

# **Memorandum**

# Handed to Minister of Finance, Mr Enoch Godongwana

# 19 October 2022

**Dr Dion George, MP**

Shadow Minister of Finance

Democratic Alliance

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**MEMORANDUM**

**19 October 2022**

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| **FROM:** | **TO:** |
| **Democratic Alliance**  Official Opposition, Republic of South Africa | **Mr Enoch Godongwana**  Minister of Finance |

We, the Democratic Alliance, demand that the Minister takes immediate action to:

* Review the list of zero-rated food items
* Cut fuel taxes and levies to lower the cost of transport
* Reallocate the R50 million food aid for Cuba to feed hungry people at home
* Review import tariffs on some food items
* Provide private title to all land reform beneficiaries on state land and landholders in communal areas

**2. Background**

Before the Covid-19 pandemic reached our shores, low-income household consumption, in particular, was already facing increasing pressure due to Government’s mismanagement of our economy. Post-covid, household budgets are facing even more strain, resulting from Government’s irrational lockdown policies, a slow economic recovery, hostile anti-poor economic policies, failure to provide a reliable supply of electricity, and basic service delivery failures; all of which have left millions unemployed.

On top of this, the Russian invasion of Ukraine has disrupted global fuel, energy, fertiliser, and animal feed value chains and is driving increasing food costs. Instead of taking action, the ANC government has left the matter to evolve into a full-blown local cost of living crisis.

We condemn the Government’s failure to act with haste to address the plight of tens of millions of poverty-stricken South Africans. The social cost of ignoring this crisis has been dire and far outweighs the cost of intervention to bring relief.

**3. Public Experience**

ANC elites don’t need to cut back on their luxuries, paid for by poor South Africans. More and more households say they can’t afford to put enough food on the table and must cut back on basic necessities and face a daily struggle to survive.

Government’s failure to act is making South African households poorer , for whom the prices of many staples are now between 24-65% higher. Today, millions of people are suffering relentlessly due to the pain and indignity and deprivations caused by hunger.

Vegetable cooking oil is up 65%, white maize meal up 26%, tinned pilchards in tomato sauce up 43%, and brown bread up 24%. In South Africa, inflation surged to 7.8% in July, the highest since May 2009, with food price inflation at a high of 8,6% in June.

Government’s inaction has received widespread criticism from the public. To date, various civil society organisations, education experts and student governing bodies have joined the call for action. Thousands of distressed citizens have signed the DA’s petition to #CUTFOODPRICES and submitted their comments calling for Government to intervene in the current crisis that has seen food prices surge.

The sentiment of the public is clear: The vast majority of South Africans condemn Government’s failure to attend to the needs of citizen and respond to the cost of living crisis at hand.

It is completely unacceptable that, considering South Africa is not a poor country and is founded upon democratic principles, the governing party and its elitist members find it appropriate to dictate nearly free of cost from ivory towers while the plight of vulnerable South Africans is ignored.

**4. Main Concerns of the Cost of Food Crisis**

The growing food crisis is harming our society in a myriad of terrible ways.

81% of households are skipping at least one daily meal, while 41% say they can’t feed their families anymore which has resulted in starvation and increased risks to social stability.

Childhood stunting and wasting was already affecting 27% of children under age 5 even before the hunger crisis hit. Millions of hungry school children are battling to concentrate and learn. They face the risk of impaired teenage brain development and reduced life prospects.

Increased malnutrition is leading to reduced productivity in the workplace, obesity (from shifting to a cheaper, high-carbohydrate diet), and diet-related diseases, all of which will cost the fiscus and the health system dearly. Worse still is the increased risk and incidence of death from starvation.

Furthermore, Government cannot afford to continue ignoring the real and increasing risk of social instability and food riots causing infrastructure damage, business closures, disinvestment, job losses, tax revenue reduction and interrupted service delivery.

**5. Demands for Mr Godongwana**

The Minister will table his Medium Term Budget Policy Statement next week. This presents an opportunity to adjust the budget and to set out his policy direction.

The DA’s plan to address the growing hunger crisis consists of five realistic, tangible interventions that would bring meaningful relief to millions of vulnerable households. Each of these proposals is implementable and each must be given due consideration.

We, the Democratic Alliance (DA), **demand** that **Government must act immediately to**:

* + - 1. **Review the list of zero-rated food items**

Next week, the Minister must announce an urgent review of the zero-rated food basket to expand it by adding the DA’s proposed list of food items that should also to zero-rated.

The expanded list must specifically include:

* bone-in chicken
* beef
* tinned beans
* wheat flour
* margarine
* peanut butter
* baby food
* tea
* coffee
* soup powder

Dropping the 15% VAT on these items would aid households in making ends meet while enabling them to purchase more nutritious food. The intervention would pay for itself through improved health, work and learning outcomes. Poor South Africans need an affordable source of protein to prevent them shifting to a less nutritious, high-carbohydrate diet, as their budget is squeezed.

* + - 1. **Cut fuel taxes and levies to lower the cost of transport**

This would decrease the cost of food because the high cost of transporting food places upward pressure on food prices throughout all stages of supply chains.

Depending on how deep the cuts to the fuel taxes and levies, the cost of this proposal can easily be covered by acting on corruption and wasteful expenditure, reallocating funds such as the VIP Protection budget, and opening the economy for growth by implementing the DA’s economic framework.

* + - 1. **Reallocate the R50 million food aid for Cuba to feed hungry people at home**

It is unconscionable that the South African government would take R 50 million belonging to the people of South Africa and use it to provide food aid for Cuba when people here at home are starving. It is especially egregious since no one believes the money will be spent on food aid there. This intervention would not cost the government anything and mean the world of difference to the poor. The Minister can re-allocate this money next week.

* + - 1. **Review import tariffs on some food items**

Cutting import tariffs on pasta and some chicken categories will bring immediate relief to poor households while having a negligible impact on the fiscus.

* + - 1. **Provide private title to all land reform beneficiaries on state land and landholders in communal areas**

In the longer term, Government must transfer full title ownership from the state to all land reform beneficiaries as well as survey and register all land rights on trust/communal land, and transfer titles to all those who want it. This process will increase food production and improve food security while bringing down the cost of food. It is a longer-term solution that will grow tax revenues by making more land productive.

Unless the growing hunger crisis is tackled vigorously, it will significantly alter the fabric of our society and irreparably damaging the lives of all of our people.

The DA continues to call for economic reforms that open the economy for jobs and growth. Millions of jobs will be created in South Africa if we make it a place that attracts investment and scarce skills, a place where small business can easily start and grow. Getting people back on their feet by getting them into jobs is the best way to build resilience against hunger.

**Democratic Alliance**

19 October 2022