



THE SOBERING TRUTH: INCENTIVIZING ALCOHOL DEATH AND DISABILITY

An NCD Policy Report

Acknowledgments

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FOREWORD

Economic incentives may sound like a good thing—financial motivation to encourage people or groups to take actions. But economic incentives aren't always good for everyone involved. When the incentivized “actions” contribute to the death of 3 million people per year and cause significant injury, suffering and disability, then these “economic incentives” take on a negative and sinister connotation. They become, in the words of economists, “perverse.”

This report—the first of its kind—lifts the lid on the significant economic incentives that governments and international development agencies give to the alcohol industry, even though the industry has a well-known postmortem record of causing death and harm.

Harmful alcohol consumption, such as binge drinking, affects a range of health, social and economic factors. Among them, it:

- Leads to one death every 10 seconds—3 million deaths per year globally;
- Is a leading risk factor for noncommunicable diseases (NCDs), including cancer, cardiovascular disease and liver diseases;
- Can worsen the course of infectious diseases, such as tuberculosis, HIV/AIDS, pneumonia and yes, COVID-19;
- Is the leading global risk factor for death and disability for people 15 to 49;
- Can exacerbate mental health conditions and contribute to violence in the form of homicides, suicides and domestic abuse;
- Caused approximately 370,000 deaths on the road globally in 2016.

It is, therefore, utterly mind-boggling, given the huge toll of death and disability, that high-level global development agencies would incentivize countries to give financial breaks to the perpetrator—the alcohol industry—under the guise of development assistance. How can we square off the benefit of development assistance with the loss of 3 million lives a year and a long-term destruction of health and mental well-being? How can we justify the benefit of development assistance when the vast majority of beneficiaries of incentives turn out to be multinational alcohol corporations from high-income countries?

This report finds that the alcohol industry benefits from a range of significant financial incentives that include tax breaks, tax rebates, production subsidies and international trade agreement practices. Incredibly, these incentives can even include marketing deductions for an industry that already has the financial capability to dedicate billions of dollars for aggressive marketing to entice youth to consume their products. One can imagine the heavy toll on the health of individuals, communities and societies especially in low- and middle-income countries that often lack strong alcohol control policies.

While high-level political commitments have called for reductions in alcohol consumption, too many governments have been slow to adopt evidence-based strategies, such as those recommended in the World Health Organization's SAFER initiative. These strategies, such as restricting advertising that attracts children and raising alcohol prices, have been shown to be effective at reducing the harmful use of alcohol and the costs of related disabilities and death.

This report comes at a time when governments are grappling with the fallout of the COVID-19 pandemic, strained budgets, and an increased risk of people under COVID-19 restrictions turning to alcohol in ways that can harm health and increase mortality. As we seek to build resilient health systems, we have to urge governments, policymakers and health advocates to actively monitor the alcohol industry's interference in policy and to question the cost and benefits of economic incentives. For every incentive, it is important to consider:

- What is the purpose of government subsidy and support?
- Are the incentives "health negative" or are they "health positive"?
- Who bears the ultimate long-term cost and who enjoys the short-term benefit?

While COVID-19 continues to steal the lives of many of our loved ones and is almost breaking the bank, it has also broken through many of our denials. The time has come to drink up the facts on the urgent need to fight harmful consumption of alcohol and to start acting responsibly and ethically. Perverse incentives make no sense and cause long-term damage. We hope that this report encapsulates the ultimate incentive for those who are motivated to do good for their communities.



HRH Princess Dina Mired
Special Envoy for NCDs
Vital Strategies



José Luis Castro
President and CEO
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INTRODUCTION

What This Report Adds

This report examines publicly available data and information from 1995 through 2020 on the amount that governments invest in the alcohol industry and the cost of these actions. Key findings include:

- We find governments and development agencies give incentives to the alcohol industry such as development assistance, tax breaks, marketing deductions, tax rebates and production subsidies, as well as incentives in the form of international trade agreement practices.
- Most incentives offered to the alcohol industry flow as development assistance from governments in higher-income countries to low- and middle-income countries. The vast majority of beneficiaries turn out to be big alcohol corporations—headquartered in high-income countries.
- Data on incentives to the alcohol industry are generally fragmented and hard to obtain. Our report highlights the need for greater transparency on the amount of economic incentives provided to industries that harm health.

Even as countries struggle to meet their health care needs, including the soaring costs of NCDs, this report shows that many countries continue to promote the very products that cause harm to health. Incentives given to the alcohol industry are often justified as economic benefits, to advance economic development, create jobs, or produce much-needed tax revenue. In reality, there is a direct conflict of interest between the economic objectives of governments and development agencies giving incentives to the alcohol industry and public health objectives to reduce the harms caused by NCDs and alcohol. This report exposes how these incentives essentially promote alcohol on behalf of the industry, to the detriment of individuals and societies.

Economists have a term for payments to industries that produce products that are harmful to health: “perverse incentives.” An economic tool is said to be “perverse” when the result goes against the fundamental interests of the payer—in the case of this report, governments. When governments incentivize tobacco, alcohol, fossil fuels, and foods high in sugar and salt, they impose an economic and social burden on themselves because these products strain health systems, harm people, and exert an unnecessary cost on societies.

