Public Financial Management (PFMx)
Module 5

Macro-fiscal Forecasting and Medium Term Budget Frameworks
Two Key Public Financial Management (PFM) Instruments

**Instrument 1:**
Medium-term Fiscal Frameworks (MTFF)
Macro-fiscal Forecasting

**Instrument 2:**
Medium-term Budget Frameworks (MTBF)
The Annual Timeframe is Essential

Annual Budget

- Legally binding
- Key moment of fiscal debate
- Detailed allocation
The Annual Timeframe but is not enough

Modern Fiscal Policy Objectives

Objective 1: Fiscal Responsibility and Flexibility

- Macroeconomic Stabilization
- Fiscal Reporting
- MTFF
- Rules

Objective 2: Expenditure Efficiency and Inclusive Growth

- Resource Allocation
- Redistribution
- Annual Budget
- MTBF
- Public Investment Management
Importance of a Medium-term Fiscal Perspective

Modern Fiscal Policy Objectives

Objective 1: Fiscal Responsibility and Flexibility

Objective 2: Expenditure Efficiency and Inclusive Growth

Key Reasons to adopt a Medium-term Perspective

- Consequences of new and current policies
- Unexpected events
- More strategic allocation of resources
- Effective planning across time
Benefits of a Medium-term Perspective

Key Reasons to adopt a Medium-term Perspective

- Consequences of new and current policies
- Unexpected events
- More strategic allocation of resources
- Effective planning across time
Decisions Echo into the Future

New Policy:
Lower the pension age from 65 to 64 years old.

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Estimated cost of this new policy

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
</tr>
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<tbody>
<tr>
<td>2017</td>
<td>$100 million</td>
</tr>
<tr>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$140 million</td>
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</tbody>
</table>

Increase of the total number of people over 64
Act to Avoid Future Consequences

Total cost of pensions ($):

\[ \text{Total cost of pensions} = f(t) \]

\[ \text{Graph showing the total cost of pensions over time} \]

\[ t \text{ represents time} \]
Anticipating Fiscal Risks

(Percent of GDP)

Source: IMF.
Key Reasons to adopt a Medium-term Perspective

- Consequences of new and current policies
- Unexpected events

- More strategic allocation of resources
- Effective planning across time
Examples of Constrained Spending Items

- Wages of civil servants
- Pension entitlements
- Investment projects already started
Composition the US Budget

Source: US Congressional Budget Office
Two Key Public Financial Management (PFM) Instruments

Instrument 1: Medium-term Fiscal Frameworks (MTFF)
Macro-fiscal Forecasting

Instrument 2: Medium-term Budget Frameworks (MTBF)
Macro-Fiscal Forecasting

Defined as:

The estimation of high level macroeconomic and fiscal indicators into the future.
Macroeconomic Indicators

- GDP Growth (real/nominal)
- Inflation
- Employment and Unemployment
- Exchange and Interest Rates
- Commodity Prices
- World GDP Growth
## Example of a Macroeconomic Forecast

### Australia: Economic parameters.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>2.6</td>
<td>2 3/4</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Employment</td>
<td>1.9</td>
<td>1 1/2</td>
<td>1 1/2</td>
<td>1 1/2</td>
<td>1 1/2</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>5.7</td>
<td>5 3/4</td>
<td>5 1/2</td>
<td>5 1/2</td>
<td>5 1/4</td>
</tr>
<tr>
<td>Consumer price index</td>
<td>1.0</td>
<td>2</td>
<td>2 1/4</td>
<td>2 1/2</td>
<td>2 1/2</td>
</tr>
<tr>
<td>Wage price index</td>
<td>2.1</td>
<td>2 1/2</td>
<td>3</td>
<td>3 1/2</td>
<td>3 3/4</td>
</tr>
<tr>
<td>Nominal GDP</td>
<td>2.3</td>
<td>6</td>
<td>4</td>
<td>4 1/2</td>
<td>4 3/4</td>
</tr>
</tbody>
</table>

Source: The Commonwealth of Australia.
Australia: Real GDP growth.

