



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Programme 2:

Economic Policy, Tax, Financial Regulation and Research

Technical Indicator Descriptions

2014 / 15

Performance Indicator 2.1

Indicator title	Number of papers published by research institutions and internally.
Short definition	Builds economic research capacity in academic/research institutions through the funding of economic research in line with public interest. Research topics would typically include promoting the macroeconomic stability, poverty alleviation, retirement reform and financial sector development or as research need arises.
Purpose / importance	Promote the development of economic research institutions through the funding of economic research on behalf of the department.
Source / collection of data	Research papers are generated based on long term agreements with institutions such as the Centre for Research in to Economics and Finance in Southern Africa, and other institutions for ad-hoc economic research related projects.
Method of calculation	Number of research papers and discussion documents on economic growth, job creation and various microeconomic and macroeconomic subjects annually
Data limitations	<ul style="list-style-type: none"> • Access to and availability of data or information required for research development • Research is commissioned and not directly undertaken by the organisation – it sometimes becomes challenging to accurately estimate timing of satisfactory completion of papers on specific topics
Type of indicator	Output
Calculation type	Cumulative
Reporting cycle	Annual
New indicator	No
Desired performance	Achieve targeted annual research output
Indicator responsibility	DDG: Economic Policy and DDG: Tax and Financial Sector Policy

Performance Indicator 2.2

Indicator title	Tax proposals published in annual Budget Review
Short definition	Providing tax policy advice, tax revenue analysis, tax revenue forecasting and drafting the annual tax legislation
Purpose / importance	To ensure an effective, equitable and efficient tax policy and tax administration system
Source / collection of data	Tax proposals developed based on research, tax analysis, tax revenue forecasting, in consultation with relevant stakeholders
Method of calculation	Tax legislation published timeously with annual budget review
Data limitations	Consultation processes can be lengthy and unpredictable in certain cases. Some steps, such as stakeholder engagement can be unpredictable; therefore all intended policies may not be concluded in time for publication.
Type of indicator	Output
Calculation type	Non-Cumulative
Reporting cycle	Annually
New indicator	No
Desired performance	Annual published tax proposals in annual budget review
Indicator responsibility	CD: Tax Policy

Performance Indicator 2.3

Indicator title	Tax reforms towards achieving environmental sustainability
Short definition	Environmental tax reform aims to contribute towards achieving environmental sustainability by establishing appropriate tax incentives. In this manner, the country's tax regime will be aligned with economic intentions related to environmental sustainability.
Purpose / importance	The objectives of environmental tax reforms are intended to increase the efficiency of resource use, to improve the environment, and ultimately to increase citizen well-being through both economic and environmental pathways.
Source / collection of data	<ul style="list-style-type: none">• Evidence of analysis through macroeconomic modelling and forecasting to inform environmental tax reforms• Evidence of proposals being developed• Evidence of consultation of proposals with relevant stakeholders
Method of calculation	Tax reforms and legislations are developed and implemented according to timelines detailed in annual budget
Data limitations	Limited insights into the effects of implementing new tax reforms and limited capacity to effectively implement approved proposals or policies
Type of indicator	Input - Economy
Calculation type	Non-cumulative
Reporting cycle	Annually
New indicator	Yes
Desired performance	Environmental sustainability is implemented as per legislation requirements and carbon tax policy is implemented by January 2015.
Indicator responsibility	CD: Economic Tax Analysis

Performance Indicator 2.4

Indicator title	A stable financial sector
Short definition	Providing policy advice on the financial sector through the introduction of the twin peaks model
Purpose / importance	<p>Enable a stable financial sector through the introduction of the twin peaks model in order to increase financial regulation. In South Africa, the goal of implementing a new approach to regulation has four main priorities:</p> <ul style="list-style-type: none"> • Financial stability • Consumer protection and market conduct • Expanding access through market inclusion • Combating financial crime
Source / collection of data	Evidence of establishment of the model and monitoring thereof
Method of calculation	<p>Implementation of twins peaks model along the guidelines upon which the model was intended. The proposed twin peaks model is designed to be:</p> <ul style="list-style-type: none"> • Transparent, comprehensive and consistent • Appropriate, intensive and intrusive • Outcomes-based • Risk-based and proportional • Pre-emptive and proactive • A credible deterrent to non-compliance with prescribed standards • Aligned with applicable international standards <p>The detailed implementation plan describes the changes that will need to take place in order for the new approach to be successful. Many guidelines are offered in a number of areas, including enforcement and conflict resolution. The plan proposes a two-stage implementation:</p> <ul style="list-style-type: none"> • Stage 1 – 2013-2014: Development and discussion of supporting legislation • Stage 2 – subsequent years: Broader harmonization of regulatory systems and frameworks <p>The implementation of twin peaks model legislation will be measured against the milestones detailed in the implementation plan.</p>
Data limitations	None
Type of indicator	Input – Economy
Calculation type	Non-Cumulative
Reporting cycle	Annual
New indicator	No
Desired performance	The twin peaks model is implemented as proposed in the two stage plan
Indicator responsibility	CD Financial Stability