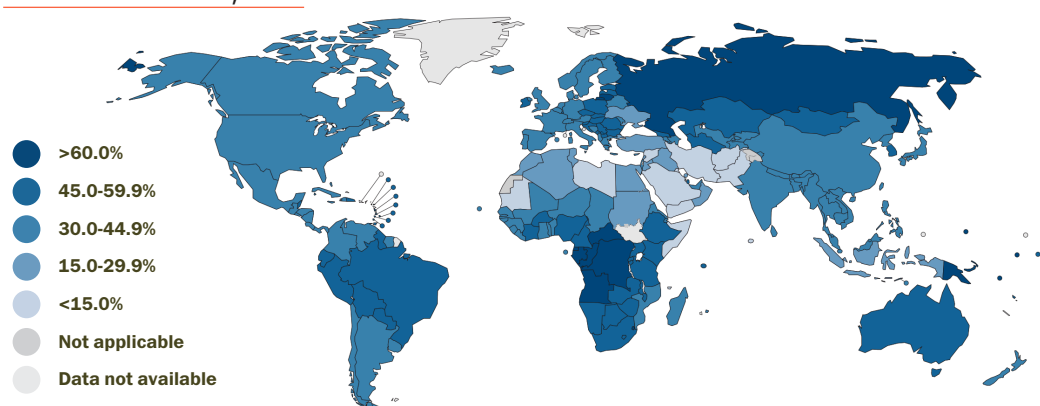
Vital Strategies has reviewed existing data on products that harm health, the amount of money governments invest in unhealthy industries, and the health impacts of these industries. The second of a series,^a this report focuses on the billions of dollars of incentives that governments and development agencies give to corporations that produce, market and sell alcohol—an industry whose products create a growing health burden.

^a “Fueling an Unhealthy Future” focuses on documenting the incentives going to the fossil fuel industry. For more information, see: <https://www.vitalstrategies.org/wp-content/uploads/2019/10/Fueling-an-Unhealthy-Future.pdf>

THE IMPERATIVE FOR ACTION

Harmful alcohol consumption^b is a major public health concern worldwide. Globally, alcohol use is the largest risk factor for years of life lost for people between 15 and 49 years old.^{1,2} Each year, more than 3 million people die as a result of the harmful use of alcohol.¹ Alcohol use is linked to noncommunicable diseases (NCDs), including cancers, cardiovascular diseases and liver diseases, and it can also harm mental health and exacerbate infectious diseases, such as tuberculosis, HIV/AIDS, pneumonia and COVID-19.³⁻⁶

PREVALENCE (%) OF HARMFUL USE OF ALCOHOL AMONG CURRENT DRINKERS (15+ YEARS) ACROSS THE WORLD, 2016



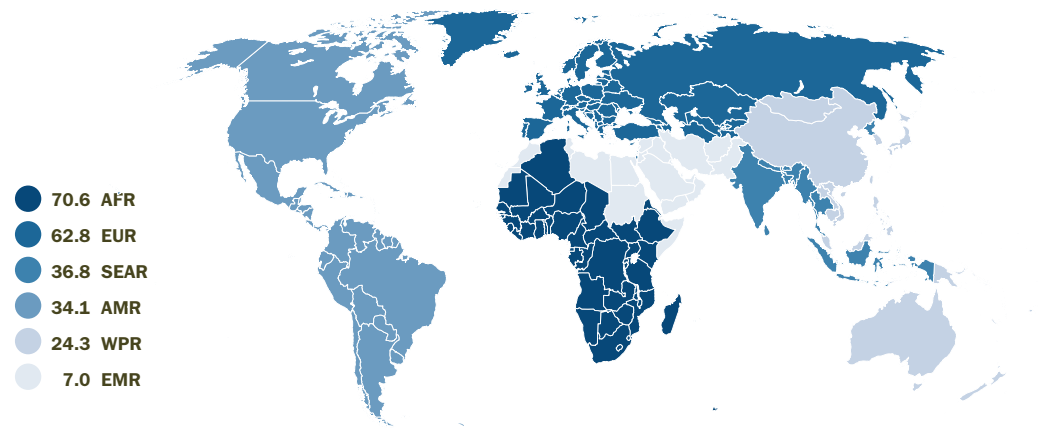
Source: Global status report on alcohol and health 2018. Geneva: World Health Organization; 2018.

Alcohol consumption affects a range of health, social and economic factors, including lost productivity, road injury and death, crime, and violence in the form of homicides, suicides and abuse of women and children.⁷ The cost of alcohol consumption to society^{8,9} is estimated to be more than 1% of the gross domestic product (GDP) in high- and middle-income countries.¹⁰⁻¹² For instance, in the United States alone, alcohol consumption costs \$249 billion a year in health care and other social costs.¹³

A number of recent high-level political commitments have called for reductions in alcohol consumption, including the 2013 Global Action Plan for the Prevention and Control of Noncommunicable Diseases and the U.N. Sustainable Development Goal 3.5.¹⁴⁻¹⁶ In addition, in 2018 the World Health Organization (WHO) launched the SAFER initiative to support governments on strategies to reduce the harmful use of alcohol, such as introducing or increasing taxes on alcohol, controlling the availability and sale of alcohol, and regulating advertising and marketing.¹⁷⁻¹⁹ Despite clear evidence that these strategies work, governments' efforts to implement them have been uneven to absent.²⁰⁻²² Consequently, alcohol use and the diseases that result have risen worldwide, especially in low- and middle-income countries, fueled in large part by the alcohol industry and its aggressive advertising and promotion of its products.²³

^b Harmful use of alcohol is excessive consumption that causes detrimental health and social consequences, and may refer to adverse physical, mental or other outcomes.

ALCOHOL ATTRIBUTABLE DEATHS PER 100,000 BY WHO REGION, 2016



Source: Global status report on alcohol and health 2018. Geneva: World Health Organization; 2018.

