

**REFORMING  
TOBACCO  
TAXATION IN  
SRI LANKA  
AND NEPAL**

**Author: Duncan Green**



**KIVU INTERNATIONAL**

**IN PARTNERSHIP WITH**



**ACTIVISM,  
Influence and Change  
Programme**



**Firoz Lalji Institute  
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## **ABOUT THE AICP**

[The Activism, Influence and Change Programme \(AICP\)](#) supports greater understandings of, and better practice among, intentional change makers at all levels.

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## Introduction

From 2019 to 2024, Cancer Research UK's (CRUK) international cancer prevention programme funded the Tobacco Control Programme (TCP) in Nepal and Sri Lanka, implemented by Kivu International with two local think-tanks—the Institute of Policy Studies (IPS) in Sri Lanka and the Nepal Development Research Institute (NDRI) in Nepal.

This paper summarizes the achievements of the TCP and explores its underlying theory of change, to identify possible wider lessons for those seeking to work with local actors to improve government policy on health and other issues. It is based on a review of internal documentation, supplemented by online interviews with key actors, listed in Annex A. Annex B provides a timeline of major events, both in national politics, and more directly linked to tobacco control. The draft was then externally reviewed by two academics specialising in tobacco control.

## Big Wins

In Sri Lanka, the campaign helped end a period in which both tax and prevalence rates had been stuck. It substantially contributed to a series of significant tax increases over the lifetime of the programme (20% in January 2023, 20% in July 2023 and 14% in January 2024<sup>1</sup>).

In the process, IPS has substantially improved its ability to ensure that its research has policy impact, while Government actors have come to rely on IPS analysis, increasing access and credibility. Looking to the future, IPS' proposal for indexation<sup>2</sup> (while not yet adopted) is now understood and seen as desirable, despite opposition from the tobacco lobby and initial scepticism from policymakers.

In Nepal, where tobacco is responsible for one in five deaths, and the rate of deaths caused by tobacco is growing faster than in any other country in the world<sup>3</sup>, the

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<sup>1</sup> Shaswat Acharya, Stephen Bertram, Final Review of the CRUK Tobacco Control Program, Sri Lanka and Nepal, Draft Report, Oxford Policy Management, December 2024

<sup>2</sup> Indexation refers to raising cigarette taxes adjusted to inflation and GDP growth

<sup>3</sup> Health Impact of Tobacco in Nepal 2022: A Country Report based on the 2019 Global Burden of Disease Study. Kathmandu, Nepal: NDRI, IHME.

campaign helped achieve cumulative increases in excise duty of over 50%<sup>4</sup>, sustained across often turbulent political cycles. Tobacco taxation is now on the political agenda and was in previous party manifestos, while media and coalition advocacy has raised awareness and public support for tobacco taxation as a health and development issue.

## Kivu's Role

The Kivu programme has centred on building politically informed research (and local research organisations) and helping to convene informal coalitions in order to drive tobacco taxation reforms. The work is grounded in Thinking and Working Politically (TWP) and a locally-led policy-influencing approach. This is discussed in more detail below.

In both countries, Kivu partnered with a well-connected and credible local think tank as a core partner—IPS in Sri Lanka and NDRI in Nepal. Although both were relatively “new players” in tobacco control, they were already established and influential and had a strong understanding of how policy change occurred in their respective contexts. Kivu provided tailored packages of support to enable each organisation to maximise its policy impact. This ranged across technical aspects of tobacco control to effective communications, and from strategic advocacy to politically informed development of policy solutions. For IPS, which already had strong analytical capacity, the focus was on integrating advocacy into research plans and advising on how to navigate the political context. For NDRI, support centred on deepening policy analysis skills and developing viable solutions for policymakers.

