

Summary

Background

The Joint Health Financing Group between the Ministry of Health and Ministry of Economy and Finance started to work in 2019 to assess the health financing situation with domestic and external resources, analyse prospects and options of reform, and prioritize Health in the State Budget.

As part of this permanent work, a special session was planned to analyse current situation of taxation for public health. These mechanisms have been applied in Mozambique for years without earmarking, although the emerge of non-communicable diseases (NCD) is making them still more relevant as a tool of public health and of revenue collection.

Objectives of this session

1. NCD and fiscal policy
 - a. Present evidence of the epidemiological transition towards non-communicable diseases (NCD) in Mozambique and their financial burden.
 - b. Analyse causes and drivers of NCD, including unhealthy behaviours and consumption
 - c. Analyse public policy options to tackle NCD, framing fiscal measures as public health policy. Review of evidence of taxation on alcohol, tobacco, sugar-sweetened beverages (SSB), trans fat, fast food, and others.
2. Taxation in Mozambique
 - a. Present data on taxes related to public health in Mozambique, including revenue collection, administrative complexity and fiscal evasion.
3. Debate
 - a. Options to change these taxes, mainly increase them, and the implications of these policy reforms in all areas, including customs.
 - b. Relevance and pertinence of Earmarking these taxes to Health

Interventions

1. Ministry of Health – National Direction of Public Health - Department of NCD

Presentation around the epidemiological transition in Mozambique. Communicable diseases continue to be the cause of the majority of burden of death and disability (HIV, malaria, tuberculosis), but NCD are gaining field. In 2014, 23% deaths were attributable to NCD, with diabetes and respiratory infections as main causes of NCD-related deaths. Stroke is observed in Mozambique now at young ages.

In 2017, data from the Institute of Health Metrics (University of Washington) estimated that risk factors had increased sharply in Mozambique: Overweight (+62%), glucose in blood (+32%) hypertension, tobacco and alcohol use.

Data compiled by the Eduardo Mondlane University (UEM) was presented: The estimated trend is a major increase in patients with diabetes, hypertension and overweight in urban areas in Mozambique. NCD are directly related with the accelerated urbanization process.

Explanation about the different character of these diseases compared with communicable ones (silent diseases), and relationship with lifestyle, nutritional choices and exposure to toxics, including air pollution.

2. Ministry of Health – National Directorate of Public Health – Dept. of Nutrition

Complete exposition about the forthcoming Strategy of Healthy Nutrition and Physical Activity in Mozambique. Although the country still has high rates of malnutrition, the problem of unhealthy choices in nutrition is emerging. Ultra-processed foods, low in nutrients and high in industrial substances are occupying an increasing share of the food plate, with the associated health risks.

Proposal of higher taxation for:

- Breastfeeding substitutes, such as sweetened dairy products for babies, artificial milk, products industrial additives. The reason is that they substitute healthy food from 6 months age, such as vegetables, and accustom the babies to industrially sweetened products, exposing them to future obesity.
- Sugar-sweetened beverages: Need to equalize the price with water, at least, as now they are cheaper than water.
- Alcohol
- Tobacco

Proposal of regulation of ingredients in ultra-processed foods, banning or reducing trans fat, reducing sugar and salt.

3.P4H Focal point - Taxation for Health: Evidence

Framing of fiscal measures among public policy options to tackle NCD:

- *Regulation*, in many areas, such as food composition, levels of pesticides, traffic restriction to limit air pollution, ban of TV ads on unhealthy food in children's hours, etc.
- *Investment*, such as urbanism to favour active mobility in the cities, public markets to improve access to fresh food, public transport, school gardens, etc.
- *Education*: Campaigns in TV, school health, nutritional and habits counselling in primary health, etc.
- Economic: Fiscal policy

Presentation on evidence of implementation of taxation for health in low and middle income countries. Main conclusions are: Taxes are effective to reduce consumption at a rate around -0,5% per each +1% of price, being this demand elasticity dependent on the product, the country and the social group. Health effects are relevant in some cases (Reduction in body mass index, reduction of hospital admissions related to alcohol), but less relevant than the reduction in consumption. Very relevant to design taxes analysing substitutes.

