BRIEFING TO THE SELECT COMMITTEE ON APPROPRIATIONS

Financial and Fiscal Commission

10 June 2020

For an Equitable Sharing of National Revenue

INTRODUCTION

- The 2020 budget was formulated against the backdrop of a deteriorating economic environment-Growth had been on an accelerated downward trend since the 2009 financial crisis-the economy had effectively slipped into a second technical recession by close of 2019
- The events post the 2020 February budget have made 2020 one of the most difficult years in South Africa's recent economic history.
  - First, the economy suffered immense setbacks as a result of the Covid-19 pandemic
  - Secondly, as the country was seized with containing the spread of Covid-19, Moody's downgraded South Africa's sovereign debt rating to junk status on 27 March 2020.
- The Covid-19 pandemic has caused unprecedented disruptions to the socio-economic landscape of South Africa-forcing Government to make difficult choices between protecting lives, livelihoods and economies. It has turned the February 2020 budget upside down as the needs to deal with health challenges, deliver on essential services, protect households against wage and livelihood losses, and protect businesses against falling markets have amplified.
- The fiscal framework tabled in February is no longer attainable due to the Covid-19 induced economic shutdown and slump
- In line with the request from SCoA, the Commission makes this submission in terms of S4(4c) of MBARARMA (Act 9 of 2009), as amended focusing on: the macroeconomic and fiscal outlook; revenue and expenditure proposals as contained in the 2020 Budget; Government's fiscal and monetary responses to Covid-19 and Reprioritisation for Covid-19 pandemic

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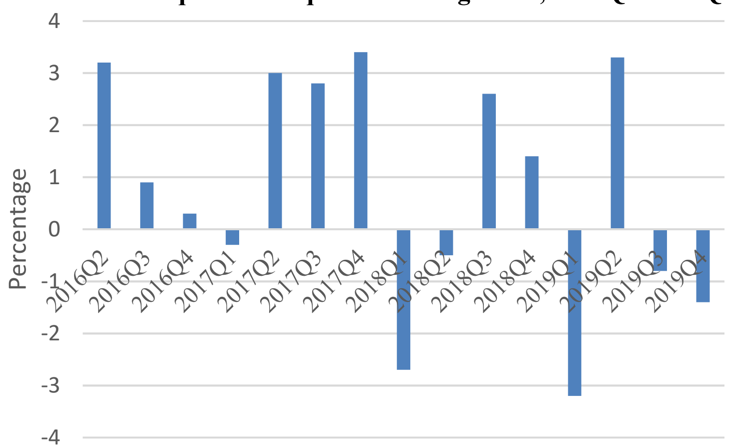
BACKGROUND: MACROECONOMIC AND FISCAL POLICY OUTLOOK

FFC Briefing to the Select Committee on Appropriations 10/06/2020

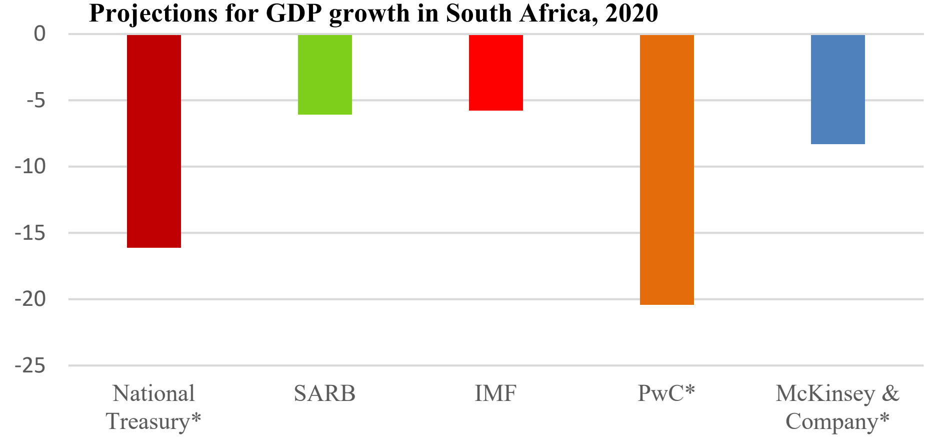
FRAGILE DOMESTIC ECONOMY HIT BY COVID-19

South Africa quarter-to-quarter GDP growth, 2016Q2-2019Q4



Source: Statistics South Africa, 2020

Projections for GDP growth in South Africa, 2020



Source: National Treasury, South African Reserve Bank, IMF, PwC, McKinsey & Company NB *projection of worst-case scenario by institution

- SA economy grew by 0.2% in 2019.
- SA's economic performance reflects high levels of volatility anchored on a low trend-2nd technical recession in 2 years.
- SA economy was faltering before COVID-19 took hold. The impact of COVID-19 will push the country into a deep economic contraction this year.
- All projections and scenarios indicate that SA is likely to face deep economic contraction-because of disruptions in household and business spending on transport, food and beverages, and entertainment, as well as prolonged depression of exports.
- SA's recent sovereign credit downgrade is to exacerbate outlook.

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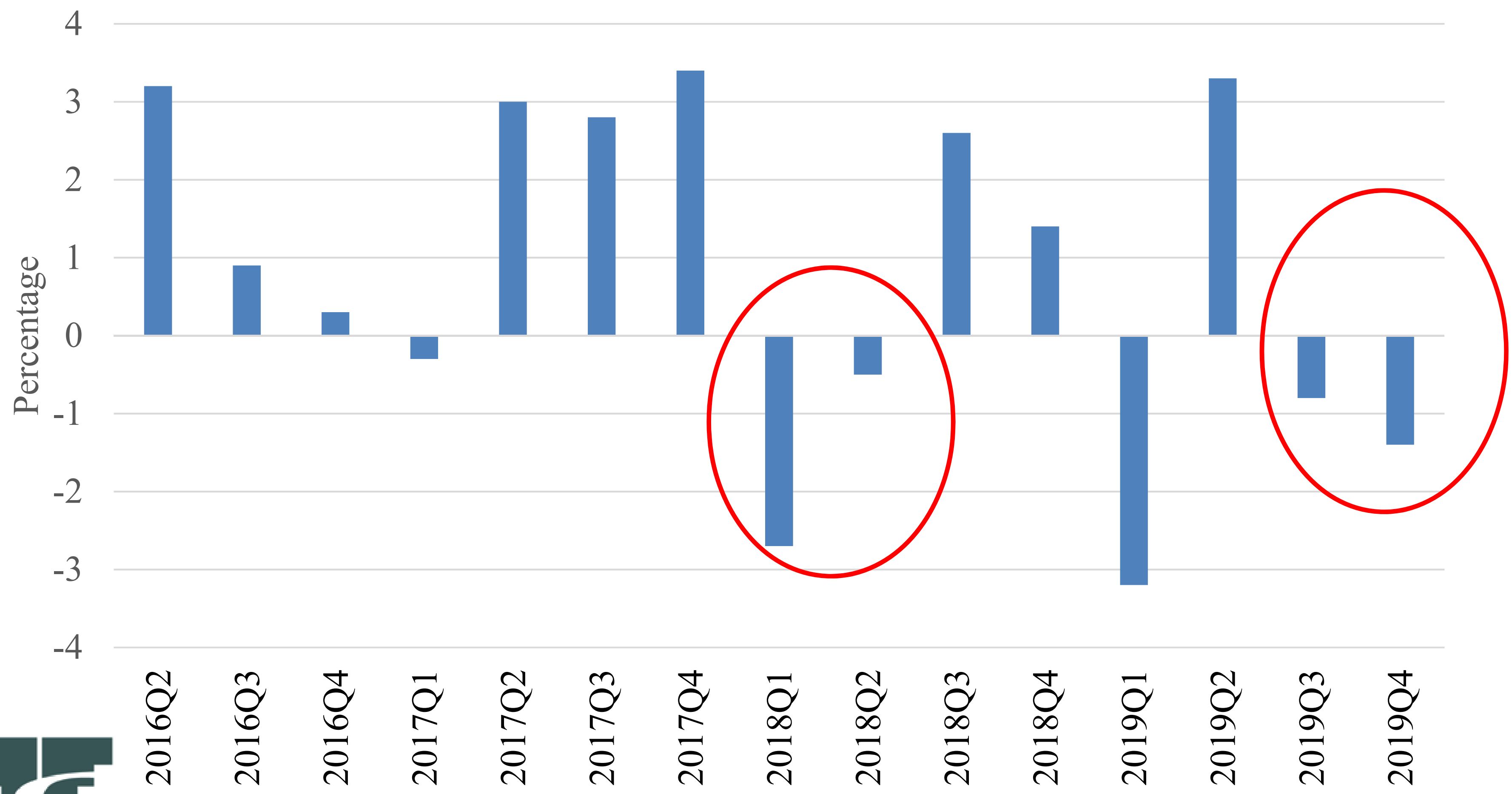
SOUTH AFRICA QUARTER-TO-QUARTER GDP GROWTH, 2016Q2-2019Q4



