People's Guide #RSABUDGET2020

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INFO

WHAT IS THE BUDGET

In February of each year, the Finance Minister tables the national budget, whereby he announces government's spending, tax and borrowing plans for the next three years. The national budget divides money between national departments, provinces and municipalities.

HOW IS THE BUDGET PUT TOGETHER?

1. Departmental guideline is issued indicating budget information required
2. Departments prioritise their programmes, compile spending plans and service delivery commitments
3. Budget proposals are submitted to treasury and deliberated on
4. Allocation proposals are considered by Interdepartmental committees of Directors-General
5. Budget recommendations are made to Ministers' Committee
6. Medium Term Budget Policy Statement signals the upcoming Budget
7. Finally allocations are decided in Cabinet
8. Budget documents are prepared
9. Main Budget is tabled
10. Parliament deliberates and adopts a Budget
11. Sent to the President for signing into Law

SOUTH AFRICA'S FISCAL DEFICIT AND RISING DEBT

The public finances are in an unsustainable position. Government is spending more than the economy can afford, and borrowing at an increasing rate to fund the shortfall.

Since the 2019 Medium Term Budget Policy Statement (MTBPS), the economic environment has deteriorated, and GDP growth has been revised down to 0.3 per cent in 2019. Revenue projections have also been lowered. Spending pressures have continued to mount, especially as a result of financial distress in state-owned companies.

The 2019 MTBPS warned that the consequences of not acting to restore sustainable public finances would be profound. Over time, South Africa would face an inability to fund government's social and economic programmes; mounting debt costs and interest rates; weakening confidence, translating into lower investment and still weaker economic growth, worsening the employment crisis; ballooning government debt; and an economy that is unable to respond to global shocks.

> South Africa needs structural reform that will ensure much faster economic growth, in order to sustainably grow the tax revenue that pays for social and developmental programmes.

To avert this situation, government aims to reduce the public-service wage bill, resulting in total savings of approximately R160 billion over the next three years. This reduction should also improve the quality of spending, by creating more space for spending on goods and services and infrastructure investments.

On its own, this intervention is not sufficient. In preparing the 2020 Budget, government considered but decided against raising additional tax revenue. The main factors in this decision were the weakness of the economy. Government's short-term focus is to rebuild the capacity of SARS and the public's trust in the institution.

South Africa needs structural reform that will ensure much faster economic growth, in order to sustainably grow the tax revenue that pays for social and developmental programmes. The most pressing reform is to ensure that all businesses and households have sufficient and dependable electricity supply. Over time, higher economic growth would reduce fiscal pressure by increasing revenue collection and reducing South Africa's debt levels.