

## HEALA: 2022 Revised Fiscal Framework and Revenue Proposals

Submission to Standing Committee on Finance

### Background

Of the 300 000 natural excess deaths over the COVID-19 pandemic, the South African Medical Research Council (SAMRC) estimates up to 95% died from Covid.<sup>i</sup> Of these, the majority carried comorbidities of obesity, diabetes, hypertension and other diet-related non-communicable diseases (NCDs). Given the high prevalence of NCD's in South Africa, and role as higher risk factors for Covid-related hospitalisation and death, this outcome may have seemed inevitable. Yet South Africans' health is a direct reflection of the systems they live in, and the political choices that shape it. How many deaths could we have avoided if better political choices had been made?

South Africans enjoy specific rights to health, food, and access to information under the Constitution. In practice, they instead face a double burden of malnutrition; where persistent food insecurity, hallmarked by chronically high malnutrition rates among children, co-exist with increasingly unhealthy diets. Resolving this is not simple. But framing health conditions arising from this burden as purely "lifestyle diseases" will undermine any attempt. One key driver of obesity and NCD's is the overconsumption of sugar-sweetened beverages (SSBs). However, we can only tackle this if we recognise the predatory behaviour of multinational food and beverage industries in pushing the consumption of ultra-processed foods and SSBs; within the context of extreme poverty that increases the poor's vulnerability to such behaviour.

Ensuring only access to food, or security thereof cannot account for this. We need a food justice paradigm that interrogates the entire system of production and distribution to confront systemic outcomes. Policy-makers are constitutionally obligated to actively promote and enable an environment where South Africans are empowered to fully realise their rights. This also means ensuring that markets are expected to provide quality, affordable, and nutritious food that would support optimal physical and mental development/health. The Health Promotion Levy (HPL) is only one step in creating such an environment. It has already proven to be an effective policy with positive impact and beneficial returns to state finances. We welcome the increase of 4.5% to the levy, as well as Treasury's announced intentions to pursue consultations towards including fruit juices within the HPL, and lowering the levy-free threshold for sugar content per volume. These are significant changes but insufficient. In real terms, the levy's rate has actually fallen from 2.6 to 2.3 cents per gram since 2018, due to lack of consistent annual increases accounting for inflation. The HPL must be strengthened by raising the tax rate to 20%, broadening its scope, lowering its threshold, and maintained with consistent annual increases. It is clear that low-income South Africans would gain the most health benefit from such, while reducing disease burden and health inequity for all.

### Understanding the Sugar Burden

Between 2001 and 2015, South Africans more than doubled the volume of sugary drinks they consume.<sup>ii</sup> By 2016, the average South African consumed between 12 and 24 teaspoons of sugar per day, with SSBs contributing one third of this.<sup>iii</sup> By contrast, the World Health Organization (WHO) recommends a daily maximum of 12 teaspoons, and reducing this to under 6 teaspoons for one's best health.<sup>iv</sup> The reason for the focus on SSBs is that liquid sugar is particularly harmful. Multiple studies have shown

that drinking regular sugary drinks regularly increases a person's risk of becoming obese as well as developing type 2 diabetes, heart disease, dental caries, certain cancers and other dietary-related non-communicable diseases (NCDs).<sup>v</sup> The scientific evidence on this is overwhelmingly clear.

It should also be clear, then, that overconsumption of SSBs is a significant factor in South Africa's current health profile. South Africa now has the highest rates of obesity in Sub-Saharan Africa, and accounts for an estimated ¼ of total diabetics across 48 Sub-Saharan countries.<sup>vi</sup> Obesity serves as one of the top five risk factors for early death and disability. Whereas diabetes was the foremost underlying cause of death amongst women, and one of the leading causes of death in men.<sup>vii</sup> These health crises create not only a clear annual cost in terms of deaths caused and healthcare services required, but directly and indirectly inflict wide-reaching economic damage. The direct healthcare cost alone for overweight and obesity for 2020 was estimated at R35 million.<sup>viii</sup>

Such health conditions also disproportionately impact the poor. One study found death rates from these diseases to be almost twice as high in Khayelitsha compared to Cape Town's wealthier suburbs.<sup>ix</sup> There is also evidence that stunting from chronic undernutrition early in life predisposes individuals to obesity and diet-related NCDs later in life. Prior to the pandemic itself, 27% of South African children under five experienced stunting due to malnutrition; which adversely affects their growth and cognitive development, negatively impacting their health, education and economic prospects across their life course.<sup>x</sup> Given the exacerbation of food insecurity under the pandemic, the current situation is likely much worse.

