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PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

2016 Pre-budget Report

Parliamentary

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The Parliamentary Budget Office (PBO) has been established in terms of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act no. 9 of 2009). The main objective of the PBO is to provide independent, objective and professional advice and analysis to Parliament on matters related to the budget and other money Bills. The PBO supports the implementation of the Act by undertaking research and analysis for the finance and appropriations committees.

The PBO has been requested to provide an analysis of the 2015 MTBPS for the Standing and Select Committees of Finance and Appropriations.

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Executive summary

Since the tabling of the 2015 MTBPS, the economy has experienced significant negative changes. The South African Reserve Bank and the IMF both reduced their respective growth forecast for 2016 to 0.9 per cent and 0.7 per cent from 1.6 and 1.3 per cent respectively.

In December credit ratings agency Fitch downgraded South Africa's foreign currency debt to one level above non-investment grade. Standard and Poor's, and Moody's both revised their outlook on South African foreign denominated debt from stable to negative – signalling to the South African government their readiness to move the country's rating to non-investment grade status.

The Parliamentary Budget Office estimated revenue collection and expenditure for 2015/16, based on the outcome of the first 9 months of the financial year. These estimates were used to calculate new estimates for 2016/17.

The first scenario based on a 1.0 per cent GDP growth rate and inflation rates of between 5.5 and 6.0 per cent shows estimated reductions of between 7.7 and 8.1 per cent on estimated revenue for 2016/17. The effect of inflation and fiscal consolidation measures could lead to a reduction of between 5.3 and 6.8 per cent in expenditure for the 2016/17 financial year.

The second scenario shows estimated reductions of between 3.8 and 4.3 per cent on revenue for 2016/17. The effect of inflation and fiscal consolidation measures could lead to a reduction of between 2.7 and 3.2 per cent on estimated expenditure for the 2016/17 financial year.

Borrowing requirements as at end December 2015 were at R136.9 billion, which is 79.1 per cent of the adjusted estimate for 2015/16. This outcome, as well as lower-than-expected GDP and higher inflation, might result in a higher amount than was estimated for 2015/16.

In total, national departments spent 72.9 per cent of the main budget and 72.7 per cent of the adjusted estimates.

The slowest spending departments are:

- Water and Sanitation at 57.4 per cent
- National Treasury at 62.5 per cent
- Public Enterprises at 65.0 per cent.

Some of the higher expenditure outcomes in the first 9 months of the 2015/16 financial year include:

- Agriculture, Forestry and Fisheries at 81.0 per cent
- Science and Technology at 84.8 per cent
- Energy at 85.5 per cent
- Higher Education and Training at 86.9 per cent.

Telecommunications and Postal Services is the slowest spending Department on current payments. The Department of Women spent 21.7 per cent of the capital asset budget in the first 9 months of the financial year. The Department of Health is slow on current as well as capital expenditure.

In addition to the deterioration in economic performance, possible expenditure pressures for the 2016 Budget include the cost of responding to the effects of the drought, and the commitment to support more students in higher education in 2016.

Spending on Provincial Equitable Share was at 74.3 per cent, and 78.2 per cent of conditional grants were spent as at 31 December 2015.

Several limitations were identified with performance information. These limitations ranges from, amongst others, non-reporting to measurability of targets. Despite data limitations performance on set targets is slow on departmental performance as well as on the MTSF.

Purpose

The purpose of the pre-budget analysis is to provide parliamentary committees with a sense for the state of economic and fiscal affairs in the country in preparation for the consideration of the 2016 Budget.

Introduction

The primary function of the PBO is to offer independent and objective advice and analysis to the Finance and Appropriations committees of both the National Assembly and National Council of Provinces on money bills and other bills with financial implications.

This report presents an update on the macro economic situation in South Africa, which informs the estimation of the medium term expenditure framework. The fiscal framework, as presented in the 2015 Medium Term Budget Policy Statement (MTBPS) has been modified based on current estimated macroeconomic indicators and estimated outcomes for the 2015/16 financial year.

The status of national revenue collection, expenditure and borrowing requirements are presented in this report. This will provide members with an understanding of the trends over the first 9 months of the financial year. Provincial own receipts collection and expenditure on Provincial Equitable Share and Conditional Grants as at end December are also presented.

Further, the performance information of national departments for the second quarter has been evaluated. This report identifies and presents the limitations inherent in departmental performance data. The rate of performance has been compared with the expenditure trend for the first 6 months of the financial year. Although performance targets and budgets are not directly linked, such comparison could inform the planning process, which includes the development of relevant performance indicators and targets.

Finally the report presents a summary of the outcomes of an alignment exercise between the National Development Plan and the Medium Term Strategic Framework (MTSF) with the performance on the MTSF for 2014/15.

Macroeconomic background to the Fiscal Framework

Since the tabling of the 2015 MTBPS, the economy has experienced significant negative changes. Key amongst these have been slowing GDP and revenue growth, higher inflation, and lower commodity prices. These developments have worsened the growth outlook and contributed to a foreign-currency credit rating closer to non-investment grade which has increased borrowing costs. A worsened growth outlook, lower revenue collection and higher costs of borrowing have implications for the 2016 Budget and medium term fiscal framework.

The 2015 MTBPS estimated GDP growth of 1.5 per cent for 2015, 1.7 per cent for 2016 and 2.6 for 2017. Since then, all external analysts have downwardly revised their GDP growth forecasts for the medium term. This might also influence government's decision to also revise forecasts with the tabling of the 2016 Budget Estimates.

