SRI LANKA

2021

TOBACCO INDUSTRY INTERFERENCE INDEX
According to recent estimates, there are over 1.5 million Sri Lankans smoking about 11 million cigarette sticks daily according to the National Authority on Tobacco and Alcohol (NATA) while the WHO estimates 20,000 annual deaths due to tobacco use in Sri Lanka\(^1\). Sri Lanka signed and ratified the WHO Framework Convention on Tobacco Control (WHO FCTC) in 2003, the fourth country in the world to do so. In 2006, the NATA was established as an independent government agency to address the harm caused by the use of tobacco and alcohol. Sri Lanka has stringent policies to reduce tobacco use, including prohibiting advertising on traditional and new forms of media (e.g., television, the internet); mandating that graphic warning labels cover more than 80% of cigarette packs, and prohibiting smoking in many indoor public places.

Tobacco companies continue to promote and expand their business at the cost of the public and frequently interfere in tobacco control.\(^2\) In Sri Lanka, Ceylon Tobacco Company (CTC) founded in 1932 is virtually a monopoly in manufacturing, importing, and selling cigarettes. CTC is a publicly listed company with 84% of its shares held by British American Tobacco (BAT) and another 8% by a subsidiary of Philip Morris USA. According to the Annual Report 2020 of CTC, its total economic contribution was 140 billion rupees (around 0.7 billion USD)\(^3\). While the industry highlights its payment to government revenue regularly to increase its corporate profile, tobacco costs more to the government than earnings, as demonstrated in 2016 when tobacco use cost the Sri Lankan economy LKR 213.8 billion (around USD 1.1 billion), equivalent to 1.6% of its GDP.\(^4\)

Sri Lanka made commendable progress in establishing control measures on tobacco smoking. It has implemented pictorial warnings covering 80% of both sides of cigarette packs and banned e-cigarettes and flavoured cigarettes. Health, Nutrition, and Indigenous Medicine Minister Pavithra Wanniarachchi said that Sri Lanka has a target to establish at least 1,000 tobacco-free zones within the next two years. According to the 2015 STEP Wise approach to Surveillance (STEPS) Non-Communicable Disease risk factor survey results by the World Health Organization and the Sri Lankan Ministry of Health, proportion of current smokers among those aged between 18 and 69 years was 15.0%\(^5\). Tobacco will not be a major public health issue when a country reaches less than 10% consumption milestone according to WHO standards, which NATA targets to achieve within the next 5 years.

While tobacco control measures are being strengthened, the tobacco industry has many new tactics for its products to reach the public. The CTC Annual Report 2020 mentions that it is “compelled to rethink our strategy to ensure continued product availability”. These often target socially or economically vulnerable groups while masquerading as philanthropic ventures to the general public. Distributing vendor carts, a project launched in 2019 has distributed 800 vendor carts in the past year to socially and economically vulnerable individuals in rural communities. CTC has 13 distributors and supplies its cigarettes to 33,329 traders. These traders are selling many consumer items in addition to tobacco. CTC often misleads the government and the public

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that these retailers solely depend on the tobacco industry thus tobacco control measures would threaten the livelihood of small business owners.

Former member (2013 – 2018) of Securities and Exchange Commission (SEC) of Sri Lanka, Suresh Shah, has joined the Board of CTC (Chairman W.E.F. 16 February 2021 and Independent Non-Executive Director W.E.F. 1 February 2021)\(^6\). He is also the former CEO of Lion Brewery Ceylon PLC and Ceylon Beverage Holdings PLC, the largest beer manufacturer in Sri Lanka, who also markets international beer brands\(^7\), and he will bring his relationships and influences he has cultivated during the long period of time he has worked in the Alcohol industry.

The WHO FCTC Article 5.3 guideline is a tool to assist the government to protect its tobacco control measures from tobacco industry interference. This report provides information on how well the government is implementing the recommendations outlined in the guideline. This country profile is prepared by using publicly available information from the period of 1\(^{st}\) of January 2020 to 31\(^{st}\) of March 2021.

This is Sri Lanka’s third report in the series and there is a slight deterioration in indicators 2 & 4 from the previous year, thus increasing the 2021 score to 45, whereas 2020 score was 44 points. This is still a major improvement from the 2019 score of 58.

This report uses a questionnaire developed by the Southeast Asia Tobacco Control Alliance (SEATCA) based on the Article 5.3 Guidelines\(^8\). A scoring system is applied to make the assessment. The score ranges from 0 - 5, where 5 indicates the highest level of industry interference, and 1 is low or no interference. Hence lower the score, better for the country. The information contained in this report will form part of the Global Tobacco Industry Interference Index, a global survey of how public health policies are protected from the industry’s subversive efforts, and how governments have resisted this influence.

