Discourse on the Sugar-Sweetened Beverages Tax in Indonesia: The Multistakeholder and Consumers' Perspectives

Abdillah Ahsan¹, Krisna Puji Rahmayanti¹, Nur Hadi Wiyono¹, Nadira Amalia¹, Ardhini Risfa Jacinda¹, Karina Mariz¹, Indah Suci Widyahening¹

¹ Universitas Indonesia

Funding: This work was supported by a research grant provided by SEAMEO RECFON No 309/PPK/SEAMEO RECFON/III/2021.

Potential competing interests: No potential competing interests to declare.

Abstract

This study aims to discuss the perspectives of multiple stakeholders on the sugar-sweetened beverages (SSB) tax in Indonesia. The objective is to construct a framework for the applicability of the SSB tax in the Indonesian context, drawing from case studies in other countries and taking into account the perspectives of multiple stakeholders. We employed content analysis for data collection, which involved two steps: a desk study and a focus group discussion (FGD). The desk study examined the relevance of SSB taxation in various selected countries, while the FGD focused on the main opportunities and challenges associated with implementing SSB taxes in Indonesia. Our findings indicated that the Indonesian market for SSB products is similar to the cases studied in other countries. Therefore, implementing a taxation strategy to address price affordability would be an effective approach to controlling SSB consumption. Despite the opportunities for applying SSB taxes in Indonesia, there is a need for greater public awareness, requiring more intensive persuasive and promotional measures. It is also important to carefully consider anticipatory measures to mitigate potential interference from the industry.
Abdillah Ahsan\textsuperscript{1}, Krisna Puji Rahmayanti\textsuperscript{2}, Nur Hadi Wiyono\textsuperscript{3}, Nadira Amalia\textsuperscript{3}, Ardhini Risfa Jacinda\textsuperscript{3}, Karina Mariz\textsuperscript{4}, Indah Suci Widyahening\textsuperscript{5}

\textsuperscript{1} Department of Economics, Faculty of Economics and Business Universitas Indonesia, Depok, Indonesia
\textsuperscript{2} Department of Public Administration, Faculty of Administrative Science Universitas Indonesia, Depok, Indonesia
\textsuperscript{3} Demographic Institute, Faculty of Economics and Business Universitas Indonesia, Depok, Indonesia
\textsuperscript{4} Center of Islamic Economics and Business, Faculty of Economics and Business Universitas Indonesia, Depok, Indonesia
\textsuperscript{5} Community Medicine Department, Faculty of Medicine, Universitas Indonesia, Depok, Indonesia

Corresponding Author: Abdillah Ahsan; Department of Economics, Faculty of Economics and Business Universitas Indonesia, Depok, Indonesia; ahsanov@yahoo.com

Keywords: Sugar-sweetened beverages, Affordability, Tax, Sugar-sweetened beverages tax, SSB tax.

Introduction

An observable increase in sugar-sweetened beverage (SSB) consumption has been a major threat to public health, as it is followed by a parallel upsurge trend of the obesity epidemic \cite{1}. Obesity has also emerged as one of the important risk factors associated with major non-communicable chronic diseases (NCDs) including Type 2 Diabetes Mellitus (T2DM), cardiovascular disease (CVD), cancer, and premature death \cite{2}. While the World Health Organization (WHO) estimated that over 1.9 billion adults are overweight or obese in 2016, this figure is expected to increase to 3.28 billion in 2030 \cite{3}. Owing to the obesity epidemic, the majority of low-income and middle-income countries (LMICs) carry a major burden of non-communicable chronic diseases and expect to continue to do so in the future \cite{4}. Consequently, immediate policy responses to prevent future economic and health losses are further needed.

By 2019, over 50 countries globally have applied an SSB tax. Countries implementing an SSB tax have been foreseeing a substantial decrease in SSB sales and its related health outcomes \cite{5}\cite{6}\cite{7}\cite{8}. Whereas some others have been seeing less optimistic outcomes, primarily in LMICs \cite{9}\cite{10}\cite{11}. Hence, the questionable outcome of sugar reduction policies has been a constant policy debate, particularly in LMICs with big SSB markets and major industry interference \cite{12}\cite{13}\cite{14}. While the majority of previous studies focused on one-country cases, between-countries comparative studies remain limited. In addition, a feasibility study in countries with no SSB tax policy is rarely discussed. Hence, this study seeks to provide insights for this discussion by using the Indonesian context.