If the South African economy were to grow by what analysts forecast in 2016 (around 0.9%), it would be the slowest level of growth in 16 years, excluding the financial crisis. This would be considerably lower than the NDP requirement of 5.0 per cent for 2019 and acknowledged by the President during the State of the Nation Address (SONA) on the 11th of February 2016. Table 1 shows a comparison of GDP growth forecasts from selected institutions.

Table 1: GDP forecast for 2015 to 2018

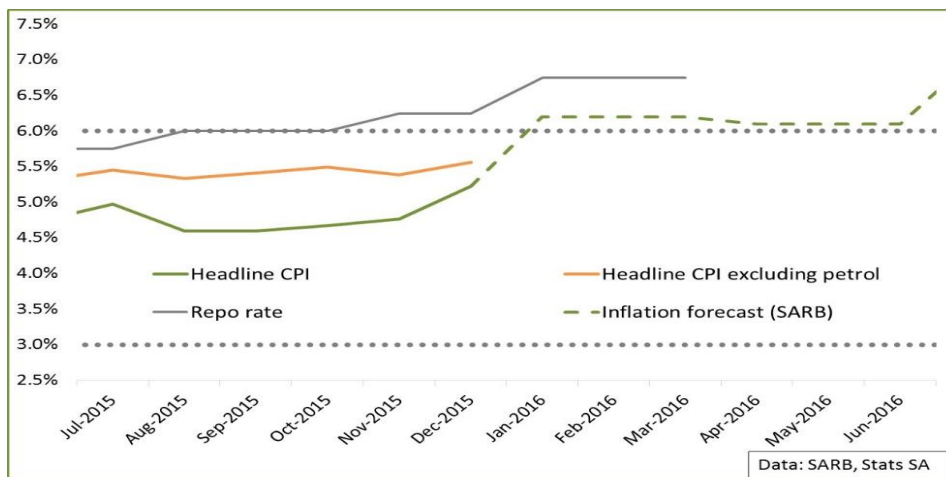
Institutions	Percentage growth estimates			
	2015	2016	2017	2018
National Treasury: 2015 MTBPS	1.5	1.7	2.6	2.8
South African Reserve Bank - September 2015	1.5	1.6	2.1	-
South African Reserve Bank - January 2016	1.3	0.9	1.6	-
IMF World Economic Outlook - October 2015	1.4	1.3	2.1	2.5
IMF World Economic Outlook - January 2016	1.3	0.7	1.8	-
Reuters Econometer (median) - October 2015	1.5	1.8	2.1	-
Reuters Econometer (median) - January 2016	-	0.9	1.7	2.1

The economy is further experiencing the effects of continued depression in commodity prices, poor mining and manufacturing output, and a slow-down in exports due to lower demand from major trading partners.

The Rand has continued to weaken against most currencies. Since the tabling of the 2015 MTBPS, the Rand depreciated by 18 per cent against the US dollar, losing 8 per cent of its value during the month of December. The reasons for the Rand's weakness are multiple. Significant amongst these have been normalisation of monetary policy by the US Federal Reserve, low commodity prices as well as perceived policy uncertainties. A weaker local currency means imported foreign goods and services become more expensive.

In response to higher inflation and a worsening outlook, driven by exchange rate weakness and food price inflation, the South African Reserve Bank hiked the repo rate twice since the tabling of the 2015 MTBPS. The current repo rate is 6.75 per cent (prime: 10.25%).

Figure 1: Changes in the repurchase rate and inflation between July 2015 and June 2016



Since the tabling of the 2015 MTBPS, South Africa's overall credit rating has worsened with its foreign denominated credit rating teetering above non-investment grade status. In December 2015 credit ratings agency Fitch downgraded South Africa's foreign currency debt to one level above non-investment grade. In the same month, fellow credit ratings agencies Standard and Poor's, and Moody's both revised their outlook on South African foreign denominated debt from stable to negative – signalling to the South African government their readiness to move the country's rating to non-investment grade status.

The 3 ratings agencies cited poor growth prospects, the risk of fiscal slippage, and limited room for fiscal responsiveness as key in their decisions. Standard & Poor indicated that its negative outlook reflected its view that growth may be lower than expected at the time due to electricity shortages, low business confidence, and labour disputes. Standard & Poor also noted that South Africa had reduced fiscal flexibility due to contingent liabilities from SOEs with weak balance sheets. These agencies have since revised their forecasts, confirming S&P's view.

A downgrade of the country's credit rating will increase the cost of borrowing and squeeze out non-interest spending. A downgrade will place upward pressure on the exchange rate as investors sell-off South African bonds. In addition, international experience has shown that it takes a country a few years to return to investment grade status following a ratings downgrade.

At present, only 9.4 per cent of South African government debt is foreign denominated. The credit rating of local currency denominated debt – the more important determinant of South Africa's ability to borrow – is still a few notches above non-investment grade. This reduces the risk and costs associated with a foreign-denominated debt downgrade. A downgrade will only directly affect further borrowing and not debt already issued. However, a downgrade may affect investor sentiment on the riskiness of South African assets generally, affecting the decision to invest in the country.

For South Africa to avoid its cost of borrowing increasing, to attract more investment, and to prevent capital from leaving the country it needs to address the concerns of its lenders as shown by the ratings agencies. Some of the factors affecting its current credit rating are outside of its control such as global growth, commodity prices and foreign monetary policy. However, other factors are within the country's control. These include its level and composition of expenditure, its revenue policy instruments it employs, the level and credibility of its fiscal targets, and its ability to address regulatory, investment and electricity bottlenecks. The 2016 Budget provides the opportunity to address these.

