



Budgeting issues and processes

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Intro

- Macro
- Fiscal
- Tax
- Spending
- Budgeting
- Concurrent functions



Macro-economic analysis

- Macro unit does overall projections of economy – growth, inflation, jobs, C-I-G-X-Z; economic sectors; global economy
- Growth projections v nb in influence on tax take
- Difficulty reconciling %growth vs expectations on exp increase

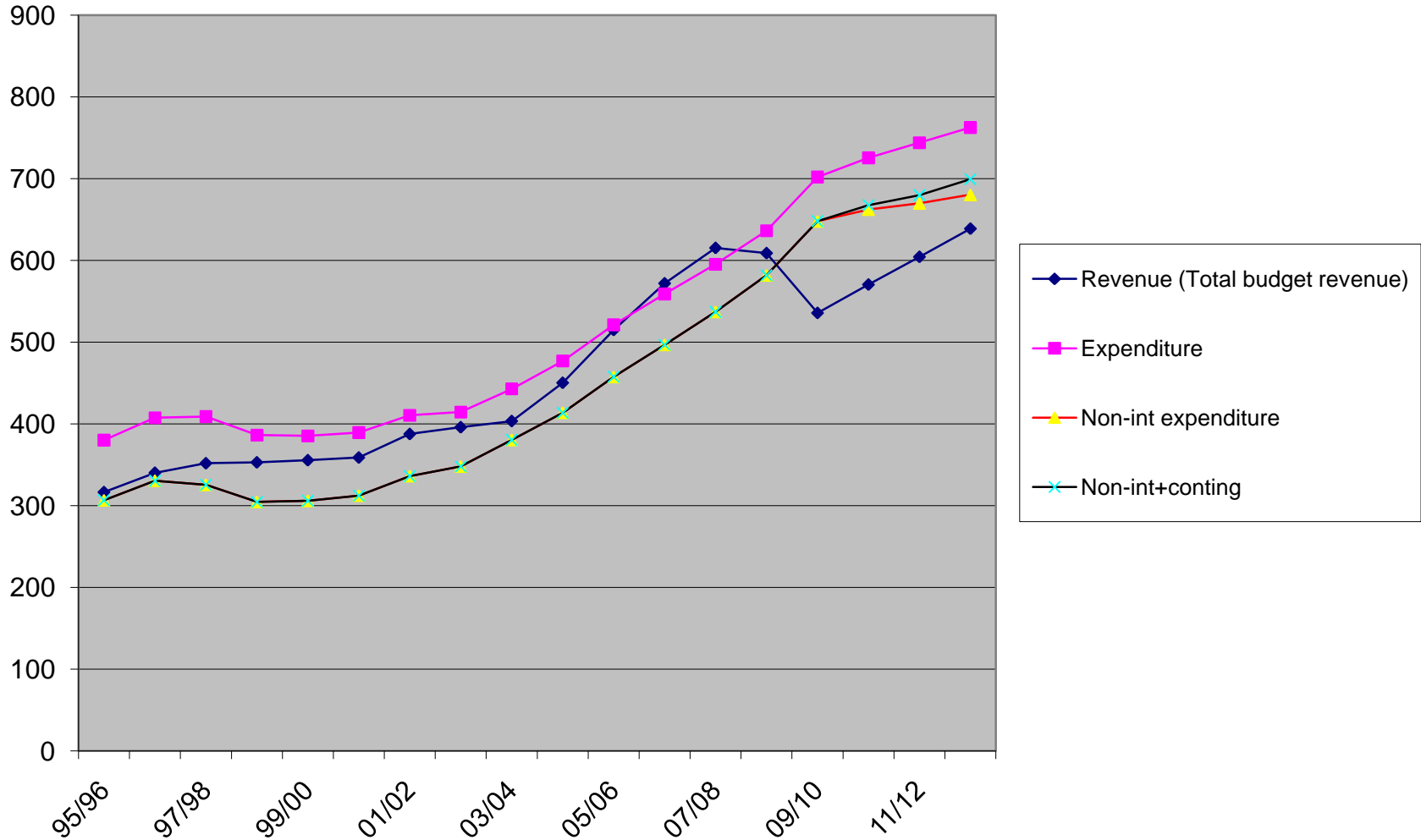


Fiscal analysis

- Fiscal analysis unit develops broad fiscal framework: Total expenditure; total revenue; debt; interest; deficit
- Ratios to gdp – cross-country comparisons
- Tax:gdp ratio currently about 33% incl LG
- At present in counter-cyclical phase – deficit >R160 billion pa
- Sets broad envelope for expenditure



Revenue and expenditure (Rbil real 08/09 prices)





Tax policy

- Needs to bring in revenue to support fiscal framework
- Revenue:GDP ratio approx 33% incl LG
- On main budget has risen from 22% to 27%
- Comparison with other middle income countries (competitiveness)
- Big drop in recession >R100b
- Small working pop – small personal income tax base
- Can increase taxes...but potential implications...are govt exp choices better than households...effects on consumption, investment, savings, growth ..marginal rates already fairly high



Expenditure policy

- Expenditure choices (budget office and budget examiners)
- MTSF, SoN; Min policies
- Bids from votes
- Bid evaluation process: Competition for limited resources eg R100b/R500b
- Criteria for bid evaluation
- Committees and processes: 10 by 10s; MTEC; MinCombud; Cabinet; Parliament



Practical difficulties in evaluating bids

- Information
- Poor performance or limited performance data
- Poorly put together
- Inefficiencies in existing programmes



Many difficult expenditure choices

- Economic development vs social services
- Health vs education vs social grants vs criminal justice
- Infrastructure vs recurrent expenditure
- Wage levels vs numbers of employees
- Compensation vs goods and services
- Role of state vs role of market



Spending choices

Power (lights go off)

- Water (lg subsidies, reticulation, dams)
- Land
- Agricultural support
- Housing
- Transport eg bus subsidies, taxi recap, rail
- Education: expanding tert access, vocational, school libraries, science labs, security
- Safety and security: Police, courts; prison conditions
- Income support: social grants, social security
- Infrastructure: roads; sanitation
- Job creation eg epwp
- Economic stimuli: eg industrial incentives (eg clothing)
- Getting LG to work and greater support for poor LGs
- Free Basic services
- Wage pressures
- New departments, larger admin



Inter-governmental co-ordination with concurrent functions

- Has caused some problems
- Practical difficulties in aligning priorities
- Constitutional issues
- Attempts to address eg benchmarks, earmarking; oversight; coordinating forums; norms and standards; programme guidelines; training; reporting; legislation and policy; cgs



Practical difficulties in budgeting

- Numerous provincial priorities
- “Special projects”
- Rising personnel costs
- Rising input costs
- Accruals, past-over-expenditure and over-drafts
- Weak linkages to outputs



Conclusions

- Many difficult trade-offs in Budget
- Huge expectations – rabbit out of hat
- Growth slow...effects tax take
- Spending >R100b more than earn
- Many real priorities
- Efficiency is nb
- More effective developmental path