The trend of rapidly increasing sugar consumption, and related rise of obesity and diet-related NCDs is a global story of nutrition transition. Yet as many countries have shown, it is not inevitable or irreversible. To counter this requires political willpower to directly confront the vested interests that drive it. The majority of South Africans live in an environment where unhealthy food choices are purposefully made pervasive and aggressively marketed. By 2012, one of South Africa's largest soft drink companies had identified those households earning less than R7000 a month as its "primary market opportunity".<sup>xi</sup> Its key focus? Those earning less than R3000 a month! As long as the impact of SSB's on health can be kept separate from the profit maximisation strategies of such companies, such trends will remain inevitable. The HPL changes that.

## The HPL is Working

By directly taxing sugar content in SSBs, the Health Promotion Levy looks to incentivise changes in market behaviour (by reformulation of products) and consumer behaviour (by reduction in sugar consumption).

The introduction of the HPL has forced a swift response by beverage companies, with significant product reformulation to reduce sugar content, reduction in serving sizes, and diversification towards zero-sugar or "diet" beverages. Yet despite the fear-mongering by the industry, there is no publicly available evidence of a direct negative impact on employment in the sugar and beverage industries.<sup>xii</sup>

Furthermore, claims that a sugar-based tax will not positively influence consumer behaviour, despite all the international evidence,<sup>xiii</sup> continue to also be strongly disproven by local research. According to one survey in Soweto, the HPL led to a 60% reduction in sugary beverage consumption among those surveyed.<sup>xiv</sup> In Langa, researchers undertook a large-scale study on adults between 18 and 39, finding their overall sugar intake dropped by over a third following the HPL.<sup>xv</sup> They showed that this drop was directly related to consumer behavioural changes, beyond the effects of product reformulation. Nationally this trend holds, with monthly household data from all nine provinces showing reductions in sugar, calories and volume of SSBs purchased following the HPL.<sup>xvi</sup>

These results prove that the HPL is an effective and fast-acting tool for prevention that can be strengthened to fully realise SA's longer-term health goals.

## Strengthening the HPL

National Treasury itself initially proposed a levy of 20%. Negotiations with industry saw the HPL being introduced at nearly half this in 2018. That compromise has likely meant forgoing around R7 billion in extra revenue to date, based on current consumption and HPL collections over three financial years. Moreover, this meant a decrease in the HPL's short and long-term health benefits. The potential benefits lost to date is deeply regrettable. But the case for strengthening the HPL now is unmistakable, and only grows more so.

Based on its evidenced impact at 11%, increasing the levy 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. This understanding is supported by a 2016 modelling study, which estimated that over two decades, an HPL of 20% would save 72 000 lives and R5 billion in healthcare costs.<sup>xvii</sup> 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.<sup>xviii</sup>

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

To progressively address the rising wave of obesity and nutrition-related NCDs in South Africa requires a multifaceted strategy; requiring not only a strengthening of diagnoses and treatment coverage, but an increase in preventive mechanisms such as support for consumer awareness, focus on maternal support and child nutrition, incentivising provision of health foods alternatives, and more. In this, the Health Promotion Levy itself is a small but important, cost effective, evidence-based part. Moreover, it signals state willingness to embrace a crucially needed and progressive policy paradigm orientated towards realising food justice; whereby corporate interests are proactively made accountable to South Africans' right to health, nutritious food and a quality of life.

To better promote these rights, policymakers must:

- Immediately increase the HPL tax rate from 11% to 20%;
- Commit to annual adjustments of this tax rate that account for inflation;
- Widen the scope of SSBs to include fruit juices; and,
- Consider lowering the taxable threshold from 4g per 100ml in the longer-term.

