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When progressive fiscal policies do not reduce health inequalities An examination of child malnutrition in South Africa

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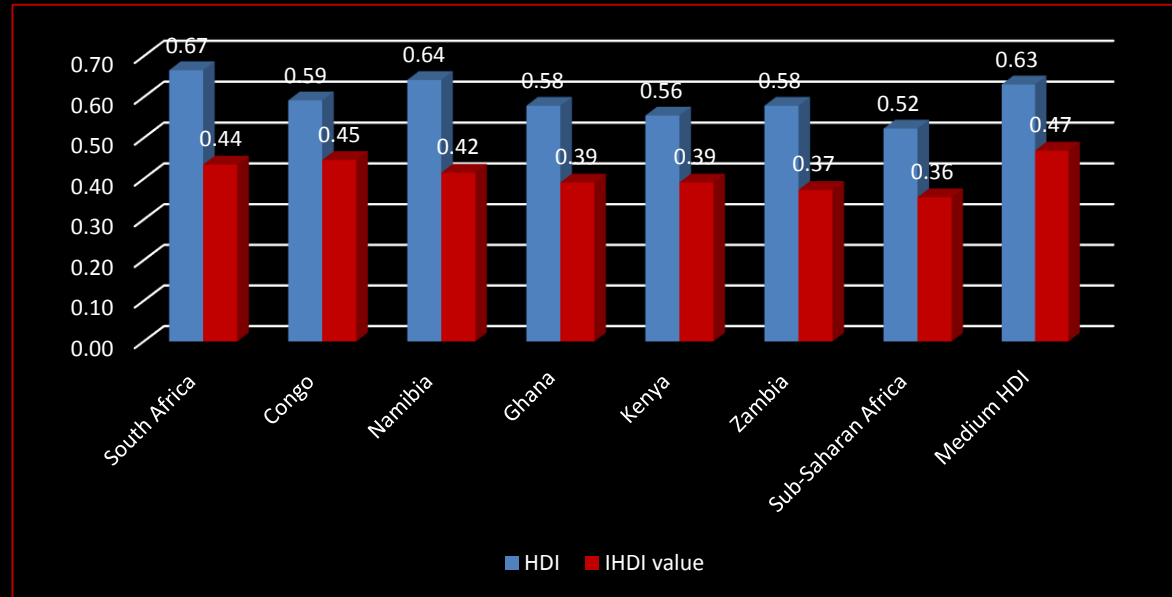
Structure of presentation

- Context of South Africa
- Fiscal architecture
- Outcomes of fiscal policy
- Impact of fiscal policy on child nutrition
- Conclusion