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Summary Findings

1. **INDUSTRY PARTICIPATION IN POLICY DEVELOPMENT**

   There is no evidence to support that the government accepts, supports or endorses any offer for assistance by or in collaboration with the tobacco industry in setting or implementing public health policies in relation to tobacco control. Furthermore, the Ministry of Health remains committed to implementing strong tobacco control measures. Since 2015, pictorial health warnings are already in place covering 80% of the pack, providing tar and nicotine content.

2. **INDUSTRY CSR ACTIVITIES**

   British American Tobacco (BAT), the parent company of CTC has mentioned several environmental, social and governance (ESG) projects conducted in Sri Lanka in their 2020 ESG report such as installing water filtration plants in partnership with Sri Lankan navy during the COVID-19 pandemic. CTC was also involved in reforestation projects in conjunction with government agencies.

3. **BENEFITS TO THE INDUSTRY**

   There are still irregularities in tobacco taxation in Sri Lanka. Tobacco Free Initiative of WHO recommends minimization of incentives for tobacco users to switch to cheaper brands or products in response to tax increases. Tobacco tax in Sri Lanka is a combination of Excise and VAT but this may change in the future, as a GST (at a rate of 40%) for certain goods including cigarettes were announced at the 2021 budget speech. Ad valorem taxes are a step back from the current specific taxes; more appropriate action would be to minimize the irregularities in the tiered taxation based on stick length. Since 2020 the ban on single stick sale is still delayed. NATA announced the drafting of legislation to ban the sale of single cigarettes in September 2020. There were previous attempts to ban the single cigarette sale in the 2018 draft bill but it was not approved. The finance minister later revealed the objection was because it may reduce the tax revenue due to reduced cigarette sales and switching to beedi. Plain packaging is still on hold since 2018. Introduction of plain packaging obtained cabinet approval in 2018 but was delayed due to administrative causes unrelated to industry interference.

4. **UNNECESSARY INTERACTION**

   Smuggled cigarettes confiscated by Sri Lanka customs were destroyed with the support of CTC in the CTC premises. Also, in another instance CTC CEO/MD Nedal Salem took part in destroying illicit cigarettes confiscated by the officers of Sri Lanka Customs’ Central Investigation Bureau (CIB). Introduction of a nicotine-free cinnamon cigarette received strong backing from the Minister of Industries.

5. **TRANSPARENCY**

   Interactions with the tobacco industry are not disclosed publicly. The government does not require registration of tobacco industry entities, affiliated organizations, and individuals acting on their behalf including lobbyists.
6. **CONFLICT OF INTEREST**
   The government does not prohibit contributions to political parties from the tobacco industry or any entity working to further its interests. There were instances where people who worked with the tobacco industry joined government positions in the past. The government does not specify a period of non-involvement to persons previously employed by the tobacco industry. Also, Sri Lanka has a lack of campaign finance laws thus candidates or parties are not required to disclose information on the funds spent on their campaigns or donations received.

7. **PREVENTIVE MEASURES**
   Government has not put in place a procedure for disclosing the records of the interaction with the tobacco industry. But NATA has developed guidelines to implement Article 5.3 in 2019, which addresses the previous lack of program or plan to consistently raise awareness on Article 5.3 within its departments. Although the guideline is developed it is not currently being implemented. Tobacco production, imports and the quantum of manufactured cigarettes must be disclosed for taxation purposes. However, there is no procedure to report lobbying, philanthropy and political contributions. While there is a code of conduct for government / public officials to restrict acceptance of gifts and contributions for their service other than what is already allowed in the establishment code or departmental protocols, this does not restrict government officials from taking part in events, study visits sponsored by the tobacco industry.

**Recommendations**

1. Implement a comprehensive ban on all forms of tobacco industry related CSR activities as recommended in the WHO FCTC guidelines.
2. The government should implement the national guidelines on Article 5.3 of WHO FCTC.
3. Tobacco related policies such as taxation need to be given high priority as public health measures and should be based on evidence-based and scientific methodologies to avoid industry manipulation. Guidelines for implementation of Article 6 of the WHO FCTC states specific uniform tax systems are easy to implement and administer, because only the volume, and not the value, of the product needs to be ascertained.
4. Awareness programs on WHO FCTC Article 5.3 should be conducted regularly for government officials and across all its departments.
5. There should be exit policy term limits for retired government officials for 5 years so that they do not join the tobacco industry immediately and a cooling-off period should be specified for former tobacco industry executives who want to serve in public office.
6. Expedite implementation for the code of conduct for government officials.
7. The government should require rules for the disclosure of Tobacco Industry affiliated organizations, individuals acting on behalf of the tobacco industry and lobbyists.
# 2021 Tobacco Industry Interference Index

