



provincial treasury

MPUMALANGA PROVINCE  
REPUBLIC OF SOUTH AFRICA

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Enquiries : Ms GM Milazi  
Ref : MPT12/3/5/1/R

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## PROVINCIAL TREASURY CIRCULAR NO. 19 OF 2023

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**TO:**

**DIRECTOR-GENERAL: OFFICE OF THE PREMIER OF MPUMALANGA  
SECRETARY OF THE MPUMALANGA LEGISLATURE  
HEADS OF DEPARTMENTS  
CHIEF EXECUTIVE OFFICERS OF PUBLIC ENTITIES**

**CHIEF FINANCIAL OFFICERS OF DEPARTMENTS  
CHIEF FINANCIAL OFFICERS OF PUBLIC ENTITIES**

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### **FINANCIAL IMPLICATIONS RELATING TO THE IMPLEMENTATION OF THE 2023/24 WAGE SETTLEMENT**

As you may be aware, a wage settlement for the 2023/24 and 2024/25 financial year was agreed upon by the majority of Labour Unions in the Public Service Coordinating Bargaining Council (PSCBC) on 31 March 2023. The two-year wage agreement encompasses an average 7.5 per cent increase in 2023/24 and a CPI-linked increase in 2024/25.

National Treasury has estimated the cost of living adjustments at R37.4 billion for all nine provinces and national departments in 2023/24, with carry-through costs in subsequent financial years. The estimated financial implication for Mpumalanga Province is R2.062 billion for all salary levels (including SMS). The 2023 budget tabled by the MEC of Finance on 7 March 2023, DOES NOT make provision for the cost of this wage agreement.

The purpose of this Circular is to reiterate National Treasury's Financial implications relating to the implementation of the 2023/24 wage settlement. Attached is National Treasury's letter to that effect.

Kind regards,

  

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**MS GUGU MASHITENG  
HEAD: PROVINCIAL TREASURY  
DATE: 14/03/2023**





# **national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**

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To All: Directors-General: National Departments  
Head of Provincial Treasuries: Provincial Governments.

Dear colleagues

## **FINANCIAL IMPLICATIONS RELATING TO THE IMPLEMENTATION OF THE 2023/24 WAGE SETTLEMENT**

As you may be aware, a wage settlement for the 2023/24 and 2024/25 financial year was agreed upon by the majority Labour Unions in the Public Service Coordinating Bargaining Council (PSCBC) on 30 March 2023. The two-year wage agreement encompasses an average 7.5 per cent increase in 2023/24 and a CPI-linked increase in 2024/25.

National Treasury has estimated the cost of the agreement at R37.4 billion in 2023/24, with carry-through costs in subsequent financial years. Budget 2023 tabled by the Minister of Finance in February 2023, does not currently make provision for the cost of this wage agreement. Furthermore, during the tabling of the 2023 Budget, the Minister of Finance stated in his budget speech that *"An unbudgeted wage settlement will require very significant trade-offs in government spending because the wage bill is a significant cost driver. It will mean that funds must be clawed back in other ways. Mainly, this will mean restricting the ability of departments and entities to fill non-critical posts. It will also mean achieving cost-savings from major rationalisation of state entities and programmes. As indicated by the President in the SONA, the National Treasury has already identified where large savings can be achieved."*

Therefore, given that the risk of an unbudgeted wage settlement for 2023/24 has now materialised, National Treasury working together with the Department of Public Service and Administration, The Presidency and other stakeholders will be initiating a process to ensure that the 2023 Wage Agreement is funded through significant trade-offs in the short-term and over the medium-term. Moreover, National Treasury reiterates the position that government borrowings should not be increased for the purposes of consumption expenditure, including paying for wages. Fiscal policy will remain focused on reducing fiscal risks and supporting measures to grow the economy. This will ensure that the overall fiscal path as outlined in Budget 2023 is maintained.

Therefore, various measures are being explored which may include, but not limited to the following:

- a) Restricting recruitment of non-critical posts through centralised PERSAL control. This should also include the PERSAL clean-up initiative to deal with all the inefficiencies in the system.

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- b) Projects and programmes funded within the budget that can be delayed allowing for departments to shift funds towards the increased compensation costs.
- c) Implementing rationalization measures, including as it relates to public entities.
- d) Reducing out-of-line remuneration in public entities receiving transfers from government.

Clear guidance on the implementation of each of these proposed measures will be shared with departments and provinces once presented and approved by Cabinet. The financial implications of introducing these measures and the funding mechanism for the 2023 wage agreement will be announced during the 2023 Medium-Term Budget Policy Statement (MTBPS). Departments and provinces will, however, be engaged regarding the management of any potential cash flow risks or challenges that may arise from implementing the wage agreement prior to the MTBPS process.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Ismail Momoniat', written in a cursive style.

**ISMAIL MOMONIAT**  
**ACTING DIRECTOR-GENERAL**

DATE: 6/4/2023