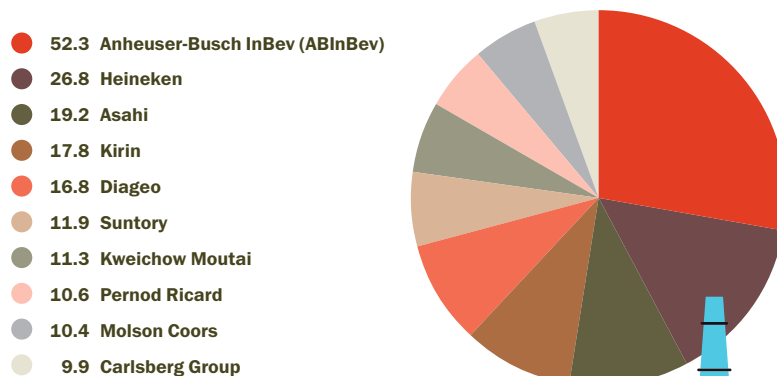
Too many governments have not responded to the alcohol epidemic and have been slow to adopt evidence-based strategies, such as tax increases that reduce harmful alcohol consumption.^{24–26} In fact, many governments give significant incentives to the alcohol industry, especially in low- and middle-income countries. Moreover, these incentives are often portrayed by governments as beneficial for economic development, and by extension, for society.^{27,28}

THE REACH OF THE ALCOHOL INDUSTRY

Commercial determinants of health are defined as “strategies and approaches used by the private sector to promote products and choices that are detrimental to health,” and are increasingly recognized as key drivers of disease.²⁹ The alcohol industry, like the tobacco industry and fossil fuel producers, employs strategies and approaches to increase their reach and profits through aggressive market promotion and interference in government policies aimed at containing consumption of products that are unhealthy.^{30,31} And yet, while significant outrage has been expressed over government incentives for tobacco,^{32,33} and more recently for fossil fuels,³⁴ there has been little attention paid to the incentives offered to the alcohol industry.

Alcoholic beverage production has become increasingly concentrated in the hands of a small number of highly profitable and wealthy corporations.^{35,36} In 2019, the global alcoholic drinks market totaled more than US \$1.5 trillion and the 10 largest alcohol producers by volume for which data are available amassed annual global revenues of US \$187 billion.^{37,38}

TOP 10 ALCOHOL INDUSTRY’S GLOBAL REVENUE (BILLION USD 2019)

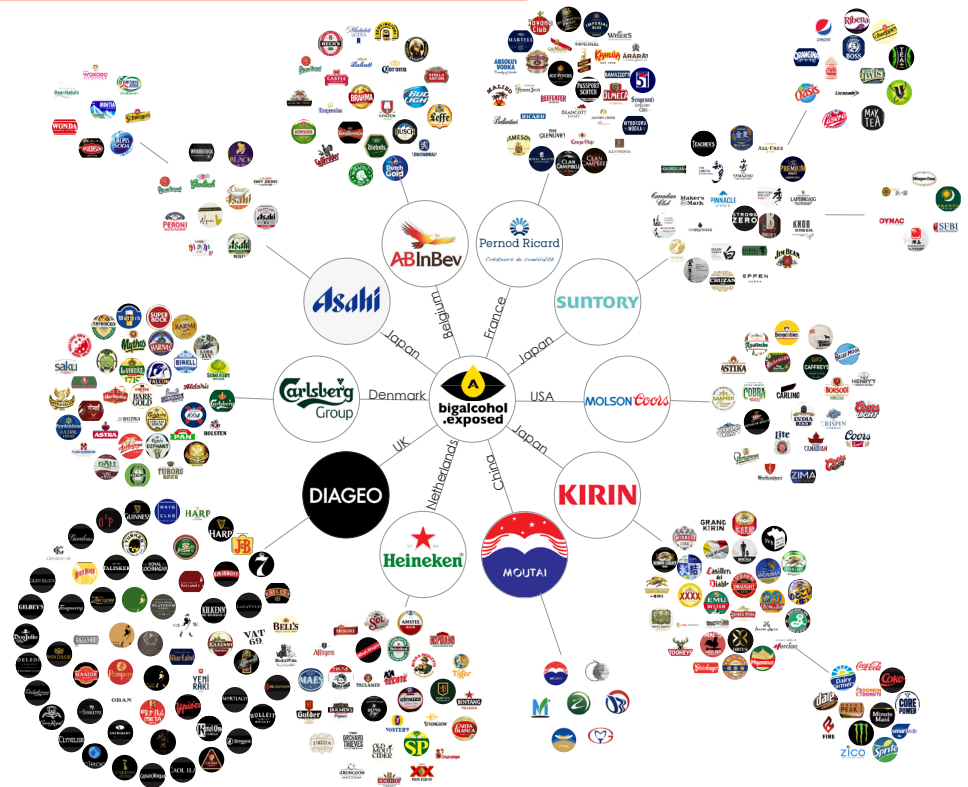


\$187 BILLION



Source: D Workman. Major Export Companies: Alcoholic Beverages. 2020.

TOP 10 ALCOHOL PRODUCERS ACROSS THE WORLD



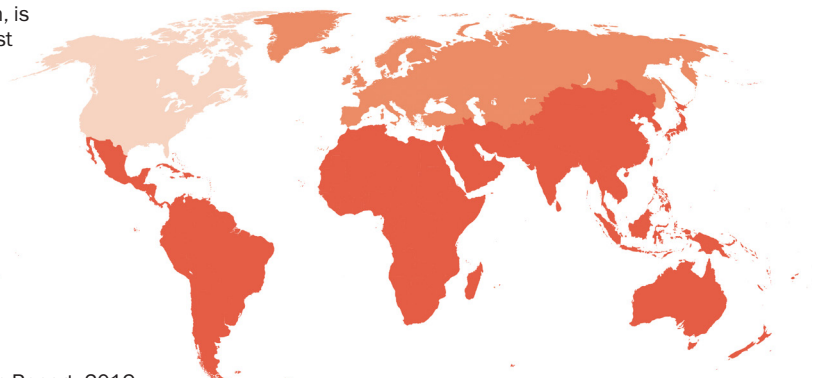
Source: Movendi International. Alcohol Industry Interference Worldwide: Big Alcohol Exposed. 2019.

