



02 November 2020

To: Hon. J Maswanganyi,

MP, Chairperson

Standing Committee on Finance

National Assembly

Hon. YI Carrim,

MP, Chairperson

Committee on Finance

National Council of Provinces

RE: HEALTHY LIVING ALLIANCE (HEALA) SUBMISSION ON MTBPS

Background

In South Africa, 68% of women and 31% men are obese or overweight.(1) Obesity rates are growing rapidly among children: 13% of children under the age of 5 years are considered overweight.(1) According to the 2016 National Demographic and Health survey, 13% of women and 8% of men ages 15+ have diabetes; high rates of women and men are pre-diabetic.(1). Obesity-related diseases (e.g. heart disease, diabetes, stroke and some cancers) are among the top 10 causes of death,(2) accounting for 43% of deaths in the country.

Sugar sweetened beverages (sodas and fruit juices) and ultra-processed foods and drinks contribute to obesity, a leading risk factor for Type 2 Diabetes.(3, 4). Ultra-processed foods (UPF) are defined as industrially manufactured ready to eat and heat foods that contain minimal amounts of whole or real foods; examples include breakfast cereals, soft drinks, and reconstituted meat products. It must be noted that reducing obesity is part of the national strategic plan to address non-communicable diseases (NCDs) in South Africa.(1)

COVID-19 and NCDs in South Africa

South Africa is fighting a massive COVID-19 epidemic, accounting for nearly half of all cases and deaths on the continent.(5) People with Type 2 Diabetes, obesity and overweight are at greater risk of severe COVID-19 illness and death.(6) In South Africa, 61% of the COVID-19 patients in hospitals had hypertension and 52% had diabetes. (7) Of those ages 60-69 who died from COVID-19, 45% also had

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hypertension.(7) Clearly, failure to adequately address NCDs in SA put the country at greater risk when COVID-19 struck. This new disease amplified the urgent need to respond to the crisis of NCDs in our country. The combined effects of the COVID-19 and NCD epidemics have significantly increased demands on the SA healthcare system.(8)

Cost of treating Type 2 Diabetes in South Africa, 2018

In Africa, nearly 70% of diabetes cases are undiagnosed, of which 90% are type 2 diabetes cases.(9) In 2018, it cost over R2.7 billion (1.6% of the 2018 healthcare budget) to diagnose, treat, control 240,000 Type 2 Diabetes patients in the South African public sector (10). This includes R1.4 billion to treat and manage the disease, and another R1.3 billion for complications of diabetes, including blindness, amputation, stroke and heart disease.(10)

The additional cost of treating all of those in need, both diagnosed and undiagnosed cases, would be R19.1 bn nationally. This is nearly a **9 fold increase** in public expenditure, accounting for 12% of the national health budget.(10)

By 2030, at an estimated incidence rate of 55,000 new diabetes cases per year, over 1.4 million more South Africans (4.5 million total) will need care for diabetes, costing over R35.1 billion to the public healthcare system(10) if preventive policies, like increasing the Health Promotion Levy and Front of Pack Labelling (FOPL), are not implemented.

The opportunity to increase HPL and the subsequent health wins

The World Health Organization (WHO) recommends sugar sweetened beverage taxes as an effective intervention to reduce sugar consumption and help address NCDs.(11) In April 2018, SA was the first country in the African Region to introduce a tax on sugar-sweetened beverages.(12) The purpose was two-fold: to address rising rates of overweight, obesity and diet-related NCDs, and to raise much-needed revenue for health promotion. (13)

The HPL subjects sugar-sweetened beverages in excess of 4g/100ml of sugar to be taxed at 2,21 cents per gram of sugar past 4 grams. In the first fiscal year (April 2018 – October 2019), the HPL raised **R3.195 billion** according to National Treasury data. Currently the HPL tax is 11%, and the WHO recommendation is 20%.(11)

Local and international evaluations of sugar sweetened beverage (SSB) taxes show they have the potential to increase the price of these beverages for consumers(14, 15), serving as disincentive to purchase, and therefore leading to lower purchase and consumption rates¹. A recent systematic review showed that a 10% SSB tax was linked to a 10% decrease in beverage purchases.(16)

¹ South African research from NEDLAC on the impact of SSB taxes on consumption is pending.

HPL works – but could be more effective

The HPL should be increased to 20% in line with WHO recommendations, which could further reduce demand for sugar-sweetened beverages by 24%, if the tax is fully passed on to consumers.(17) Research has shown that taxing SSBs impacts the price and consumption of sugary drinks, contributing to increased revenue and decreased sugar consumption, which can help to reduce and even prevent NCDs.

This policy is also supported by South Africans--a nationally-representative survey conducted in 2019 found that over 70% of South Africans favour the current SSB tax if the money collected were invested into public programs. (18)

Expanding the HPL- Inclusion of sugary fruit juices

Currently the HPL excludes fruit juices. This creates the false impression that juices are healthier, when in fact the sugar content of fruit juice and other items included in the HPL tax, like soft drinks, is similarly high. Marketing fruit juice as a ‘healthy alternative’ to children and their parents puts children at risk of consuming excessive amounts of sugar.

Fresh fruits, however, ARE a healthy part of our diets. But when converted to fruit juice, the amount of sugar becomes concentrated because more fruit is needed to make up the volume of juice. This ‘free sugar’ is excessive and these drinks are no longer as healthy as eating whole fruit, as the benefits of fibre are lost. (19) Further, although the sugar in fruit juice occurs naturally, our bodies’ processing of these sugars is the same as added sugars in processed SSBs.

Scientific studies have found an association with fruit juice intake, disease, and increased risk of premature mortality. For instance:

- Among a cohort 13,000+ US adults, researchers found that with each additional 354ml serving of fruit juice all-cause mortality increased to 24% compared to an 11% increase for sugary beverages.(20)
- When evaluating long term consumption of sugary drinks including fruit juices, increased daily fruit juice consumption was associated with a 15% higher risk of diabetes prevalence.(21)
- A 2019 study with over 100,000 participants found an association between fruit juice and overall cancer risk. (22)

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Recommendations

- Policymakers looking to reduce sugar consumption, and the risk of diet-related disease and mortality have the opportunity to strengthen the Health Promotion Levy by increasing the tax from 11% to 20% and including fruit juice in the HPL.
- We, a leading alliance of civil society and academic organisations fighting for every person's right to healthy food in South Africa, strongly encourage that this policy be expanded this year, as our country grapples with COVID-19 related health demands and budget deficits. Now more than ever, SA will benefit from an increased HPL tax, which will serve as an additional revenue source and will simultaneously help to reduce risks related to obesity.
- We request evidence and transparency through involvement of Civil Society from Treasury and other stakeholders on their process and decision-making of the HPL and other health tax adjustments.
- HEALA is interested in further making oral presentations to Standing Committee on Finance and Committee on Finance.

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