Source: The Commonwealth of Australia.
Example of a fiscal Forecast

Australia: Budget and net financial worth

<table>
<thead>
<tr>
<th>Year</th>
<th>Receipts $m</th>
<th>Per cent of GDP</th>
<th>Payments $m</th>
<th>Per cent of GDP</th>
<th>Underlying cash balance $m</th>
<th>Per cent of GDP</th>
<th>Net financial worth $m</th>
<th>Per cent of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>351,052</td>
<td>23.0</td>
<td>367,204</td>
<td>24.0</td>
<td>-18,848</td>
<td>-1.2</td>
<td>-312,724</td>
<td>-20.5</td>
</tr>
<tr>
<td>2013-14</td>
<td>360,322</td>
<td>22.7</td>
<td>406,430</td>
<td>25.6</td>
<td>-48,456</td>
<td>-3.0</td>
<td>-370,331</td>
<td>-23.3</td>
</tr>
<tr>
<td>2014-15</td>
<td>378,301</td>
<td>23.4</td>
<td>412,079</td>
<td>25.5</td>
<td>-37,867</td>
<td>-2.3</td>
<td>-422,009</td>
<td>-26.1</td>
</tr>
<tr>
<td>2015-16</td>
<td>386,924</td>
<td>23.4</td>
<td>423,328</td>
<td>25.6</td>
<td>-39,606</td>
<td>-2.4</td>
<td>-542,919</td>
<td>-32.8</td>
</tr>
<tr>
<td>2016-17 (e)</td>
<td>405,724</td>
<td>23.2</td>
<td>440,540</td>
<td>25.1</td>
<td>-37,800</td>
<td>-2.1</td>
<td>-428,191</td>
<td>-24.4</td>
</tr>
<tr>
<td>2017-18 (e)</td>
<td>433,494</td>
<td>23.8</td>
<td>459,684</td>
<td>25.2</td>
<td>-29,396</td>
<td>-1.6</td>
<td>-457,818</td>
<td>-25.1</td>
</tr>
<tr>
<td>2018-19 (e)</td>
<td>462,500</td>
<td>24.4</td>
<td>480,409</td>
<td>25.4</td>
<td>-21,422</td>
<td>-1.1</td>
<td>-475,762</td>
<td>-25.1</td>
</tr>
<tr>
<td>2019-20 (p)</td>
<td>496,908</td>
<td>25.1</td>
<td>496,632</td>
<td>25.0</td>
<td>-2,470</td>
<td>-0.1</td>
<td>-475,048</td>
<td>-24.0</td>
</tr>
<tr>
<td>2020-21 (p)</td>
<td>526,322</td>
<td>25.4</td>
<td>518,905</td>
<td>25.0</td>
<td>7,417</td>
<td>0.4</td>
<td>-468,555</td>
<td>-22.4</td>
</tr>
</tbody>
</table>

Source: The Commonwealth of Australia.
(e) – estimates; (p) – projections.
The Macro-fiscal Forecasting Process

- Macroeconomic forecasts
- Revenue forecasts
- Determination of the expenditure ceiling
- Estimation of the fiscal space
- Fiscal objectives and rules
- Baseline expenditure projections
- New policy choices

Process flow:
1. Macroeconomic forecasts
2. Revenue forecasts
3. Determination of the expenditure ceiling
4. Estimation of the fiscal space
5. Fiscal objectives and rules
6. New policy choices
Elasticity

1% increase in GDP ➞ 1.1% increase in tax revenue

Tax elasticity to GDP = \frac{1.1\%}{1\%} = 1.1

Forecasts of:
- Wages
- Inflation
- Pension payments
- Demographics ➞ Baseline expenditure growth
The Macro-fiscal Forecasting Process

- Macroeconomic forecasts
- Revenue forecasts
- Determination of the expenditure ceiling
- Baseline expenditure projections
- Estimation of the fiscal space
- Fiscal objectives and rules
- New policy choices
Determining the Expenditure Ceiling

Revenue = Expenditure = Deficit

Rule:
Budget should be balanced every year.

