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| To: Hon. J Maswanganyi, | Hon. YI Carrim, |
| MP, Chairperson | MP, Chairperson |
| Standing Committee on Finance | Select Committee on Finance |
| National Assembly | National Council of Provinces |

Healthy Living Alliance (HEALA) 2021 Fiscal Framework and Revenue Proposals

Democratic South Africa is founded on fundamental human rights principles and guarantees the progressive realisation of health for all South Africans. Twenty-five years into democracy, the COVID-19 pandemic and economic lockdown laid bare deficiencies on the state’s capacity to achieve these goals. The pandemic illustrated the far-reaching effects of an unhealthy population, demonstrating that health is not merely “the absence of disease” – it is a threat to South Africa’s economic livelihood, national security, and future prosperity. Good health is essential for individuals to realise their full potential, and a healthy population is essential for economic growth. The state must utilise the tools at its disposal to make the food environment healthier for all South Africans. The health promotion levy is a proven public health strategy to reduce sugar consumption and related- non-communicable diseases, such as diabetes, high blood pressure and obesity. The National Treasury must act with urgency and double the health promotion levy to 20% to save lives both now and in the future.

Why is an increase in the HPL needed?

Over the past 50 years, South Africans, like much of the world, have increasingly consumed ultra-processed foods and beverages, a trend in both urban and rural areas. Multiple studies have shown that a regular habit of sugary drinks can increase a [person’s risk of developing type 2 diabetes, heart disease, and other chronic non-communicable diseases. Globally, being obese has been shown to increase a person’s risk of dying from COVID-19 by almost 50% and more than doubles the risk of being hospitalised.](#) In South Africa, COVID-19 found ideal conditions to wreak havoc: obesity is one of the top five risk factors for early death and disability, and obesity-related health conditions, such as heart disease and diabetes, are among the top 10 causes of death. A 2016 modelling [study](#) estimated that a health promotion levy of 20% would save 72 000 lives over the next two decades. It was also predicted to save the country R5 billion in healthcare costs over the same period.

Why is increasing the health promotion levy is pro poor?

South Africans are battling with obesity and diet-related diseases because they exist in unhealthy food environment. [The volumes of sugary drinks people in South Africa consumed grew by more than half from 2001 to 2015,](#) according to market research by [Euromonitor International](#) that was analysed by the South African Medical Research Council (SAMRC) Centre for Health Economics and Decision Science, PRICELESS SA. Research has shown that industry banked on South Africa’s poorest to build these profits. By 2012, one of South Africa’s largest soft drink companies had identified LSM 1 through 6 — [those households earning less than R7 000 a month](#) — as its main market opportunity, according to [2015 research](#) published in the journal *Public Health Nutrition*. The company’s main focus? Those earning less than R3 000 a month.

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Obesity and related non-communicable diseases disproportionately impact the poor. A South African Medical Research Council [study](#) found death rates from these diseases to be almost twice as high in Khayelitsha compared to Cape Town's wealthy northern and southern suburbs. There is also mounting evidence that undernutrition early in life may predispose individuals to obesity and diet-related noncommunicable diseases such as diabetes and heart disease later in life. The 2020 South African Child Gauge found that **one in four** (27%) South African children under the age of five experience stunting (impaired growth and development) due to malnutrition. Alarming, this report does not include data from 2020, where the COVID-19 pandemic and lockdown undoubtedly exacerbated food insecurity and malnutrition.

The health promotion levy is working for what it is intended to achieve

The levy has already incentivised beverage companies to reformulate their products to reduce the sugar content of the drinks they sell, and there has been no impact on employment in the sugar and beverage industries.

The levy is also leading many in our communities to cut back on the amount of sugary drinks they consume. According to a study published in the journal, Public Health Nutrition, the health promotion levy led to a 60% reduction in [sugary beverage consumption](#) among people who were surveyed and consumed a lot of sugar in Soweto.

In Langa outside Cape Town, University of the Western Cape researchers found adults between 18 and 39 reduced their overall sugar intake by almost a third after the levy was introduced. This study is currently being reviewed for publication.

Potential economic gains

If Treasury had doubled the current health promotion levy to 20%, South Africa could have earned an estimated R4 to R5 billion in extra revenue. This estimate is based on current consumption and revenue of 2.5 billion raised in 2019-2020 financial year. Treasury itself proposed a levy of 20% on sugary drinks two years before the country introduced the health promotion levy, and this position is publicly popular: up to 76% of South Africans support government's efforts to cut down on excessive sugar consumption.

Increasing the levy from 11% to 20% would further its positive effects, contribute to a reduction in obesity and diet-related diseases, and provide increased revenue and healthcare cost savings. The increase could raise billions for Covid-19 in the short-term and over time reduce the health and economic costs of noncommunicable diseases.

Treasury's failure to stick to its original proposal of 20% has cost South Africa billions in the short-term, but the long-term costs are far greater. The human rights principles enshrined in the South African Constitution give the state the power to act to protect and improve the health of South Africans. Every year that National Treasury delays, people in South Africa will die from the diseases that this levy could help prevent. And it is the poorest in South Africa who are the hardest hit.

Recommendations

National Treasury must double the health promotion levy to its original proposed 20%.

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