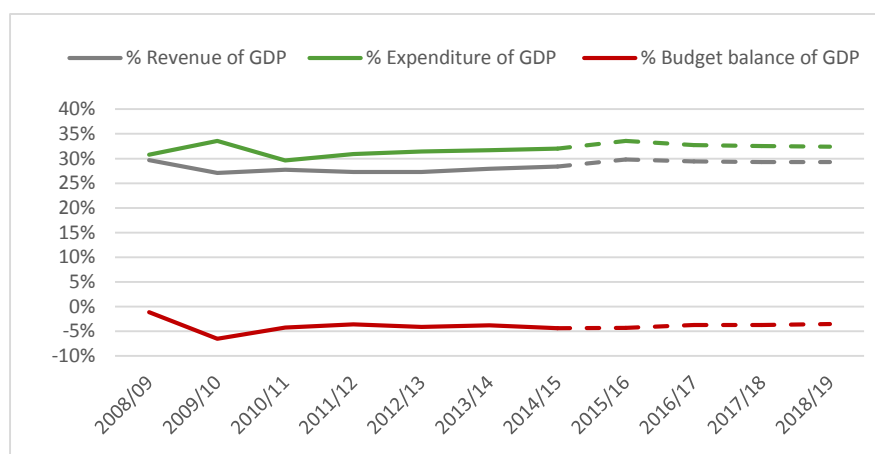
Fiscal policy and the fiscal framework

Government's stated central fiscal objective over the medium term is to stabilise the growth of debt as a share of GDP. Continued revenue growth and strict adherence to the planned expenditure ceiling are projected to result in gross debt stabilising at 49.4 per cent of GDP in 2018/19, while net debt is projected to stabilise at 45.7 per cent of GDP in 2019/20.

The revised budget deficit of 4.3 per cent for the current financial year is estimated to narrow to 3.5 per cent over the medium term. In the 2015 Budget, government announced a medium-term fiscal policy package to ensure a sustainable foundation for public finances.

Figure 2 shows revenue, expenditure and the budget deficit as a share of GDP. The trend since 2010/11 and the estimates for the 2015 MTEF are stable, continuing with the implementation of consolidation measures.

Figure 2: Changes in fiscal policy between 2008/09 and estimates over the 2015 MTEF



Source: National Treasury

However, the poorer-than-expected economic performance since the MTBPS, several unanticipated fiscal demands and a worsened economic outlook have affected the fiscal framework in the 2015 MTBPS. As the targeted deficit level is expressed as a share of GDP, lower GDP implies that South Africa needs to fill a fiscal-gap – the deficit level in Rands would have to decrease for the same deficit target to be realised. For this to happen, there needs to be (i) an increase in revenue, (ii) a reduction in expenditure or (iii) an increase in borrowing or (iv) a combination of (i) to (iii).

Table 2 (see Annexure) shows the status of the national revenue collection, expenditure and borrowing requirements as at end December 2015. National government collected 71.8 per cent of the adjusted revenue estimates as at end December 2015. Although revenue collection is below the 75.0 per cent notional benchmark for the first 9 months of the financial year, it compares well with the collection rate in 2014/15 as at 31 December 2014.

Total expenditure of national government amounted to 72.6 per cent of the adjusted expenditure budget. Total direct charges against the revenue fund was 71.8 per cent of the adjusted estimate. These spending trends for the first 9 months of the financial year correlate with the trend over the same period in 2014/15.

Borrowing requirements as at end December 2015 were at R136.9 billion, which is 77.7 per cent of the adjusted estimate for 2015/16.

Table 3 (see Annexure) shows a revised consolidated fiscal framework based on the one presented in the 2015 MTBPS. To determine a new baseline for estimating the revenue and expenditure for 2016/17 financial year, two scenarios were developed. These scenarios have been based on the actual outcomes for revenue collection and expenditure as at end December 2015.

Scenario 1

As at the end of December 2015, the main budget deficit was R136.9 billion. Based on the revenue collection and expenditure outcomes over the first nine months (with a notional benchmark of 75 per cent and excluding the once-off asset disposal) of the 2015/16 financial year, a linear estimation of the outcome for the financial year shows an estimated main budget deficit of R182.5 billion. This estimated outcome for 2015/16 may result in a main budget deficit

of 4.5 per cent of an estimated GDP of R 4 094 billion (PBO calculation¹). This is slightly higher than National Treasury's revised main budget deficit of 4.3 per cent for the fiscal year GDP of R 4 103 billion presented in the 2015 MTBPS.

Scenario 2

Based on the outcomes in the first 9 months (with a benchmark of 72 per cent for revenue and 73 per cent for expenditure as well as excluding the once-off asset disposal) of the 2015/16 financial year, an estimation of the revenue collection and expenditure for the current financial year shows an estimated main budget deficit of R173.4 billion. This estimated outcome for 2015/16 may result in a main budget deficit of 4.2 per cent of an estimated GDP of R4 094 billion. This is lower than the revised main budget deficit of 4.3 per cent of the estimated fiscal year GDP of R4 103 billion in the MTBPS.

In the absence of a revenue and expenditure forecasting model, a few scenarios have been developed to estimate the fiscal framework for the 2016/17 financial year. Table 4 (a) (see Annexure) shows a modified fiscal framework (scenario 1), including the estimated outcomes for 2015/16 and three possible scenarios for the 2016/17 main budget. These scenarios are based on the estimated outcome for 2015/16. In this scenario, an estimated growth rate of 1.0 per cent, and estimated inflation of 5.5 and 6.0 per cent. A third scenario is based on a budget deficit target of 3.7 per cent of an estimated GDP of R4 383 billion. These scenarios show possible reductions of between 7.7 and 8.1 per cent on estimated revenue for 2016/17. The influence of inflation and fiscal consolidation measures could lead to a possible reduction of between 5.3 and 6.8 per cent in estimated expenditure for the 2016/17 financial year.

