

Call for verification of fiscal assumptions

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CAPE TOWN — The Financial and Fiscal Commission has called for an independent verification of the treasury's budgetary assumptions.

The call follows Finance Minister Trevor Manuel's disclosure in his budget speech on Wednesday that R29,5bn more tax revenue was collected in the current fiscal year than was forecast in the 2006-07 budget.

The South African Revenue Service has exceeded budget estimates by billions of rands for several years, leading critics to wonder about the accuracy of the national treasury's revenue forecasting.

Commission chairman Bethuel Setai made the call for a verification of budgetary assumptions during a joint sitting of parliament's finance and budget committees yesterday.

The commission is a statutory body set up by the constitution to make recommendations on division of revenue between spheres of government. It noted in its comments on the 2007-08 Division of Revenue Bill that the division of revenue was underpinned by important macroeconomic projections.

Setai said any deviation from these assumptions would change the budgetary outcomes "resulting in budget overruns for example. This is why the issue of verification becomes important. Overall, the procedures followed in formulating the macroeconomic projections are sensible, transparent and broadly in line with international practice.

"To further refine an already credible and transparent system, in the future it would appear reasonable to have these economic assumptions verified by an independent competent, public authority," said Setai. The commission believed the process of taking in the views of economists and researchers should be institutionalised.

Setai urged the national treasury to come up with a more updated guideline on what was a desirable tax burden to gross domestic product ratio as the projected 2007-08 figure of 28,2% would exceed the existing target of 25%.

With regard to the 0,6% budget surplus the commission believed public spending remained below the spending levels required. "There is still a need to spend more and spend efficiently," said Setai.