The alcohol industry has shifted its attention from high-income countries, with increasingly stringent regulations on alcohol, and focused its expansion on low- and middle-income countries.^{1,39-41} It does so through: political activities, such as lobbying and making donations and campaign contributions; policy substitution and litigation that weaken existing alcohol policies; and through expensive marketing efforts that glamorize and promote alcohol use.^{42,43} Alcohol producer AB InBev is the ninth largest advertiser in the world, with global spending estimated at US \$6.2 billion in 2017.⁴⁴ Their spending on advertising rivals government health expenditures in all low-income countries combined—\$6.5 billion in 2017.⁴⁵

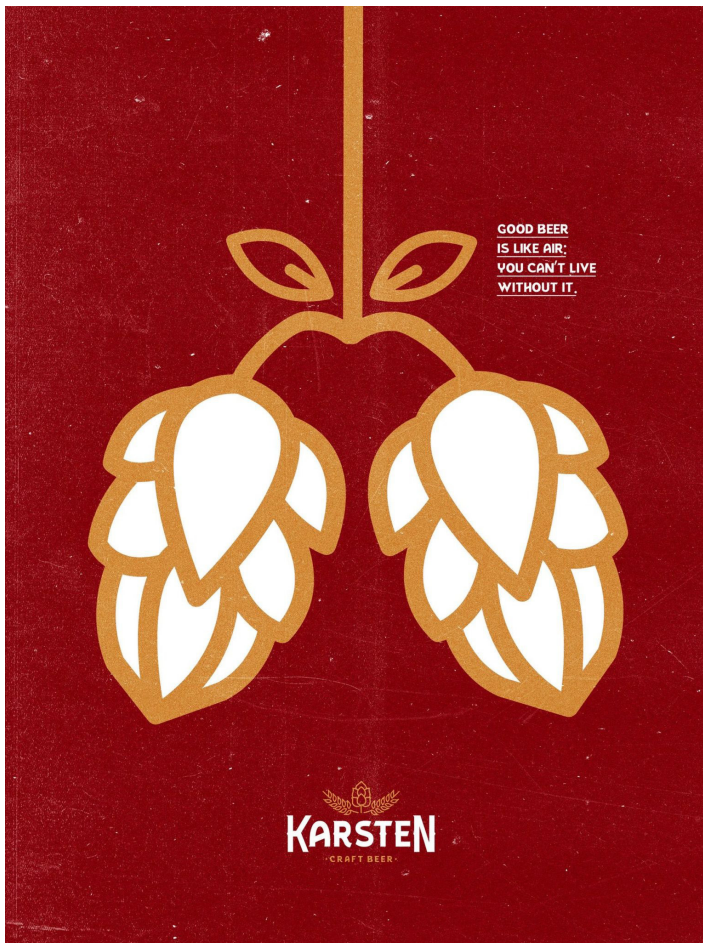
DIAGEO GROWTH IN REVENUE BY REGION, 2018-2019

Diageo, based in London, is among the world's largest alcohol producers.

- Latin America and Caribbean 6%
- Africa and Asia Pacific 6%
- Europe 4%
- North America 0.20%



Source: Diageo. Strategic Report. 2019.



Brazil brewer Karsten created an ad with its logo representing a pair of lungs and the slogan, “Good beer is like air: you can’t live without it.”

Alcohol companies around the world are now exploiting the coronavirus pandemic (COVID-19) for commercial gain.⁴⁶ For instance, Brazil brewer Karsten created an ad with its logo as a pair of lungs and the slogan, “Good beer is like air: you can’t live without it,” while encouraging consumers to follow three steps to survive the pandemic, “Isolate, use sanitizer, and drink beer for fun.”

This first-of-its kind report presents a comprehensive search of publicly available data and information on the types and amounts of economic incentives going to the alcohol industry. However, the report is written as a compilation of illustrative examples, because the information available ranged significantly in quality and format. Our report covers the period from 1995 to present. Among our findings was a lack of data on incentives. Some products, such as beer, were documented far better than others. Some countries had publicly available data, and some didn’t. To account for this, we narrowed our scope to those companies that manufacture, produce, brand, distribute and market beer, whiskey and rum. In addition, we primarily report on international incentives.

INCENTIVES TO THE ALCOHOL INDUSTRY

A GLOSSARY OF INCENTIVES LEVERAGED BY THE ALCOHOL INDUSTRY

The alcohol industry benefits from a range of incentives that are either unique to the industry—known as discriminatory incentives—or made available to corporations in general, known as non-discriminatory incentives. While both should ultimately be scrutinized, discriminatory incentives are particularly concerning because they are designed to specifically benefit this industry. Below is a glossary of incentives leveraged by the alcohol industry:

- **Development assistance** refers to financing administered by governments and its agencies to low- and middle-income countries with the intent of promoting economic development and the countries' welfare. While development assistance to the alcohol industry, such as loans to distilleries, may provide local economic stimulus in the short term, this assistance ultimately harms the welfare and growth of those societies.^{47,48}
- Governments offer **tax breaks** as incentives by reducing a payer's liability. Tax breaks are hailed as producing economic benefits, giving companies more money to invest in capital, labor and other areas that can promote economic growth. However, alcohol companies often use the money from tax breaks to spend on advertising and promotion of alcohol, as well as to keep to their alcohol prices lower. An overwhelming body of scientific evidence shows that increasing alcohol prices is an effective strategy for reducing harmful alcohol consumption and related harms.^{25,26} Additionally, tax breaks deplete revenues that governments could otherwise use for economic growth by investing in health, education, infrastructure and other social goods.
- **Tax rebates** are a refund of taxpayer money after a retroactive tax decrease. Governments issue tax rebates mainly to stimulate the economy. Tax rebates are given to many corporations, which they use to offset taxes in the future. Governments usually issue tax rebates to a particular kind of business activity a government wants to promote, including the alcohol industry.
- **Marketing deductions:** Tax codes in many countries provide tax deductions for business expenditures, including on advertising and marketing, for many types of businesses, including alcohol companies. Marketing deductions also provide a financial incentive for alcohol companies to spend more on advertising and marketing to promote the sale of alcohol and increase their profits. Alcohol advertising and marketing is a leading factor in encouraging the harmful use of alcohol, particularly by youth and women.^{24,49}

- **Production subsidies** are payments given by governments to suppliers to increase the output of a particular product by offsetting part of the production costs. The goal is to expand production of a specific good more than the standard market would, but without raising the price to consumers. Many governments subsidize crops that go into making beer, whiskey, rum and other liquor, including barley, sorghum, cassava, corn and sugar cane, which has the intended effect of increasing output of alcohol while keeping the price low for consumers.⁵⁰ Additionally, the lower cost of crops that go into making alcohol means an improved profit margin for alcohol producers.
- Incentives in the form of **international trade agreement practices** occur when alcohol products and their marketing across countries are incentivized or promoted.^{51,52} Government officials lobby on behalf of the alcohol industry in international trade agreements to secure lower trade tariffs on production inputs, such as barley and corn, which go into making alcohol products, so they can be exported at a lower price.^{1,28}

ALCOHOL INCENTIVES: CASE STUDIES

The following are illustrative examples from our comprehensive review of governments and development agencies providing financial incentives to the alcohol industry.

Development assistance

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD) INVESTS IN BEER IN CENTRAL AND EASTERN EUROPE.

Many countries in Central and Eastern Europe face an alcohol epidemic—high levels of alcohol consumption, pervasive binge drinking, high levels of disease attributable to alcohol, and weak alcohol policy.¹ And yet, the European Bank for Reconstruction and Development, a multilateral investment bank that uses investment as a tool to build market economies, has provided substantial incentives toward alcohol in this region. **Since the early 1990s, the EBRD has provided more than US \$422 million for investment in breweries in emerging markets in countries in Central and Eastern Europe**, including Armenia, Belarus, Bosnia and Herzegovina, Croatia, Czech Republic, Georgia, Kazakhstan, Kyrgyz Republic, Lithuania, Mongolia, Republic of Moldova, Romania, Russian Federation, Turkmenistan, Ukraine and Uzbekistan.^{53–58}

\$422 MILLION



Source: See references 53-58.

The EBRD qualifies investments in the beer sector in these countries as development assistance because the funds can help to support transition and growth of local economies, including through bottling and local production of malt.⁵³

For instance, a US \$13 million loan in 2005 to the Uzbek brewery Mekhnat Pivo was used for beer production equipment and working capital.⁵³ At that time, given the early stage of development of the financial sector in Uzbekistan, as well as the level of political risk surrounding the country, the EBRD cited investment in the Uzbek brewery as a high priority.⁵³ However, a 2018 WHO report identified NCDs and their risk factors, such as alcohol use, as a major obstacle to development in Uzbekistan and called for greater action on NCD prevention.⁵⁹

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In Bosnia and Herzegovina, the EBRD gave a US \$1.2 million loan in 2018 to local brewery Bihacka Pivovara.⁵⁸ In an EBRD press release announcing the loan, the brewery's CEO said, "our brewery has grown to employ over 100 staff since we started our work."⁵⁸ This investment also allowed it to improve beer production and packaging—in a country where over half of male adult drinkers engage in heavy episodic drinking.⁶⁰

For more examples on development assistance, see [Appendix A1](#).

Tax breaks

FIFA REQUIRED BRAZIL TO WAIVE TAXES ON PROFITS MADE BY FIFA COMMERCIAL PARTNERS, INCLUDING AB INBEV, DURING THE WORLD CUP.

Many countries across the world vie to host the FIFA World Cup. FIFA, **the international governing body for football (soccer) requires a host country to waive taxes on any profits made by FIFA's commercial partners.** This includes AB InBev, the event's official beer partner for several years running.

Brazil was officially named the host of the 2014 World Cup, and the Brazilian government gave substantial tax breaks to FIFA and its commercial partners—a total of US \$475 million between 2011 and 2015.⁶¹ While the tax breaks allowed FIFA, AB InBev, and other commercial partners to reap substantial profits, it deprived Brazil of millions in revenue that could have been used to improve the health and well-being of Brazilians. The tax breaks to AB InBev are substantial, and yet, in Brazil, binge drinking, which causes many harms, is reported by 51% of alcohol drinkers.⁶²

For more examples on tax breaks, see [Appendix A2](#).