The concern about regressivity is always present in the debate on taxation for health. Evidence suggests that low income groups are more price sensitive, thus reduce consumption and benefit more from these fiscal interventions. Low income groups that continue to consume will bear a bigger burden of tax -in relation to their income- compared to high income groups. High income groups consume more unhealthy products in absolute terms, so increases in taxation will be assumed essentially by them, according to available evidence.

Recommendations for Mozambique:

- Always communicate the changes in taxation for health and look for supports of relevant public health institutions: Population is usually in favour of public policies for health, including taxes, and tends to modify habits when informed. Management of the media campaign to sustain reforms.
- Changes in taxes have to be relevant, at least +10-20%.

Proposals of the Health Sector to the Tax Authority

- Increase tax rates of
 - o Alcohol
 - o Tobacco
 - o Sugar-Sweetened Beverages (SSB)
- Introduce new taxes on
 - o Industrial fruit juices
 - o Fast food
 - o Substitutes of breastfeeding (industrial products for babies and children)
- Regulate
 - o Prices of bottled water and SSB
 - o Prices of alcohol – establish minimum prices

4.Presentation by the Tax Authority – Advisor for the Specific Consumption tax

Explanation on the composition of the Mozambican fiscal system, and the role of the Specific Consumption tax in it.

This tax means an additional tax for selected consumptions, essentially those considered to be luxury (boats, jewelry), and those considered harmful, including alcohol, tobacco and SSB.

Car imports represent the biggest share of collection from this tax (62%), and has significantly increased in the last years.

In the last decade, the collection coming from health-related taxes has accounted for 2,7% of the total collection of the Mozambican fiscal system, being 1,2% in 2018. This decrease is explained by an increase in direct taxation collection, which is a step in the recommended direction of prioritizing direct taxation over the indirect one.

The Tax Authority explained the process of modification of taxes and factors to take into consideration, including administrative complexity, costs of collection, and harmonization of taxes in the South African Development and Cooperation (SADC) region.

Health related taxes within this specific tax are set until December 2020. The process to update the law will be held in 2020 and the Ministry of Health will be consulted.

Debate after the first part:

- The Tax Authority pointed out that taxation by itself cannot beat NCD and unhealthy behaviours, so Education is the key. They asked what specific measures are to be implemented to reduce these harmful consumptions. They also made note that higher taxes mean an increased probability of fraud, so a more intense inspection needed, with its related costs.
- The Ministry of Health (Public Health Directorate) responded that many educational and regulatory measures are included in the Strategy of Healthy Nutrition, to be approved by the National Council of Food Security and Nutrition.

At the same time, price regulation was demanded to overcome increase in alcohol consumption observed after cheaper beers have entered the Mozambican market, with prices as low as 3 or 4 units at MZN 100 (EUR 1,5).

In the same sense, price regulation was also suggested to equalize prices of Sugar-Sweetened Beverages and water, being the latter much expensive when bought bottled, which influences consumer choices in low-income groups.

- WHO explained the institution's recommendation of protecting citizens of harmful products -as citizens do not usually know all the ingredients and effects of their consumptions-, as well as regulating as an effective measure. Taxation has effects, but regulation is also important and can eliminate a consumption estimated to be harmful.
- The Tax Authority assessed the difficulty in designing "fair" taxes, giving the example of the artificial babies' milk and sweetened dairy products directed to babies. Whereas for many people milk is an unnecessary product that can be taxed due to concerns of future overweight, mothers with difficulty to breastfeed can be unfairly taxed, for example.

The role of the private sector was also stressed. New beers have been recently introduced in Mozambique with lower taxes, as factories are placed in Mozambique and use local raw materials. From a public health perspective, this policy was criticised by the Ministry of Health, but the Ministry of Industry and Commerce supported this measure.

- The P4H Focal point/Technical assistant pointed out the need of disaggregating this sort of consumptions in the Household Budget Survey, so as to monitor the changes of consumption patterns, relate them to epidemiological transition, and be able to assess the redistributive impact of fiscal measures.

5.Presentation by the National Direction of Treasury

Brief approach of earmarking as it exists now:

- Earmarking of 1,5% of civil servants' salaries to the budget of the NHS/MoH. This payroll tax creates distributive conflicts, as all population benefits from this funds. It is to be assessed and changed in the future.
- Earmarking of insurance premiums to the National Institute of Insurance.
- Earmarking of the oil tax to the "Roads Fund"

In general, the perspective of earmarking funds for health is complex, as it introduces rigidity in the budget and does not assure increased funding (due to fungibility).