## Endnotes

- 
- <sup>i</sup> Moultrie, T. Unpacking South Africa's excess deaths. What is known and where the gaps are. Sept 17, 2021. The Conversation, <https://theconversation.com/unpacking-south-africas-excess-deaths-what-is-known-and-where-the-gaps-are-167920>
- <sup>ii</sup> PRICELESS SA. Submission on the Draft Rates and Monetary Amounts Bill and the Health Promotion Levy Submission to the Standing Committee on Finance.
- <sup>iii</sup> Wits Health. [Facts about sugar-sweetened beverages \(SSBs\) and obesity in South Africa](#). 2016.
- <sup>iv</sup> World Health Organisation. [Guideline: Sugars intake for adults and children](#). Geneva, 2015.
- <sup>v</sup> Malik VS, Li Y, Pan A, et al. Long-term consumption of sugar-sweetened and artificially sweetened beverages and risk of mortality in US adults. *Circulation* 2019; 139(18): 2113-25.
- <sup>vi</sup> Santiago, M. [Diabetes And Covid-19: South Africa's Dual Epidemics](#). The Borgen Project, October 30, 2020.
- <sup>vii</sup> StatsSA. [Mortality and causes of death in South Africa: Findings from death notification](#). 2018.
- <sup>viii</sup> Boachie MK, Thsehla E, Immurana M, Kohli-Lynch C, Hofman, KJ. Healthcare cost of obesity in South Africa. Forthcoming research article to be published in *Global Health Action*, 2022; 15 (1). <https://www.tandfonline.com/toc/zgha20/15/1>
- <sup>ix</sup> Groenewald P, Bradshaw D, Daniels J, Matzopoulos R, Bourne D, Blease D, Zinyaktira N, Naledi NT. Cause of death and premature mortality in Cape Town, 2001-2006. Cape Town: South African Medical Research Council, 2008. ISBN: 978-1-920014-63-67.
- <sup>x</sup> May J, Witten C & Lake L (eds). [South African Child Gauge 2020](#). Cape Town: Children's Institute, University of Cape Town, 2020.
- <sup>xi</sup> Manyema M, Veerman LJ, Chola L, Labadarios D, Hofman KJ. Cost of inaction on sugar sweetened beverage consumption: implications for obesity in South Africa. *Public Health Nutrition*, 2016; 19 (13): 2296-304.
- <sup>xii</sup> Mandle J, Tugendhaft A, Michalow J, et al. Nutrition labeling: a review of research on consumer and industry response in the global South. *Glob Health Action* 2015; 8:25912. doi: 10.3402/gha.v8.25912.
- BFAP. BFAP Baseline Agricultural Outlook 2019-2028. Pretoria: Bureau for Food and Agricultural Policy (BFAP), 2019:108.
- Priceless SA. Policy Brief: The Health Promotion Levy and the South African Labor Market 2019. Johannesburg, South Africa: Priceless SA, 2019:4.
- <sup>xiii</sup> Teng AM, Jones AC, Mizdrak A, Signal L, Genç M, Wilson N. Impact of sugar-sweetened beverage taxes on purchases and dietary intake: Systematic review and meta-analysis. *Obesity Reviews*. 2019; 20:1187–1204. <https://doi.org/10.1111/obr.12868>.
- <sup>xiv</sup> Wrottesley SV, Stacey N, Mukoma G, Hofman KJ, Norris SA. Assessing sugar-sweetened beverage intakes, added sugar intakes and BMI before and after the implementation of a sugar sweetened beverage tax in South Africa. *Public Health Nutrition* 2020:1-11.
- <sup>xv</sup> Essman M, Taillie LS, Frank T, Ng SW, Popkin BM, Swart EC (2021) Taxed and untaxed beverage intake by South African young adults after a national sugar-sweetened beverage tax: A before-and-after study. *PLoS Med* 18(5): e1003574. <https://doi.org/10.1371/journal.pmed.1003574>.
- <sup>xvi</sup> Stacey N, Edoka I, Hofman K, Swart EC, Popkin B, Ng SW. Changes in beverage purchases following the announcement and implementation of South Africa's Health Promotion Levy: an observational study. *Lancet Planet Health*. 2021; 5(4): [https://doi.org/10.1016/S2542-5196\(20\)30304-1](https://doi.org/10.1016/S2542-5196(20)30304-1).

---

<sup>xvii</sup> Manyema M, Veerman LJ, Tugendhaft A, Labadarios D, Hofman KJ. Modelling the potential impact of a sugar-sweetened beverage tax on stroke mortality, costs and health-adjusted life years in South Africa. BMC Public Health, 2016;16(1):405.

<sup>xviii</sup> Murukutla N, Cotter T, Wang S, et al. Results of a Mass Media Campaign in South Africa to Promote a Sugary Drinks Tax. Nutrients. 2020;12(6):1878.