Indonesia, as one of the largest consumer markets with a growing middle class, is ironically ranked 9th out of 82 countries in terms of SSB price affordability \cite{15}. While increasing income appears as one of the major factors driving the increase in SSB consumption in Indonesia \cite{16}, Indonesia witnesses a substantial upsurge in SSB consumption – nearly 1,500%

Materials and Methods

To achieve the objective of this study, we conducted three phases of focus group discussions (FGD) from April 2021 to September 2021, involving multiple stakeholders ranging from policymakers, SSB consumers, and civil-based organizations. The FGDs aimed to identify the key opportunities and challenges of SSB taxation in Indonesia. We used purposive sampling to identify the participants in the first and second phases of FGDs. The participants in the first and second phases of FGDs were selected based on their knowledgeability and relevance to the FGDs questions.

In the first phase of the FGD, we invited relevant policymakers from Fiscal Policy Agency (Ministry of Finance) Indonesia, Directorate General of Customs and Excise (Ministry of Finance) Indonesia, Sub Directorate of Diabetes Mellitus and Metabolic Diseases Prevention and Control (Ministry of Health) Indonesia, Sub Directorate of Cardiovascular and Arterial Diseases Prevention and Control (Ministry of Health) Indonesia, and Sub Directorate of Communication, Information, and Education (Ministry of Health) Indonesia. The FGD with the policymakers discussed the policy status as well as administrative opportunities and challenges concerning SSB taxation in Indonesia.

In the second phase of the FGDs, we invited civil-based religious organizations (CBOs) representing different major religions in Indonesia (e.g., Fatayat, Nahdlatul, Ulama and ‘Aisyiyah Muhammadiyah representing Islamic CBOs, Communion of Churches in Indonesia (Persekutuan Gereja-Gereja Indonesia), Persatuan Umat Buddha representing Buddhist CBOs, Majelis Tinggi Agama Khonghucu representing Confucian CBOs, and Parisade Hindu Dharma Indonesia representing Hindu CBOs). The religious-based CBOs are selected to discuss society’s perception and support towards SSB taxation as Indonesian are known for their strong attachment to religious-based movements [17].

Finally, in the third phase, we invited twenty participants aged between 18 – 34 years old to discuss their perception of SSB taxation as well as the changes in their perceived willingness to pay for SSB products following the price changes after SSB tax application. The participants were selected based on their eligibility to answer the pre-FGD questionnaires. Prior to the FGD, we surveyed 73 eligible candidates between 3– 21 September 2021. Based on the pre-FGD survey, we selected twenty participants based on their provinces (for geographical representativeness) and their consumption frequencies (e.g., 3 – 4 times a week (frequent) and 5 – 6 times (very frequent)). Similarly, we applied content analysis to analyze the FGDs output. Content analysis is one of the popular research methods for qualitative research using text-based primary data generated from audio and or video [18].

Results and Discussion

SSB Consumption in Indonesia: Consumer’s Behaviour, Awareness, and Perspective
Of our twenty informants, eleven were aged 18 – 24 and nine were aged 25 – 34 years old coming from different regions of Sumatra, Java, and Sulawesi. Frequently consuming sugary drinks, they confirmed an upsurging trend in their SSB consumption during the past five years. For the informants aged 18 – 24, the most frequently consumed SSBs are ready-to-drink tea, ready-to-drink coffee, prebiotic drinks, energy drinks, and Ultra Heat Treatment (UHT) milk. On the other hand, ready-to-drink tea and coffee are the most popular choices among informants aged 25 – 34 years old.