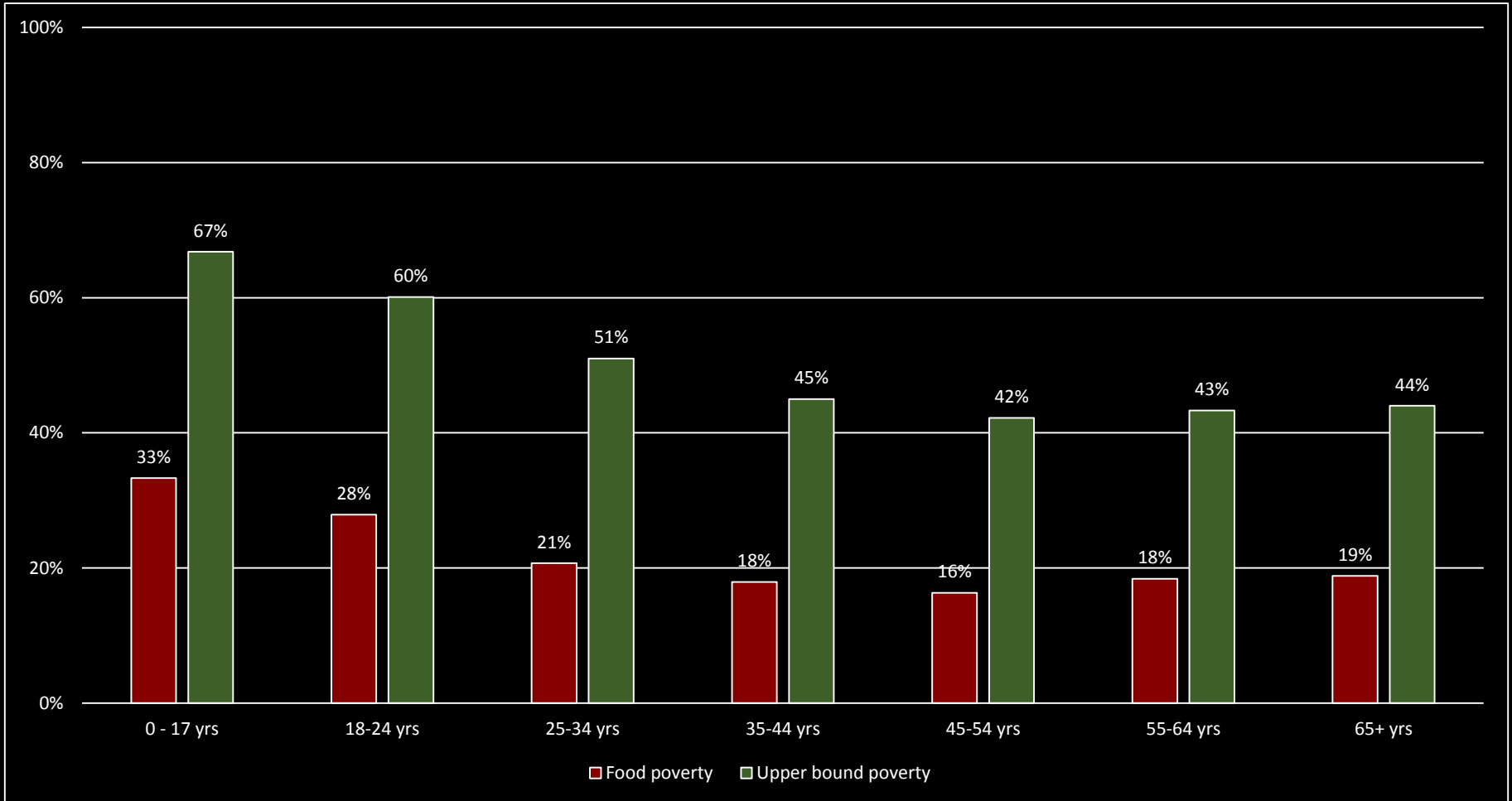
Context

- Legacy of colonisation and apartheid
- Decentralised governance
- Incomplete transition
- Income poverty and inequality trends

HDI and Inequality adjusted HDI 2016



Food poverty and upper bound poverty rates, by age group



Fiscal architecture

- A vertical division of authority
- Each sphere its own powers, functions and responsibilities
- Limits placed on the extent to which each can intervene in the decisions of other spheres
- Provincial and municipal government have political autonomy
- Competences may be exclusive or concurrent
- Section 28(1)(c) of the Constitution stipulates that every child has the right to basic nutrition, shelter, basic health care services and social services.

Fiscal architecture continued

- Responsibility for revenue generation is unequally distributed between the national, provincial and local spheres of government
- National government has a wide variety of tax instruments available including direct payroll tax, indirect taxes, and general, specific, business and individual taxes.
- Provinces have limited options for taxation but control key concurrent functions relating to health and social development
- Municipalities rely upon property taxes and are able to levy user charges on the services that they are mandated to provide
- A non-partisan Financial and Fiscal Commission (FFC) advises parliament and sub-national governments on issues concerning intergovernmental fiscal relations, including taxing powers, the allocation of revenue between spheres of government, the grants system and borrowing powers
- 48% of national revenue goes to national government, 43% to provincial government and 9% to local government

