South African Experience in Introducing Sugar taxation
IDENTIFYING THE ISSUE

• The problem of obesity has grown over last 30 yrs in South Africa

• Obesity in South Africa is ranked fifth as a risk factor for early death and years of life lived in DALYS (with disability or disability-adjusted life years).

• SA has the highest overweight and obesity rate in Sub-Saharan Africa and the second to third highest in Africa

• - > The Strategic Plan for the Prevention and Control of Obesity 2015-2020 sets ambitious target of reducing obesity prev by 10 percent by 2020. Taxation (of sugar sweetened beverages) is one policy option

• Need for a coordinated multi-sectoral approach to prevent and control obesity in South Africa
Numbers of adults overweight, obese and severely obese 2010, 2014 and estimated for 2025

Overweight is BMI 25-30kg/m², Obese is BMI 30-35kg/m², Severely obese is BMI >35k

Estimates from World Obesity Federation and World Health Organization
WHY FOCUS ON (Sugar Sweetened Beverages) SSB’s

• Sugary drinks are the top calorie source in teens’ diets,
• Calories consumed in the form of sugary beverages increased by 60% in children ages 6 to 11,
• Percentage of children consuming them rose from 79% to 91% in last decade
• WHO recommends that sugar intake be limited to 10% (12 teaspoons) of daily caloric intake.
• One sugary drink (1 Can) sugary beverages may contain up to 11 teaspoons of sugar.
• Beverages a good place to start

- > Incentives for producers of sugary beverages to reduce the sugar content and thus reduce their tax liability seen as a smart move
South African Action Process

- Identifying problem, implementing NCD policy recommed.
- Department of Treasury produced a policy paper 2016
- Research, analyses and technical consultations
- Bill taken to Cabinet
- Public hearing and widespread Consultation
- Taxation of beverages introduced 2018
EVIDENCE GATHERING

– What are the most effective interventions?
– Review the obesity landscape
– Identify dietary patterns
– Physical activity patterns
– Consolidate evidence for interventions
– Learn best practices
– Identify barriers and enablers
– Stakeholder voices (Academics, consumer groups, industry etc)
# EVIDENCE ON SSB