Table 4 (b) (see Annexure) shows the modified fiscal framework (scenario 2), estimated revenue collection and expenditure for 2015/16 and two possible scenarios for the 2016/17 main budget. These scenarios are based solely on the estimated outcome for 2015/16 in this scenario, an estimated growth rate of 1.0 per cent, and estimated inflation of 5.5 and 6.0 per cent. These scenarios show possible reductions of between 3.8 and 4.3 per cent on revenue for 2016/17. The influence of inflation and fiscal consolidation measures could lead to a possible reduction of between 2.7 and 3.2 per cent on estimated expenditure, in scenario 2, for the 2016/17 financial year.

National departmental expenditure as at end third quarter

Table 5 (see Annexure) shows the expenditure per national department as at end December 2015, the percentage spent of the main budget and adjusted estimates for 2015/16. In total national departments spent 72.9 per cent of the main budget and 72.7 per cent of the adjusted estimates.

The slowest spending departments are Water and Sanitation at 57.4 per cent, National Treasury at 62.5 per cent and Public Enterprises at 65.0 per cent.

Some of the higher expenditure outcomes in the first 9 months of the 2015/16 financial year include Agriculture, Forestry and Fisheries at 81.0 per cent, Science and Technology at 84.8 per cent, Energy at 85.5 per cent and Higher Education and Training at 86.9 per cent. Table 6 shows the percentage spent on current payments and capital assets as per the main budget allocations for selective departments. The aim of showing the percentages per economic classification is to identify inconsistencies in budget allocations.

¹ PBO calculations are based on of the available actual GDP print from Stats SA, GDP inflation from National Treasury as contained in the 2015 MTBPS, and the quarterly growth forecasts from the January 2016 Reuters Econometer poll.

Table 6: Year to date expenditure on main budget, per economic classification of selective departments

	Year to date		
	Current payments	Payments for capital assets	Total
1 The Presidency	61.7%	49.7%	61.59%
4 Cooperative Governance and Traditional Affairs	69.3%	42.2%	70.65%
10 Public Service and Administration	64.4%	215.3%	71.79%
13 Women	78.5%	21.7%	76.38%
16 Health	56.3%	38.9%	73.48%
19 Defence and Military Veterans	72.1%	58.6%	71.58%
21 Justice and Constitutional Development	72.8%	43.3%	70.91%
23 Police	73.5%	52.9%	72.82%
25 Economic Development	57.8%	68.4%	73.64%
31 Small Business Development	57.7%	57.2%	73.47%
32 Telecommunications and Postal Services	38.5%	98.1%	66.89%
36 Water and Sanitation	64.1%	52.9%	54.99%
38 Human Settlements	62.1%	213.5%	69.42%

Source: National Treasury

Telecommunications and Postal Services is the slowest spending Department on current payments. The Department of Women spent 21.7 per cent of the capital asset budget in the first 9 months of the financial year. The Department of Health is slow on current as well as capital expenditure.

Table 7 (see Annexure) shows the outcome of the direct charges against the National Revenue Fund as at end December 2015. Expenditure of 72.8 per cent against the main budget and 71.8 per cent against the adjusted estimates realised in the first 9 months of the financial year.

In addition to the deterioration in economic performance, possible expenditure pressures for the 2016 Budget include the effects of the drought, and the commitment to support more students in higher education in 2016.

Six provinces (Eastern Cape, Free State, Kwazulu-Natal, Limpopo, Mpumalanga, and North West) and some districts in the Western Cape have seen areas declared disaster areas and requiring intervention. Table 8 shows provinces' emergency funding relief requests recorded by the Department of Agriculture Forestry and Fisheries (DAFF) in November 2015.

Table 8: Emergency funding relief requests by provinces

PROVINCE	FODDERS REQUEST	LIVESTOCK WATER RESOURCE	PROVINCIAL CONTRIBUTION	NUMBER OF FARMERS AFFECTED
FS	R77 890 000	R24 662 000	R10 000 000	2 907 (748 commercial)
KZN	R142 000 000	R800 000 000	R24 000 000	153 000 (16000 commercial)
LP	R20 000 000	R31 000 000	R3 000 000	67 445 (only communal)
MP	R50 000 000	R21 000 000	R1 800 000	1 804 (396 Commercial)
NW	R2 900 000 000	R179 425 000	-	19 430 (1 767 commercial)
Totals	R3 189 890 000	R1 056 087 000	R38 800 000	
Total Emergency Funding Requests		R4 245 977 000		

Source: (DAFF, 2015)

In November 2015, R4.2 billion worth of relief requests by farmers (both crops and livestock) were received by DAFF.

Provincial expenditure as at end third quarter

Table 9 (see Annexure) shows provincial expenditure as at 31 December 2015 against the adjusted estimates per province. Total provincial spending amounts to 72.5 per cent of total provincial budgets. Expenditure per province ranges between 70.8 per cent and 74.1 per cent. Gauteng is the slowest spending province while Northern Cape was on 74.1 per cent at 31 December 2015. Spending on Equitable Share was at 74.3 per cent and 78.2 per cent of

conditional grants were spent as at 31 December 2015. In terms of the slower than anticipated economic growth provinces also faces reductions on the estimated allocations for 2016/17 as presented in the MTBPS. The table shows the effect of a 3 per cent reduction on the estimated PES allocations for 2016/17.