The approach to coalition-building differed significantly between the two countries, reflecting their distinct political contexts. In Nepal, where tobacco control was a low-salience issue, Kivu advised the development of a larger-scale, more structured “agenda-setting” coalition that included media partners. In Sri Lanka, where political power was concentrated within a small segment of the elite for most of the project’s lifetime, coalitions were smaller and more elite-focused, placing a premium on “insider

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<sup>4</sup> Acharya and Bertram, op. cit.

advocacy” complimented with targeted public advocacy. The TCP’s Theory of Change (see Annex B for diagram).

### Thinking and Working Politically (TWP)

Both programmes exemplify TWP—continuous political analysis, insider access, and iterative tactics. Kivu helped partners keep their analysis up to date through frequent discussion. The approach emphasized understanding spoken and unspoken political priorities, the power (both formal and informal) of different players and the potential (or actual) threat posed by industry counter-arguments.

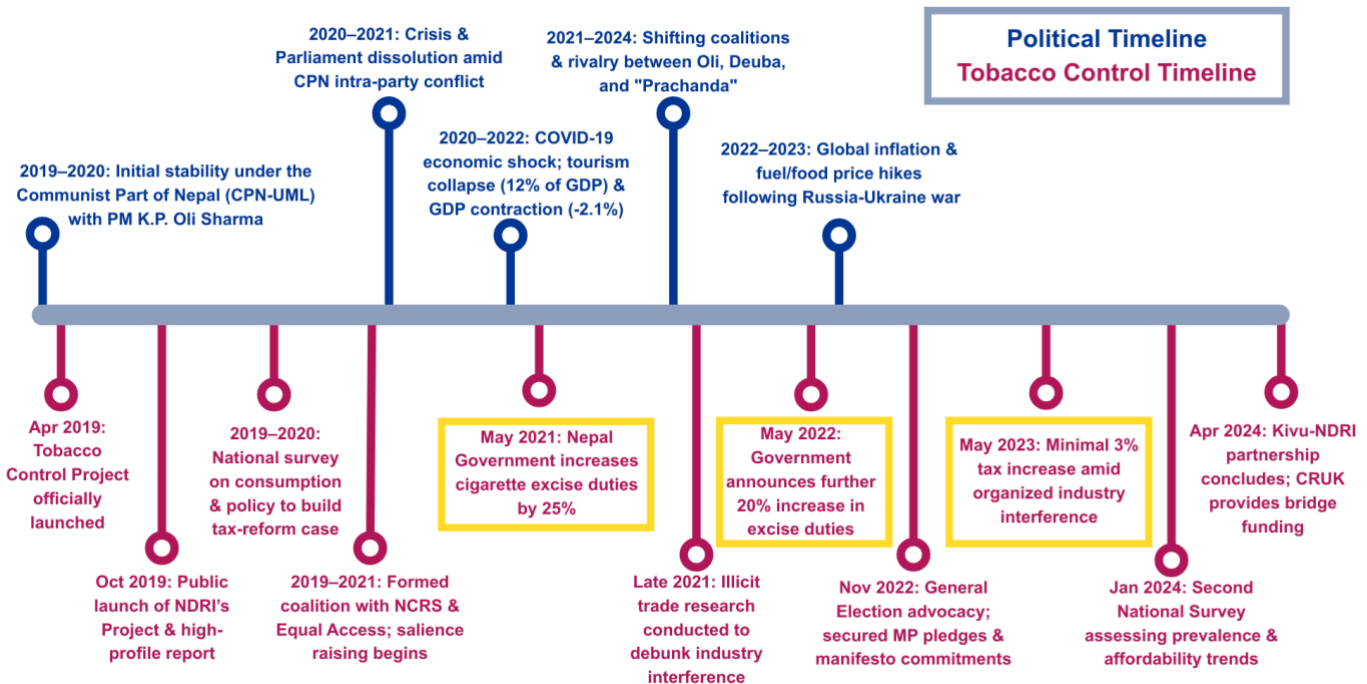
In Nepal, NDRI brought in an experienced insider, Ganesh Shah, to be their point of contact with government. Mr Shah is a former Minister for Environment, Science and Technology, with a network of relationships with both politicians and senior officials that opened doors for the campaign.