<table>
<thead>
<tr>
<th>Topic</th>
<th>Researcher</th>
<th>Where conducted</th>
<th>Sample size</th>
<th>Aim of the study</th>
<th>Methodology</th>
<th>Outcome/results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fiscal Policies for population health in South Africa</td>
<td>Report prepared by Priceless South Africa School of public health University of the Witwatersrand January 2017</td>
<td>South Africa</td>
<td>NA</td>
<td>Recommendations on what South Africa can do to improve the quality of life of South Africans in the face of the burden of diseases</td>
<td>Expert consultation</td>
<td>Taxes, such as those on alcohol and tobacco, present the opportunity to reduce the occurrence of behaviours responsible for lifestyle and non-communicable Diseases.</td>
</tr>
<tr>
<td>2. Sugar-sweetened beverages taxes in Brazil</td>
<td>Claro RM, Levy RB, Popkin BM, Monteiro CA</td>
<td>Brazil</td>
<td>48,470 Brazilian households.</td>
<td>whether taxing sugar-sweetened beverages (SSBs) would improve the diets of households in Brazil.</td>
<td>used household food consumption data</td>
<td>Increases in the price of SSBs led to reductions in consumption. Increased income had a positive effect on SSB consumption,</td>
</tr>
<tr>
<td>3. Beverage purchases from stores in Mexico under the excise tax on sugar sweetened beverages, observational study</td>
<td>Colchero MA, Popkin BM, Rivera JA</td>
<td>Mexico</td>
<td>6253 households in 53 cities</td>
<td>Effect of sugar tax on the prevalence of obesity</td>
<td>Observational study. Used data on the purchase of beverages from January 2012-2014</td>
<td>Decrease in taxed beverages and an increase in untaxed beverages.</td>
</tr>
<tr>
<td>4. Evidence that a tax on sugar sweetened beverages reduces the obesity rate: a meta-analysis (2013)</td>
<td>Escoba, MAC Veerman JL, Toffman SM, Bertram MY and Hofam KJ</td>
<td>Three from the USA and one from Mexico</td>
<td>(0.388, 95% CI: 0.009 – 0.767)</td>
<td>Higher prices for SSBs were associated with an increased demand for alternative beverages such as fruit juice</td>
<td>Four articles reported cross-price elasticities</td>
<td></td>
</tr>
<tr>
<td>3. War over soda taxes coming to a polling place near you</td>
<td>Compiled by Helen Bottlemiller Evich 2015</td>
<td>Berkeley</td>
<td>NA</td>
<td>Business and sugar tax</td>
<td>observational</td>
<td>Found that industry is lobbying aggressively to make sure that the sugar tax bill fizzes out. Lobbying figures show that the American Beverage association has spent more than $350 000 lobbying against the bill.</td>
</tr>
<tr>
<td>3. The potential impact of a 20% tax on sugar sweetened beverages on obesity in South African adults</td>
<td>M Manyema, Veerman LJ, Chola L (2014)</td>
<td>South Africa</td>
<td>NA</td>
<td>To estimate the effect of a 20% tax on the prevalence of obesity</td>
<td>Mathematical model Meta analysis studies and cross-price elasticity of SSB's</td>
<td>20% tax predicted to reduce energy intake by about 36kJ per day and to reduce obesity by 3.8%.</td>
</tr>
<tr>
<td>3. Health advocates cheer initial results of Mexico's soda tax KPBS</td>
<td>Report by Jill Replogle</td>
<td>Mexico</td>
<td>NA</td>
<td>Monitor impact of sugar tax</td>
<td></td>
<td>Their preliminary results show that during the first three months of 2014, purchases of sodas and other taxed beverages declined by 10 percent compared to the same time period last year. Meanwhile purchases of untaxed drinks, like 100 percent fruit juice and milk, went up 7 percent, and purchases of bottled water went up 13 percent.</td>
</tr>
<tr>
<td>3. Fiscal policies for Diet and Prevention of Non Communicable Diseases: technical meeting report</td>
<td>World Health Organisation 2015</td>
<td>Geneva, Switzerland</td>
<td>NA</td>
<td>To review available evidence and make proposals to countries on appropriate interventions.</td>
<td>Report of a technical meeting</td>
<td>The Global Action Plan for the Prevention and Control of NCD’s 2013–2020 proposes that “as appropriate to national context, countries consider the use of economic tools that are justified by evidence, and may include taxes and subsidies, to improve access to healthy dietary choices and create incentives for behaviours associated with improved health outcomes and discourage the consumption of less healthy options”.</td>
</tr>
<tr>
<td>3. Interim Report of the Commission on Ending Childhood Obesity</td>
<td>World Health Organisation</td>
<td>Geneva, Switzerland</td>
<td>Consultations with 7 WHO regions</td>
<td>To provide policy recommendations to governments to prevent infants, children and adolescents from developing obesity.</td>
<td>Meetings with experts in the area, Consultations with countries and literature review</td>
<td>Provided actions that countries can implement to end childhood obesity.</td>
</tr>
<tr>
<td>3. Are sugary drinks taxes working</td>
<td>Healthy food America June 2017 Research brief</td>
<td>NA</td>
<td>NA</td>
<td>Assesses effectiveness of the SSB tax</td>
<td>Evaluation studies. Observed changes in sales and consumption</td>
<td>Sugary drink taxes have led to a significant decline in sugary drink consumption in Mexico</td>
</tr>
</tbody>
</table>
DRIVERS OF OVERWEIGHT AND OBESITY

**Insufficient Physical Activity**
- Lack of inclusive environment for physical activity (infrastructure, safety)
- Lack of community networks to promote physical activity
- Increased use of technology (computer games, TV)
- Time-special challenges (transport, work distance)

**Poor Diet**
- Individual and lifestyle factors
- Perceived high cost of healthy foods
- Environmental influence
- Socialization – culture and psychosocial
- Portion sizes purchased and in restaurants
- Easily available ultra-processed foods
- Purchasing power

