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To:	Hon. J Maswanganyi, MP, Chairperson Standing Committee on Finance National Assembly *via: Mr Allen Wicomb* *awicomb@parliament.gov.za* *Ms Teboho Sepanya* *tsepanya@parliament.gov.za*	Hon. YI Carrim, MP, Chairperson Select Committee on Finance National Council of Provinces *via: Mr Nkululeko Mangweni* *nmangweni@parliament.gov.za*

HEALA: 2021 Revised 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 have exposed the state's lack of 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 vital for economic growth. The state must utilise the tools at its disposal to create a healthier food environment for all South Africans. The health promotion levy is a proven public health strategy to reduce sugar consumption and contribute to a reduction in 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 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 sugary drinks habit can increase a person's risk of developing type 2 diabetes, heart disease, and other chronic non-communicable diseases. [1] 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. [2] 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 leading ten 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 also predicted healthcare cost savings of R5 billion in healthcare costs over the same period. [3]

Why is increasing the health promotion levy is pro-poor?

The majority of South Africans live in an environment where unhealthy food choices are pervasive. According to market research by Euromonitor International analysed by the South African Medical Research Council (SAMRC) Centre for Health Economics and Decision Science, PRICELESS SA, South Africans more than doubled the volume of sugary drinks they consumed from 2001 to 2015. [4] The study found that the industry depended on reaching 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 primary market opportunity, according to 2015 research published in the journal *Public Health Nutrition*. [5] The company's focus? Those earning less than R3 000 a month.

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. [6] There is also mounting evidence that undernutrition early in life may predispose individuals to obesity and diet-related non-communicable 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 five experience stunting (impaired growth and development) due to malnutrition. [7] Alarmingly, 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

The levy has already incentivised beverage companies to reformulate their products to reduce the sugar content of the drinks they sell. Further, despite claims to the contrary, there is no evidence of a negative impact on employment in the sugar and beverage industries.

Researchers are also learning that the levy may positively influence many in our communities to cut back on the number 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 those surveyed in Soweto. [8] In Langa outside Cape Town, the University of the Western Cape researchers found adults between 18 and 39 reduced their overall sugar intake by over a third after the levy was introduced. [9]

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 2.5 billion in revenue raised in FY2019-2020. Treasury itself proposed a levy of 20% on sugary drinks two years before the country introduced the health promotion levy.

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 our country in the short term and, over time, reduce the health and economic costs of non-communicable diseases. Further, the health promotion levy goals are publicly popular; up to 76% of South Africans support the government's efforts to cut down on excessive sugar consumption. [10]

Treasury's failure to enact its original proposal of 20% has cost South Africa billions in the short term, but the long-term costs are far more significant. The human rights principles enshrined in the South African Constitution give the state the power to protect and improve South Africans' health. Every year that the 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 the original proposed 20%.

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