Deficit Objective = zero

Expenditure Ceiling = Revenue Forecast
The Macro-fiscal Forecasting Process

Macroeconomic forecasts → Revenue forecasts → Determination of the expenditure ceiling → Estimation of the fiscal space → Fiscal objectives and rules → New policy choices → Baseline expenditure projections
**Fiscal Space**

**Defined as:**

The room for new spending or the need for spending cuts.

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**Estimating:**

To assess fiscal space, you need an objective and a baseline.
The Macro-fiscal Forecasting Process

- Macroeconomic forecasts
- Revenue forecasts
- Baseline expenditure projections
- Determination of the expenditure ceiling
- Estimation of the fiscal space
- Fiscal objectives and rules
- New policy choices
The Macro-fiscal Forecasting Process

- Macroeconomic forecasts
- Revenue forecasts
- Baseline expenditure projections
- Determination of the expenditure ceiling
- Estimation of the fiscal space
- Fiscal objectives and rules
- New policy choices
From Macro to Fiscal and back

Macroeconomic Indicators

- Employment
- Consumption
- GDP

Fiscal Indicators

- Public wage bill
The Macro-fiscal Forecasting Process

1. Macroeconomic forecasts
2. Revenue forecasts
3. Determination of the expenditure ceiling
4. Estimation of the fiscal space
5. Fiscal objectives and rules
6. New policy choices

Flowchart:
- Macroeconomic forecasts leads to Revenue forecasts, which then leads to Determination of the expenditure ceiling.
- Determination of the expenditure ceiling leads to Estimation of the fiscal space, which then leads to Fiscal objectives and rules.
- Fiscal objectives and rules lead to New policy choices.
United Kingdom: Real GDP growth fan chart.

Source: UK Office for Budget Responsibility
Macro-Fiscal Forecasts

Defined as:

The estimation of high level macroeconomic and fiscal indicators into the future.

A complex process due to:

1. Need for coordination
2. Macro-fiscal interactions
3. Uncertainty and fiscal risks
Medium-Term Fiscal Framework (MTFF)

**Defined as:**

A set of institutional arrangements early in the budget process for setting multi-year fiscal objectives.
Main Contents of an MTFF

Macro-fiscal forecasts
- Transparent explanations and assumptions
- Long-term sustainability considerations
- Alternative scenarios

Medium-term fiscal strategy
- A few pages
- Medium-term guidance on fiscal policy

Fiscal risk statement
- Comprehensive assessment of the potential impact of fiscal risks
Defined as:

A set of institutional arrangements for prioritizing, presenting, and managing revenue and expenditure in a multiyear perspective.
Key Institutional Features of an MTBF

- Policy Commitment
- Decision-Making Process
- Control Mechanism
- Accountability

- Discipline
- Legitimacy
- Enforcement
- Credibility
MTBFs Relative to Other PFM Instruments

- Fiscal Strategy and Objectives
- Multi-year Fiscal Targets
- Multi-year Spending Plans

Development Plans

- Development Plans

Annual Budget for year T

- Annual Budget for year T

Projections for year T+1

- Projections for year T+1

Projections for year T+2

- Projections for year T+2

MTFF

- MTFF

MTBF

- MTBF
Top-down versus Bottom-up

To achieve this balance:
- Understanding of future fiscal position
- Ability to cost policy decisions
- Control mechanisms

Ministry of Finance
- Fiscal constraints
- Fiscal objectives and rules
- Fiscal strategy

Line Ministries
- Sectoral strategies
- Funding needs
## Australia: Programs by expenses, 2017-2018.