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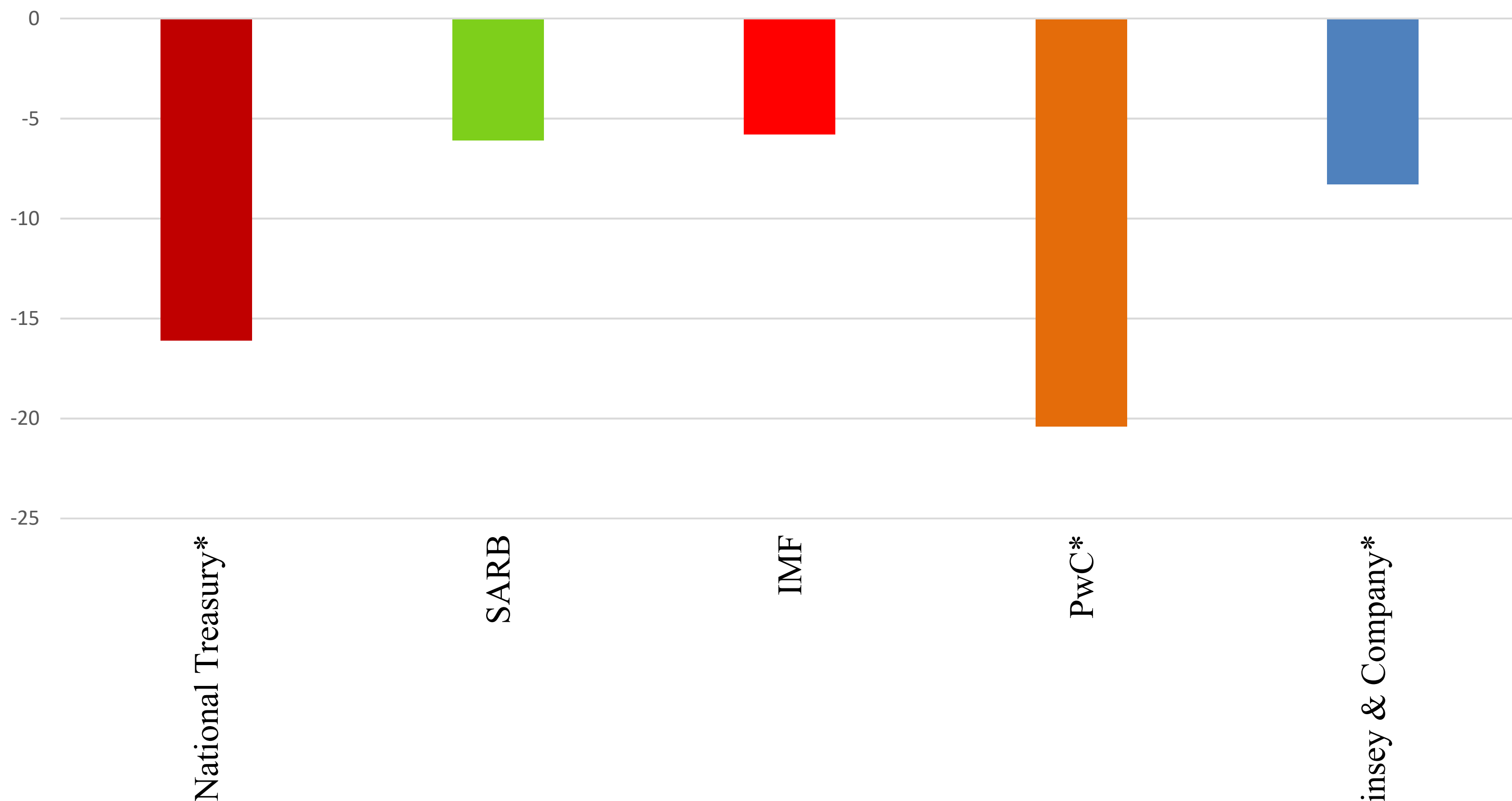
PROJECTIONS FOR GDP GROWTH IN SOUTH AFRICA, 2020



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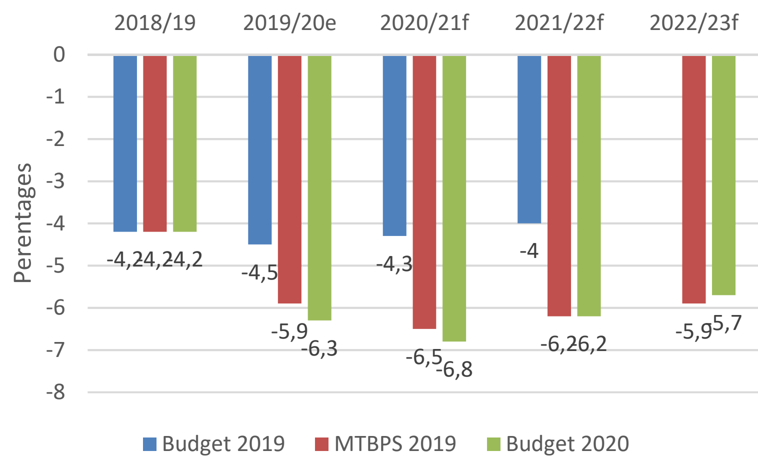
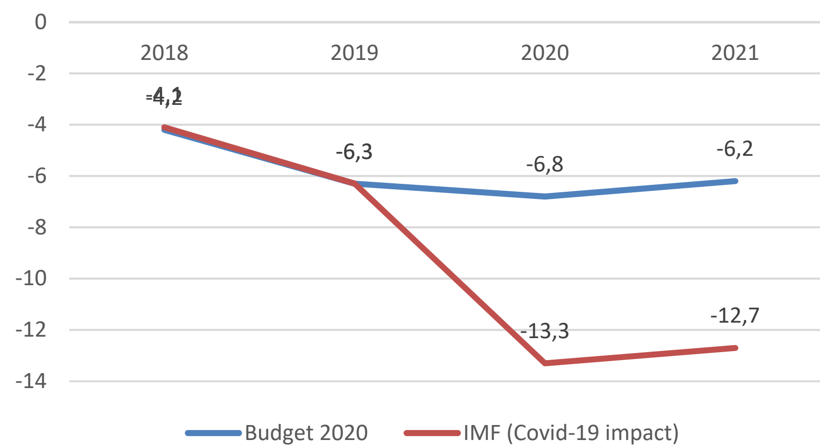
BUDGET DEFICIT IS BALLOONING