Budweiser Global Marketing Campaign for the 2014 FIFA World Cup in Brazil

Marketing deductions

INACTION ON MARKETING DEDUCTIONS

The U.S. federal government, via the Internal Revenue Code, provides a tax deduction for business expenditures, including on advertising and marketing, for many types of businesses, including alcohol companies. Therefore, even as the WHO and public health practitioners call for bans on alcohol marketing to youth as a means of reducing alcohol consumption, the U.S. tax policy incentivizes alcohol advertising. Not only does this promote the harmful use of alcohol, but it also represents a significant loss of revenue for the government. The top 10 alcohol producers in 2017 alone were exempted from paying taxes on US \$1.5 billion for beer advertising.^{63,64}

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Policymakers have long since recognized this discordance. In a 1993 Congressional hearing on health reform, U.S. Rep. Tom Foglietta, a member of President Bill Clinton's health care task force, said, "If we eliminate the deduction of advertising for tobacco and alcohol products, we would save as much as \$950 million each year, which then could be used to fund a federal commitment to universal access to quality health care."⁶⁵ At that time, in 1993, bans on deductions for alcohol and tobacco advertising were considered to help finance the White House health plan but were stalled following strong industry opposition.⁶⁵ Several years later, bans on deductions for tobacco marketing came into effect under the 1998 Tobacco Master Settlement Agreement. However, to date, there has been no legislation enacted to ban marketing deductions for the alcohol industry in the U.S. And yet, between 1999 and 2017, alcohol-related deaths more than doubled in the U.S.⁶⁶



Tax rebates

U.S. TAX REBATES FOR RUM IN THE U.S. VIRGIN ISLANDS AND PUERTO RICO

Rum, first developed on Caribbean sugar plantations, generates hundreds of millions of dollars in tax revenue for U.S. Caribbean territories, including the U.S. Virgin Islands and Puerto Rico.⁶⁷ Under U.S. federal law, any excise tax collected on rum imported into the U.S. goes to the treasuries in Puerto Rico and the U.S. Virgin Islands.^{68–70} The governments in these territories then give a share of the money to rum producers to encourage business there.⁷¹ These rum tax rebates put more money in the pockets of multibillion-dollar alcohol companies.

In 2012 alone, the U.S. federal government provided US \$230 million in tax rebates to Bacardi in Puerto Rico and more than US \$199 million to Diageo in the U.S. Virgin Islands.⁶⁷ In Puerto Rico and the U.S. Virgin Islands, 18.1% and 22.9% of male adults, respectively, who drink report they binge drink, and yet, the U.S. government has provided millions of dollars in tax rebates to large alcohol companies in these territories.⁷²



Promoting rum on the Bacardi tasting tour in Puerto Rico.

Production subsidies

SUBSIDIZING SEEDS FOR BEER PRODUCTION IN UGANDA

Nile Breweries Limited (NBL), a Ugandan brewery of global alcohol producer SABMiller, wanted to develop a lower-priced beer for the local market.⁵⁰ NBL had been importing most of the ingredients for its beer, including expensive barley, and high production costs made the import-based product too expensive for many local consumers. So, in 2002, NBL launched Eagle Lager, using a new variety of local sorghum for production of a low-cost, high-quality beer. Key to success was partnership with a local agricultural firm, Afro-Kai, and the local government, which heavily subsidized the new seed variety.⁷³ This state-sponsored subsidy helped to increase participation of local farmers, which resulted in a harvest more than double NBL's needs for beer production.⁵⁰ The abundance of lower-cost, local raw material resulted in decreased production costs and increased production of Eagle Beer for NBL.⁵⁰

The Eagle-branded beer is now the highest-selling beer product in the country, contributing to NBL's 60% market share in Uganda.⁷⁴ In 2015, NBL reported it acquired 12,000 tons of sorghum, representing approximately 20,000 smallholder farmers who received total revenue of US \$4 million.⁵⁰ Given these successes, SABMiller initiated sorghum beer development projects in Zambia, Tanzania and Swaziland, using the Ugandan model.^{50,75}

The World Bank hailed this as a success story in Uganda that created 100 permanent factory jobs⁵⁰—in a country that has the seventh highest rate of alcohol consumption in Africa, with 21% of Ugandans engaging in binge drinking. In Uganda, alcohol use is the leading risk factor for years of life lost.^{1,76,77}

For more examples on production subsidies, see [Appendix A3](#).



Beer advertising in Uganda

International trade agreement practices

Alcohol consumption has risen sharply in countries in South and Southeast Asia, and especially in India, with per capita consumption more than doubling from 2.4 liters in 2005 to 5.7 liters in 2016.^{1,78} And yet, the U.K. government has played an active role in promoting the global expansion of U.K. alcohol companies in India, including by securing reductions in price controls or tariffs.^{27,28}

Price controls are an international trade policy and practice used by many governments to regulate the cost of certain goods and services. In India, the state of Andhra Pradesh applies a minimum procurement price to beer, below which the government guarantees purchase.⁷⁹ In 2009, SABMiller, an alcohol producer with headquarters in the U.K., issued lawsuits against Andhra Pradesh for not revising the procurement price of beer in more than a decade.⁷⁹ This litigation resulted in a reversal of the pricing policy, a 9%-10% price increase,⁸⁰ and exponential growth in SABMiller sales in that region.⁸¹ **The U.K. government worked closely with SABMiller and local authorities to remove such pricing regulations on beer, worth more than US \$80 million in sales to the company.**^{27,28}

