

## Lower tax receipts sees deficit grow

BERNARD SATHEKGE

SOUTH African economic growth has been weaker than anticipated and as a result revenue collection came in below projections, leading to a budget deficit of 5.2% of GDP in 2012-13, up from the 4.7% projected in October last year.

In a R1.15 trillion budget, Finance Minister Pravin Gordhan said as a result of the widening budget deficit, the government was taking additional steps to ensure that expenditure remained firmly under control.

According to the Treasury, the main budget deficit, which determines the level of state borrowing, deteriorated in 2012-13 from an estimated R170bn in the 2012 budget.

The gap between spending and revenue on the main budget is now projected to R184.5bn. This wider borrowing requirement will carry through over the medium-term expenditure framework (MTEF) period.

Gordhan said growth in spending had been curbed, with MTEF allocations to national departments adjusted downwards to reduce the deficit.

A number of economists warned that the government must guard against the further widening of the deficit as this would lead to more borrowing and result in high cost of debts.

In its 2013 budget review, the Treasury explained that the wider deficit was largely the result of a revenue shortfall, as well as downward revisions to nominal GDP by the Reserve Bank to correct previous estimates.

Gordhan said a strong moderation in expenditure growth would offset the wider deficit over the medium term.

"The budget deficit is projected to narrow as economic growth and revenue collections gather over the three-year period, reaching 4.6% in 2012, 3.9% in 2014 and 3.1% in 2015."

According to the Treasury, the contingency reserve will be reduced by a total of R23.5bn over the medium term, with R4bn, R6.5bn and R10bn allocated to the reserve during each year of the spending period.

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# Infrastructure holds key

With funding levels increasing, there will be pressure on departments to deliver on projects

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INVESTMENT on infrastructure programmes is being ramped up with the state continuing to pour resources into projects.

Finance Minister Pravin Gordhan allocated R827bn for infrastructure projects over the next three years.

He emphasised that the funding of these projects would go ahead as planned and was not affected by cuts in the budgets of some government programmes.

The state has pumped R430bn into the building of schools, clinics, hospitals, dams and water and electricity distribution networks, sanitation schemes, the building of courtrooms, prisons, and rail and road networks.

"Eskom, Transnet and other state-owned companies fund a further R400bn of projects.

"This will be financed both through own resources and additional borrowing over the next three years, supported by treasury guarantees," he said.

Gordhan said he was aware that there were departments that were struggling to spend their money on these infrastructure programmes.