Budget deficit as a percentage of GDP projections, 2018/19-2022/23



Source: National Treasury, 2019&2020

Budget deficit as percentage of GDP, 2018-2021



Source: National Treasury, 2020; IMF, 2020

- The fiscal deficit has widened to its largest since 1990s, leaving SA with no fiscal space.
- Massive differences to budget deficit projections as tabled in the 2019 Budget, 2019 MTBPS and 2020 Budget demonstrate a substantial deterioration in fiscal metrics. This fiscal slippage has impacted negatively on South Africa's sovereign credit rating and resulted in severe economic consequences.
- The 2020 Budget projected the fiscal deficit to widen from -4.2 percent of GDP in 2018 to -6.8 percent of GDP in 2020, however IMF projects the fiscal deficit will widen from -4.1 percent of GDP in 2018 to -13.3 percent of GDP in 2020 because of the COVID-19 pandemic.

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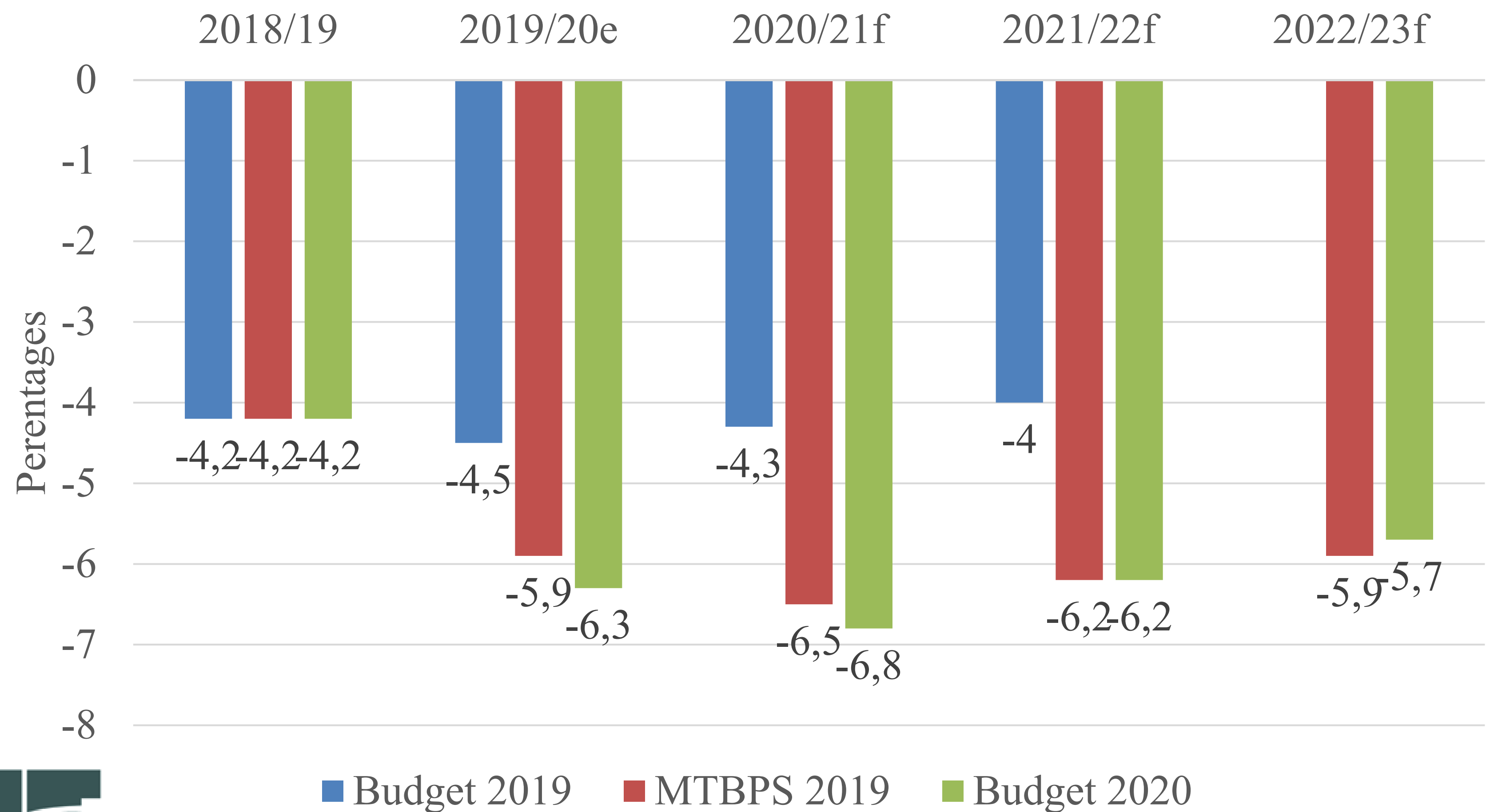
BUDGET DEFICIT AS A PERCENTAGE OF GDP PROJECTIONS, 2018/19-2022/23