Fiscal architecture continued

- Multi-year planning, an annual review of government expenditure through the Medium-Term Expenditure Framework (MTEF)
- Linking of policy targets, expenditure and performance measurement for programs and sub-programs as required by Public Finance Management Act (PFMA) of 1999.
- National Treasury gives provinces and municipalities rolling three-year allocations
- Following the MTEF, the Medium-Term Budget Policy Statement is presented annually by the Minister of Finance to Parliament prior to the forthcoming year's budget speech
- The annual Division of Revenue Act (DoRA) provides for the allocation of national revenues to each of the three spheres of government

Outcomes (Revenue)

- In 2016/17, for example, gross tax revenues amounted to R1.14 trillion
- Income and profit taxes amounted to 58% of total tax revenue, with personal income taxes contributing 37%
- Personal income tax is steeply progressive and it has been reported that the country's top income decile contributes 87% of direct taxes compared zero percent in the bottom decile,
- 35% of total tax income is generated by indirect taxes and 25% is directly attributable to value-added tax (VAT)

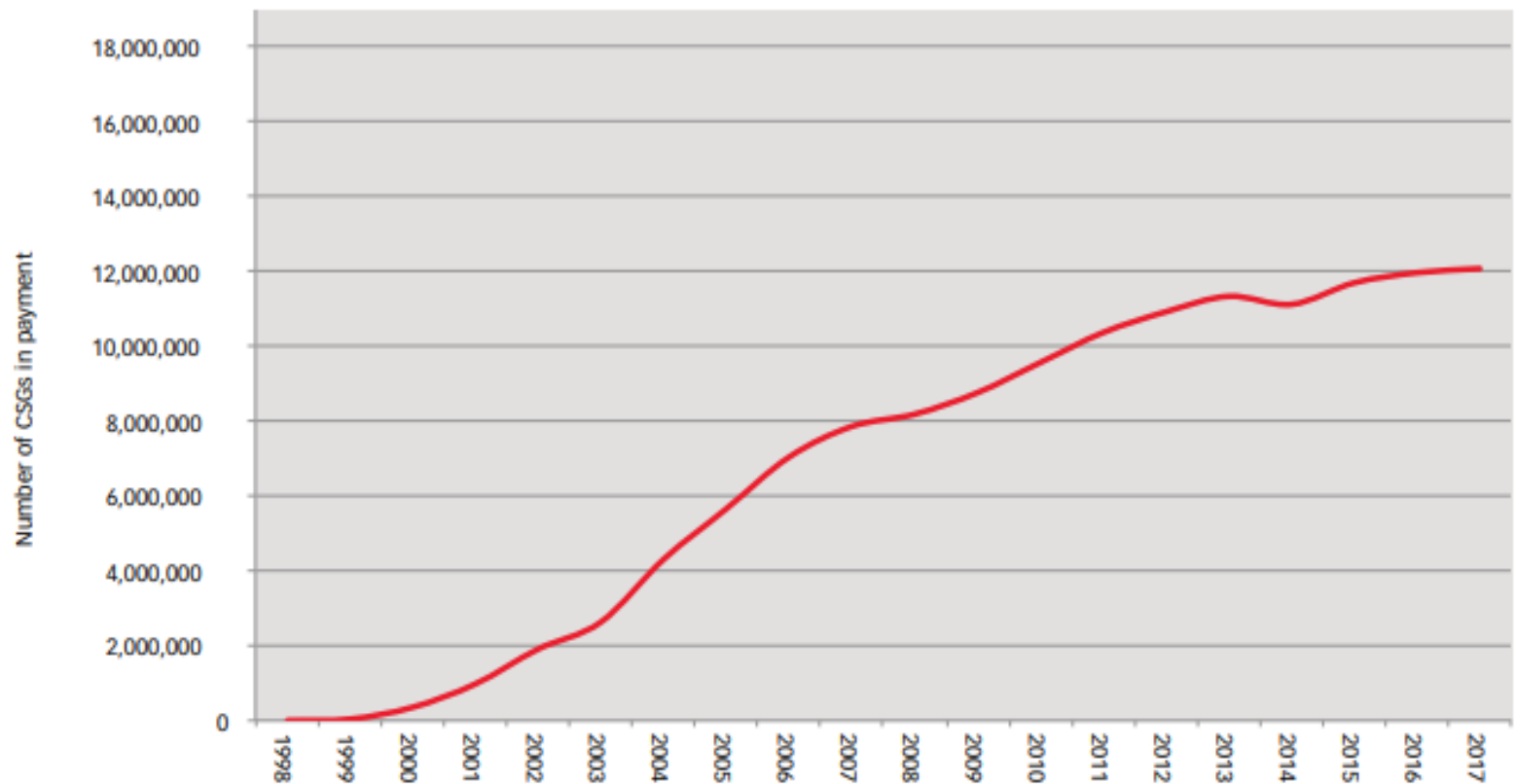
Outcomes (Expenditure)