National performance

Table 10 (see Annexure) shows expenditure against the main budget as at end September 2015. The table also shows the second quarter performance against targets set for the second quarter. Although performance is presented against expenditure outcomes, it should technically not be linked. Expenditure is calculated as the sum of monthly expenditure for the first 6 months of the financial year, while performance is measured for the second quarter against targets set for the second quarter only. Not all targets are quantifiable. Performance reporting is not structured to provide cumulative results against an annual target. On a national level 2 314 targets have been set for quarter 2 of which 1 385 or 59.9 per cent were achieved.

The analysis of the second quarter performance information identified the following limitations:

- In specific cases performance is reflected as zero. In these cases no targets were set for the second quarter or no report was submitted to the Department of Planning Monitoring and Evaluation.
- Departments do not use the same format for reporting.
- Performance indicators and targets are not always well defined or measurable, which makes analysis difficult.
- Some of the newly created votes from more than 1 department report separately.
- The report for the Department of Arts and Culture shows multiple performance indicators and targets that do not require reporting.
- The Department of Basic Education submitted a narrative report. Quantifying performance against targets was therefore difficult.
- Department of Health formulated several indicators without having the systems in place to collect the data.
- Department of Public Service and Administration set no targets for the second quarter.
- The Presidency set 3 targets and reported 15 outputs.
- The Department of Water and Sanitation and Department of International Relations and Cooperation developed more than 1 target per performance indicator.
- STATS-SA – reflected Q2 targets without indicators.

NDP Alignment and performance

The National Development Plan (NDP) lays the basis for much-needed economic and policy reforms to establish a platform for faster growth. Its objectives are embedded in government's MTSF. It is therefore necessary and important to assess the alignment of the NDP with the 2014 – 2019 MTSF and the progress made with the implementation of the NDP.

A PBO evaluation of the alignment of the NDP with the 2014-2019 MTSF has been completed for outcomes: 1, 2, 4, 5, 6, 8, 9 and 12. To determine the alignment of the NDP with the 2014 – 2019 MTSF the actions and targets from the objectives for the different outcome chapters' in the NDP were listed in a tables. The actions and targets of the sub-outcomes presented in the MTSF action plan were manually matched with the actions and targets in the NDP.

Furthermore, progress was assessed by comparing the number of targets achieved in the Programme of Action (POA) report with the total number of targets set per sub-outcome. In some cases a margin for variance from the targets has been allowed for the achievement of the target.

The PBO acknowledges the fact that not all NDP targets are taken-up in the 2014 – 2019 MTSF.

To ensure implementation over the next 14 years the proposals to reach the outcomes will need funding, capacity, restructuring, prioritisation, reprioritisation, and reporting and monitoring procedures and systems. It is therefore critical to ensure that the short to medium -term planning of government is aligned and implements the actions and objectives outlined in the NDP.

The Programme of Action Report, consolidated by the Department of Planning Monitoring and Evaluation, has been assessed in terms of the number of targets achieved for 2014/15 for Outcome 1, 2, 4, 5, 6, 8, 9 and 12. The assessment highlight some of the achievements in terms of targets achieved on target deadline, but there are still challenges as some of the targets were not achieved by the target deadline. In some cases there was misalignment between the targets set for indicators and the indicator.

Table 11: Progress on selected NDP outcomes as at end 2014/15

Outcome	Number of Targets	Number of Targets achieved	Percentage achieved
1: Quality Basic Education	60	22	37%
2: A long and healthy life for all South Africans	58	26	45%
4: Decent employment through inclusive economic growth	67	30	45%
5: A skilled and capable workforce to support an inclusive growth path	50	26	52%
6: An efficient, competitive and responsive economic infrastructure network	37	17	46%
8: Sustainable Human Settlements and Improved Quality of Household Life	38	5	13%
9: Responsive, accountable, effective and efficient developmental local government system	44	28	64%
12: An efficient, effective and development-oriented public service	36	14	39%

Source: Programme of Action

Table 2: Summary of national revenue, expenditure and borrowing as at 31 December 2015

R thousand	2015/16				
	Budget estimate	Adjusted estimate	Year to date spent	% of Budget spent	% of Adjusted Estimates spent
Revenue	1 074 309 619	1 070 664 479	768 231 145	71.51%	71.75%
Expenditure	1 247 363 701	1 246 930 017	905 117 153	72.56%	72.59%
Appropriation by vote	704 516 512	706 374 049	513 799 935	72.93%	72.74%
Direct charges against the National Revenue Fund	537 847 189	544 755 968	391 317 218	72.76%	71.83%
Debt-service costs	126 440 428	127 902 018	83 125 181	65.74%	64.99%
Provincial equitable share	382 673 477	386 500 009	287 005 119	75.00%	74.26%
General fuel levy sharing with metropolitan municipalities	10 658 909	10 658 909	7 105 939	66.67%	66.67%
Other costs	18 074 375	19 695 032	14 080 979	77.91%	71.50%
Unallocated Reserves/Estimated under exp./LG re	5 000 000	(4 200 000)	(4 200 000)		
Main budget balance	(173 054 082)	(176 265 538)	(136 886 009)	79.1%	77.7%
Financing of the net borrowing requirement					
Domestic short-term loans (net)	13 000 000	13 000 000	29 286 803	225.28%	225.28%
Domestic long-term loans (net)	144 809 000	144 944 000	105 310 985	72.72%	72.66%
Foreign loans (net)	7 797 000	9 464 000	(3 354 601)	-43.02%	-35.45%
Change in cash and other balances (- increase)	7 448 082	8 858 000	5 642 822	75.76%	63.70%
Total financing (net)	173 054 082	176 265 538	136 886 009	79.10%	77.66%