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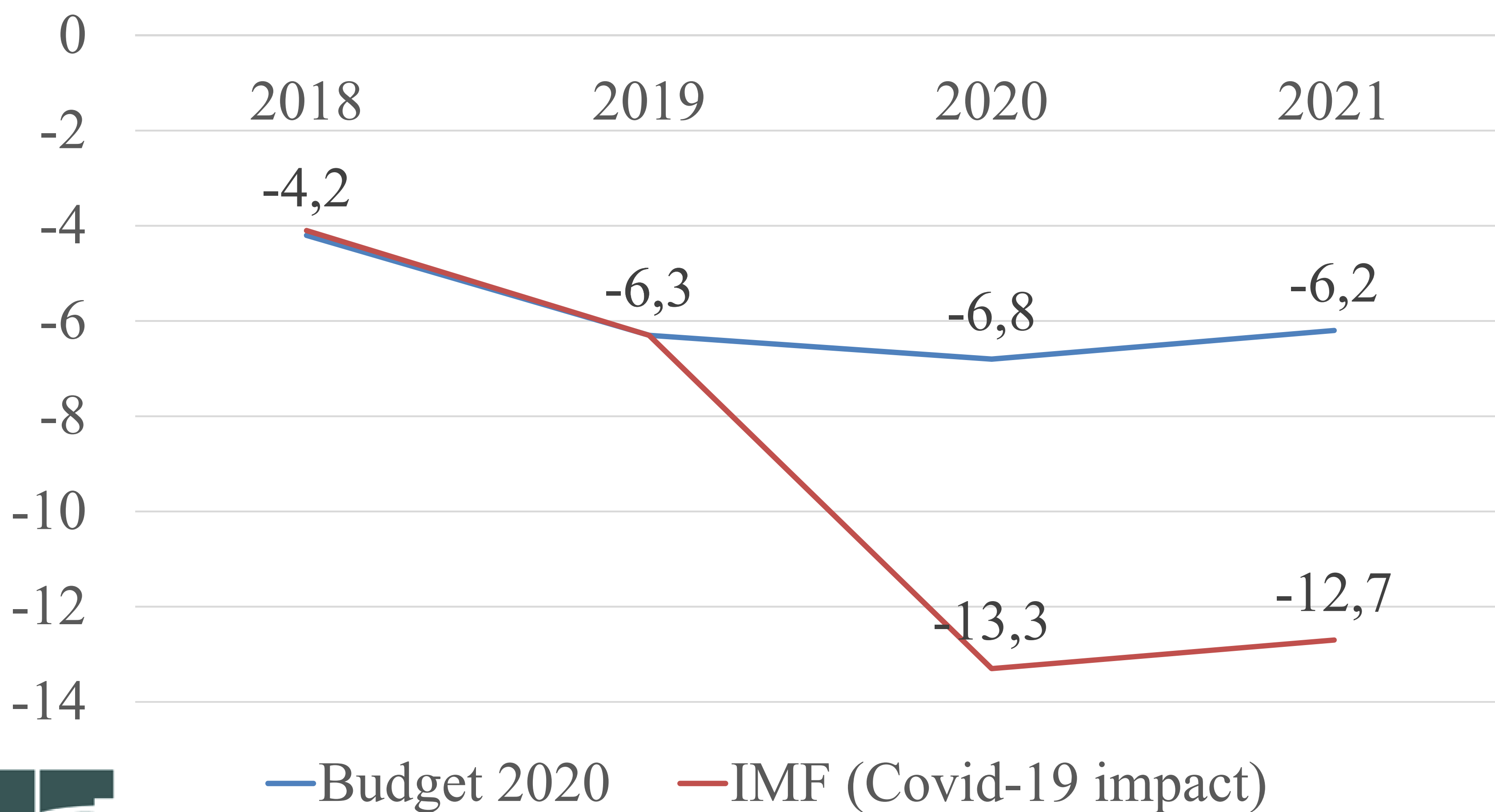
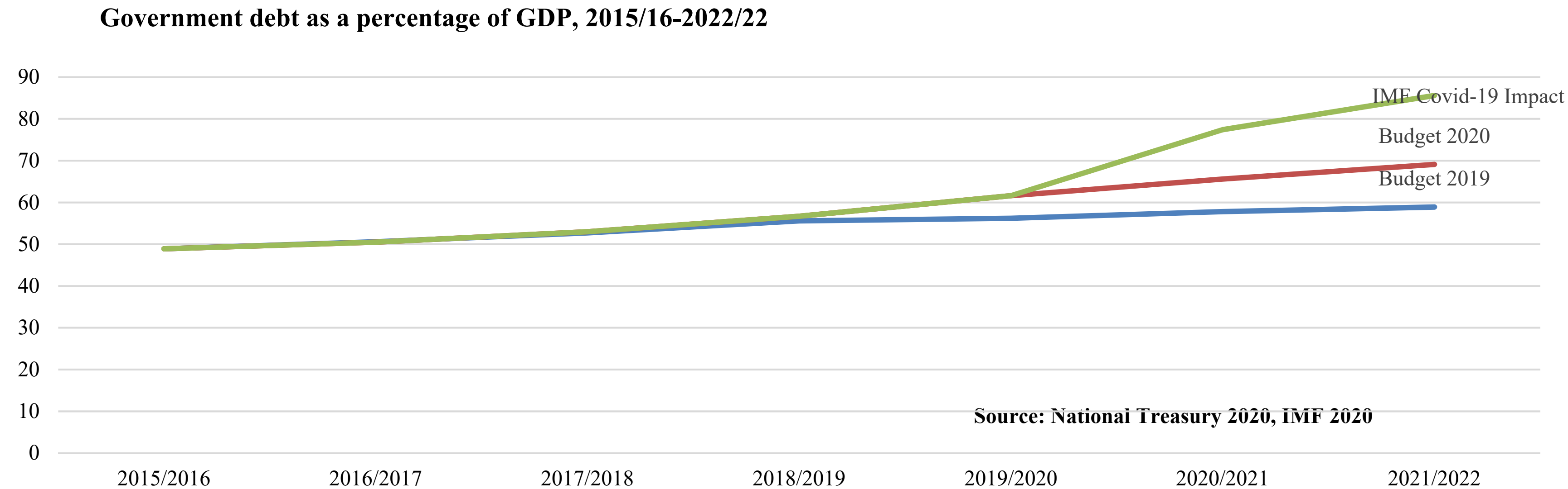
Budget deficit as percentage of GDP, 2018-2021



GOVERNMENT DEBT IS INCREASING



- Government debt trajectory has critically worsened as a result of sustained weakening in the growth outlook and the materialization of contingent liabilities from SOEs. Government debt is expected to increase by R869 billion over the medium term. It is not expected to stabilise over the medium term as it is expected to increase to R4.38 trillion, or 71.6 per cent of GDP, by 2022/23
- The 2020 Budget projected government debt to increase from 56.7 percent of GDP in 2018 to 69.1 percent of GDP in 2021, IMF estimates that government debt will increase from 56.7 percent of GDP in 2018 to 85.6 percent of GDP in 2021 because of the impact of COVID-19.