*We have informal meetings, eg with the Minister of Finance in his residence, and others. These informal consultative meetings are often more impactful than the formal ones. That was all because I know them: when I ring their secretaries, the Minister will find some time.*

*Ganesh Shah, NDRI*

Similarly, NDRI brought in Mr Devi Sharma, a former senior official at the Ministry of Finance. He was both an influential media voice on tobacco control, and enabled NDRI to present their proposals to the core team in charge of the otherwise hermetic budget process.

## Nepal Project Timeline



Adaptability was core. In a spirit of ‘never let a good crisis go to waste’, both campaigns relied heavily on responding adroitly to shocks – both political and economic. In Sri Lanka a sequence of upheavals – three presidents in five years, Covid-19 and a severe economic crisis - created a need for constant recalibration of influencing strategies and conversations, as well as a window of opportunity for the coalition to link its messaging on tobacco taxation to fiscal rescue. The IMF helped by consistently raising this issue in its conversations with government.

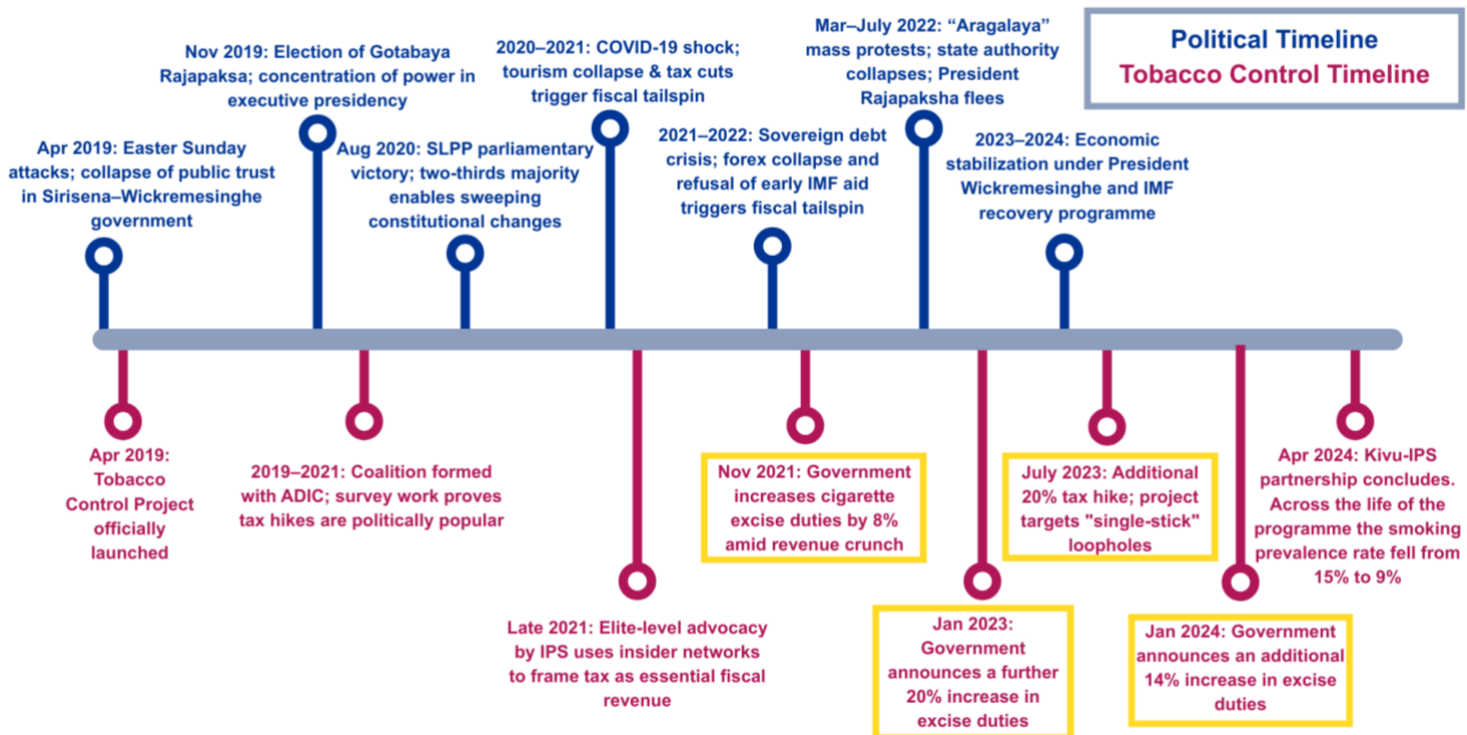
*During the economic crises, government was very interested in raising revenue in ways that didn't hurt the economy too much. We pivoted between health and revenue, and at one time, the son of the president was sports minister, and we would advocate to him that this would help with improving sports. With each person, we reframed our messaging according to their interests – that's something we learned from Kivu.*