- In the 2018/19 budget, out of a budget of R1.67 trillion, the South African government allocated over two thirds of its total budget (R1.01 trillion) to social services
- education has the biggest share of social services budget (35%), followed by social development (26%), health (20%) and community development (19%)
- Progressive public health expenditure may be offset by high inequality in the distribution of health resources in favour of private sector
- Spending on social grants constitutes 3.2% of the country's GDP, and over the next 3 years, government expects to spend a total of R528.4 billion on social grants

Average per capita income in each market income decile

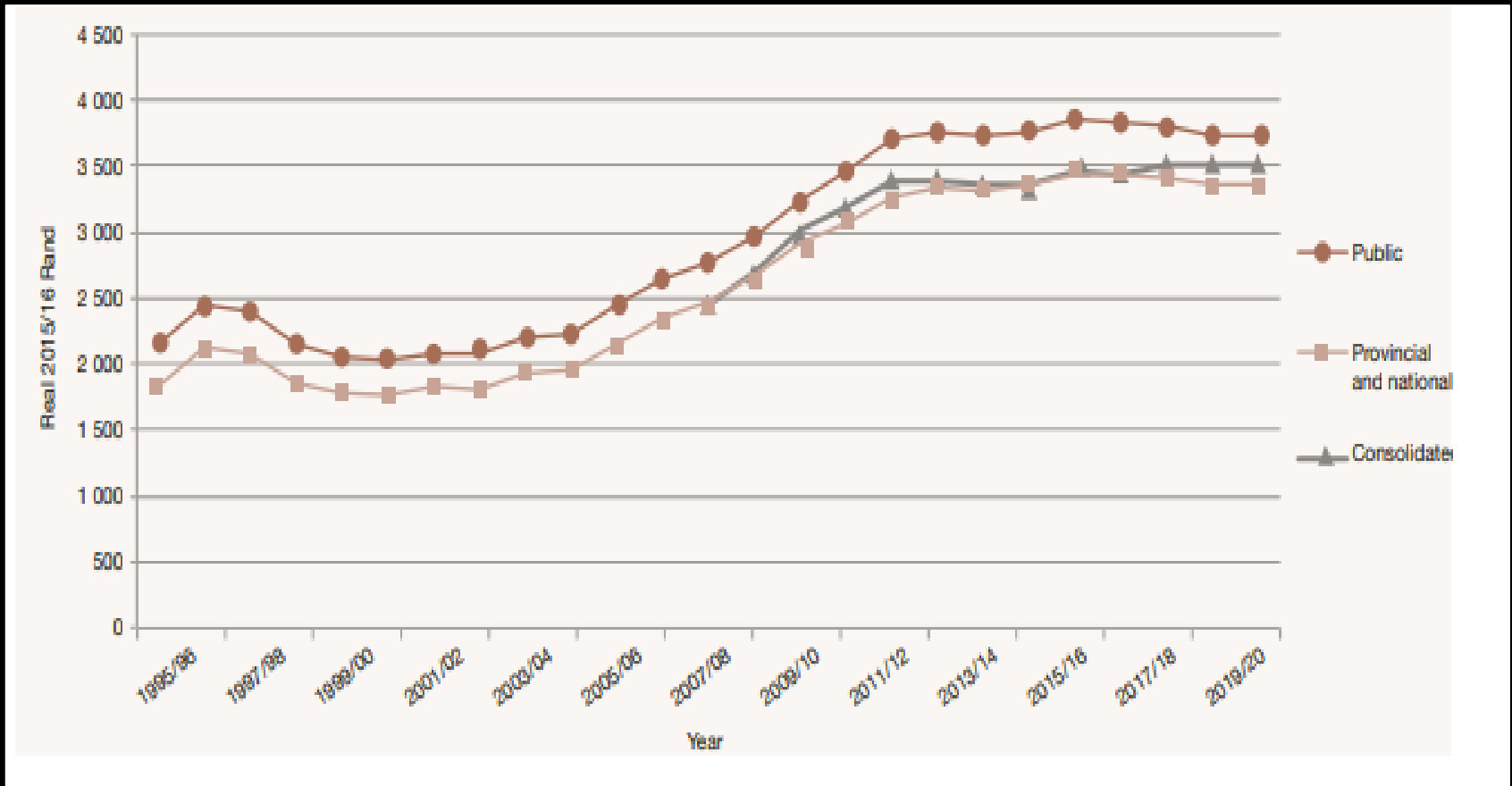
Income Decile	Market income (1)	Market income (2)	Disposable income (3)	Poorest-fiscal income (4)
		<i>(2)=(1) -- Direct taxes</i>	<i>(3)=(2) + Cash transfers</i>	<i>(4)=(3)-- Indirect taxes</i>
1 (Poorest decile)	200	200	2 363	2 131
2	736	735	2 997	2 669
3	1 497	1 493	3 691	3 264
4	2 761	2 748	4 679	4 106
5	4 925	4 887	6 609	5 755
6	8 653	8 535	9 970	8 627
7	14 793	14 397	15 662	13 481
8	27 119	25 762	26 658	22 828
9	57 711	51 994	52 661	44 822
10 (Richest decile)	207 693	16 652	166 803	141 075