He said with the funding levels

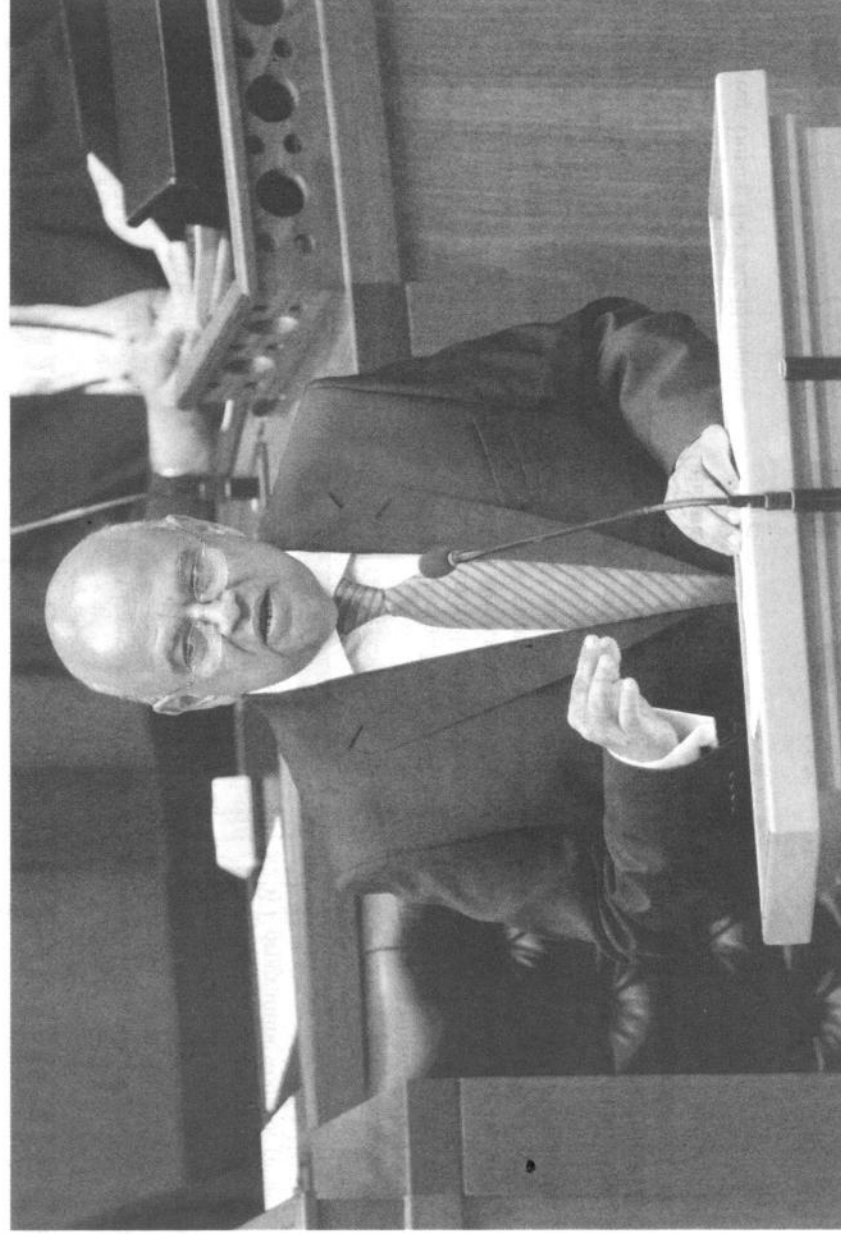


increasing there was going to be pressure on departments to deliver on the projects.

The investment on infrastructure projects followed an announcement by President Jacob Zuma in his state of the nation address two weeks ago that from 2009 to the end of March this year the government will have spent R860bn.

According to the budget review and estimates, the government is planning to spend R4 trillion in infrastructure projects over the next few years.

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STEAMING AHEAD: Finance Minister Pravin Gordhan has stressed that funding of infrastructure projects would go ahead as planned. PHOTO: AFP

ment was planning to build a solar plant in Upington costing R200bn. However, the feasibility study has been delayed and it will only be completed this year.

Eskom was going to start with the construction of a solar plant costing R9.8bn in March next year.

The power utility company will also next month start building a wind farm, at a cost of R3bn.

The company is on track dealing with the electrification backlog and installing solar water geysers to the value of R46bn.

Two of Eskom's coal-fired power plants will start producing electricity next year. Transnet has completed the construction of the multiproduct pipeline linking Johannesburg and Durban, costing

R23.4bn. PetroSA is busy with an oil and gas exploration project to the value of R8.5bn on the west coast.

On the health side, the government has injected R24bn into the upgrade and refurbishment of four major hospitals.

The government has set aside R12bn for the construction of two universities in Mpumalanga and the Northern Cape.

The state is investing R15.1bn on road networks.

The budget review and estimates showed that the government was spending R45bn in the construction of new dams and upgrading of existing ones. The document also showed that the state was injecting R110bn into the human settlements infrastructure programme. This related to the upgrading of informal settlements and the building of low-cost housing.

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## FIC referred over R6.5bn to corruption

BERNARD SATHEKGE

THE treasury threw its weight behind the Minister of Public Works and Administration Lindiwe Sisulu's call for appropriate curbing on officials doing business with government.

Finance Minister Pravin Gordhan announced yesterday that he will complement her initiative by aligning the Public Finance Management Act with the provisions of the Public Service Act.

He said the treasury was currently scrutinising 76 business entities with contracts worth R8.4bn which the treasury believe have infringed the procurement rules, while the revenue service (SARS) is auditing more than 300 business entities and scrutinising another 700 entities.

"The value of these contracts is estimated at more than R10bn and to date about 216 cases have been finalised resulting in assessments amounting to over R480m being raised.

"The Financial Intelligence Centre (FIC) had referred over R6.5bn for investigation linked to corrupt activities," Gordhan said.

The minister said worldwide, special measures were being taken to oversee the accounts of what have become known as "politically exposed persons" – public representatives and senior officials.

"The treasury had asked that the FIC should explore how we could bring South Africa into line with these international anti-corruption and anti-money laundering standards.

"The treasury would make it a priority that it clamps down on any irregular government contract deals with public officials to make sure South African taxpayers' money benefits the really needy and not self-enrichment," he said.

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