**PARLIAMENTARY BUDGET OFFICE EXPERTS ANALYSE FINANCE MINISTER’S BUDGET SPEECH
PARTICIPATE IN PARLIAMENT » NEWS**

The story of our economy is one mired in an unpredictable future. There is not even a consensus view among experts whether what Finance Minister Tito Mboweni presented was a contractionary or an expansionary budget.

Today, the Parliamentary Budget Office (PBO) and the Financial and Fiscal Commission (FFC) appeared before the Select and Standing Committees on Finance and Appropriations from the National Assembly and the National Council of Provinces, respectively, to analyse the Minister’s Budget Speech. It’s safe to say there was a convergence of thought on many salient aspects of it.

One of which is the Minister’s pronouncement on the cap that will be imposed on the public sector’s ballooning wage bill and the effect thereof on the economy. Both parties see that as a move that, if not handled correctly, can backfire economically. According to the PBO team, “there is now an impact of this decision on tax revenue”.

While the FFC team fears that “this would lead to the exodus of capable, if not skilled, public servant to greener pastures. “We fear that many teachers, nurses and prosecutors could leave the country due to this cap on public servants’ compensation going forward.”

The FFC team further asked: “Shouldn’t the brunt of our economic downturn be evenly distributed to the various sectors of our economy, rather than being heavily shouldered by public servants?”

Apart from that, in its view, there is a need to determine the size and shape of our public sector. “We have proposed this for a very long time. This will assist in ensuring that the sector functions productively.”

It also raised an alarm that “there is a demographic issue at play in this regard. Given our history, the government in this country is a major employer. As a result, there are continued demographic issues between the private and public sectors, which are often overlooked. The fact that government is a major employer is a historical matter that seeks to address the issues of inequality that exist along racial lines in this country”.

To other members of these committees, the projected cap on public service compensation in outer years represents a moral dilemma, that is it worth bailing out state-owned enterprises at the expense of those who are on the frontline of service delivery in the country?

There was also self-introspection on the part of members of these committees, they asked the PBO and FFC whether they are doing enough in their oversight role to hold the executive accountable. The PBO team was quick to point out that the Money Bills and Budget Review and Recommendations Reports are mechanisms that Members of Parliament can use to conduct oversight over the executive, especially concerning the budget.

The PBO team also flagged the lack of capacity to spend by certain provincial governments and municipalities as a tendency that has a negative impact on tax revenue. “If those grants, for instance the Infrastructure Grant, could be dispensed as intended, they could create jobs and expand the tax revenue. Because government remains one of the active players that can ignite economic growth,” they said.

Compounded by all these unpalatable scenarios, the question that remained was where will growth come from? Many think the Minister’s budget has not explained this concern frankly enough. According to the PBO team’s viewpoint, a balance must be struck between the supply-side interventions, which include the reduction of cost of doing business in South Africa, and a reliable energy supply, among other things, and the demand-side interventions that include government spending, investment and household consumption.

A balancing act whose formula is yet to be determined by all economic role players. There was fear raised by some Members of Parliament that judging by our budgetary figures, we may as well be in a recession. As such, the growth story becomes the real story of the day. A story that needs to be pursued with the outmost vigour and determination.

By Abel Mputing
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