

RAISED BY R30.5BN

National Treasury warns expenditure to breach Budget ceiling as Covid-19 lockdowns,unrest take toll

DINEO FAKU
dineo.faku@inl.co.za

THE NATIONAL Treasury yesterday flagged that the current year expenditure would breach the 2021 Budget Review ceiling of R1.51 trillion by R56 billion following the Covid-19 lockdowns and public violence, as well as wage bill adjustments.

According to the 2021 Medium-Term Budget Policy Statement (MTBPS), revenue improvements since the 2021 Budget had made room for an increase in the spending ceiling over the Medium-Term Expenditure Framework period.

It said the ceiling was raised by R30.5bn in 2022/23 and R28.1bn in 2023/24, compared with the 2021 Budget.

Treasury said domestic risks identified in the 2021 Budget included the wage bill and the continued deterioration in the financial position of several major state-owned companies had materialised.

As a result, spending increases in 2021/22 amounted to R77.3bn. Treasury said the recent public service wage agreement had reached the budget ceiling for compensation of employees by R20.5bn.

The in-year spending adjustments also included a total of R2.3bn allocated for Covid-19 vaccines, while state-owned arms maker Denel received an equity injection of R2.9bn after defaulting on its loans.

"Compensation of employees remains a major cost pressure," said the MTBPS.

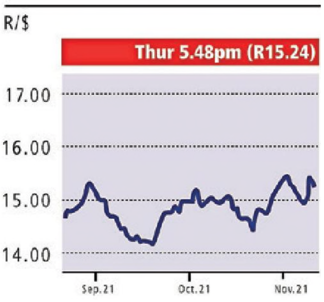
"Although additional funding has been allocated to departments to meet the cost implications of the 2021 public-service wage agreement, it remains critical for departments to adhere to compensation ceilings and manage head counts pro-actively if the government is to improve its fiscal position."

As a cushion against the impact of the Covid-19 pandemic and rising unemployment, the government unveiled a fiscal relief package amounting to R37.9bn.

The relief included R26.7bn to alleviate poverty through the reintroduction of the temporary R350 special Covid-19 social relief of distress grant until the end of 2021/22, which would be broadened to include eligible caregivers who receive the child support grant.

The fiscal relief also allocated R3.9bn for Sasria, the state-owned insurer covering risks, including public disorder and riots due to the mayhem in July in parts of Gauteng and KwaZulu-Natal.

Rand v dollar



Source: Moneyweb

Small businesses affected by Covid-19 restrictions and the July public violence were allocated R1.3bn, while the government granted an additional R950 million to the SAPS and the SANDF.

A total of R5.3bn has been set aside by the Unemployment Insurance Fund to extend coverage of the temporary employer/employee relief scheme.

The Treasury said departments had re-prioritised funds within their available budgets to address spending priorities.

These include funds to enhance the governance of state-owned companies, implement the first pilot phase of the Integrated Financial Management System, and strengthen the capacity of the Investigative Directorate to pursue cases of serious and complex corruption flowing from the Commission of Inquiry into State Capture.

It said the framework for the implementation of zero-based budgeting was completed in May 2021, and the Department of Public Enterprises and the National Treasury would pilot this approach, which is informed by the ongoing process of spending reviews.

"The Department of Public Enterprises review focuses on spending efficiency in regard to consultants, travel, and Treasury, and said departments government continued to devote considerable resources to core functions and social priorities, despite slower spending growth in recent years in line with fiscal consolidation," it said.

The Treasury said over the medium term it would continue working with departments to assess the efficiency, effectiveness and performance of selected programmes.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