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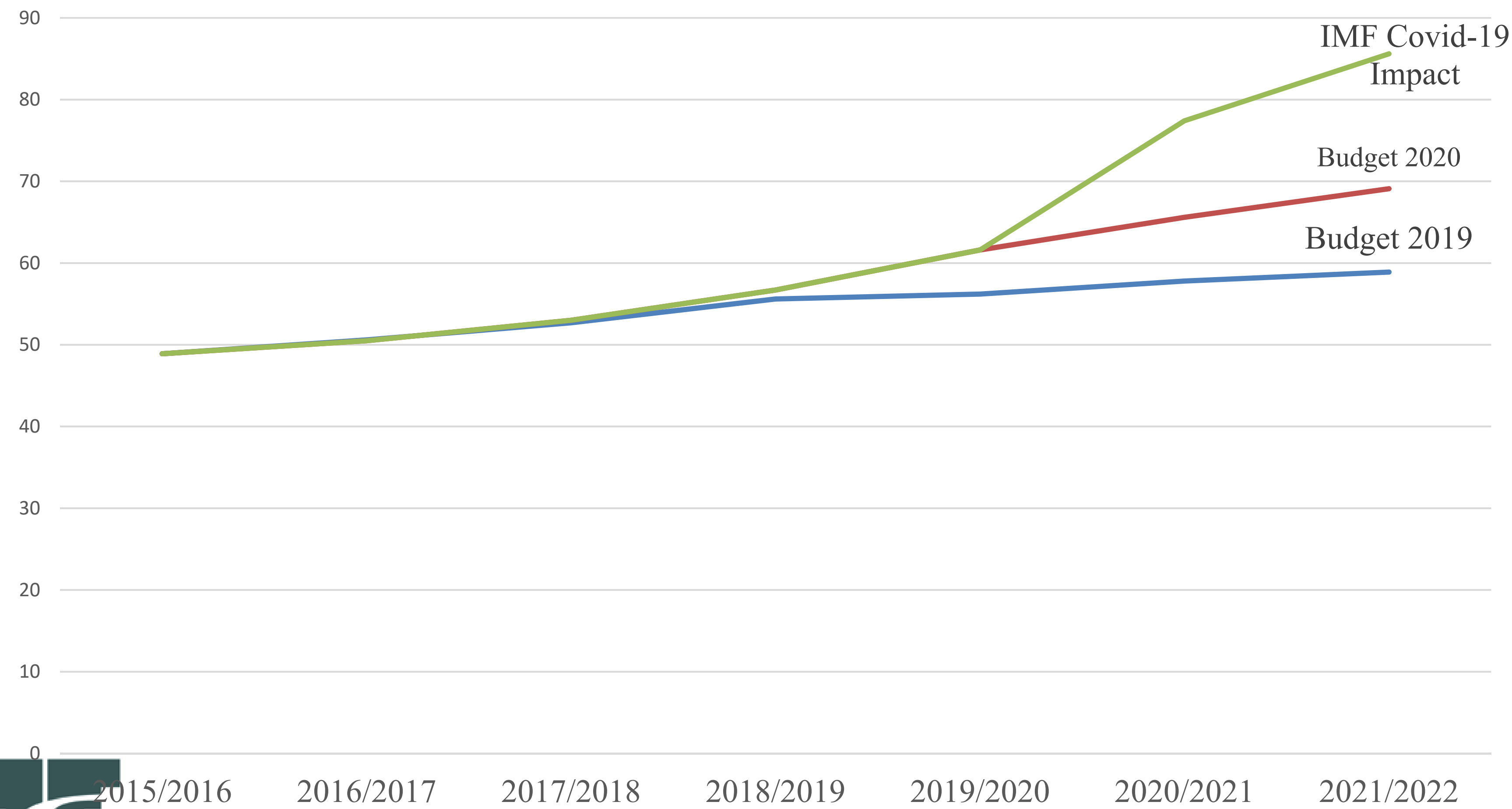
GOVERNMENT DEBT AS A PERCENTAGE OF GDP, 2015/16-2022



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COVID-19 PANDEMIC AND THE HEALTH SHOCK

Extraordinary Health Shock: The COVID-19 pandemic is a health crisis and an economic one. Demands on the health sector are huge.

- **Need to prepare for the worst: what are the needs?**
  - Health care access, specifically, effective ambulance system, Intensive Care units (ICUs) with ventilators and drugs to maximise chances of survival until vaccine is developed.
  - Construction of field hospitals/clinics construction, especially in cities; COVID technology; Environmental and port health; Communications; Health personnel and equipment, standard operating procedures (SOP), personal protective equipment (PPE), ventilators, pharmaceutical requirements.

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OVERVIEW OF FFC RESPONSE TO REVENUE AND EXPENDITURE PROPOSALS IN THE 2020 BUDGET

FFC Briefing to the Select Committee on Appropriations 10/06/2020

REVENUE AND EXPENDITURE PROPOSALS-SUMMARY

- From a functional perspective, the Commission notes the shift from a purely "social sector" focus over the 2016/17 to 2019/20 period to greater emphasis on economic development, community development and social development over the next three years. The Commission welcomes this approach as it will ensure a combination of financing for the provision of a safety net to the poor (social security grants and basic services) alongside interventions to grow the economy;
- The rapid growth in debt service costs outstrips and crowds out spending on all aspects of government service delivery programmes. Projections indicate that by the end of the 2020 MTEF period, spending on debt service costs will exceed spending on health and community development;
- The assessment of spending by economic classification highlights government's attempts to rein in spending on personnel while at the same time increasing spending on capital. However the extent to which reductions in the wage bill can be effected and, if achieved, the effect it will have, especially within personnel intensive provincial departments like education and health, resulting in the Commission to raise the wage bill as a key risk within the 2020 Budget. In addition the Commission also raised the issue of fairness in terms of placing the burden of achieving consolidation solely on public servants;
- The analysis by vote highlights that there are certain votes which over the period reviewed can be categorised into those that are relatively protected versus those that seem to be under pressure from reductions. The current strained economic environment calls for careful prioritisation to ensure that all resources, big or small, are allocated in the best possible way.

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Covid-19 Fiscal and Monetary Response for Transformation and Growth

FFC Briefing to the Select Committee on Appropriations 10/06/2020

Covid-19 Reinforces the Cyclical Downturn

- The Covid-19 crises hit the SA economy when it was already on a cyclical downward path
- The 2020/21 budget provided little impetus for growth with expenditure growing at a negative rate in real terms

R billion	2019/20	2020/21	2021/22	2022/23	Real average growth
	Revised estimate	Medium-term estimates			
Revenue	1 517.00	1 583.90	1 682.80	1 791.30	-0.0031%
% of GDP	29.40%	29.20%	29.20%	29.20%	
Expenditure	1 843.50	1 954.40	2 040.30	2 141.00	-0.0141%
% of GDP	35.70%	36.00%	35.40%	34.90%	
Budget balance	-326.6	-370.5	-357.5	-349.7	-0.0641%
% of GDP	-6.30%	-6.80%	-6.20%	-5.70%	
Real GDP growth	0.3%	0.9%	1.3%	1.6%	

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2020/21 Fiscal Framework is at Risk

- The fiscal framework tabled in February is no longer attainable due to the Covid-19 induced economic shutdown and slump
- Estimates indicate that the economy is likely to contract by 6 to 16 percent depending on the longevity and severity of the economic shutdown

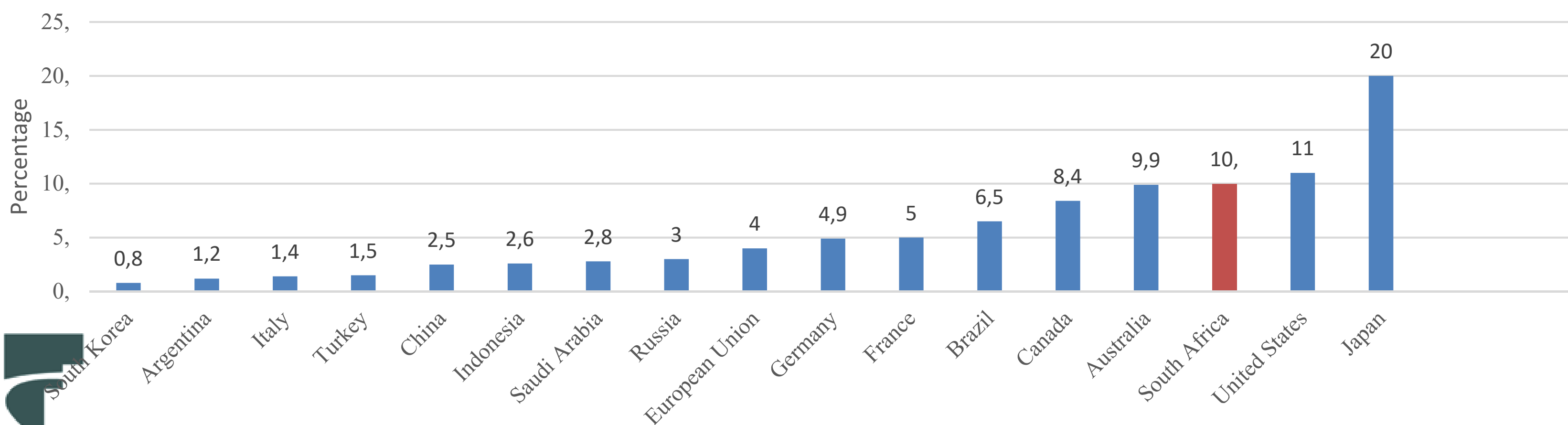
R' billion	2020/21 Budget	Revised GDP contraction estimates		
		6%	12%	16%
GDP	R 5 428	R 5 151	R 4 776	R 4 559
Main budget revenue	R 1 583	R 1 315	R 1 232	R 1 176
Revenue as % of GDP	25.80%	25.80%	25.80%	25.80%
Revenue shortfall		R -83	R -165.63	R -222
Main budget expenditure	R 1 954	R 1 766	R 1 766	R 1 766
Main budget balance deficit	R -368	R -451	R -534	R -590