**Lack of Knowledge**
- Limited access to appropriate information
- Consequences poorly understood
- Knowledge of energy content of food
- High coverage of advertisements of unhealthy foods

**Poor early childhood feeding practices**
- Early introduction of complementary feeding
- Poor feeding practices of low birth weight babies
- Using food as a reward
- Early introduction of unhealthy food to children
### Table 1: Best Buys for Tackling Diet, Physical Activity and Obesity

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Cost in Rand per Head (2010)</th>
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<tr>
<td>Fiscal measures (e.g. taxes)</td>
<td>R0.20</td>
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<tr>
<td>Food advertising regulation</td>
<td>R0.90</td>
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<td>Food labelling</td>
<td>R2.50</td>
</tr>
<tr>
<td>Worksite interventions</td>
<td>R4.50</td>
</tr>
<tr>
<td>Mass media campaigns</td>
<td>R7.50</td>
</tr>
<tr>
<td>School-based interventions</td>
<td>R11.10</td>
</tr>
<tr>
<td>Physician counselling</td>
<td>R11.80</td>
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</table>

**Source:** Table 7 of Strategic Plan for the Prevention and Control of NCDs 2013 – 2017 & Table 2 of National Strategy for the Prevention and Control of Obesity 2015 – 2020
The most cost-effective interventions to address obesity

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Cumulative disability-adjusted life-years (DALYs) gained over time

- Well designed fiscal policies together with other actions will contribute to reducing health/economic burden from NCDs
- Evidence strongest for SSB taxes – at a minimum 20%
- Low income and young people are most responsive to price change
- Taxes on beverage sugar content will have greatest impact
Health Impact Increases with Magnitude of Tax

- While 20% tax is proposed by policy paper, the health impacts would be greater if tax was higher:
- Obesity reductions by benchmark tax rate:

<table>
<thead>
<tr>
<th></th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
</tr>
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<tbody>
<tr>
<td>Men</td>
<td>-2.3%</td>
<td>-3.8%</td>
<td>-4.9%</td>
</tr>
<tr>
<td>Women</td>
<td>-1.4%</td>
<td>-2.4%</td>
<td>-3.1%</td>
</tr>
</tbody>
</table>

Source: Manyema et al. (2014)
Modelling the Health Impacts of SSB Taxation

- Review of evidence on SSB taxation and price elasticities
- Combine evidence on elasticities, and population survey data on SSB consumption and BMI to estimate obesity reductions

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<th>Beverage Category</th>
<th>Elasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSB</td>
<td>-1.299 (Own-Price)</td>
</tr>
<tr>
<td>Fruit Juices</td>
<td>0.388 (Cross-Price)</td>
</tr>
<tr>
<td>Milk</td>
<td>0.129 (Cross-Price)</td>
</tr>
<tr>
<td>Diet Drinks</td>
<td>-0.423 (Cross-Price)</td>
</tr>
</tbody>
</table>

Source: Cabrera Escobar et al., 2013

Source: Manyema et al., 2014
IDENTIFYING KEY PLAYERS IN OBESITY RESEARCH
STAKEHOLDER MAPPING

- Societal norms and values that promote healthy food environments
- Macro environment (sectors)
- Industry trade (corporate)
- Food & beverage companies
- Food retailers
- Worksites
- Health care
- Restaurants & catering
- Media
- Communities
- Public interest non-governmental and civil society organisations
- Physical activity promoting agents
- Micro environment
- Meso environment (settings)
- Early childhood settings
- Schools
- Home

- Provincial government
- Districts
- Local government
- Private and corporate foundations
- National government

- Healthy weight
- Energy balance
- Healthy lifestyle
- Healthy diet & physical activity
DEFINING ROLES OF GOV. DEPARTMENTS