Note: Adjusted Estimates for financing are rounded

Source: National Treasury

Table 3: Revised consolidated fiscal framework, 2014/15 – 2018/19 MTBPS

R billion/Percentage of GDP	2014/15		2015/16		2015/16	2015/16	2015/16	2016/17	2016/17	2016/17
	Budget	Revised	As at 31 Dec	Scenario 1: Estimated i.t.o. 9 month trend and 75% benchmark	Scenario 2: Estimated i.t.o. 9 month trend and 72% for rev. and 73% for exp. benchmark	New estimate based on 1% growth and 6% CPI	New estimate based on 1% growth and 6.0% CPI	MTBPS Estimate		
Main budget										
Revenue	963.6	1 049.3	1 070.7	768.2	990.4	1 031.7	1 059.8	1 103.9	1 147.7	
of which: Asset disposals	–	–	25.4	25.4	25.2	25.2	–	–	–	
Expenditure	1 132.0	1 222.3	1 246.9	905.1	1 172.9	1 205.1	1 243.3	1 277.4	1 313.1	
of which										
Non-interest allocations	1017.2	1095.9	1093.8	804.9	1036.9	1069.1	1116.6	1150.8	1168.0	
Special appropriations	–	–	25.2	17.1	25.2	25.2	–	–	–	
Debt-service costs	114.8	126.4	127.9	83.1	110.8	110.8	124.1	124.1	142.6	
Contingency reserve	–	–	–	–	–	–	2.5	2.5	2.5	
Main budget balance	-168.4	-173.1	-176.3	-136.9	-182.5	-173.4	-183.5	-173.5	-165.4	
	-4.4%	-4.1%	-4.3%	-3.3%	-4.5%	-4.2%	-4.2%	-4.0%	-3.7%	
Primary balance	-53.6	-46.6	-48.4	-53.8	-71.6	-62.6	-59.4	-49.4	-22.8	
	-14%	-11%	-12%	-13%	-17%	-15%	-14%	-11%	-0.5%	
Budget balances of social security funds, public entities and provinces	315	10.9	18.4	18.4	18.4	18.4	20.1	20.1	20.1	
Consolidated budget balance	-136.9	-162.2	-157.9	-118.5	-164.1	-155.0	-163.4	-153.4	-145.3	
	-3.6%	-3.9%	-3.8%	-2.9%	-4.0%	-3.8%	-3.7%	-3.5%	-3.3%	
2015 MTBPS										
Fiscal year GDP at current prices (R billion)	4 103.0	4 103.0	4 094.0	4 094.0	4 094.0	4 094.0	4 383.0	4 383.0	4 437.0	
Real GDP Growth			1.2						2.1	
CPI inflation (Dec 2012=100)			5.5				6.0	6.0	6.0	

Source: National Treasury and own calculations

Note: Debt-service cost increase by 12% in new estimated baseline and expenditure by 6%

Table 4 (a): Revised consolidated fiscal framework based on 2015 MTBPS, estimated actual outcome for 2015/16 and different scenarios for the 2016/17 main budget

Table Revised Consolidated fiscal framework based on 2015 MTBPS and estimated actual outcome for 2015/16

R billion	2015/16		2015/16	2015/16	2016/17	2016/17	2016/17	2016/17
	Budget	Revised	As at 31 Dec	Linear estimated outcome based on 9 month trend and 75 % benchmark	Scenario 1.1 based on 1% growth and 5.5% CPI	Scenario 1.2 based on 1% growth and 6% CPI	Scenario 1.3 stick to 3.7% budget balance	MTBPS estimate
Main budget								
Revenue	1 049.3	1 070.7	768.2	990.4	1 054.8	1 059.8	1 059.8	1 147.7
<i>of which: Asset disposals</i>	–	25.4	25.4	25.4				–
Expenditure	1 222.3	1 246.9	905.1	1 172.9	1 237.4	1 243.3	1 223.8	1 313.1
Main budget balance	-173.1	-176.3	-136.9	-182.5	-182.6	-183.5	-164.0	-165.4
<i>Percentage of GDP</i>	-4.2%	-4.3%	-3.3%	-4.5%	-4.2%	-4.2%	-3.7%	-3.7%
Fiscal year GDP at current prices (R billion)	4 103.0	4 103.0	4 094.0	4 094.0	4 383.0	4 383.0	4 383.0	4 437.0

Source: National Treasury and own calculations

Table 4(b): Revised consolidated fiscal framework based on 2015 MTBPS, estimated actual outcome for 2015/16 and different scenarios for the 2016/17 main budget

R billion	2015/16		2015/16	2015/16	2016/17	2016/17	2016/17	2016/17
	Budget	Revised	As at 31 Dec	Estimated outcome based on a benchmark of 72 % for revenue and 73% for expenditure	Scenario 2.1 based on 1% growth and 5.5% CPI	Scenario 2.2 based on 1% growth and 6% CPI	MTBPS estimate	
Main budget								
Revenue	1 049.3	1 070.7	768.2	1 031.7	1 098.8	1 103.9	1 147.7	
<i>of which: Asset disposals</i>	–	25.4	25.4				–	
Expenditure	1 222.3	1 246.9	905.1	1 205.1	1 271.3	1 277.4	1 313.1	
Main budget balance	-173.1	-176.3	-136.9	-173.4	-172.6	-173.4	-165.4	
<i>Percentage of GDP</i>	-4.2%	-4.3%	-3.3%	-4.2%	-3.9%	-4.0%	-3.7%	
Fiscal year GDP at current prices (R billion)	4 103.0	4 103.0	4 094.0	4 094.0	4 383.0	4 383.0	4 437.0	