## Results and Findings

### INDICATOR 1: Level of Industry Participation in Policy-Development

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<tbody>
<tr>
<td>1.</td>
<td>The government accepts, supports or endorses any offer for assistance by or in collaboration with the tobacco industry in setting or implementing public health policies in relation to tobacco control (Rec 3.1)</td>
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There is no evidence to support that the government accepts, supports or endorses any offer for assistance by or in collaboration with the tobacco industry in setting or implementing public health policies in relation to tobacco control.

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<td>2.</td>
<td>The government accepts, supports policies or legislation drafted by or in collaboration with the tobacco industry. (Rec 3.4)</td>
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### Tobacco Taxation

Cigarette brands have over 70% of tax (Excise + Value-Added Tax (VAT)) imposed from retail price.

### A smoke free environment

National Authority on Tobacco and Alcohol (NATA) act article 39 has established a smoke free environment.

### Packaging & Labelling

Pictorial Health Warnings are already in place for 80% of the pack with tar and nicotine content.

### Advertising, Promotions and CSR

Most forms of advertising, promotions and CSR activities for the tobacco industry have been banned under article 35 & 36.

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<td>3.</td>
<td>The government allows/invites the tobacco industry to sit in government interagency/ multi-sectoral committee/ advisory group body that sets public health policy. (Rec 4.8)</td>
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No, the government does not allow/invite the tobacco industry to sit in any interagency body that sets public health policy.

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<td>4.</td>
<td>The government nominates or allows representatives from the tobacco industry (including State-owned) in the delegation to the COP or other subsidiary bodies or accepts their sponsorship for delegates. (i.e. COP 4 &amp; 5, INB 4 5, WG) (Rec 4.9 &amp; 8.3)</td>
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9 The term “government” refers to any public official whether or not acting within the scope of authority as long as cloaked with such authority or holding out to another as having such authority.

10 The term, “tobacco industry” includes those representing its interests or working to further its interests, including the State-owned tobacco industry.

11 “Offer of assistance” may include draft legislation, technical input, recommendations, overseas study tour.

12 Please annex a list since 2009 so that the respondent can quantify the frequency, [http://www.who.int/fccc/cop/en/](http://www.who.int/fccc/cop/en/)
There have not been instances where the tobacco industry (or its representatives) was in the delegation to COP or its related meetings.

**INDICATOR 2: Industry CSR activities**

5. A. The government agencies or its officials endorses supports, forms partnerships with or participates in so-called CSR activities organized by the tobacco industry. (Rec 6.2)

B. The government (its agencies and officials) receives contributions (monetary or otherwise) from the tobacco industry (including so-called CSR contributions). (Rec 6.4)

Most forms of advertising, promotions and CSR activities for the tobacco industry have been banned under article 35 & 36. According to the NATA act no. 27 of 2006; section 36, TI cannot sponsor educational, cultural, social or sporting organization, activity or event. However publicity that does not use tobacco brand names or trademarks and publicity of sponsored individuals are allowed.

BAT, the parent company of CTC has mentioned several environmental, social and governance (ESG) projects conducted in Sri Lanka in their 2020 ESG report. One such project is installing water filtration plants in partnership with the Sri Lankan navy during the COVID-19 pandemic. This project plans to install 30 plants over the next 3 years. The report also mentions home gardening initiatives conducted since 2006 for rural women of Sri Lanka where they use their garden to grow organic crops and other food and income sources, such as goat rearing. However, there was no news available on the internet of these activities carried out in 2020.

According to CTC Annual Report 2020, CTC has joined with the Forest Department for a reforestation project in Sigiriya to plant 3,500 species of indigenous trees in a Government owned 12-acre land, which is a part of the Murungahitikanda Forest Reserve. The funds to convert the land into a forest over the next 5 years would be covered by CTC.

Another such project done by CTC is maintaining a 123-acre Government owned land in Matale, in partnership with the University of Peradeniya, which is currently exploring ways to convert the eucalyptus forest into an indigenous forest. CTC provides required funds for the maintenance of the land.