**Nisha Arunatilake, IPS**

Nisha Arunatilake, IPS

## Sri Lanka Project Timeline



### Building Coalitions

Campaigns in b built tobacco control coalitions of actors with complementary roles. Nepal’s coalition spanned research, media, cancer NGOs, and subnational actors; Sri Lanka’s combined research (IPS), formal authority (NATA), and civil society mobilisation (ADIC). Coalitions were informal by design to encourage agility and avoid the attendant problems of having to reach unanimity on every decision.

### Combining Insider and Outsider Strategies

In response to the different context and levels of salience and political interest, the two campaigns choose different combinations. In Sri Lanka, IPS pursued a largely insider approach. When outsider tactics were needed, partnering with more avowedly outsider organisations like ADIC allowed IPS to protect its hard-won reputation and access to government.

In Nepal, faced with trying to raise public awareness in a lower salience environment, NDRI pursued a more even balance of insider and outsider tactics. It worked with

former ministers and senior officials to open doors for direct advocacy, as discussed above, but in the run up to the budget, it also worked with the Annapurna media network – one of the biggest media houses in Nepal, to produce a series of programmes, podcasts and newspaper articles by influential national figures.

## Dealing with Opposition

An important element of the TWP approach is anticipating and responding to opponents of the proposed reforms. Opposition came from three main sources, often connected: a perception there would be public resistance to price hikes caused by taxation; resistance within government (both politicians and civil servants), often based on murky, perhaps venal, links to industry, and the industry lobby, typically using its media connections to place counter-arguments and sow doubt about the taxation proposals.

The TCP used coalitions and media work to tackle the first, and external alliances to tackle the second

*Most of the time we had the conversation directly, but in the case of the Ministry of Finance, having the IMF standby agreement was useful to push the case for tax revenue. We could talk to the IMF and our evidence helped them push for a formula-based tax increase – having them coming on board really helped.*

*Nisha Arunatilake, IPS*

In Nepal, the coalition shifted from targeting bureaucrats to political party representatives when bureaucratic capture was detected.

*The Tobacco Industry are organized. They lobbied the Ministry of Finance. They can also meet the Prime Minister directly. The private sector and politicians are together during election time.*

Devi Sharma

Industry opposition was even fiercer in Sri Lanka, which has a history of lobbying against tobacco control. IPS used pre-emptive research to debunk some of the predictable counterarguments, for example that higher prices would lead to a collapse

in demand or increased smuggling, or that tobacco farmers would be unable to find alternative crops. However, according to Nisha Arunatilake, research (however rigorous) was not always effective:

We had to change our tactics. At the beginning we used to put our policy briefs in the newspapers. Whenever that happened the industry used to respond, even attacking IPS. They would have some bogus researcher saying, for example, that tax increases would lead to smuggling. The research wasn't solid, but many politicians can't distinguish between quality and non-quality research and they have far more resources than us. So we decided not to fight in the open, denying them the leverage of public debate.