Source: National Treasury and own calculations

Table 5: Summary of national expenditure as at 31 December 2015

R thousand	Main Budget Estimates	Adjusted Estimates	Total spent untill 31 Dec 2015	% Spent of Main Budget Estimates	% Spent of Adjusted Estimates
1 The Presidency	510 330	475 929	314 337	61.6%	66.0%
2 Parliament	1 566 922	1 594 238	1 177 501	75.1%	73.9%
3 Communications	1 280 888	1 290 888	883 189	69.0%	68.4%
4 Cooperative Governance and Traditional Affairs	69 314 159	70 815 477	48 972 600	70.7%	69.2%
5 Home Affairs	6 450 822	7 348 725	5 169 392	80.1%	70.3%
6 International Relations and Cooperation	5 698 634	6 510 854	4 404 943	77.3%	67.7%
7 National Treasury	28 976 304	28 726 061	17 954 329	62.0%	62.5%
8 Planning, Monitoring and Evaluation	717 694	754 200	575 301	80.2%	76.3%
9 Public Enterprises	23 267 481	23 302 594	15 156 354	65.1%	65.0%
10 Public Service and Administration	930 868	941 482	668 247	71.8%	71.0%
11 Public Works	6 411 087	6 312 222	4 479 798	69.9%	71.0%
12 Statistics South Africa	2 245 208	2 323 256	1 597 091	71.1%	68.7%
13 Women	187 002	189 102	142 834	76.4%	75.5%
14 Basic Education	21 511 140	21 286 426	17 007 164	79.1%	79.9%
15 Higher Education and Training	41 843 955	41 880 138	36 373 351	86.9%	86.9%
16 Health	36 468 018	36 253 925	26 795 119	73.5%	73.9%
17 Social Development	138 168 640	137 893 640	102 058 522	73.9%	74.0%
18 Correctional Services	20 617 584	20 588 554	15 273 076	74.1%	74.2%
19 Defence and Military Veterans	44 579 390	45 088 161	31 910 684	71.6%	70.8%
20 Independent Police Investigative Directorate	234 781	234 781	167 747	71.4%	71.4%
21 Justice and Constitutional Development	14 983 969	15 010 773	10 625 393	70.9%	70.8%
22 Office of the Chief Justice and Judicial Administration	742 417	783 379	503 205	67.8%	64.2%
23 Police	76 377 059	76 720 848	55 617 610	72.8%	72.5%
24 Agriculture, Forestry and Fisheries	6 383 007	6 408 750	5 191 952	81.3%	81.0%
25 Economic Development	885 778	885 778	652 314	73.6%	73.6%
26 Energy	7 482 094	7 267 619	6 217 147	83.1%	85.5%
27 Environmental Affairs	5 947 989	5 943 297	4 566 726	76.8%	76.8%
28 Labour	2 686 867	2 704 234	2 083 634	77.5%	77.1%
29 Mineral Resources	1 618 542	1 638 542	1 301 872	80.4%	79.5%
30 Science and Technology	7 482 120	7 466 106	6 334 102	84.7%	84.8%
31 Small Business Development	1 103 188	1 127 520	810 519	73.5%	71.9%
32 Telecommunications and Postal Services	1 413 328	1 405 253	945 366	66.9%	67.3%
33 Tourism	1 800 233	1 794 178	1 320 961	73.4%	73.6%
34 Trade and Industry	9 593 715	9 497 844	6 931 741	72.3%	73.0%
35 Transport	53 357 297	53 615 077	39 561 029	74.1%	73.8%
36 Water and Sanitation	16 446 530	15 746 530	9 043 833	55.0%	57.4%
37 Arts and Culture	3 919 859	3 826 047	2 599 393	66.3%	67.9%
38 Human Settlements	30 943 381	30 543 381	21 479 752	69.4%	70.3%
39 Rural Development and Land Reform	9 379 684	9 197 361	6 211 644	66.2%	67.5%
40 Sport and Recreation South Africa	988 548	980 879	720 163	72.9%	73.4%
Total appropriation by vote	704 516 512	706 374 049	513 799 935	72.9%	72.7%

Source: National Treasury

Table 7: Summary of direct charges against the national revenue fund as at 31 December 2015

R thousand	Main Budget Estimates	Adjusted Estimates	Total spent until 31 Dec 2015	% Spent of Main Budget Estimates	% Spent of Adjusted Estimates
Total appropriation by vote	704 516 512	706 374 049	513 799 935	72.9%	72.7%
Plus:					
Direct charges against the National Revenue Fund					
President and Deputy President salaries (The Presidency)	5 726	5 726	4 166	72.8%	72.8%
Members' remuneration (Parliament)	503 132	503 132	333 000	66.2%	66.2%
Debt-service costs (National Treasury)	126 440 428	127 902 018	83 125 181	65.7%	65.0%
Provincial equitable share (National Treasury)	382 673 477	386 500 009	287 005 119	75.0%	74.3%
General fuel levy sharing with metropolitan municipalities (National Treasury)	10 658 909	10 658 909	7 105 939	66.7%	66.7%
National Revenue Fund payments (National Treasury)	121 000	681 654	681 654	563.4%	100.0%
Skills levy and sector education and training authorities (Higher Education and Training)	14 690 000	15 800 000	11 203 516	76.3%	70.9%
Magistrates' salaries (Justice and Constitutional Development)	1 880 769	1 830 769	1 230 279	65.4%	67.2%
Judges' salaries (Office of the Chief Justice and Judicial Administration)	873 748	873 748	628 364	71.9%	71.9%
Total direct charges against the National Revenue Fund	537 847 189	544 755 965	391 317 218	72.8%	71.8%
Unallocated Reserves/Estimated under spending and LG repayment	5 000 000	(4 200 000)	-		
Total	1 247 363 701	1 246 930 014	905 117 153	72.56%	72.59%