CTC Annual report 2020 also mentions COVID-19 support in the form of Personal protective equipment (PPE) distribution and conducting awareness sessions for contracted tobacco farmers and distribution partners. It also mentions distributing 1000 mango saplings to tobacco and non-tobacco farmers and hopes to widen the scope of this initiative in 2021. However there weren’t any mention of government agencies or its officials associated in these activities.

**INDICATOR 3: Benefits to the Tobacco Industry**

6. The government accommodates requests from the tobacco industry for a longer time frame for implementation or postponement of tobacco control law. (e.g. 180 days is common
In the 2021 budget speech, a tax increase wasn’t proposed, rather a GST (at a rate of 40%) for certain goods including cigarettes. It isn’t known if the newly proposed GST will replace the main tax on cigarettes (Excise tax) or other tax like VAT or even if the tiered tax system will still apply\(^\text{14}\).

Delay in plain packaging implementation benefits the industry. Introduction of plain packaging has been on hold for more than 12 months\(^\text{15}\) but the delay is due to the dissolution of the parliament, presidential election and changing of cabinet in 2019 and due to the pandemic in 2020.

Delay in passing the bill on ban on single stick sales benefits the tobacco industry.
There have been no evidence of direct interference in public health measures in 2020 but the public health measures they have successfully blocked before that, such as the ban on single stick sale, is still implemented. Only the tobacco industry stands to gain from the delay of the bill and continued sales of single sticks of cigarettes. There are no records/proof to show that the government is accepting and/or supporting offer of collaboration with the Tobacco Industry.

7. **The government gives privileges, incentives, exemptions or benefits to the tobacco industry (Rec 7.3)**

There are no tax privileges, incentives, exemptions or benefits to the tobacco industry. It is not clear if the GST will benefit the tobacco industry or not as specific GST measures have not been announced yet. Therefore we cannot give a score based on this announcement alone.

### INDICATOR 4: Forms of Unnecessary Interaction

8. **Top level government officials (such as President/ Prime Minister or Minister\(^\text{16}\)) meet with/ foster relations with the tobacco companies such as attending social functions and other events sponsored or organized by the tobacco companies or those furthering its interests. (Rec 2.1)**

Wimal Weerawansa, Minister of Industries spoke in an event promoting a local made nicotine-free cinnamon cigarette, Lion Heart brand, at its product launch on 17\textsuperscript{th} March at Kingsbury Hotel\(^\text{17}\). Production and promotion of this product is a violation of the NATA Act no.27 of 2006. He did not receive any support from other ministers or government officials. This is **not a tobacco product**; this was an infringement of the NATA Act as this product displayed at the press conference resembled a cigarette therefore contravened advertising laws. The law was implemented irrespective of who violated it.

9. **The government accepts assistance/ offers of assistance from the tobacco industry on enforcement such as conducting raids on tobacco smuggling or enforcing smoke free policies or no sales to**

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\(^\text{14}\) [https://www.sundayobserver.lk/2021/01/17/business/tobacco-tax-and-budget-2021](https://www.sundayobserver.lk/2021/01/17/business/tobacco-tax-and-budget-2021) accessed on 7\textsuperscript{th} April 2021


\(^\text{16}\) Includes immediate members of the families of the high-level officials

A stock of illegal cigarettes was crushed at CTC premises in the presence of Senior Customs Officials including Customs Director General Retired Major General Vijitha Ravipriya and CTC Chief Executive Officer Nedal Salem\(^\text{18}\).

A consignment worth Rs. 35 million of illegally imported cigarettes from Dubai was destroyed at the CTC destruction yard in Colombo\(^\text{19}\).

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<th>INDICATOR 5: Transparency</th>
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| 10. The government accepts, supports, endorses, or enters into partnerships or agreements with the tobacco industry. (Rec 3.1)  
**NOTE:** This must not involve CSR, enforcement activity, or tobacco control policy development since these are already covered in the previous questions. |
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No such event was recorded for the year 2020.

**INDICATOR 6: Conflict of Interest**

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<th>11. The government does not publicly disclose meetings/interactions with the tobacco industry in cases where such interactions are strictly necessary for regulation. (Rec 2.2)</th>
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Interactions with the tobacco industry are not disclosed to the public.

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<th>12. The government requires rules for the disclosure or registration of tobacco industry entities, affiliated organizations, and individuals acting on their behalf including lobbyists (Rec 5.3)</th>
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Tobacco product manufacturers need registration. Since CTC is a publicly listed company, under security exchange commission (SEC) rules, Company CEO, Directors, Company Secretary, Registrars need to be disclosed. Joint ventures, mergers, acquisitions and take-overs should be disclosed as well\(^\text{20}\). However affiliated organizations, individuals acting on behalf of the tobacco industry and lobbyists need not to be disclosed. This is not specific to the tobacco industry and it is common for all public enterprises in Sri Lanka.