Combined direct Lockdown Implications of Sector

Mild decline (0-10%)	Moderate decline (-10 to -30%)	Large decline (-30% to -60%)	Severe decline (larger than -60%)
Agriculture, forestry and fishing		Mining and quarrying	Machinery and equipment (manufacturing)
	Food and non alcoholic beverages (manufacturing)	Education services	Alcoholic beverages and tobacco
		Textiles, clothing, leather and footwear	Iron steel metal products (manufacturing)
		Paper, paper products	Wood, wood products (manufacturing)
Pharmaceuticals hygiene and cleaning (manufacturing)	Petroleum (manufacturing)	Basic chemicals, fertilizer, paint and other (manufacturing)	Non metallic minerals and products (cement and concrete)
Finance and insurance, computing services	Plastic, glass(manufacturing)	Wholesale, retail trade	Tyres, rubber products (manufacturing)
Electricity and gas	Real estate, legal and other accounting support services	Transport and storage	construction
Health services		Rentals, research, manufacturing services other business services	Recreation and community services
			Accommodation and catering

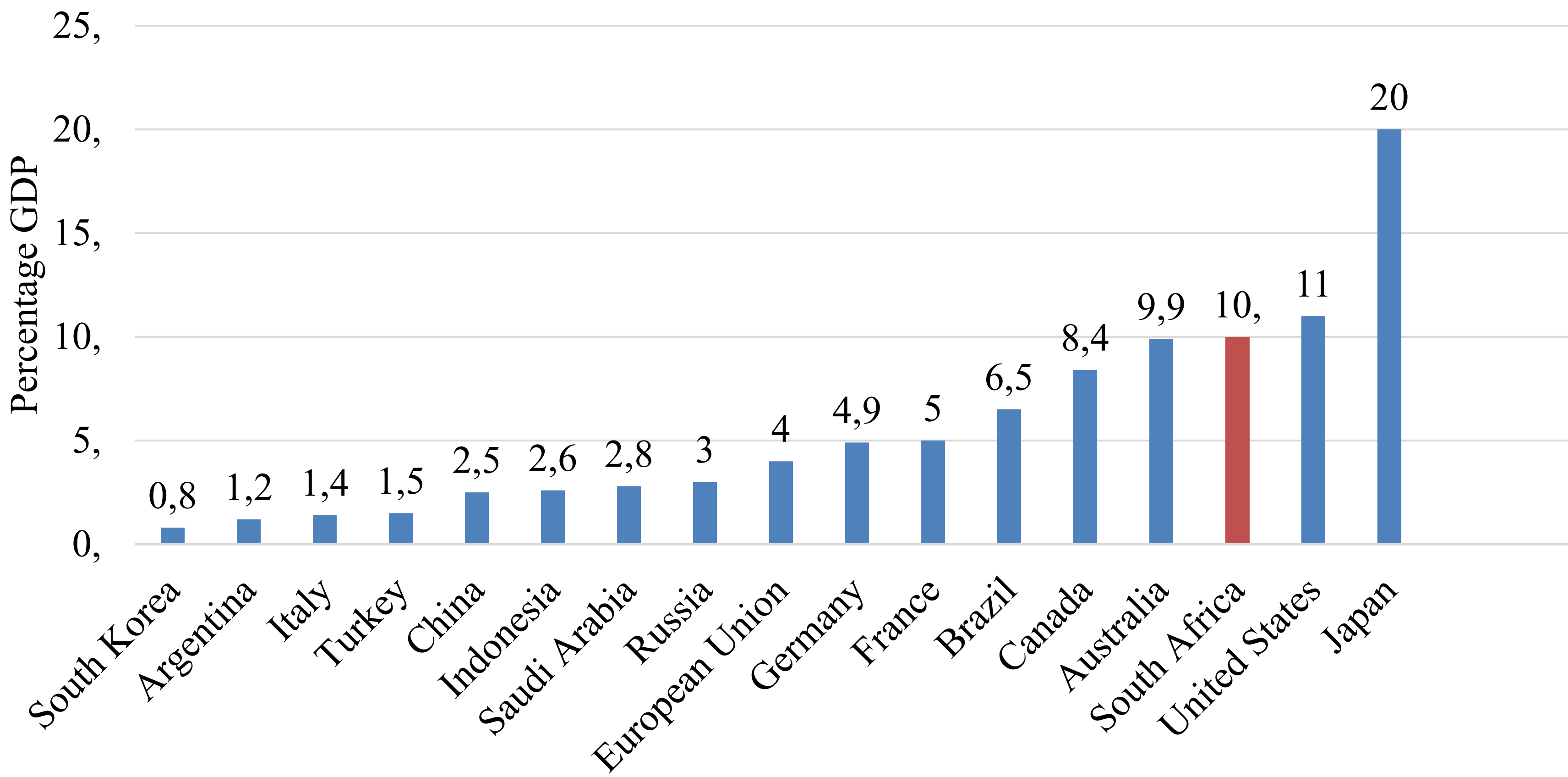
SA Government Economic Response to Covid-19

- Government has introduced a combined fiscal and monetary response amounting to R1 trillion
  - R500 billion comprises of fiscal support
  - Another R500 billion is made up of monetary and financial market interventions
- The fiscal support is purportedly equivalent to 10% of GDP (18% when monetary response is taken into account)



Source: International Monetary Fund

SA Government Economic Response to COVID-19



Source: International Monetary Fund

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BREAKDOWN OF FISCAL AND MONETARY RESPONSES

Expenditure	Amount (R' billion)
Health – Covid-19 intervention	R20
Municipal allocation	R20
Social and basic income grant	R50
Job creation and support for SMEs and Informal sector	R100
Salary income support (UIF)	R40
Tax relief	R70
Business loan guarantee scheme	R200
Total	**R500**

- Monetary response package includes:
  - 225 basis point interest reduction
  - Relaxation of credit extension regulations
  - Repurchasing of bonds in the secondary market
  - Discretionary credit payment holidays

Funding Sources for Covid-19 Fiscal Response

- Government has been vigilant to call it a response package and not a stimulus
- Only R95 billion of the total fiscal package constitute new injection into the economy
  - The debt is intended for business support and jobs protection
- There is no discernable baseline increase to the R1.95 trillion budget tabled in February arising from the R500 billion fiscal package

Source	Amount R' billion
Credit guarantee scheme	R200
Budget reprioritisation	R130
Borrowing from multilateral finance institutions for business support	R95
Transfers and subsidies from social security funds	R60
2020/21 Social development baseline budget	R15
Total	R500

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Overall Assessment of Fiscal and Monetary Response

- The Commission commends the immediate response to cushion businesses and households from the impact of the lockdown
- The Commission is of the view that government’s fiscal and monetary responses are targeted at policy areas proven to reduce economic distress
  - The scale of certain programs need to be increased for maximum impact
- It is imperative that both the fiscal and monetary responses embrace distributional equity principles outlined in section 214 (a-j) of the Constitution

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Towards a Bolder Stimulus

- GDP growth in 2020 will contract significantly (between -5.4 per cent to -20.4 per cent). Fiscal and monetary support warranted must be commensurate with the magnitude of the forecasted economic contraction.
- A more aggressive bond purchase programme by SARB is feasible and would substantially strengthen liquidity in the markets.
- Government should consider its total balance sheet: Assets from PIC, GEPF, UIF and SARB foreign exchange reserves.
- Only R95 billion in response could be considered a fiscal stimulus. This means that the Covid-19 stimulus falls far too short of the expected shock to the economy.

