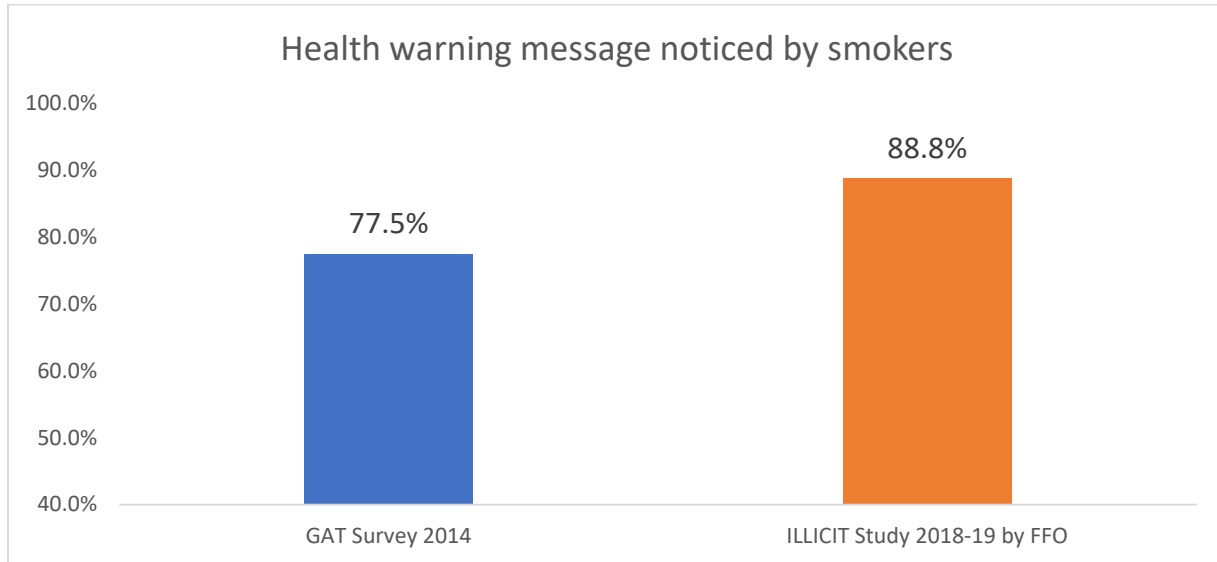
Expenditure on cigarette

Expenditure on Cigarettes per month was 767 PKR according to GAT survey while 1616 PKR as per FFO study. GAT study was conducted in the year 2014 and Illicit study is recently conducted and the reason behind the increased expenditure is may be high inflation over the four years.



