

Fiscal body gets Manuel's hackles up

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CAPE TOWN — Finance Minister Trevor Manuel has strongly rejected a proposal by the Finance and Fiscal Commission (FFC) that the macro-economic assumptions of the national budget be verified by an independent public authority.

The proposal, made by FFC chairman Benuel Setai in a submission to Parliament's finance committee last week, came in the wake of Manuel's announcement during his budget vote speech that revenue collections were R29,5bn higher than originally estimated in the 2006-07 budget.

Revenue overruns have been a regular feature of the national budgets for several years, prompting the International Monetary Fund (IMF) to express concern about "the repeated under-estimation of tax revenues".

Manuel asked yesterday that the FFC's proposal be rejected by Parliament, during a speech in the National Assembly on the Division of Revenue Bill.

"Budget decisions in all modern democracies are intensely politically driven. The macroeconomic assump-

tions, so vital to the construction of the fiscal framework, are an integral part of these decisions," Manuel said.

"It is hard to contemplate what it means to subject such decisions to the scrutiny of independent competent public authorities, especially since all

parties fight elections for the purpose of being able to advance their policy preferences and the recognition that this would not be possible unless an elected government could decide on the budget."

Democratic Alliance finance spokesman Ian Davidson, however, said the FFC's proposal could not be dismissed lightly. Reliable revenue projections were important for the design of credible medium-term expenditure plans and a verification process would enhance the transparency and credibility of forecasts.

Davidson said the IMF had said these overruns should be investigated and that adjustments in revenue forecasting methods and procedures might be necessary.

"In a written response to the IMF's concerns, the treasury said it agreed its revenue forecasting should be improved and yet, as we have noted, the overruns remain, indeed increased in size," Davidson said.

Manuel said forecasting was an intensely political function for which government had to take responsibility ... it could not be handed to an independent body.