Business Day

Repeated budget reprioritisations make service delivery difficult, says FFC

The Financial and Fiscal Commission is concerned that the government has not given budget guidance to provinces and local municipalities

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Repeated budget reprioritisations over several years by the Treasury has made it difficult for provinces to plan and deliver services, the body charged with oversight and making recommendations on the government's inter-governmental fiscal framework said on Tuesday.

The Financial and Fiscal Commission (FFC) is also concerned that the national government has not given guidance to provinces and local municipalities on how they should reprioritise their budgets.

These views were expressed by FFC programme manager for fiscal policy, Eddie Rakabe, in a briefing to parliament's two finance committees on Tuesday on the FFC response to the supplementary budget tabled by finance minister Tito Mboweni in parliament last week.

There have been continuous cuts in baseline budgets since 2017.

Rakabe said the adjusted budget provided for a reprioritisation of R101bn, of which national departments will contribute 53.9%, and provincial and local governments 33.6% and 12.5%, respectively.

This was less than the R130bn budget reprioritisations and reductions indicated by President Cyril Ramaphosa when he announced the details of the R500bn relief package to deal with the Covid-19 pandemic.

"On the whole, the FFC supports the general thrust of the government's reprioritisation as it closely follows criteria proposed by commission to parliament," Rakabe said.

These criteria include the adoption of a rights-based approach in which spending that caters for the basic rights of people is protected. Rakabe noted that the reprioritisation proposed by the supplementary budget complied with this criterion.

The criteria also stress that reprioritisation should focus on on non-essential spending and programmes in which there is underspending.

However, Rakabe said FFC is “concerned with the repeat reprioritisation of the budgets and its likely effect on the economy and service delivery”.

“It compounds uncertainties on sub-national governments in terms of planning and service delivery; affects infrastructure investment and asset care; [affects] service delivery in the long run; and ultimately derails the country from achieving its national development plans or sustainable development goals.

“There is, therefore, a need for a thorough assessment of the implications of the repeated reprioritisation of some grants on employment; poverty alleviation; rural and urban development; education; and health outcomes, among others.”

Rakabe also said the commission is concerned about the absence of a framework to guide provincial reprioritisation — meaning provinces would do the reprioritisation on their own. He said the proportional share of the reprioritisation seems to be equal across all provinces.

“The absence of a method in guiding reprioritisation will have serious implications on the budget structure and delivery of services,” he warned. “This may result in unevenness in the services delivered by provinces. In the absence of uniform criteria it may be advisable that provinces report to parliament on the reprioritisation criteria used.”

The FFC believes that in the current circumstances, increasing tax revenues is not a feasible policy option. According to the supplementary budget, tax increases of R5bn in 2021/2022, R10bn in 2022/2023, R10bn in 2023/2024 and R15bn in 2024/2025 are planned by the Treasury.

Rakabe also addressed the issue of zero-based budgeting, the introduction of which was announced by Mboweni, saying the FFC is concerned over its effectiveness in changing the budget structure.

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