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Towards a Broader Reform Agenda

- The Commission welcomes the reforms advocated by government in the National Treasury paper: "Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa".
- It is the view of the Commission that the reforms are relevant to the current economic situation because they are broadly pro-growth and they support, among other things, competitiveness and higher productivity.
- However, implementing these reforms will compete with other initiatives such as land expropriation without compensation, establishment of the national health insurance (NHI) and extension of tax incentives to selected industries, highlighting the importance of prioritisation and sequencing of the reforms.
- The Commission recommends that the cycle of low growth and high inequality must be broken through bold actions aimed at giving poor South Africans better access to good jobs so that they can fully participate in the economy. It is the only way to strengthen its social contract, where the political rights gained with democracy are met with people sharing in the nation's wealth.
- As such the reform agenda should be multifaceted

Towards a Broader Reform Agenda cont'

Reform Agenda	Proposed Interventions
Improving governance and fighting corruption:	• State capture has weakened institutions and increased inefficiencies by distorting the playing field for investors, reduced tax revenue, and created incentives to circumvent regulations to deviate from good public procurement practices. There is an urgent need to rebuild institutional frameworks and institutional capacity and sustained efforts at establishing credible deterrent mechanisms
Limiting tertiary education subsidies to only poor households:	• Shifts in education spending towards additional tertiary education subsidies have been ongoing since 2016. However, international evidence shows that tertiary education spending is regressive and benefits non poor households disproportionately. • The weaker educational backgrounds of poor students disincentivises them from pursuing tertiary education more than non-poor students
Exposing SA's large companies. to foreign competition	• Several economic sectors, including manufacturing and banking, are dominated by a handful of big players with significant market power. High concentration has inhibited the emergence of smaller firms- known job creators. • There is a need for more competition to allow SMEs to enter mainstream economy.
Land Reform and agriculture for food security:	• In line with best international experiences, land reform should focus on enhancing agricultural productivity, improving land administration to strengthen security of tenure, and reduce poverty. • There is also a need to mitigate any potential negative effects of land reform on the agricultural base and the financial spill over effects from changes in the value of land as collateral. • The Commission reiterates its 2018 Budget recommendation that government consolidate grants aimed at assisting land into one funding programme for emerging land reform farmers

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Towards a Broader Reform Agenda cont'

Reform Agenda	Proposed Interventions
Reducing the cost of broadband and assignment of high-demand spectrum:	• South Africa has slower internet speeds and higher data prices than most comparators. • There is a need to expedite the allocation of broadband spectrum through auctions and leveraging private sector capabilities. • A more cost-efficient network would foster technology adoption and innovation, • Enable shift towards e-learning, e-health, etc, and readiness for Fourth Industrial Revolution.
Strengthening capacity of state:	• To strengthen the capacity of the state, it is important that state machinery is reorganised to minimise duplication, sharpen coordination and adopt new technologies to improve efficiencies. • It is also important for the state to invest in its key resource: frontline staff such as nurses, doctors, police officers, soldiers, refuse removal workers, and research and innovation for a data/information/evidence based decision making. Covid-19 has amplified the need for such investment – in building a capable state
Review of "means tests":	• Covid-19 has amplified challenges with "means testing"- many people have found themselves in abject poverty, with no incomes, unemployed and highly indebted and neither able to sustain themselves, nor invest in their future. • Commission underscores the need for a comprehensive and consultative review of various "means tests": e.g. financial eligibility for various forms of grants or relief, student support, or even basic services in municipalities.

WHERE WILL THE MONEY COME FROM? REPRIORITISATION IN RESPONSE TO COVID-19

FFC Briefing to the Select Committee on Appropriations 10/06/2020

BASIS FOR REPRIORITISATION

- The Commission's consideration for to reprioritising funding away or not, were informed by the following factors:
  - **Rights based approach**: Protecting spending that caters for the basic rights of people (e.g. spending on basic services: water and sanitation, refuse removal);
  - **Equity and fairness**: Balancing rural vs urban (spatial equity), formal vs informal. For example, a grant dedicated to urban areas may be a better candidate for reprioritisation than a grant focussing on rural areas;
  - **Spending performance**: Reprioritising spending that exhibits consistent underspending, irregular or wasteful spending;
  - **Impact:** Reprioritising spending that would have the least impact on livelihoods and the economy e.g. include travel, subsistence allowances, training and catering;
  - **Spending composition**: Whether spending is for capacity building or infrastructure; new or existing infrastructure; spending on social relief to the poor or not; is critical to kick-starting the economy or not; Covid-19 related or not.
  - **High perennial growth: H**istorical growth in allocations. Where growth was excessive in the past, the concerned spending item becomes a good candidate for moderation.

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Reprioritisation by Department

- Essential vs non-essential:
  - Providing direct response to Covid 19 and social relief - health, social development, water and sanitation – automatically priority departments
  - Assisting with effects of Covid and lockdown, departments of police and defence are key in ensuring compliance with lockdown regulations
  - To kick-start the economy - transport, energy, agriculture
  - New priority departments due to the changing nature of the world we live in –departments like Communication and Digital Technologies, StatsSA and Science and Innovation

Functional Category	**Departments Directly Involved in Fighting Covid-19 and associated impacts**
Learning and Culture	Departments of Basic Education and Higher Education and Training
Health	Department of Health
Social Development	Department of Social Development
Community Services	Departments of Human Settlements, Cooperative Governance and Water and Sanitation
Economic Development	Departments of: Environment Forestry and Fisheries, Agriculture, Land Reform and Rural Development, Communication and Digital Technologies, Transport, Trade, Industry and Competition, Tourism, Small Business Development, Public Works , Employment and Labour, National Treasury, Science and Innovation and Mineral Resources and Energy
Peace and Security	Defence, Police, Home Affairs
General Public Services	Presidency, Parliament, Departments of Public Enterprises and Public Service and Administration and STATSSA, GCIS