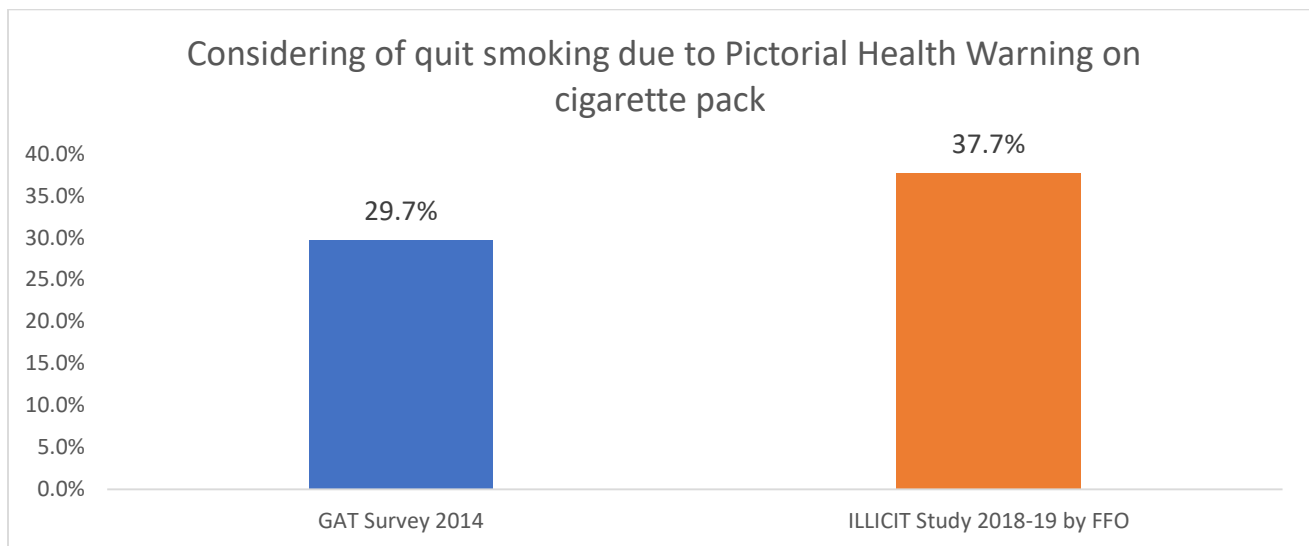
Health Warning Notice

Health warning messages on cigarettes packs have been used to warn smokers. Overall 77.5% of current smokers (GAT study) noticed health warnings on cigarette packages while FFO study reveals that, 88.8% current smokers noticed health warnings on cigarette packs.



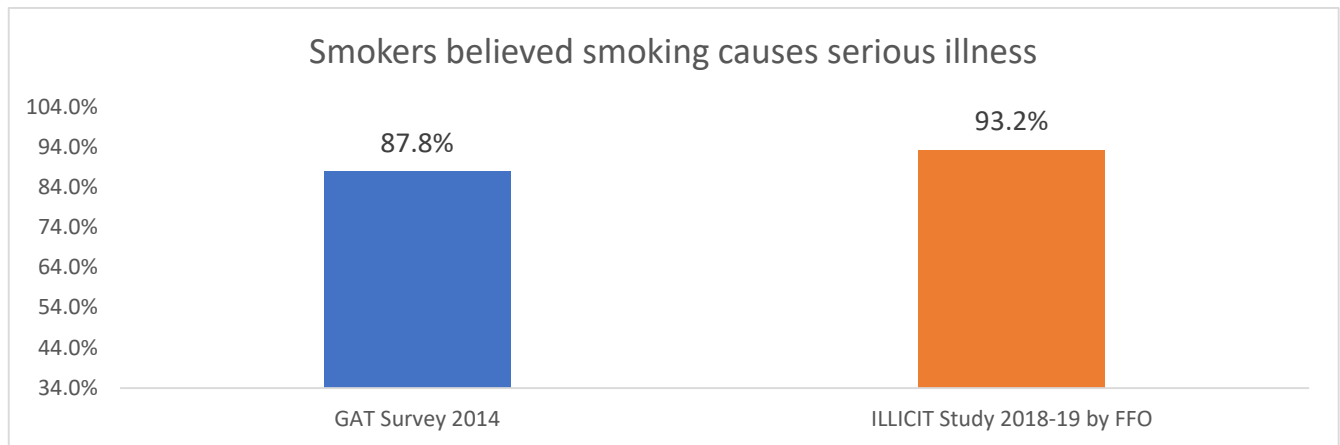
Considering of Quitting due to Pictorial Health Warning on the cigarette pack

As per the GATS study conducted in 2014, 29.7% of current smokers thought of quitting smoking because of noticing health warning on cigarettes packs. While FFO study reveals that, 37.7 % of respondents consider quitting tobacco after viewing the pictorial warning on cigarette packs. This indicates that PHW plays a vital role in reducing cigarette smoking.



Knowledge

GATS study indicates that 87.8% of current smokers believed smoking causes serious illness while according to FFO study 93.2% of current smokers believe that smoking is injurious to health.



12. CONCLUSION AND RECOMMENDATION

The primary objective of this research study was to measure the share of illicit cigarette use in Islamabad Capital Territory (ICT) and research findings reveal that volume of illicit tobacco trade is nowhere near to the much-propagated figures by the tobacco industry. Currently, 39 cigarette brands are in use of smokers covered under the study out of which 23 brands are classified as illicit. However, consumption of illicit brands is much less than legal brands. Out of 1131 smokers, only 179 were using illicit cigarettes.

Study findings show that the current users of illicit tobacco use in Islamabad Capital Territory are only 15.8% which is a significant finding in contrast to overstated figures by Tobacco Industry.

Tobacco Industry often exaggerates the data of illicit tobacco trade to influence the tax regime as and they were successful in pursuing government to introduce the third tier which effectively reduced the cigarette prices resulting in increased consumption.