Number of recipients of CSG, 1998-2017

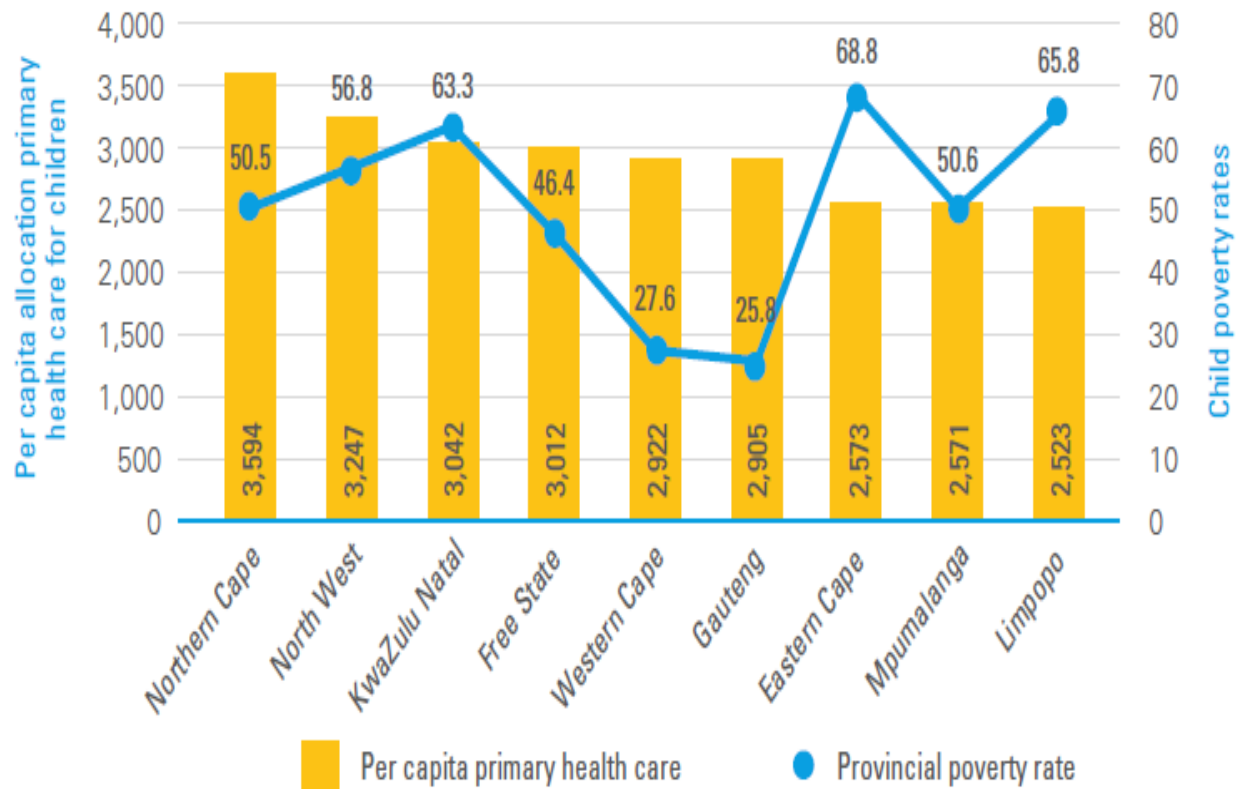


Sources: 1998 – 2007: National Treasury Intergovernmental Fiscal Reviews.
2008 – 2017: South African Social Security Agency SOCPEN monthly reports, by special request.

