

MEDIUM TERM BUDGET POLICY STATEMENT 97 - INTRODUCTION

Relationship with the budget

Government's spending plans for the next three years will be published in March 1998. These plans will give substance to Government's reconstruction and development commitments, within an overall level of spending that the nation can afford.

These are the most important choices any government can make. The Budget must reflect Government's social and economic priorities, and its expenditure plans define the nature and scale of the Government's ambitions for the nation.

What is the Budget Policy Statement?

This Medium Term Budget Policy Statement sets out the policy framework for the coming budget. It describes Government's goals and objectives. It explains the economic environment within which those objectives are being addressed, and projects the total level of resources that will be available. The Policy Statement analyses the trade-offs and choices that the nation confronts in addressing its reconstruction and development priorities.

The Medium Term Budget Policy Statement is an important step forward in the budget process. In keeping with our commitment to open, transparent and cooperative policy-making, it invites the nation to share with Government the important choices that must be made.

The Medium Term Expenditure Framework

Medium term budgets

The key features of the new medium term budgeting system are:

- publication of three-year forward estimates on Budget Day, consistent with Government's policy priorities and commitments;
- detailed analysis of the policy implications of budget projections;
- cooperative teams, composed of national and provincial treasuries and line departments, analysing key sectors and reporting to Cabinet and Executive Councils;
- quantified, analysed policy options presented to political office-bearers for decision; and
- the publication of a Medium Term Budget Policy Statement, to enable Parliament and the institutions of civil society to participate meaningfully in the debate.

Rolling budgets

The Medium Term Expenditure Framework initiates a process of rolling three-year budgets. The MTEF projections published on Budget Day will be considered again in the course of 1998, and revised according to new information and policy priorities. The three-year allocations will represent the starting point for that process, and departments will therefore have agreed spending trajectories within which to plan.

Departments will be expected in future to frame their policy proposals within their three-year allocations. The introduction of resource-based planning represents a significant change in the planning environment and will initiate a major process of programme reprioritisation and redesign within spending departments.

Public debate of plans

As in previous years, Parliament will be asked to vote only on the Budget allocations for the coming year, and not on all three years of the spending projections. But the detailed three-year spending plans will provide an opportunity for Parliament, the National Economic Development and Labour Council (NEDLAC) and civil society to evaluate the Budget allocations for the year immediately ahead in the context of the medium term evolution of Government's expenditure priorities. Parliament will be invited to debate the expenditure plans, and to ensure that they reflect national goals and priorities.

This process therefore provides new opportunities for all stakeholders to analyse and discuss the expenditure projections, and to ensure that alternative views are fully taken into account in framing the subsequent MTEF.

The MTEF and budget reform

Overhaul of the budget process

The publication of the Medium Term Budget Policy Statement, and the publication in March of three-year budget projections, are first steps in a wider overhaul of the budgetary process, emphasising transparency, output-driven programme budgeting and political prioritisation. The MTEF provides the bridge between the technical preparation of budgets and the need to reflect political priorities in expenditure plans.

A brief account of the new budget process is set out at the end of this chapter. Further steps in budget reform will be taken in 1998. These will include a transition to greater devolution of managerial autonomy, within a framework of improved incentives and greater accountability, accompanied by reforms of financial management.

Provincial and local government

The policy goals of Government will be reflected not only in the national budget, but also in the budgets of provincial and local government. Provincial and local government will receive their equitable share of nationally raised revenues as well as other transfers. However, they have the responsibility of developing their own budgets, within expenditure allocations consistent with the nation's policy priorities. The national government does not control the details of these budgets, but can influence them indirectly through agreed policies and framework legislation setting norms and standards.

The introduction of three-year budgets and their consolidation into resource envelopes for the major provincial services is an important step in the evolution of the institutional framework for intergovernmental policy making and budget planning. The intergovernmental forums of the spending departments will, for the first time, have expenditure projections within which to develop and refine the norms and standards for service delivery.

Role of Accounting Officers

Once Parliament and provincial legislatures have approved their budget proposals, departments must adjust their expenditure to ensure that they stay within their budgets. It is the responsibility of Accounting Officers, appointed by political office-bearers, to ensure that allocations are applied to their intended purposes and spending limits are respected. This principle will be strictly enforced by the proposed Treasury Control Bill which is due to be introduced in Parliament next year, replacing the ten Exchequer Acts which govern provincial and national financial management.

Conclusion

The publication of the Medium Term Budget Policy Statement is a step forward in the openness of the budget-making process. It empowers all stakeholders to have a real part in the discussion of the nation's priorities. It makes transparent the budget framework through which Government seeks to achieve the nation's social and economic development goals.