Reduced cigarette prices due to lower tax rates are causing significant losses to the national exchequer. Increase consumption also puts the burden on national exchequer through increased spending on health. There is a strong relationship between illicit trade of cigarettes, governance, illegitimate business, money laundering & terrorism finance. The tobacco industry commonly argues that higher taxes and prices (as well as other tobacco control measures), will motivate customers to buy illegal products rather than smoking less or quitting and that this will impact tax revenue without a decline in tobacco use. Numerous empirical analyses, across a diversity of countries – including the case studies presented in this report – refute this argument. (Confronting Illicit Tobacco Trade: A Global Review of Country Experiences)

The Governments should fully implement the WHO Framework Convention on Tobacco Control and its Protocol to Eliminate Illicit Trade in Tobacco Products. The Protocol features a number of useful action points, including Article 10.1.b which notes that Parties shall “take the necessary measures” so that companies “[supply] tobacco products or manufacturing equipment in amounts commensurate with the demand for such products within the intended market of retail sale or use”. Given the complexity of the issue, countries need to take a comprehensive action that illicit tobacco is countering the government efforts to curb smoking and rigorous multi-pronged approach is needed to tackle it effectively. The multidimensional approach should include

The Government should tackle tobacco industry interference: The first measure is to tackle industry interference with policymaking. TTCs are attempting to circumvent international guidelines to reclaim influence in tobacco control by supporting governments to tackle the illicit

tobacco trade. But as the WHO warns, “There is a fundamental and irreconcilable conflict between the tobacco industry’s interests and public health policy interests.” Second, governments would do well to increase resources dedicated to relevant law enforcement and customs departments – including adequate training independent of the tobacco industry. Third, more data should be collected and analyzed independently of the tobacco industry. Very often there is much we do not know about the illicit tobacco trade in any said country, meaning that policy responses often rely on potentially misleading seizure figures and industry-funded data. More broadly speaking, the more fundamental issues of weak governance, institutional capacity, political will, transparency, accountability, and corruption need to be tackled for any substantial progress to be made.

Increase in Cigarette Taxation: The government should abolish the third tier and increase the tax rate. Concurrently Government should consider effective taxation reforms and good tax administration to make sure that duty not paid cigarettes are not sold in the market.

Controlling the Supply Chain: As the findings indicate that the share of illicit tobacco in ICT is 15.8% and to effectively reduce the size of the illicit tobacco trade, opportunities exist for government to control the supply chain and prevent diversion into the illicit market by imposing licensing and regulatory requirements on tobacco vendors throughout the supply chain, including tobacco growers, manufacturers, distributors, wholesalers, and retailers.

Track & Trace System: Article 8 Protocol to eliminate Illicit trade in tobacco products is on Tracking and Tracing. is possibly the most essential one, however. Its transcripts that “the Parties agree to establish within five years of entry into force of this Protocol a global tracking and tracing regime”. Under the traceability system of the Protocol, detailed information on the entirety of the tobacco supply chain is for instance required, including “the name, invoice, order number and payment records of the first customer not affiliated to the manufacturer”, “the intended market of retail sale”, “any warehousing and shipping”, “the identity of any known subsequent purchaser”, and “the intended shipment route, the shipment date, shipment destination, point of departure and consignee” (Article 8.4.1). This system is intended to “further [secure] the supply chain and to assist in the investigation of illicit trade in tobacco products”. However, it is currently at risk of being controlled by the tobacco industry. Further research on this development and caution from governments are required to ensure that the track and trace measures put in place across the world effectively mitigate the illicit tobacco trade, rather than promote the commercial interests of TTCs at the expense of public health and good governance.

Strict enforcement of existing laws. Pakistan is amongst the countries having good tobacco control laws, but these regulations are hardly enforced. To curb illicit tobacco trade, existing tobacco control laws/vendor act should be enforced rigorously.

Enforcement of laws especially ban on smoking at public places, government offices, academic institutions should be strictly ensured. Similarly, underage and sale below a specified minimum price should be strictly prohibited.

Public awareness campaigns Getting the public involved supports enforcement and reduces the demand for illegal products. The government should try to change the public attitudes towards smoking by directly attacking the “culture of tolerance” for smoking, whether licit or illicit cigarettes. Special focus should be on the population with a high prevalence of smoking including illiterate / semi-literate, youth in the age group of 21-30 and people working in the private sector. Impact of the crackdown in the markets to stop the sale of illicit cigarettes would be substantial.

Legitimate Tobacco Industry is stakeholder: Legitimate Tobacco manufacturers also bear the burden of the prevalence of illicit trade and are often blamed for promoting. Legally binding agreements and memoranda of understanding with the tobacco industry will encourage them to cooperate with the authorities to limit illicit tobacco trade.