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Financial and Fiscal Commission recommends deep cuts to government spending amid COVID-19 pandemic

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The Financial and Fiscal Commission (FFC) has recommended deep cuts in government spending in response to the economic impact of COVID-19.
The commission says, among others, the government needs to reprioritise public sector infrastructure spending by postponing projects that are still at a pre-feasibility stage or new infrastructure that is not directly related to COVID-19.

It says expenditure on goods and services, that are not critical for service delivery and the fight against COVID-19, will make reprioritisation easier. This includes training and development, travel, subsistence and catering.

The FFC has also identified 23 conditional grants where there is room for cuts in all spheres of government.

In a presentation to the Appropriations Committee, Mkhululi Ncube of the FFC said there is also a need to re-look the compensation of employees.

"We know that compensation is the biggest driver of spending across most departments. Those departments where compensation is excessively high there's need to moderate compensation spending in those particular departments."

South Africa's GDP growth
Last week, S&P Global Ratings said it projects South Africa's economy to shrink by 4.5% this year as a result of the COVID-19 pandemic that has impacted production and consumption.

In April, S&P downgraded South Africa's credit rating further into a non-investment-grade territory, arguing COVID-19-related pressures would have significant adverse implications for the country's already ailing economy and for tax revenues.

It lowered its long-term foreign-currency rating on South Africa to "BB-minus" from "BB" and its long-term local-currency rating to "BB" from "BB-plus," with a stable outlook.

"COVID-19 will weigh heavily on GDP growth given the strict domestic lockdown that has shut down much of the economy, the markedly weaker external demand outlook, and tighter credit conditions," S&P said. "As a result, we now project the economy to shrink by 4.5% this year."

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