All informants understood the negative consequences of frequent consumption of sugary drinks in general. Some of the 18 – 24-year-old consumers were even exposed to a variety of health problems, i.e., hypertension, significant weight gain, dermatological problems, uterine diseases, and kidney problems. In addition, in the 18-24-year-old group, there was lower awareness of preventive measures compared to the 25-34-year-old group. Some of the 25 – 34 -years-old group members argued that despite frequent SSB consumption, they compensated for the potential risk with regular workouts and or reducing their consumption of other carbohydrate sources.

The informants argued that their frequent consumption is driven by the refreshing feeling and the good taste of the beverage itself. In addition, sugary drinks are widely available at the nearest store (accessible) and are highly affordable. The interviewees reported that they paid an average price of IDR 3,500 for a 350 ml ready-to-drink tea and IDR 5,000 for a cup of hot coffee. They reported that energy drinks were much more expensive, ranging between IDR 10,000 to IDR 15,000. This is considered very affordable for young consumers.

Opportunities and Challenges for SSB Tax in Indonesia

Our informants from the Directorate General of Customs and Excise and Fiscal Policy Agency acknowledged the applicability of SSB excise under the Ministry of Finance’s authority. This is supported by the 2022 National Budget Plan on imposing excise for SSB products following the government’s excise extensification strategy.

Indonesia’s regulatory framework on SSBs has also been complemented by the Ministry of Health’s (MoH) Regulation No. 63/2015 (an amendment to the preceding MoH’s Regulation No. 30/2013). The revision of MoH’s No. 63/2015 SSB tax imposition has also been discussed. Health Research and Development Agency under the Ministry of Health have further accommodated in-depth study on this issue.

SSB tax imposition has also gained similar support from all our informants from influential religious CBOs. This signaled an important opportunity for SSB tax application in Indonesia as educative and persuasive actions from major religious figures are more likely to gain popularity.

“…. We can implement gradually to change the behavior of citizens …” (Informant in Buddhist Society)

Taxation on SSB products is also supported by religious CBOs whereby they argued that a relatively low excise tariff followed by a rise in consumers’ income will not compensate for a price increase. Hence, the SSB tax should be high enough to discourage consumers from regularly buying the products.
Following the discussion from previous policymakers and CBOs, we argue that the main challenge of SSB taxation in Indonesia is the lack of preventive measures. Informants from the Directorate General of Customs and Excise suggested that negative sentiments might arise considering the recent government’s transformation to revenue-generating policies. Hence, both informants from the Ministry of Finance believed that preventive measures (e.g., preventive and promotive actions) are arguably important. Education campaigns that occur alongside SSB taxes have been exercised in many countries. This view is supported by the findings from FGDs with CBOs and SSB consumers.

“...while the nutrition facts label is considered important to increase consumer’s literacy, the majority of our consumers still yet understand the percentage of sugar level in sugary drinks as per maximum daily sugar intake…” (informants from 18-24-year-old group)

Similarly, our FGD with SSB consumers suggested that promotive actions – alongside environmental policy actions – might be a highly effective policy intervention. Few informants confirming a declining trend in their sugary drinks consumption argued that they are highly aware of the negative consequences. Furthermore, the younger informants proposed massive public health campaigns engaging key opinion leaders shared through popular social media platforms to attract young consumers. While 25 – 34-years-old consumers suggested that increasing public awareness of sugary drink issues (e.g., maximum daily free sugar intake, negative consequences of regular sugary drink consumption, etc) will contribute to demand reduction.

The second main challenge to SSB taxation comes from industry interference. Our informants from CBOs assumed that the industry’s budgets to promote their SSB products are far higher than the government’s efforts to promote a healthy lifestyle. As per previous countries’ experience, the industry will develop new business models to maintain its profitability. Given the strong and influential SSB industry’s position in Indonesia, the government needs to anticipate their interference towards the price policy intervention.