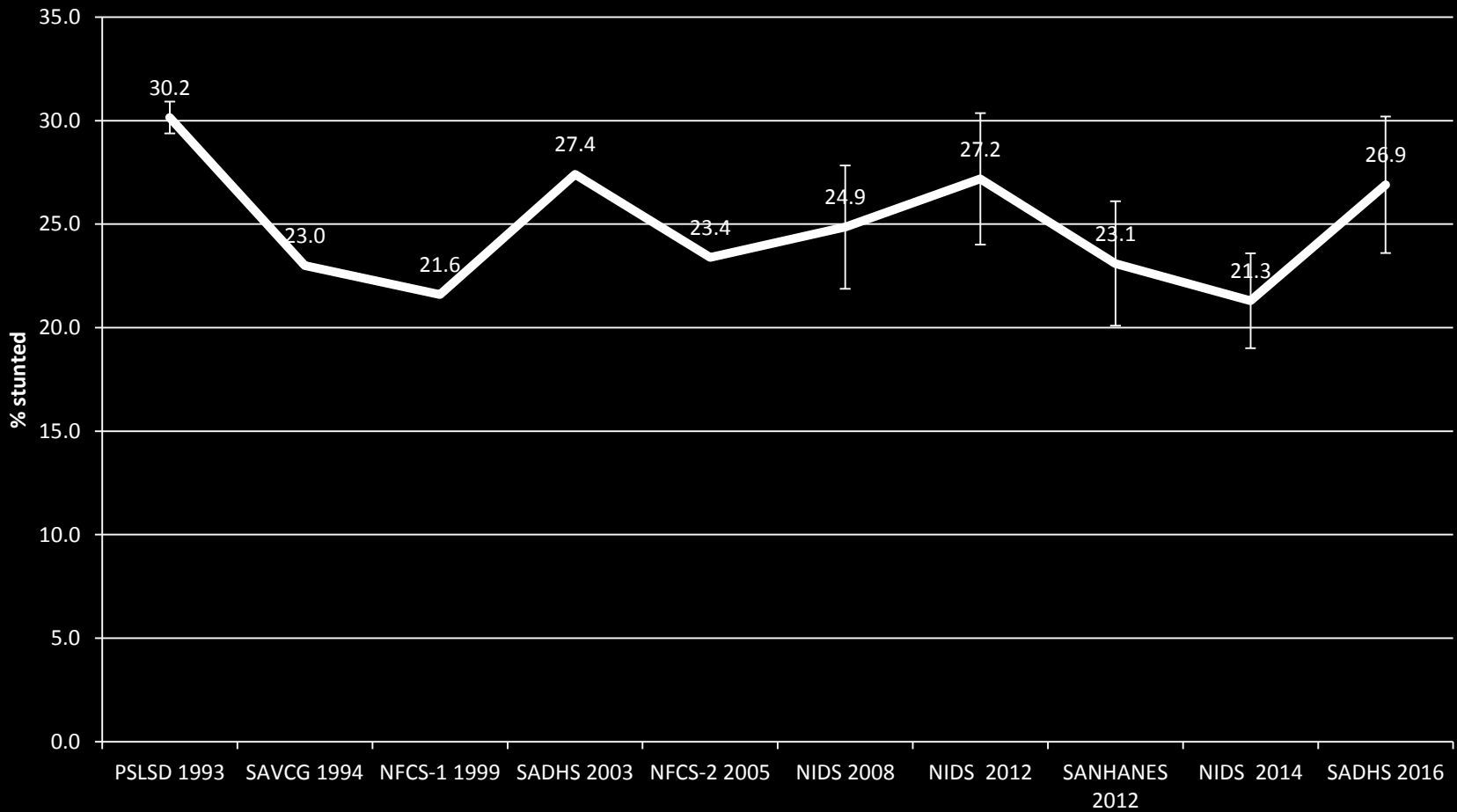
Real per capita public-health expenditure