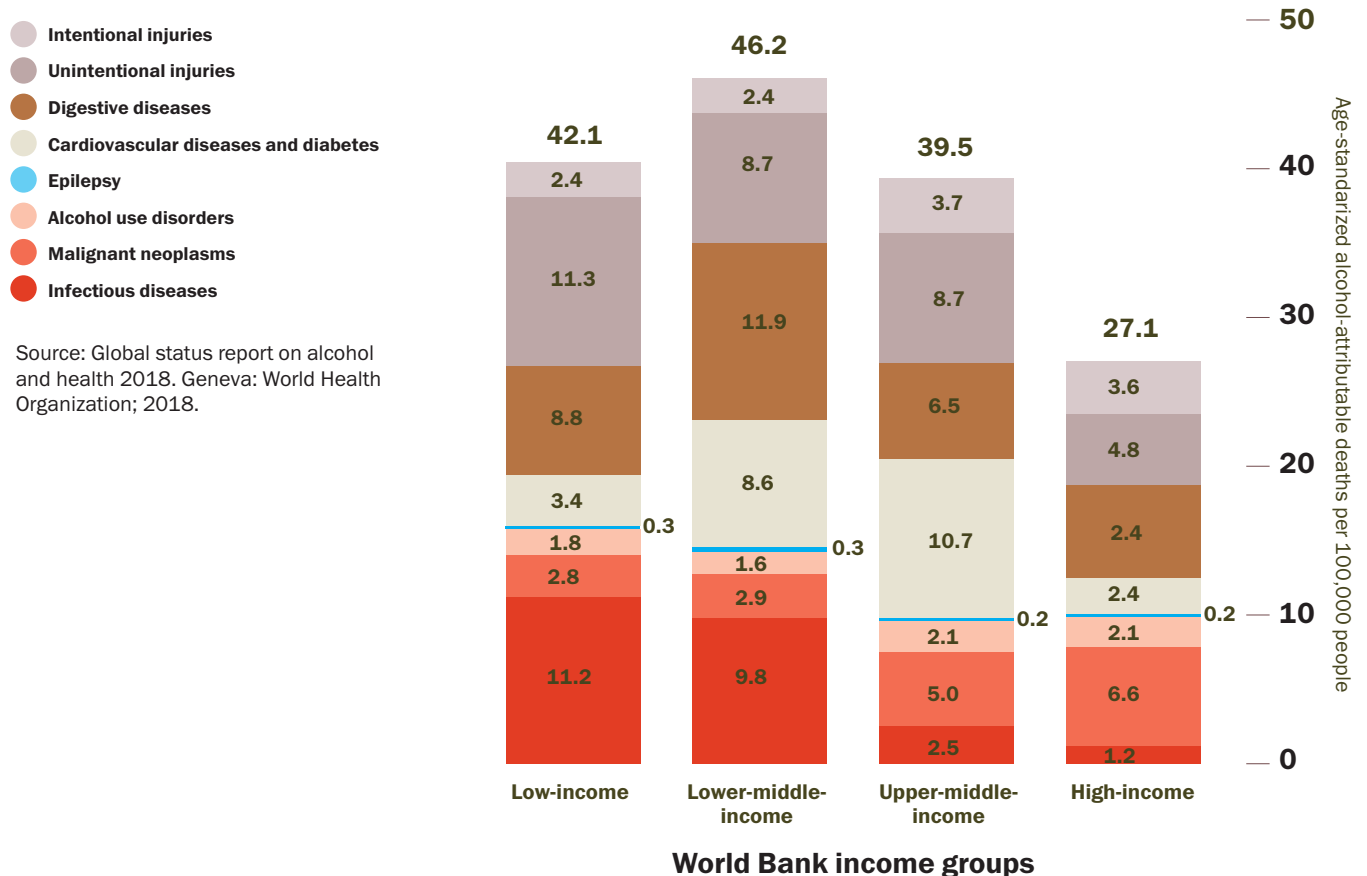
SUMMARY

Between 1995 and 2020, governments and development agencies provided

significant financial incentives to the alcohol industry in countries across the world. Incentives are commonly disbursed from high-income countries to transnational alcohol corporations producing and selling in low- and middle-income countries. Most of the incentives come from the European Union, United Kingdom, and United States, and go to countries in Africa, Central and Eastern Europe, and the Caribbean.

Incentives to the alcohol industry are often justified as economic benefits to the countries, to advance economic development, create jobs, or produce much-needed tax revenue.⁸² But there is a direct conflict of interest between the economic objectives of incentives to the industry and public health objectives. For instance, in Bosnia and Herzegovina, 100 jobs were created at a local brewery receiving an EBRD investment of US \$1.2 million,⁵⁸ but this investment also allowed the brewery to improve beer production and packaging in this country with a high burden of harmful alcohol use. **Taxpayer-funded support for the expansion of the alcohol industry creates a triple burden for countries—lost revenue, increased alcohol consumption, and overwhelmed public health systems, particularly in low- and middle-income countries with lower health protections and higher alcohol-attributable deaths.**

ALCOHOL-ATTRIBUTABLE DEATHS BY CONDITION AND INCOME GROUP, 2016



RECOMMENDATIONS

This report proposes that governments and the development community reexamine current economic incentives to the alcohol industry and advocate for consistent policies that promote health. A sustainable development agenda should:

- **Use fiscal policies to reduce availability of products that harm health and direct available finances to strengthen health systems.** Reallocate savings or potential new revenue to enhance health budgets.
- **Phase out incentives that can be harmful to health.** Important lessons can be learned from tobacco control. For instance, governments can demand transparency on interactions between government staff and alcohol companies and restrict alcohol companies from receiving development aid.
- **Track the adaptation of alcohol industry behavior and corporate actions during and after crises and shocks.** Alcohol companies around the world are taking advantage of the COVID-19 pandemic for commercial gain, including partnering with governments, international organizations and health agencies.⁴⁶ Such interactions should not distract from public health objectives.
- **Avoid alcohol industry interference.** Governments and development agencies should steer clear of the conflict of interest that arises with alcohol industry engagement. From finance to trade to health departments, governments need to be consistent across policies that address alcohol.
- **Monitor investments made to the alcohol industry** through robust data collection and by tracking each investment's overall impact.
- **Calculate the health cost of incentives provided to the alcohol industry.** Incentives that promote economic development and job creation must be weighed against health and social costs. Countries should consider whether investments are health-positive or health-negative.