Overview of Potential Areas for Reprioritisation

- Table indicates pockets of funding where reprioritisation be can effected

Item of Spending (R'million)	2020/21	2021/22	2022/23	Total over MTEF period: 2020/21-2022/23
Compensation of Employees by National Departments	**187,668.1**	**200,116.5**	**208,736.4**	**596,521.0**
Goods and Services Spending by National Departments	**77,891.4**	**83,642.8**	**84,630.8**	**246,165.0**
of which:				
Travel and subsistence	6,156.0	6,476.0	6,574.4	19,206.4
Training and development	1,158.2	1,121.4	1,137.7	3,417.3
Catering	295.3	423.9	328.9	1,048.0
Total Infrastructure Spending by National Departments	**136,096.3**	**145,126.1**	**152,187.6**	**433,409.9**
of which:				
New Infrastructure by National Departments	4,930.1	6,196.6	6,828.9	17,955.6
Existing Infrastrastructure by National Departments	6,356.9	5,670.8	5,185.0	17,212.7
Total Conditional Grants Spending	154,603.3	164,159.3	171,283.8	490,046.4
of which:				
Conditional grants to Provinces	110,784.8	117,961.5	123,136.7	351,883.0
Conditional grants to Municipalities	43,818.6	46,197.7	48,147.1	138,163.4

Reprioritisation of New & Existing Infrastructure

- *Suspension/deferral of new projects* where such infrastructure in not essential to fighting Covid-19
  - R18 billion budgeted for new infrastructure over the next 3 years
  - What is required is an assessment of which of the new infrastructure projects can be deemed non-essential and therefore deferred and funding reprioritised
- *Deferral of spending on existing infrastructure:* non essential repairs/maintenance, upgrading or rehabilitation
  - National departments set to spend R17.2 billion on existing infrastructure projects over 2020 MTEF
  - Commission advises caution if reducing spending on existing infrastructure. If this option is pursued decisions must be based on facility condition assessments or asset lifecycle data, so as to determine whether maintenance can feasibly be delayed or not

Planned Infrastructure Spending by National Department over the 2020 MTEF

R'million	MTEF Estimates 2020/21	2021/22	2022/23	Total over MTEF
New infrastructure assets	**4,930.1**	**6,196.6**	**6,828.9**	**17,955.6**
Existing infrastructure assets	**6,356.9**	**5,670.8**	**5,185.0**	**17,212.7**
of which				
Upgrading and additions	4,164.5	4,309.6	4,050.8	12,524.9
Rehabilitation, renovations and refurbishment	1,519.6	737.2	864.2	3,121.0
Maintenance and repairs	672.8	624.0	269.9	1,566.7

Summary of Conditional Grants Recommended for Reprioritisation

Department	Grant	MTEF Allocations (R'000)			Proposed Allocation over 2020 MTEF
		2020/21	2021/22	2022/23	
Sports, Art and Culture	Community Library Services Grant	1,479,093	1,584,073	1,667,002	4,730,168
	Mass Participation and Sport Development Grant	596,617	620,807	640,472	1,857,896
Basic Education	National School Nutrition Programme	7,665,887	8,125,341	8,516,464	24,307,692
	HIV/AIDS	246,699	258,542	262,204	767,445
	Maths, Science and Technology	400,862	422,909	438,488	1,262,259
	Education Infrastructure Grant	11,007,967	11,710,298	12,255,026	34,973,291
	School Infrastructure Backlogs Grant	1,736,413	2,295,101	2,424,189	6,455,703
Human Settlements	Urban Settlements Development Grant	11,281,871	7,404,711	7,352,723	26,039,305
	Human Settlements Development Grant	16,620,732	13,413,593	13,870,574	43,904,899
	Title Deeds Restoration Grant	577,823	-	-	577,823
Cooperative Governance	Municipal Infrastructure Grant	14,671,101	15,936,791	16,852,001	47,459,893
Water and Sanitation	Regional Bulk infrastructure grant	2,005,605	2,156,025	2,280,772	6,442,402
	Water services infrastructure grant	3,445,165	3,620,327	3,701,019	10,766,511
Health	National Tertiary Services Grant	14,068,863	14,694,223	15,293,501	44,056,587
	Health Facility Revitalisation Grant	6,367,652	6,658,028	7,033,913	20,059,593
	NHI Indirect Grant	740,400	727,328	734,350	2,202,078
Agri, Land Reform & Rural Development	Comprehensive Agricultural Support Grant	1,522,190	1,619,895	1,671,590	4,813,675
Transport	Provincial Roads Maintenance Grant	11,593,174	11,937,511	12,506,785	36,037,470
	Public Transport Operations Grant	6,749,581	7,120,808	7,090,432	20,960,821
	Public Transport Network Grant	6,445,848	6,796,572	7,119,154	20,361,574
National Treasury	Integrated City Development Grant	317,499	341,312	360,886	1,019,697
	Neighbourhood Development Partnership Grant	559,442	566,611	593,074	1,719,127
	Financial Management Grant	544,862	574,829	596,005	1,715,696
Public Works & Infrastructure	EWP Integrated Grant for Municipalities	748,039	789,982	819,088	2,357,109

Other Opportunities for Cost-Saving/Efficiencies

- Doing things differently-more efficiently we will get savings
- Key to stimulating cost efficiencies/savings is instilling a culture that is intolerant to waste and corruption amongst all workers and across all organs of state and their private sector service providers.
- There is much room to ensure more efficient and effective government spending. High incidences of wasteful, irregular and unauthorised expenditure remain a major challenge in the public sector (particularly within municipalities) and is reported on annually by the Auditor General. Related to this is poor consequence management - municipalities are not taking sufficient steps to recover, write off, approve or condone unauthorised, irregular and fruitless and wasteful expenditure
- Covid-19 has spurred the adoption of new technologies and business models-forced us to embrace digital technology -remote working, e-delivery of education: this should continue to realise more savings and enhance outputs
- Reorganisation of the state through restructuring programmes frought with irregularities, fraud and corruption

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CONCLUDING REMARKS

CONCLUSION

The Commission recommends that government reconsiders the fiscal consolidation stance on condition that the statutory spending increase is directed at social relief in the short run and growth inducing activities in the long run. The relaxation of the fiscal consolidation must be accompanied by robust reform focusing on the following:

- Digital education, land reform and agriculture for food security, improving governance and fighting corruption and reviewing the subsidy framework for social programs

- From the expenditure proposals contained in the 2020 Budget, the Commission welcomes the envisaged shift from a purely "social sector" focus over the 2016/17 to 2019/20 period to greater emphasis on economic development, community development and social development over the next three years.
- In response to Covid-19, the Commission underscores the point that the current strained economic environment calls for careful prioritisation to ensure that all resources, big or small, are allocated in the best possible way and towards Covid-19 response and recovery
- The Commission also recommends the fiscal and monetary measures must be distributed equitably across subnational governments and business sectors, and ultimately the citizenry

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CONCLUSION CONT'

- In terms of reprioritisation, the Commission noted that the following areas present opportunities for reprioritisation:
  - Government needs to reprioritise public sector infrastructure spending by postponing infrastructure projects that are still at a pre-feasibility stage or new infrastructure that is not directly related to Covid-19 but with caution, as delaying the implementation of some of the infrastructure projects will result in an increase in service delivery backlogs and future costs. So careful analysis is required.
  - Expenditure on goods and services that are not critical for service delivery and Covid-19 fight provides more room for reprioritisation - training and development, travel, subsistence and catering expenditures
  - On conditional grants, and following the criteria provided by the Commission, FFC has identified 24 grants where there is room for reprioritisation away from. These grants cut across all functional categories and across the provincial and local spheres.
- Finally, the Commission advises that the adjustments budget once tabled, be passed as soon as is possible, in order to give government institutions certainty regarding their budget baselines and for them to be able to plan accordingly for service delivery against both decreases and increases in spending areas.

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