

It's time for Treasury to address fuel price and cost of living crisis

By Ashor Sarupen MP – DA Shadow Deputy Minister of Finance

Madame Speaker,

A critical function for National Treasury to fulfil is to achieve allocative efficiency. It has often fell onto National Treasury to tell the myriad of Departments that their programmes are unnecessary, inefficient or a duplication.

I am going to focus on allocative efficiency today because South Africa's fiscal environment remains extremely constrained, with debt-to-GDP at historically high levels, and debt repayments consuming more public funds than education and policing, and with an emerging cost of living crisis that may well be the worst since the 1970s.

This is why State capture targeted Treasury and its institutions. Without these guardrails, it would allow the many persons who want to capture the State and squander its resources to do so with carte blanche.

However, it is also important for treasury to adapt to the times, and ensure allocative efficiency based on current circumstances. In this regard, there remains a lot of work to be done.

Many programmes and projects initiated across government departments have not been reviewed for their efficiency or to see if they have achieved their desired outcomes. Yet they continue to be funded even as new projects and programmes across government are added to the budget year in and year out. This is not my insight or conclusion, but was a comment from the Fiscal and Finance Commission on the budget in 2019 – but there has not been a comprehensive review of each Department's programmes and spending despite this finding.

Furthermore, over the years, massive duplication of projects has crept in, all sucking money that should be spent on improving public services. Let me give you one example – there is a programme to support municipal budgeting processes by National Treasury. A necessary function. CoGTA runs the same programme with the same objectives. Provincial Treasuries run the same programme. Provincial CoGTA departments run the same programme. Four government departments spend money on the exact same function and outcome – but it actually achieves very little when one looks at the state of municipalities.

The time has come for National Treasury to rationalize spending across the State, and take a hard line during the budget process. It is no longer efficient or prudent to use the previous year's budget with inflation as a baseline to determine future spending. Zero based budgeting was promised in 2020, and this creates the prime opportunity for a comprehensive spending review, including long standing programmes that add no value for money, or that are duplicated across departments. It could save the State billions of Rands each year.

The reality is that, with fuel prices imminently reaching R25 a litre, it is imperative that savings be found so that the fuel levy can be cut. Citizens can no longer afford half their fuel costs being State taxes. It is a throttle on freedom of movement and economic activity. The second reality is that fiscal space will have to be found to zero rate VAT on more food products and essential goods to alleviate the cost-of-living crisis.

Years of bad fiscal decisions across government, as a result of corruption and State capture cannot necessarily be blamed on Treasury, but it falls on Treasury to do what is necessary to ensure we have efficient State spending – and with a fuel price and cost of living crisis, it is essential for Treasury to rise to the occasion.