APPENDIX: ADDITIONAL EXAMPLES

A1. Additional Examples of Development Assistance to the Alcohol Industry

The European Union Removes Trade Barriers to Caribbean Rum: From 2002 to 2010, the EU financed a program providing US \$88.5 million to Caribbean rum producers, which was in line with the EU's Aid for Trade strategy of helping low- and middle-income countries develop greater capacity for trade.⁸³ The aim of this multimillion dollar program was to enhance the competitiveness and profitability of Caribbean rum producers by helping them to export high-quality branded rums. Soon after, in 2012, the EU provided the Caribbean rum industry with another US \$10.1 million boost in the form of three financial agreements with the Caribbean Forum of African, Caribbean and Pacific States.⁸⁴ While the EU hailed such agreements as development assistance to support an industry critical to the Caribbean, the funds also went toward improving and strengthening exports of rum in the EU by removing technical barriers to trading Caribbean rum.⁸⁴

The U.K. Exploits Agricultural Opportunities in the African Region: The U.K. is home to both Diageo, the world's leading spirits company, and SABMiller, the second largest beer manufacturer before AB InBev acquired it. To support global expansion of its alcohol industry, the U.K. explicitly included the goal of increasing alcohol exports by exploiting opportunities for market expansion, including in emerging markets across Africa.⁸⁵ This priority is reflected in the way the U.K. provided financial support to the African operations of both Diageo and SABMiller through development aid.⁸⁶ In Cameroon, Diageo received US \$250,000 through the Africa Enterprise Challenge Fund to replace imported barley with locally grown sorghum in its brewing operations.^{27,28} SABMiller similarly received nearly US \$1 million to introduce locally sourced cassava in Sudan.^{27,28} While government and industry advocates described such development assistance to Diageo and SABMiller as creating development opportunities for local farmers in Cameroon and Sudan, this assistance also helped to protect Diageo and SABMiller from unexpected price increases and reduced their overall cost for raw materials.^{87,88}

State-Sponsored Exploitation by Heineken in Africa: From 2009 to 2019, the Netherlands, U.S., Germany, and a U.N. fund gave Heineken—now the second largest beer maker in the world—US \$10 million in subsidies and tax benefits for agricultural projects in Africa, which the governments praise as examples of successful aid and trade policy.⁴⁷ However, the stated objectives of boosting economic development in African countries are far from being achieved. Heineken's contribution to economic growth, employment and development in most countries is negligible and likely to be negative, if the costs for the economy and society are taken into consideration.⁴⁸

A2. Additional Examples of Tax Breaks to the Alcohol Industry

U.S. Gives Large Tax Breaks for Multinational Producers: In the U.S., federal and state governments give alcohol producers generous tax breaks, with most of the tax cuts going to large producers who plan to sell alcohol in other countries.^{89,90}

From 2017 through the end of 2020, the U.S. Congress passed legislation that includes cuts in alcohol excise taxes—taxes paid by consumers at the point of sale—reducing total tax revenues by US \$5.4 billion.^{91,92} This tax break reduced the cost of alcohol for the consumer, which has been shown to increase consumption.⁹³ While the alcohol excise taxes are described as benefiting small “craft” brewers and distillers in the U.S., most of the tax cuts go to large multinational and U.S. producers.⁸⁹ Analysis estimated the federal excise tax cut will lead to an additional 1,550 alcohol-related deaths annually from all causes.⁹⁴ U.S. Congress members of both parties renewed the legislation through 2020 despite evidence of the health harms.

In addition to cuts in federal excise taxes, several U.S. state governments provide tax breaks to help alcohol producers build and expand their businesses in their states, including Iowa, Kentucky, and New York, with many of these tax breaks going to large producers based in other countries. In 2017, the Iowa Economic Development Authority Board awarded Cedar Ridge US \$86,250 in tax credits and refunds for the expansion of a whisky distillery, which will double the producer’s whiskey production, and most of the new spirits produced are intended to be sold outside of the U.S.⁹⁵ From 2008 to 2019, the Kentucky Economic Development Finance Authority (KEDFA), Kentucky Enterprise Initiative Act (KEIA), and Kentucky Business Investment (KBI) provided more than US \$74 million in tax breaks to beer and whisky producers, including to large alcohol producers Suntory, Kirin and Diageo—based in Japan and London—with operations in the state.⁹⁶⁻⁹⁹ Finally, in 2019, New York State awarded Diageo—headquartered in London—up to US \$6.6 million in performance-based Excelsior Tax Credits to finance relocation of its North America office to New York City.¹⁰⁰

A3. Additional Examples of Production Subsidies to the Alcohol Industry

U.S. Government Gives Billions of Dollars in Subsidies for Crops to Make Beer: The U.S. federal government pays billions of dollars in subsidies to U.S. farmers, which is financed by American taxpayers. Two of the most subsidized crops in the U.S., barley and sorghum, are used to make beer. Between 1995 and 2010, the U.S. government paid \$10.6 billion in subsidies to farmers to plant barley and sorghum.¹⁰¹ In 2008, 44% of barley was used for beer production, with the biggest beer producers AB InBev, Molson Coors, and Pabst benefiting most from these subsidies.¹⁰¹

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About Vital Strategies: Vital Strategies is a global health organization that believes every person should be protected by a strong public health system. We work with governments and civil society in 73 countries to design and implement evidence-based strategies that tackle their most pressing public health problems. Our goal is to see governments adopt promising interventions at scale as rapidly as possible.

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