Interestingly, even though much of the Sri Lankan tobacco industry is owned by British American Tobacco, neither Kivu nor IPS can ever recall discussing doing some media or other influencing work in its home market, despite Kivu's excellent connections there.

### Differences between the two contexts and campaigns

No two country contexts are the same, and in any good TWP-based programme, the change strategies must be adapted to reflect that. Sri Lanka had a much more highly centralized political system and higher awareness of the issue among the public and decision makers, allied to a fiscal crisis—creating immediate entry points for insider technocratic solutions. During a crucial part of the campaign, the Rajapaksa government was also extremely hostile to any public criticism, making insider strategies an even more compelling choice.

Nepal, on the other hand, had a system with more dispersed political power and the issue of tobacco control started with low salience that needed public mobilisation via outsider advocacy such as the “No Tobacco Campaign for a Healthy Nepal” campaign. In Nepal, frequent political turnover required the campaign to build long-term relationships with a wide range of potential future decision makers, doing the groundwork *before* their party achieved power. Stakeholder mapping and targeting party economics teams became important influencing tools.

*Political turnover is the most challenging thing for advocacy. Being a thinktank, NDRI keeps all political parties at an equal distance. We approach them all, their advisers in areas like finance and policy. Our strategy was to have relationships with all of them, so that whoever is in power, we had contacts.*

*Shankar Shrestha, NDRI*

## **Kivu and CRUK's role**

The project came on the back of important technical assistance and generation of evidence on tobacco taxation, including that supported as part of the FCTC 20230 programme. This and other contributions will have added to what the campaign did in terms of influencing policy change. But the CRUK-supported project, by bringing a highly politically informed approach and policy change expertise to the partnerships with local organisations was critical.

Interviews with Kivu's partners, corroborated by external reviews, highlight the crucial role played by Kivu. According to Nisha Arunatilake:

*[Previously] we never went out and talked to the politicians. Kivu pushed us to do that, and after a while we got comfortable with it. Before Kivu we used to do technical reports, blogs, policy briefs, but we weren't strategic. We learned to do stakeholder analysis, policy environment analysis and then try to match the design of our research and advocacy to the political interests of the ministries and government. I believe that is what made it successful.*

*I learned a lot from Kivu. Now I am teaching other people in other countries. For example, we are in two South Asian coalitions<sup>5</sup> on improving diets. These coalitions are about building coalitions to push for fiscal and regulatory policies that improve food environments and, in turn, diets. We are using a lot of the things from the tobacco project, and are teaching people in the other countries how to do it.*

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<sup>5</sup> Shape Asia (a South East Asian coalition in which Sri Lanka is also a member), and a South Asian Coalition.

In Nepal, NDRI's Dr Jaya Gurung, who directed the tobacco control campaign, was not initially convinced by Kivu's focus on elections, rather than 'pure' research, but now believes that:

*This is the best time to talk to the different political parties – they hear us, put the agenda in their manifesto. We asked leaders to take the pledge. After the elections, somebody wins and then we can say, 'this is the promise you made, so now you have to do this and that in government, or in parliament'. We learned that from Kivu team and it really worked.*

*Jaya Gurung, NDRI*



A lot of Kivu's success is down to individuals. According to the independent external reviewer used by CRUK, Steve Bertram of Oxford Policy Management:

*Will [Paxton] and Guy [Lodge] were fundamental. Both manage through their personality and experience to win a high degree of confidence, then allow others to come in and do the more formal routine stuff, like training. But they stayed pretty hands on. Their ability to forge links and build credibility is absolutely fundamental.*

A crucial factor in getting to this stage was choosing the right partners. At the outset of the project, Kivu ran a selection process for partners based on a list of 23 countries supplied by CRUK. It looked at where a locally-led approach might work, asking questions such as 'can think tanks operate?'; 'does civil society influence policy?' or 'what's the policy position and general demand for change?' This process ended up selecting IPS/Sri Lanka and NDRI/Nepal, when a less rigorous selection process might well have laid the foundations for frustration and failure.