<table>
<thead>
<tr>
<th>Program(a)</th>
<th>Function</th>
<th>Estimates 2016-17 ($m)</th>
<th>Estimates 2017-18 ($m)</th>
<th>Estimates 2018-19 ($m)</th>
<th>Estimates 2019-20 ($m)</th>
<th>Estimates 2020-21 ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Assistance to the States and Territories</td>
<td>Other purposes</td>
<td>59,976</td>
<td>63,071</td>
<td>66,260</td>
<td>68,325</td>
<td>72,202</td>
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<tr>
<td>Income support for seniors</td>
<td>SSW</td>
<td>44,468</td>
<td>45,391</td>
<td>47,604</td>
<td>49,744</td>
<td>52,304</td>
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<tr>
<td>Medical Benefits(b)</td>
<td>Health</td>
<td>22,197</td>
<td>22,983</td>
<td>24,143</td>
<td>25,815</td>
<td>27,266</td>
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<tr>
<td>Assistance to the States for public hospitals</td>
<td>Health</td>
<td>18,460</td>
<td>19,563</td>
<td>20,639</td>
<td>21,769</td>
<td>22,677</td>
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<tr>
<td>Family tax benefit</td>
<td>SSW</td>
<td>10,601</td>
<td>19,231</td>
<td>18,763</td>
<td>18,945</td>
<td>18,775</td>
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<tr>
<td>Income Support for People with Disability</td>
<td>SSW</td>
<td>16,421</td>
<td>16,923</td>
<td>17,396</td>
<td>18,222</td>
<td>19,140</td>
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<tr>
<td>Residential and flexible care</td>
<td>SSW</td>
<td>11,445</td>
<td>12,014</td>
<td>12,663</td>
<td>13,525</td>
<td>14,270</td>
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<tr>
<td>Pharmaceutical benefits, services and supply</td>
<td>Health</td>
<td>11,995</td>
<td>11,748</td>
<td>11,596</td>
<td>11,631</td>
<td>11,293</td>
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<tr>
<td>Non-government schools National Support</td>
<td>Education</td>
<td>10,597</td>
<td>11,136</td>
<td>11,690</td>
<td>12,309</td>
<td>12,965</td>
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<tr>
<td>Job seeker income support</td>
<td>SSW</td>
<td>10,994</td>
<td>10,038</td>
<td>11,126</td>
<td>11,914</td>
<td>12,547</td>
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<tr>
<td>National Disability Insurance Scheme</td>
<td>SSW</td>
<td>3,435</td>
<td>9,250</td>
<td>15,922</td>
<td>19,502</td>
<td>20,265</td>
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<tr>
<td>Income support for carers</td>
<td>SSW</td>
<td>8,132</td>
<td>8,484</td>
<td>8,601</td>
<td>8,933</td>
<td>9,003</td>
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<td>Public sector superannuation(d)</td>
<td>Other purposes; General public services</td>
<td>8,972</td>
<td>7,994</td>
<td>8,181</td>
<td>8,350</td>
<td>8,480</td>
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<tr>
<td>Child Care Fee Assistance(c)</td>
<td>SSW</td>
<td>7,207</td>
<td>7,546</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>Child Care Subsidy(c)</td>
<td>SSW</td>
<td>0</td>
<td>0</td>
<td>8,755</td>
<td>9,566</td>
<td>10,004</td>
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<td>Army capabilities</td>
<td>Defence</td>
<td>7,870</td>
<td>7,319</td>
<td>7,365</td>
<td>7,763</td>
<td>8,410</td>
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<td>Government schools National Support</td>
<td>Education</td>
<td>6,498</td>
<td>7,081</td>
<td>7,576</td>
<td>8,146</td>
<td>8,743</td>
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<tr>
<td>Commonwealth Grants Scheme</td>
<td>Education</td>
<td>6,922</td>
<td>6,996</td>
<td>6,901</td>
<td>6,931</td>
<td>7,049</td>
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<td>Navy capabilities</td>
<td>Defence</td>
<td>6,208</td>
<td>6,480</td>
<td>6,181</td>
<td>6,427</td>
<td>7,153</td>
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<tr>
<td>Fuel and energy</td>
<td>Defence</td>
<td>6,194</td>
<td>6,308</td>
<td>6,514</td>
<td>6,884</td>
<td>7,349</td>
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<tr>
<td>National Partnership Payments - Road Transport</td>
<td>Transport and Communication</td>
<td>5,778</td>
<td>6,172</td>
<td>5,163</td>
<td>4,156</td>
<td>2,744</td>
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</table>

