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The Special Emergency Budget

Finance Minister Tito Mboweni will deliver a special emergency budget on Wednesday 24 June, when he will table a new financial framework to respond to the coronavirus pandemic which has wreaked havoc on the local economy. The emergency budget is largely about the reallocation of R130 billion from various government departments, including R30 billion from provinces. The R130 billion, alongside R95 billion of new money through loans, is part of the R500 billion stimulus package the President announced on 21 April. Below are a few articles highlighting the issues surrounding the emergency budget.

The emergency budget will be tough

“The Finance Minister will need to give detail to some aspects of the government’s R500 billion economic support package announced in April, specifically where and how he will reprioritise R130 billion from previous allocations. Treasury is also expected to reveal whether or not it will fund the restructuring of South African Airways ahead of the airline’s creditors meeting on Thursday.”

<https://tinyurl.com/y8u9vlwt>

Where will the extra billions needed come from?

“In late May, Minister Mboweni asked Parliament to be allowed to table an emergency budget on 24 June. This raises several questions, chief among them being the options open to him as he explores further sources of income to finance not only government’s ongoing COVID-19 efforts, but other budget priorities temporarily neglected due to the public health emergency.”

<https://tinyurl.com/y97ybupd>

What zero-based budgeting will mean

“South Africa is now on track to have a debt burden bigger than its current GDP by 2024, which means that it may have to ask the International Monetary Fund (IMF) for help. The only option is a deep cut to state expenses now, and to do this requires the adoption of zero-based budgeting.”

<https://tinyurl.com/ydz323k5>

SARB's Governor injects some reality into the concept of 'magic money'

“The South African Reserve Bank Governor, Lesetja Kganyago, has a message for the bond markets, economists, policymakers, the RET gang and the wider public. South Africa does not have ‘magical’ sources of money. He is not about to wave a wand, intone ‘Abracadabra’ and embark on a bond-buying binge that will miraculously save the economy.”

<https://tinyurl.com/ydcjeo3b>

R17.3bn boost for South Africa's emergency budget

“The New Development Bank (NDB) last week approved a \$1bn (R17.3bn) COVID-19 Emergency Programme Loan to South Africa. However, details of the loan's terms and interest rate have not been forthcoming. The NDB's assistance will address urgent health needs in South Africa to overcome the COVID-19 pandemic and help mitigate socio-economic impacts on the most vulnerable population.”

<https://tinyurl.com/ycfndjmo>

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