OBESITY CONTROL

SRSA

Enable engagement with public servants

DPSA

Implementing fiscal measures

Local Gov

Municipalities to create enabling environments

DAFF

Access to fresh fruit and veg and to local markets

Road and transport

Create bicycle lanes and increasing access to public transport

Basic Education

Curriculum review and promoting physical activity and healthy eating

Trade and industry

Engagement with food industry

Dep of Social Development

Creating enabling environments in ECD’s

SARS

Enable engagement with public servants

Promotion of recreational sports and Physical activity
DEFINING ROLES OF OTHER STAKEHOLDERS

OBESITY CONTROL

Media
- Positive messaging, understanding the rationale

Quick service restaurant groups
- Reformulation, Change practice, responsible marketing

Research bodies
- Monitoring and provide evidence to improve programming

Non-alcoholic Beverage sector
- Social mobilization, increase community engagement

Academia
- Technical support, Provide global perspective, Advocacy and monitoring

Development partners
- Provide healthier options and low cost, portion control.

NGO
- Provide healthier options, reduce access

Retailers

• Department of Treasury - bill
• Bill published for public comment
• Consultation and feedback
ADVOCACY FOR SUPPORT TO SUGAR TAX

Bill published for comments

- Government: Scientist to present
- Business: Health presents, Presentations from: Beverage industry
- labor: Job losses
- Civil society: Freedom of choice
- media
- Sugar industry
- Small business
Consultation with stakeholders

Submission to cabinet

Share Drafting team

Buy in from SARS

Identify the issue

Provincial consultation

Problem & causal analysis

Consultation & Drafting team

Mapped stakeholders

Developed concept paper

Inclusion of SSB in Tax Bill

Public Hearing

Voting in cabinet

Political Support

Sugar tax

Obesity strategy
Debates and arguments

**Business**
- Reduced sales
- Reduced contribution to GDP
- Retrenchments
- Not enough evidence that SSBs are the culprits
- Cost of reformulation

**Labor**
- Increased job losses in the sugar cane environment and sugary beverage retailers especially the small retailers and vendors.
- Government to come up with a job mitigation plan

**Government**
- High cost of health care
- Evidence of what works to reduce obesity and NCDs
- Used examples from other countries e.g. Mexico
- High cost influences consumer choices

**Economists/experts**
- Tobacco, alcohol, and sugary beverage taxes did not lead to net job losses, a decrease in sales of harmful products leads to an increased sale of less harmful or healthier alternatives
- Job losses in taxed sector offset by job gains in other sectors
- Consumer will redirect their spending to other products
- There will be increased government spending based on new tax revenues
- Additional economic benefits from tax-induced changes in behavior
- Reduced health care spending, increased productivity
• **Concerns raised by industry**
  
  • Increased job losses in the sugar cane environment and sugary beverage retailers especially the small retailers and vendors.

• **However experts argue that:**
  
  • Tobacco, alcohol, and sugary beverage taxes did not lead to net job losses, a decrease in sales of harmful products leads to an increased sale of less harmful or healthier alternatives

• Job losses in taxed sector offset by job gains in other sectors

• Consumer will redirect their spending to other products

• There will be increased government spending based on new tax revenues

• Additional economic benefits from tax-induced changes in behavior

• Reduced health care spending, increased productivity
SUGAR TAX CAMPAIGN

Debates on the sugar tax

SUMMARY

The Beverage Association of South Africa’s (BASA) response to the sugar tax proposal has been aggressively published. But its arguments only as a misunderstanding of economic realities combined with repeated misrepresentations of the available data, in particular, because of the fact that sugar is sold as a key factor in leading obesity and the attendant ailments of diabetes, heart disease, and some cancers.

A month later, the Beverage Association of South Africa (BASA), representing the producers of sugary drinks, launched an aggressive attack on the proposed tax. In its response to the National Department of Health’s Health Promotion Policy Paper, it contests that the tax will:

- Cost between R2.6 billion and R7.2 billion a year.
- Cut the GDP by 0.8%, and
- Have a burden impact on the poor.

None of these claims hold water. This brief first examines the economic arguments raised by the sugary-drinks industry. It then analyses a few of the errors in the data provided to back up these arguments, focusing on employment and trends in sugar consumption. Overall, the analysis shows shifting to alternative drinks such as diet sodas, low-sugar varieties, tea, or water.