Source: The Commonwealth of Australia.
### Australia: Reconciliation Table

<table>
<thead>
<tr>
<th></th>
<th>Estimates</th>
<th>Projections</th>
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<th></th>
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<tbody>
<tr>
<td></td>
<td>2016-17</td>
<td>2017-18</td>
<td>2018-19</td>
<td>2019-20</td>
<td>Total</td>
</tr>
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<td></td>
<td>Sm</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
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<td>2016-17 Budget expenses</td>
<td>450,553</td>
<td>464,812</td>
<td>489,324</td>
<td>511,604</td>
<td>1,916,292</td>
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<td>2016-17 MYEFO expenses</td>
<td>448,642</td>
<td>460,382</td>
<td>483,632</td>
<td>503,975</td>
<td>1,896,631</td>
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<tr>
<td>Changes from 2016-17 MYEFO to 2017-18 Budget</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Effect of policy decisions(a)</td>
<td>1,775</td>
<td>5,004</td>
<td>5,155</td>
<td>3,754</td>
<td>15,688</td>
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<td>Effect of economic parameter variations</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total economic parameter variations</td>
<td>-55</td>
<td>421</td>
<td>-569</td>
<td>-1,042</td>
<td>-1,244</td>
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<td>Unemployment benefits</td>
<td>427</td>
<td>714</td>
<td>694</td>
<td>685</td>
<td>2,520</td>
</tr>
<tr>
<td>Prices and wages</td>
<td>9</td>
<td>199</td>
<td>138</td>
<td>-111</td>
<td>235</td>
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<td>Interest and exchange rates</td>
<td>9</td>
<td>-32</td>
<td>-62</td>
<td>-32</td>
<td>-118</td>
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<td>GST payments to the States</td>
<td>-500</td>
<td>-460</td>
<td>-1,339</td>
<td>-1,583</td>
<td>-3,882</td>
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<td>Public debt interest</td>
<td>44</td>
<td>-67</td>
<td>-167</td>
<td>-444</td>
<td>-635</td>
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<tr>
<td>Program specific parameter variations</td>
<td>-365</td>
<td>-236</td>
<td>-851</td>
<td>-788</td>
<td>-2,241</td>
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<tr>
<td>Other variations</td>
<td>716</td>
<td>-1,242</td>
<td>-337</td>
<td>-2,257</td>
<td>-3,119</td>
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<tr>
<td>Total variations</td>
<td>2,115</td>
<td>3,880</td>
<td>3,231</td>
<td>-777</td>
<td>8,449</td>
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<td>2017-18 Budget expenses</td>
<td>450,757</td>
<td>464,262</td>
<td>486,863</td>
<td>503,198</td>
<td>1,905,080</td>
</tr>
</tbody>
</table>

Source: The Commonwealth of Australia.
Prerequisites

- Clear fiscal objectives and rules
- Accurate macro-fiscal forecasts
- Credible budgeting
- Top-down and comprehensive budget process
Prerequisites

- **Clear fiscal objectives and rules**
  - Anchor for the formulation of medium-term ceilings and projections