Source: National Treasury

Table 9: Provincial expenditure and estimates for 2016/17

R million	2015/16 Adjusted Estimates	2015/16 Spending as at 31 Dec	2015/17 % Spent as at 31 Dec	2016/17 MTBPS Estimate	2016/17 Speculative revised estimate of less 3% from MTBPS
Eastern Cape	65 934	48 690	73.8%		
Equitable share	54 867	40 734	74.2%	58 272	56 523
Conditional grants	9 963	7 956	79.9%		
Provincial own receipts	1 104	1 007	91.2%		
Free State	29 628	21 581	72.8%		
Equitable share	21 996	16 318	74.2%	23 079	22 387
Conditional grants	6 624	5 263	79.5%		
Provincial own receipts	1 008	668	66.3%		
Gauteng	96 052	68 045	70.8%		
Equitable share	74 100	55 060	74.3%	79 892	77 496
Conditional grants	17 055	12 985	76.1%		
Provincial own receipts	4 897	4 032	82.3%		
KwaZulu-Natal	103 005	75 106	72.9%		
Equitable share	83 132	61 690	74.2%	88 217	85 570
Conditional grants	16 878	13 416	79.5%		
Provincial own receipts	2 995	2 351	78.5%		
Limpopo	53 901	39 009	72.4%		
Equitable share	45 866	34 033	74.2%	48 885	47 419
Conditional grants	6 833	4 976	72.8%		
Provincial own receipts	1 202	883	73.5%		
Mpumalanga	38 985	28 722	73.7%		
Equitable share	31 337	23 272	74.3%	33 573	32 566
Conditional grants	6 822	5 450	79.9%		
Provincial own receipts	826	617	74.7%		
Northern Cape	14 166	10 497	74.1%		
Equitable share	10 226	7 603	74.4%	10 902	10 575
Conditional grants	3 637	2 894	79.6%		
Provincial own receipts	303	239	78.9%		
North West	34 294	25 373	74.0%		
Equitable share	26 397	19 613	74.3%	28 166	27 321
Conditional grants	6 878	5 760	83.7%		
Provincial own receipts	1 019	619	60.7%		
Western Cape	51 531	36 604	71.0%		
Equitable share	38 580	28 681	74.3%	41 213	39 976
Conditional grants	10 476	7 923	75.6%		
Provincial own receipts	2 475	1 990	80.4%		
Sub-total Equitable share	386 500	287 004	74.3%	412 199	399 833
Sub-total Conditional grants	85 166	66 623	78.2%		
Sub-total Provincial own receipts	15 829	12 406	78.4%		
Total	487 495	353 627	72.5%		

Source: National Treasury

Table 10: Expenditure and Performance as at 30 September 2015

	% Spent of Budget estimate	Number of annual indicators	Number of targets set for Q2	Number of targets achieved for 2015/16 Quarter 2	% performance against targets
1 The Presidency	41.0%	20	3	2	66.7%
2 Parliament	49.5%				
3 Communications	48.5%	123	123	88	71.5%
4 Cooperative Governance and Traditional Affairs	42.6%	16	16	11	68.8%
5 Home Affairs	53.0%	34	34	21	61.8%
6 International Relations and Cooperation	48.4%	49	85	67	78.8%
7 National Treasury	42.1%	122	122	81	66.4%
8 Planning, Monitoring and Evaluation	49.1%	40	40	30	75.0%
9 Public Enterprises	43.4%	20	20	5	25.0%
10 Public Service and Administration	45.9%	42	42	0	0.00
School of Government		32	32	13	41.00
11 Public Works	39.0%	46	37	12	32.4%
12 Statistics South Africa	46.0%	145	132	110	83.3%
13 Women	50.3%	32	32	11	34.4%
14 Basic Education	57.2%	0	0	0	0.00
15 Higher Education and Training	70.5%	16	14	9	87.5%
16 Health	49.7%	174	174	73	42.0%
17 Social Development	49.0%	148	131	84	64.1%
18 Correctional Services	47.9%	37	32	27	84.4%
19 Defence and Military Veterans	46.5%	56	56	35	62.5%
20 Independent Police Investigative Directorate	48.1%	37	37	19	51.4%
21 Justice and Constitutional Development	46.2%				
22 Office of the Chief Justice and Judicial Administration	41.3%	35	35	18	51.4%
23 Police	47.1%	100	100	76	76.0%
24 Agriculture, Forestry and Fisheries	54.3%	51	57	21	36.8%
25 Economic Development	47.9%	23	10	9	90.0%
26 Energy	60.8%	78	78	34	43.6%
27 Environmental Affairs	48.1%	131	131	93	71.0%
28 Labour	45.3%	52	52	30	57.7%
29 Mineral Resources	57.1%	142	142	109	76.8%
30 Science and Technology	64.8%	59	59	35	59.3%
31 Small Business Development	49.6%	26	26	0	0.00
32 Telecommunications and Postal Services	56.0%	33	56	18	32.1%
33 Tourism	51.8%	59	59	48	81.4%
34 Trade and Industry	37.8%	47	47	30	63.8%
35 Transport	51.0%	49	49	41	83.7%
36 Water and Sanitation	29.2%	54	78	32	41.0%
37 Arts and Culture	44.1%	77	77	47	61.0%
38 Human Settlements	42.4%	24	24	16	66.7%
39 Rural Development and Land Reform	38.5%	48	50	13	26.0%
40 Sport and Recreation South Africa	42.8%	22	22	17	77.3%
Total appropriation by vote	48.4%	2299	2314	1385	59.9%

Source: National Treasury