This argument confuses possible losses to producers of sugary drinks with the broader impact of the tax. From the standpoint of national growth and employment, the fact that consumer demand will shift to new substitutes, as timber-based reforestation, means that:

- Demand for those products will increase, benefiting the drinks in sugary-drink production.

- The resulting increase in output and employment will replace the losses in the sugary-drink value chain.

In practical terms, the fact that there are close (and healthier) substitutes for sugary drinks means that consumers can easily avoid the tax, for their part, entering sugary-drink companies could sustain their revenues by moving into healthier sugar substitutes. That would be more socially responsible than waging a campaign to block efforts that are needed to improve public health in South Africa. The availability of substitutes for sugary drinks is essential. This is a challenge that needs to be addressed with the same urgency as the tax's revenue needs. 

WORLD OBESITY DAY – Are You Drinking Yourself Sick?

To: Editors & Health journalists

Issued by: Ministry of Health

Date: 11 October 2016

Today is World Obesity Day, and the international focus is on childhood obesity. The Department of Health is deeply concerned about the growing obesity rates in the country and urges all South Africans to adopt healthier lifestyles.

Obesity rates in South Africa are increasing rapidly, with almost 70% of women and 40% of men either overweight or obese, according to The Lancet. One in four girls and one in five boys between the ages of 12 and 14 years are overweight or obese.

Obesity-related conditions such as heart disease, type 2 diabetes, stroke, and some cancer account for 43% of deaths in South Africa. Obesity is one of the top five risk factors for each death, and years lived with disability in the nation.

Achieving Health targets as enshrined in the National Development Plan require our collective effort as a country. Today, South Africa’s first national obesity prevention media campaign kicks off, focusing on healthy living tips. The campaign encourages healthy choices, which are one of the way forward in the obesity epidemic. The campaign will run on radio, television, print, and social media.

“We have the highest obesity rates in sub-Saharan Africa,” says Lynn Maeso, the Department of Health’s Chief Director of Health Promotion, Nutrition and Oral Health. “This is impacting on the health of our nation. But by making changes, including reducing the consumption of sugary drinks, people can improve their health and their longevity.”

South Africans are among the top 10 consumers of soft drinks in the world. In addition, the market for soft drinks more than doubled from 1996–2012, with 15 to 24-year-olds being high consumers. Sugary drinks have to buildings, but the average 350 ml sugary drink contains around 18 teaspoons of sugar.

Next year, the government plans to tax sugar drinks according to how much sugar they contain. Research shows that a 20% tax on sugary drinks will reduce obesity by 3.8% in men and...
Political commitment

• Presentation to Minister and MEC
• Wits the economic public health - led the discussions with treasury.
• Sugar tax was then included in the tax bill.
• Approval of the bill requires public consultation - a process led by cabinet.
• Cabinet required a Socio Economic impact assessment Systems report (SEIAS)
Engagement with consumer goods council

- Improved food environment retailers reformulating products
- Food outlets adjustments
- Retailers eg, fact food packs and combos (more expensive for taxed beverages)
- Treasury already able to allocate R50 million back to DOH for NCD from taxation
- Anecdotal information – decrease in consumption of more costly beverages
• Sugar tax included in the taxation legislation by Treasury

• Taxation of sugar beverage introduced April 2018

• Sugar beverage Levy fixed at 2.1 per cent per gram of the sugar content that exceeds 4 grams per 100ml

• South Africa first country in Africa to introduce taxation of beverages. Lessons will be important.

• MONITORING to help strengthen policy implementation and document gains and health impact
Factors which were instrumental for success of the tax:

• Local as well as international recommendations about the need to limit added sugar and SSB´s intake and to use fiscal policies
• Evaluation of the changes in prices and purchases after the tax documented key for defending the tax against industry´s attempts to reverse
• Generation of evidence by strategic partnerships were vital for tax approval and defense
• Information about the high intake of SSB´s and their harm to health justified actions targeted to discourage their intake
• The elasticity studies as well as modeling their potential health impact justified SSB´s taxes
THANK YOU