Performance Indicator 2.5

Indicator title	Savings and retirement policies that lead to increased levels of national savings.
Short definition	Providing policy advice on the financial sector in relation to the regulatory framework and supporting legislation. This includes implementing regulatory reforms on savings and retirement policies that would lead to increased levels of national savings and enabling legislation.
Purpose / importance	Draft legislation detailing retirement, savings reforms and improved regulation are developed and consulted with the public in order to understand applicability and implications. Drafts are prepared based on economic research and modelling developed based on need for regulatory reform. Public feedback received on draft legislation is considered and suggested reforms amended accordingly.
Source / collection of data	Evidence of policy formulation and steps taken towards implementation
Method of calculation	<ul style="list-style-type: none">• Completion of relevant analyses• Submission of proposals to relevant stakeholders• Submission of relevant reports to the executive
Data limitations	Policy formulation and implementation in this case requires extensive consultation with a range of stakeholders. This process can be unpredictable and sometimes becomes protracted, to the extent that milestones are not always met as expected.
Type of indicator	Outcome - Economy
Calculation type	Cumulative
Reporting cycle	Annual
New indicator	No
Desired performance	Initial implementation of regulatory reforms
Indicator responsibility	CD: Financial Investments and Savings

Performance Indicator 2.6

Indicator title	Quality policy memoranda and economic assessment of policy proposals with appropriate turnaround times.
Short definition	Assess and provides advice on macro and microeconomic policy proposals
Purpose / importance	Good economic policy enables robust and sustainable economic growth, stable consumer price trajectory, increased levels of employment
Source / collection of data	<ul style="list-style-type: none">• Reports on and analysis of key macroeconomic trends and variables• Reviews and economic assessment of government policy proposals• Economic advice based on reports and analysis• Reports on key sectors and growth related microeconomic constraints• Evidence of inter-departmental and other stakeholder consultation on economic policy and related issues
Method of calculation	Turnaround time from time of request of assessment to feedback/consultation provided
Data limitations	Turnaround times can sometimes be influenced by the need to consult or request further information from external stakeholders.
Type of indicator	Output
Calculation type	Non-cumulative
Reporting cycle	Quarterly
New indicator	No
Desired performance	Assessment of policy proposals and recommendation completed within satisfactory turnaround times
Indicator responsibility	Economic Policy

Performance Indicator 2.7

Indicator title	Maintenance and development of well-specified and up-to-date economic models.
Short definition	Maintain and update all economic models that facilitate policy making as and when changes in policy occur
Purpose / importance	Ensure that economic models are up to date and reflective of the current economic environment
Source / collection of data	<ul style="list-style-type: none">• Evidence of relevant research being conducted• Evidence of updates being applied to the relevant economic models
Method of calculation	<ul style="list-style-type: none">• Evidence of models being updated as planned
Data limitations	Changes in economic environment not communicated timeously resulting in a delay in updating corresponding economic model
Type of indicator	Input - economy
Calculation type	Non-cumulative
Reporting cycle	Annually
New indicator	No
Desired performance	Economic models are updated as changes affecting their accuracy/relevance are made
Indicator responsibility	Economic Policy

Performance Indicator 2.8

Indicator title	Quarterly economic forecasts and high-quality policy and scenario modelling.
Short definition	Build high quality comprehensive macroeconomic analysis and forecasts based on scenario modelling tools. Analyses are completed as required, in terms of those in focus when considering budget and fiscal policy options
Purpose / importance	Detailed and comprehensive economic models inform economic policy and highlight areas where amendments or reforms to legislation is necessary
Source / collection of data	Evidence of analyses being completed as requested
Method of calculation	Turnaround time between requests and completed analyses
Data limitations	<ul style="list-style-type: none">• Quality of input data into scenario models would affect model or forecast accuracy• Turnaround times can sometimes be influenced by the need to consult or request further information from external stakeholders
Type of indicator	Output - economy
Calculation type	Non-cumulative
Reporting cycle	Quarterly
New indicator	No
Desired performance	Accurate and comprehensive macroeconomic analysis enabled by good quality scenario models
Indicator responsibility	Economic Policy

Performance Indicator 2.9

Indicator title	Economic policy analysis, research, assessment and advice on real exchange rate
Short definition	Policy analysis, research and assessment on exchange rate that considers all contributing demand and supply factors that could affect exchange rate stability
Purpose / importance	Actively developing and maintaining a knowledge base relating the factors necessary to maintain exchange rate stability
Source / collection of data	Evidence of analyses being conducted as planned, and submitted to relevant stakeholders for consultation and input into further analyses
Method of calculation	Number of analyses completed, reports produced and correspondence with stakeholders
Data limitations	None
Type of indicator	Outcome
Calculation type	Output
Reporting cycle	Annually
New indicator	No
Desired performance	Completion of analyses as planned; as a valuable input to policy conversations
Indicator responsibility	Economic Policy