Discussion

Based on our FGDs’ findings, we identified three main opportunities for the application of an SSB tax in Indonesia. First, strong support towards SSB tax has been acknowledged by at least two key policymakers, e.g., the Ministry of Health (accommodated in MoH’s Regulation No. 30/2013 on the Inclusion of Sugar, Salt and Fat Content Information and The National Agency of Drug and Food Control (BPOM) Regulation No. 22/2019 on Nutritional Value Information) and Ministry of Finance (represented by Fiscal Authority Agency and Directorate General of Customs and Excise). Aside from recognizing the importance of SSB taxation, both ministries have also imposed relevant regulations to address the issue. Strong multisectoral support was also illustrated in the case of Philadelphia’s SSB tax policy development process [19]. In addition, a study in Mexico identified that passing the SSB tax in Mexico was difficult mainly due to high-level organization, cooperation, planning, and effort, as well as because of framing the tax as a revenue-generating measure, to help
persuade the proposal through the Ministry of Finance [20]. Hence, the current Ministry of Finance’s support becomes a notable opportunity in applying SSB tax in Indonesia.

The second opportunity comes from the major religious CBOs which have signified their support to promote SSB tax and healthy lifestyle. Given religious CBOs’ importance in mobilizing society, the government should be able to engage CBOs to endorse SSB tax policies. Both policymakers and religious CBOs agreed that persuasive and preventive actions are as important as legal enforcement to regulate SSB pricing. SSB tax aims to reduce the product’s affordability and is expected to lower its demand. Our informants on SSB consumers implied that a 20 – 25% increase in SSB price will likely reduce their consumption intensity. In addition, a significant increase in SSB price will drive a product’s substitution – they indicate a shift to an affordable alternative product. This follows the findings of previous studies in various countries whereby SSB tax lowered SSB sales and increased healthier alternative products sales. This was also evidenced by the previous study on public support towards SSB tax which concluded that gaining public acceptability – if not support – is one of the main strategies towards SSB tax advocates [21]. However, one should identify the public acceptability factors in accepting SSB tax to gain public support towards the policy advocacy process [22].

Finally, this study identifies that the SSB tax, as one of the price-based policy instruments, could be an efficient government intervention to control SSB consumption and promote healthier alternative drinks. While it has not been implemented in Indonesia, countless studies in similar countries’ contexts provide evidence of SSB tax and SSB consumption control [5][6][7][8][9].

While there is rigorous support towards SSB tax in Indonesia, based on our FGD’s findings, we argue that two main challenges to SSB tax imposition in Indonesia remained. Based on our findings from the consumer’s perspective and policymakers, we argue that the first challenge is to increase public awareness through strong persuasive and promotive measures. Massive public health campaigns should engage key opinion leaders and CBOs. To support SSB taxation’s success, public health campaigns should be majorly themed on increasing public understanding of health issues concerning sugary drinks [23]. Furthermore, targeting specific subpopulation groups may be useful in public health campaigns and policy advocacy on SSB taxation [24].

Finally, the second challenge is to carefully provide anticipative measures for industry interference. Major corporations may have a strong political influence to secure a favorable policy environment for their businesses, which sometimes may shape the NCD policy system and threaten the public health sector [25]. Given previous countries’ experience with strong industry interference, the government should be able to anticipate the potential industry’s counter-reaction towards the price-based intervention policy [12][13]. Some anticipated industry interferences may include coalition management (building alliances with third parties), information management (shaping counterintuitive evidence-based studies/research in public health), direct involvement and influence in policy through lobbying, legal strategies, and argument-based discursive strategies [26].

**Acknowledgements**
General: The authors would like to thank SEAMEO Regional Centre for Food and Nutrition (RECFON) for providing the grant to conduct this study.

Funding Statement: This work was supported by a research grant provided by SEAMEO RECFON No 309/PPK/SEAMEO RECFON/III/2021.

Conflict of Interest: The remaining authors have no conflicts of interest to declare.

Ethical Declaration: The study was approved by the Institute of Research and Community Service, Atma Jaya Catholic University of Indonesia (No.0670A/III/LPPM-PM.10.05/06/2021).

Data Availability: Data are not publicly available.

Authors Contribution: AA contributed to project conceptualization, monitored all stages of the project, and proofread the manuscript, KPR contributed to conceptualization, data collection, and proofread the manuscript, NA prepared and proofread the manuscript, ARJ and KM contributed to data collection and transcription, ISW contributed to project conceptualization. All authors agree with the manuscript.

References