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<th>13. The government does not prohibit contributions from the tobacco industry or any entity working to further its interests to political parties, candidates, or campaigns or to require full disclosure of such contributions. (Rec 4.11)</th>
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Sri Lanka has a lack of campaign finance laws thus candidates or parties are not required to disclose information on the funds spent on their campaigns or donations received\(^\text{21}\).

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\(^{20}\) [https://cdn.cse.lk/pdf/Section-9-17.01.2018.pdf](https://cdn.cse.lk/pdf/Section-9-17.01.2018.pdf) accessed on 12th April 2021

14. Retired senior government officials form part of the tobacco industry (former Prime Minister, Minister, Attorney General) (Rec 4.4)

No retired senior government officials have been part of the tobacco industry in 2020.

15. Current government officials and relatives hold positions in the tobacco business including consultancy positions. (Rec 4.5, 4.8, 4.10)

No such incidents were found in the year 2020 where current officials also simultaneously hold positions in the tobacco business, however there are few instances where positions in the tobacco business were held in the year before (prior to the government positions). There are no exit policy term limits for retired government officials joining the tobacco industry, nor a cooling off period for former tobacco industry executives who want to serve in public office.

Suresh Shah who has served as a Commissioner on the Securities and Exchange Commission of Sri Lanka, and as a member of the Monetary Policy Consultative Committee with the Central Bank of Sri Lanka was appointed by CTC as the chairman with effect from 16th February 2021. However, he currently doesn’t hold either of the positions.

INDICATOR 7: Preventive Measures

16. The government has put in place a procedure for disclosing the records of the interaction (such as agenda, attendees, minutes and outcome) with the tobacco industry and its representatives. (Rec 5.1)

NATA has developed a National Guideline for implementation of Article 5.3 in 2019, but the administrative orders and laws have not yet been formulated.

17. The government has formulated, adopted or implemented a code of conduct for public officials, prescribing the standards with which they should comply in their dealings with the tobacco industry. (Rec 4.2)

The government has formulated a national guideline for public officials with regards to dealing with any industry but there is no specific code of conduct implemented for public officials, prescribing the standards with which they should comply in their dealings with the tobacco industry.

18. The government requires the tobacco industry to periodically submit information on tobacco production, manufacture, market share, marketing expenditures, revenues and any other activity, including lobbying, philanthropy, political contributions and all other activities. (5.2)

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23 https://www.themorning.lk/central-banks-monetary-policy-consultative-committee-changed/ accessed on 23rd May 2021
Production figures need to be submitted periodically for excise tax collection. Financial statements are made available to the public since CTC is a publicly listed company (which is the due process for other listed companies as well). However, there are no protocols in place to report lobbying, philanthropy and political contributions by CTC.

BAT annual reports merely promote their CSR activities but don’t disclose how it is spent on marketing because it is not required for them to do so. BAT’s 2020 ESG report mentions home gardening initiatives conducted since 2006 for rural women of Sri Lanka where they use their garden to grow organic crops and other food and income sources, such as goat rearing. While these are passed off as CSR, in reality these business opportunities increase retailers.

CTC Annual report 2020 mentions COVID-19 support in the form of Personal protective equipment (PPE) distribution and conducting awareness sessions for contracted tobacco farmers and distribution partners. It also mentions distributing 1000 mango saplings to tobacco and non-tobacco farmers and hopes to widen the scope of this initiative in 2021.

19. The government has a program/system/plan to consistently raise awareness within its departments on policies relating to FCTC Article 5.3 Guidelines. (Rec 1.1, 1.2) 3

National Guideline for implementation of Article 5.3 has been developed but there is no such program/system/plan to consistently raise awareness within its departments on policies relating to FCTC Article 5.3 Guidelines.

20. The government has put in place a policy to disallow the acceptance of all forms of contributions/gifts from the tobacco industry (monetary or otherwise) including offers of assistance, policy drafts, or study visit invitations given or offered to the government, its agencies, officials and their relatives. (3.4) 0

According to general Establishment code and the bribery law government officials cannot accept all forms of contributions/gifts from any party including the tobacco industry. This the code of which all government servants should adhere to, breaching of which is a punishable offence.

**TOTAL** 45

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25 For purposes of this question, “consistently” means: a. Each time the FCTC is discussed, 5.3 is explained. AND b. Whenever the opportunity arises such when the tobacco industry intervention is discovered or reported.