The programme was also fortunate in its funder, according to one of the external reviewers CRUK bought a long term approach. It would have been quite different with a more conventional donor. There was considerable discussion up front about programme design, with a robust and substantial process of country and partner selection – CRUK enabled and played an active role in getting these initial strategic

decisions right. There were only proportionate levels of M&E (monitoring and evaluation) and carefully calibrated expectations on outcomes. CRUK also encouraged and enabled a flexible approach allowing the programme to adapt quickly to changes in context. CRUK and Kivu were on the same page in terms of being focused on outcomes and being pragmatic about how to have real impact.

## Research as the Bedrock

In both countries, the campaign relied heavily on the rigour and credibility of the underlying research. In Nepal, according to former Minister Ganesh Shah:

*When we talked to the Ministry of Health, the Ministry of Finance or political leaders, they were surprised – they did not know the facts and figures, e.g. on mortality rates. Our decision makers were not aware before of the negative health impacts. Or how the other countries are reacting.*

In Sri Lanka, Dr Susie Perera, who was Deputy Director General at the Ministry of Health during much of the campaign, stresses the importance of IPS' reputation:

*The team clearly understands that their mandate is to be unbiased, we expect them to guide the Ministry of Finance, to produce the evidence so that advocacy can be strong. But then there are other advocates and activists to do that part.*

## What worked/lessons for others

### Health taxes mark a switch to locally-led development

Kivu's partners with Kivu support developed highly tailored policy recommendations, steeped in an account of what was politically feasible in each context. Although actual revenue streams are modest, health taxes, including cigarette taxation, can help fund the health sector, as part of a switch away from aid to more locally funded provision.

### Locally led reform gives value for money

The TCP raises some wider points for the future of tobacco control. Aid budgets are collapsing from numerous donors. Focusing on locally-led policy change, which is embedded in local political dynamics, can get substantial results for relatively low cost,

compared with many direct delivery programmes. The budget for the entire TCP was less than £400,000 per annum across the two projects, a relatively small sum considering the impact both on tax revenue and tobacco usage.

## Working with the Grain

Policy advocacy succeeded when framed to align with immediate political needs. Sri Lanka was a powerful example, where a government faced with acute fiscal pressures and an IMF that was demanding increased revenue made finding new forms of taxation unavoidable. The TCP in Nepal similarly targeted budget moments and finance ministers, although it lacked as clear a window of opportunity.

## Quick Wins and Momentum-Building

Quick wins served to demonstrate progress, build confidence, and consolidate reform coalitions. In Sri Lanka, securing initial increases during crisis and targeting “low-hanging fruit” like beedi taxation brought early victories and generated new tax revenue, enhancing credibility and access.

In Nepal, early gains—such as a >50% cumulative duty rise over an earlier period and embedding tobacco in party manifestos and local campaigns—helped legitimize the movement and draw in new actors.

Quick wins also earned political space for more ambitious, slower reforms like indexation, protecting core allies from reform fatigue.

## What Next?

Declaring victory and moving on would be a mistake, according to Dr Jaya Gurung in Nepal:

*NDRI is now established as the lead agency on tobacco control. Ministers are always inviting us to speak, talk to media etc. But there is still a long way to go – tax is still far below WHO recommended levels. But we don't have funds at the moment and the tobacco industry is working hard [against tobacco control], for example with consumers. We're worried if we lose momentum, tobacco use will increase.*

In Sri Lanka, Dr Susie Perera agrees:

*I think we have done wonders, but we have to think about the future. Tobacco consumption has come down, but we now have problems with smokeless tobacco and we aren't clear on the health impacts of vapes and other alternatives.*

## Conclusions and Implications

Kivu's work shows that locally-led, politically astute advocacy delivers change in low- and middle-income settings. Shared principles—evidence-based advocacy, informal coalitions, insider access, and contextual adaptability— combined with tactically distinct pathways to achieve impressive results in two very different contexts.