Final debate

- P4H Advisor asked what was the extent of participation of MoH and other stakeholders in the next fiscal reform of the Specific Consumption Tax, due in 2020.

The Tax Authority explained the process of preparation of the fiscal reform (only for this specific tax). Public institutions related to areas included in the tax (transport, health, etc.) will be given the opportunity to have their say, however, it is better to advance a proposal coming from the Health Sector.

Health motivations are not always clear for Tax policy makers. For example, substitutes of breastfeeding were already taxed at 30% of SC Tax, but this rate was reduced to 10% reasoning that babies' food is not a luxury. However, if there are documented concerns about the need to reduce this sort of food consumption because it displaces healthy food such as vegetables and legumes and induces sweetened and industrial alimentation, the Tax Authority is open to consider changes, provided the Health reasoning is presented.

- The Tax Authority stressed that prices regulation policy will need the involvement of the Ministry of Industry and Commerce. The same for regulation of composition of food, or the ban of some products (Mozambican SSB were banned in Malawi for public health reasons, but continue to be sold in Mozambique, for example).
- Next steps: Health sector to present an agreed and documented Taxation for Health proposal in 2020, highlighting the complementary non-taxation measures already taken within the health sector to tackle emerging NCD challenge.

Agenda:

Schedule	Topic	Speaker
09.00 – 09.15	Introduction	Ângelo Nhalidede Head, Department of Sectorial Studies Ministry of Economy and Finance
09.15 – 09.45	NCD in Mozambique: Epidemiological transition and impacts	Celestino Nuamusse NCD Department – National Direction of Public Health – Ministry of Health
09.45 – 10.15	Nutrition, NCD and proposals of taxation	Helga Mudanisse Nutritionist – Department of Nutrition National Direction of Public Health - MoH
10.15 – 10.35	Coffee Break	
10.35 – 11.00	Taxation for Health – International evidence	Cristina Manzanares Health Financing Advisor – P4H / MoH
11.00 – 11.40	Fiscal system and Specific Consumption Tax in Mozambique	Algy Musá Tax Policy Officer – Specific Consumption Tax Tax Authority
11.40 – 12.40	Debate	Moderated by Ângelo Nhalidede, MEF
12.40-13.30	Lunch	
13.30 – 14.00	Possibility of tax earmarking	Francisco Banze Policy Office Treasury – Ministry of Economy and Finance
14.00 – 15.00	Debate	Moderated by Enilde Sarmiento Head of Department Macroeconomics and Statistics – Ministry of Economy and Finance

Participants**Ministry of Health**

1. Simone Nhachengo, Head of Department – Planning and Health Economics
2. Kadira Kará, Officer – Planning and Health Economics Dept.
3. Eunice Bauhofer, Officer – Planning and Health Economics Dept.
4. Helga Mudanisse, Nutritionist – Nutrition Department – Direction of Public Health
5. Celestino Nuamusse, Monitoring and Evaluation officer – NCD Department – Direction of Public Health
6. Maria Helena Simbine, Psychologist – Department of Mental Health and Addictions – Direction of Public Health

Ministry of Economy and Finance

7. Enilde Sarmiento, Head of Department – Macroeconomics and Statistics
8. Ângelo Nhalidede, Head of Department – Sectorial studies
9. Ângelo Ferreira, Officer – Sectorial studies
10. Nora Nhacuto, Officer – Sectorial studies
11. Nadia Hassamo, Head of Department – Budget
12. Leila Maninguane, Officer – Budget
13. Francisco Banze, Policy Officer – Treasury
14. Otindo Custódio, Policy Officer – Treasury
15. Benito Ranchal, Policy Officer – Expenditure Management
16. Xavier Mutolo, Policy Officer – Expenditure Management

Tax Authority

17. Aurélio da Barca, Head of Department – Internal Revenue
18. Algy Mussá, Policy Officer – Specific Consumption Tax
19. Daniel Tivane, Policy Officer

WHO

20. Georgina Bonet, Health Economist

GIZ/P4H

21. Cristina Manzanares, Health Financing Advisor