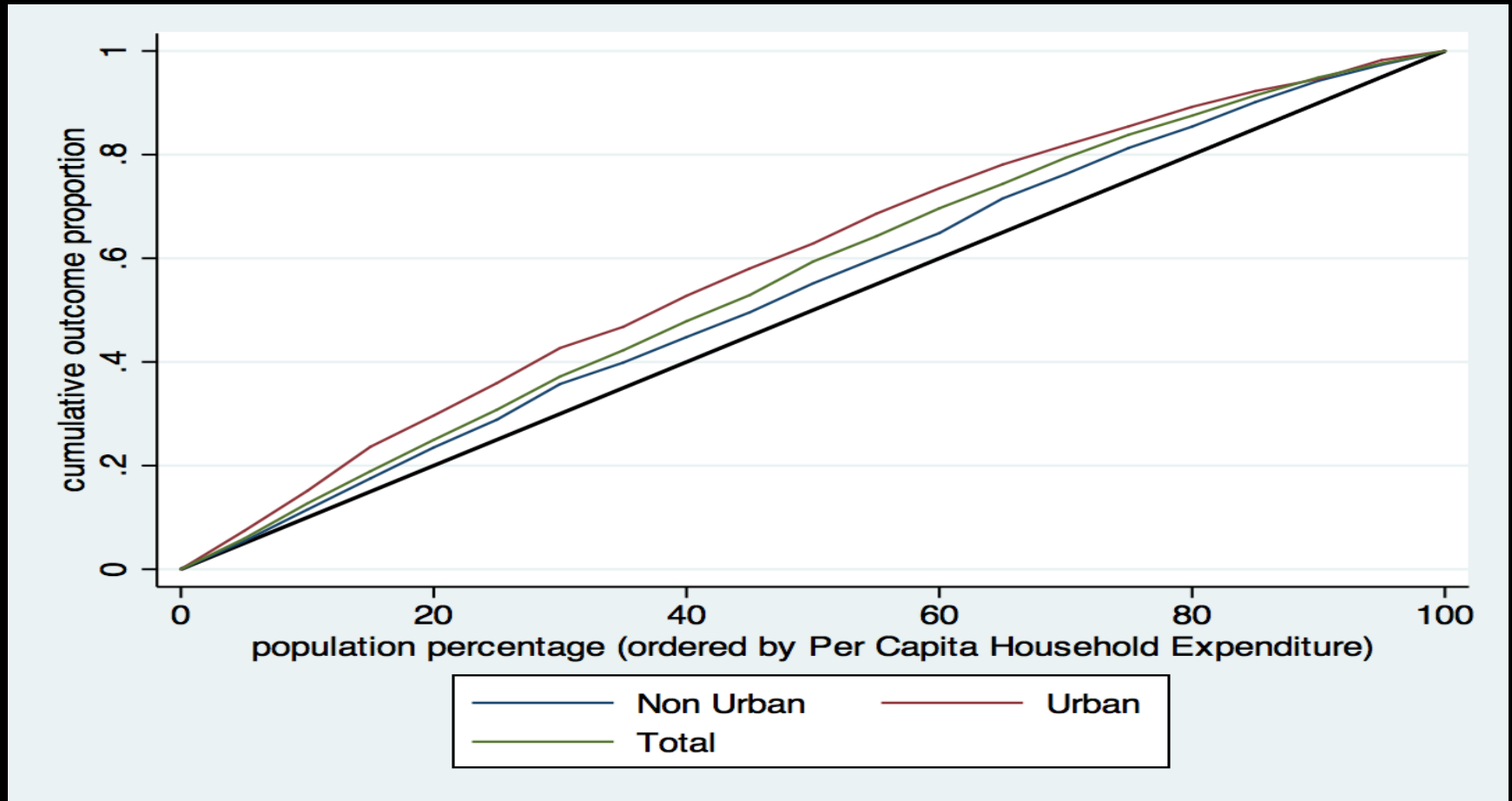
Provincial per capita allocation on primary health care for children



Stunting prevalence 6 months to 59 months, 1993-2016



Concentration Index for under five stunting levels



Some explanations

- The value of the CSG is not tied to an objective measure and is lower than the country's food poverty line, which is based on the monetary value needed for a minimum energy intake of 2,100 kilocalorie per day
- The CSG is not used exclusively for food, but is also used to pay for other important household expenses such as transport and education-related costs
- Close to two million children who are eligible for the grant are excluded due to barriers that prevent them from accessing the grant
- The relatively high cost of food, especially fresh and nutritious foods and the absence of a culture of subsistence agriculture to supplement diets
- Lack of adequate living conditions increases the risks of communicable infections such as diarrhoea strongly associated with poor nutritional outcomes
- Absence of a coordinated food and nutrition security budget
- Lack of adequately trained personnel affects the implementation of food security and nutrition interventions

Conclusion

- Despite two decades of progressive fiscal policy and reduced poverty rates, there are still vast inequalities across health indicators in South Africa.
- Despite the high levels of economic inequalities in income, wealth and opportunity, the South African tax system is progressive and favours the poor
- Despite this, health outcome inequalities have persistent and there has been no progress in the reduction of child stunting

More than fiscal policy is required

- More attention needs to be paid to the design, coordination and roll out of these programmes
- Qualitative factors such as the timing of benefits and quality of services should be investigated
- Factors that lie beyond the ambit of health and nutrition policies will need to be considered, eg. WASH
- Cash plus' programming, which combine cash transfers such as social grants with links to other services, such as 'behaviour change communication' around good nutrition, feeding and hygiene practices should be considered
- Greater investment in antenatal and post-natal health care, and in the nutrition of adolescent girls and pregnant and lactating women



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