Industry interference, bureaucratic fragility, and fiscal politics shape windows of opportunity. Success hinges on agility, timing, and credible evidence aligned to identify and work with immediate political incentives.

The experience underscores that quick wins matter—not just symbolically, but strategically—as catalysts for coalition cohesion, institutional learning, and political confidence in reform paths. Continued light-touch support from Kivu to keep political analysis fresh will help sustain momentum as economic and political contexts shift in the future.

Kivu's intensive engagement and support, and the crucial role played by individuals, does raise the challenge of how to 'scale up' this approach. While CRUK was willing to back this way of working, other donors struggle to pursue such genuinely locally-led partnerships. But given the results and in a context of falling ODA, it is surely worth their while to explore how they can move further in this direction.

## Annex A: Interviewees, External Reviewers and Documentation

### Interviewees:

- Sri Lanka:
  - Dr Nisha Arunatilake, IPS, Research Director
  - Dr Susie Perera, Ministry of Health
- Nepal:
  - Dr Shankar Shrestha, NDRI, for NDRI Executive Director
  - Dr Jaya Gurung, NDRI, former Executive Director and currently NDRI President
  - Mr Ganesh Shah, former Government Minister
  - Mr Devi Sharma, former senior official, Ministry of Finance
- Overall:
  - Will Paxton, Kivu International, Director
  - Guy Lodge, Kivu International, Director
  - Steve Bertram, Oxford Policy Management

### External Reviewers:

- Dr Linda Bauld, Bruce and John Usher Professor of Public Health, Usher Institute, The University of Edinburgh
- Dr Jeffrey Drope, Research Professor at the Johns Hopkins Bloomberg School of Public Health, Johns Hopkins University

### Documentation

#### *Internal Reviews:*

Final Review of the CRUK Tobacco Control Program, Sri Lanka and Nepal, Shaswat Acharya, Stephen Bertram, Oxford Policy Management, December 2024 (unpublished)

Annual Review of the CRUK Tobacco Control Program, Sri Lanka and Nepal Final Draft Report July 2022 Dipti Lata, Kriti Paudel, Stephen Bertram, Oxford Policy Management, (unpublished)

Final review of the Think Tank Capacity Building and Economics of Tobacco Research Programme, Sri Lanka and Nepal, Stephen Bertram, Dipti Lata, Ichchhya Rupakheti, Oxford Policy Management, Final report June 2022, (unpublished)

Harnessing the power of thinktanks to influence policy change in Sri Lanka and Nepal; Tobacco Control Research into Policy Programme 2019 – 2024 [https://www.kivu-international.org/wp-content/uploads/2023/10/CRUK-ICPP\\_TCP-learning-showcase\\_2023.pdf](https://www.kivu-international.org/wp-content/uploads/2023/10/CRUK-ICPP_TCP-learning-showcase_2023.pdf)

### *Sri Lanka:*

The case for banning single stick cigarettes, IPS Policy Brief, March 2023, <https://www.ips.lk/wp-content/uploads/2023/03/The-Case-for-banning-single-stick-cigarettes-options-for-effective-implementation.pdf>, accessed 25<sup>th</sup> February 2026

Identifying the last mile: who is still smoking?, IPS Policy Insights, November 2019, [https://www.ips.lk/wp-content/uploads/2019/11/PI\\_Last-Mile\\_PDF\\_edited\\_ips.pdf](https://www.ips.lk/wp-content/uploads/2019/11/PI_Last-Mile_PDF_edited_ips.pdf), accessed 25<sup>th</sup> February 2026

[Benefits and Burdens of Beedi Taxes to Sri Lanka's Economy](https://www.ips.lk/talkingeconomics/2022/06/20/taxing-tobacco-benefits-and-burdens-of-beedi-taxes-to-sri-lankas-economy/), IPS Talking Economics blog, 20 June 2022, <https://www.ips.lk/talkingeconomics/2022/06/20/taxing-tobacco-benefits-and-burdens-of-beedi-taxes-to-sri-lankas-economy/>, accessed 25<sup>th</sup> February 2026

[Why the 2023 Budget Should Increase Tobacco Taxes](https://www.ips.lk/talkingeconomics/2022/11/10/taxing-tobacco-why-the-2023-budget-should-increase-tobacco-taxes/#:~:text=The%20Institute%20of%20Policy%20Studies,threatening%20economic%20growth%2C%20are%20essential), IPS Talking Economics blog, 10 November 2022 <https://www.ips.lk/talkingeconomics/2022/11/10/taxing-tobacco-why-the-2023-budget-should-increase-tobacco-taxes/#:~:text=The%20Institute%20of%20Policy%20Studies,threatening%20economic%20growth%2C%20are%20essential>, accessed 25<sup>th</sup> February 2026

### *Nepal:*

Tobacco in Nepal: The Current Context Tobacco Control Programme (TCP), Nepal (2019 – 2021), October 2019 <https://ndri.org.np/publication/details/tobacco-in-nepal-the-current-context-tobacco-control-programme-tcp-nepal-2019-2021>

National Survey on Socio-Economic and Policy Aspects of Tobacco Use in Nepal May 2020 <https://ndri.org.np/storage/publication/9-2023-06-14-1079916.pdf>

Extent of illicit cigarette sales in Nepal: findings from a retail survey Sangita Shakya *et al* April 2023 <https://tobaccocontrol.bmj.com/content/tobaccocontrol/33/5/580.full.pdf>

Tobacco National Survey Factsheet 2020, NDRI, May 2020, <https://www.ndri.org.np/publication/details/tobacco-national-survey-factsheet-2020>, accessed 25<sup>th</sup> February 2026  
Enforcement of Tobacco Control Policies in Nepal, NDRI, February 2021, <https://www.ndri.org.np/publication/details/enforcement-of-tobacco-control-policies-in-nepal>, accessed 25<sup>th</sup> February 2026

Policy Paper: Excise Tax on Cigarettes in the 2023/24 Budget  
<https://www.ndri.org.np/storage/publication/145-2023-08-01-680135.pdf>

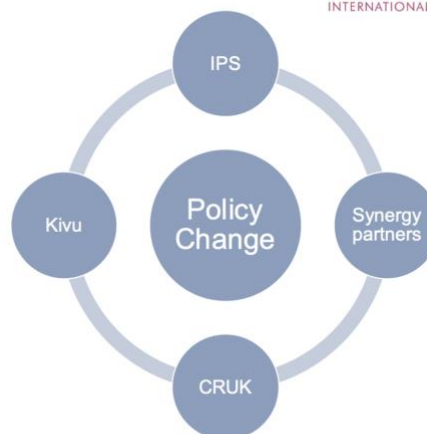
National Survey on Socio-Economic and Policy Aspects of Tobacco Use in Nepal 2024, Jaya Kumar Gurung *et al* <https://ndri.org.np/storage/publication/184-2024-04-25-5163670.pdf>

## Annex B: Theory of Change

### A new approach: locally-led policy influencing



- Bringing in new players.
- Locally-led research to generate politically feasible reforms (not formulaic). "Going with grain"
- Bespoke & context-specific policy influencing strategies (power and how change happens).
- Highly adaptive & responsive to context.
- Partnership that plays to strengths of partners; pro-reform coalition.
- Draws on (but not led-by) international best practice.





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