- **Accurate macro-fiscal forecasts**
  - Realistic budget resource envelopes

- **Credible budgeting**
  - Ability to deliver over the medium-term

- **Top-down and comprehensive budget process**
  - Maintain aggregate expenditure
  - Prioritize allocation of limited resources
Prerequisites

- Clear fiscal objectives and rules
  Anchor for the formulation of medium-term ceilings and projections

- Accurate macro-fiscal forecasts
  Realistic budget resource envelopes

- Credible budgeting
  Ability to deliver over the medium-term

- Top-down and comprehensive budget process
  Maintain aggregate expenditure
  Prioritize allocation of limited resources
Accurate Macro-Fiscal Forecasts

Real GDP forecast errors, 2000-2015.
(Percent)

Source: IMF.
Prerequisites

- **Clear fiscal objectives and rules**
  Anchor for the formulation of medium-term ceilings and projections

- **Accurate macro-fiscal forecasts**
  Realistic budget resource envelopes

- **Credible budgeting**
  Ability to deliver over the medium-term

- **Top-down and comprehensive budget process**
  Maintain aggregate expenditure
  Prioritize allocation of limited resources
Credible Budgeting


Source: IMF.
Prerequisites

- Clear fiscal objectives and rules
  - Anchor for the formulation of medium-term ceilings and projections

- Accurate macro-fiscal forecasts
  - Realistic budget resource envelopes

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Prerequisites

**Clear fiscal objectives and rules**
Anchor for the formulation of medium-term ceilings and projections

**Accurate macro-fiscal forecasts**
Realistic budget resource envelopes

**Credible budgeting**
Ability to deliver over the medium-term

**Top-down and comprehensive budget process**
Maintain aggregate expenditure
Prioritize allocation of limited resources
Key Design Choices

- **Level of Commitment**
  - Binding
  - Indicative

- **Level of Specificity**
  - Aggregate Ceilings
  - Ministerial or program ceilings

- **Nature of Commitment**
  - Fixed MTBF
  - Rolling MTBF
Key Design Choices

Level of Commitment
- Binding
- Indicative

Level of Specificity
- Aggregate Ceilings
- Ministerial or program ceilings

Nature of Commitment
- Fixed MTBF
- Rolling MTBF
Case for Binding Ceilings

Better degree of certainty about future expenditure
Significant skills and effort devoted to the medium-term

Limited coverage
Less detailed
Costly in terms of resources and skills

Indicative ceilings are often used, at least as a first step
Key Design Choices

Level of Commitment
- Binding
- Indicative

Level of Specificity
- Aggregate Ceilings
- Ministerial or program ceilings

Nature of Commitment
- Fixed MTBF
- Rolling MTBF
Case for Aggregate Ceilings

- Higher degree of comprehensiveness
  - Flexibility to revise and reallocate at more specific levels
- Weaker commitment to specific policies
  - Less visibility on the medium-term for ministries
Key Design Choices

- Level of Commitment
  - Binding
  - Indicative

- Level of Specificity
  - Aggregate Ceilings
  - Ministerial or program ceilings

- Nature of Commitment
  - Fixed MTBF
  - Rolling MTBF
Case for Fixed Ceilings

+ Link ceilings with electoral terms
  Stronger stability and visibility on medium-term allocation of resources

- Weaker medium-term focus
  Less useful at the end of the covered timeframe
  Difficult to fine tune along the way

The standard length of a MTBF is usually 3-4 years
Example of Fixed Term, Binding Ministerial Ceilings

Case of the United Kingdom, Key Features:

- Fixed ceilings are set every three or four years based on Comprehensive Expenditure Reviews
- Has allowed large shifts in sectoral allocations over the medium term
- Around half of budget is still allowed to vary
- Approach requires large reserves
Key benefits of a medium-term perspective

Two key tools:

- Medium-Term Fiscal Framework and forecasting – Aggregate fiscal indicators

- Medium-Term Budget Framework – Detailed allocations and institutions

Prerequisites needed before moving to an MTBF

Range of design approaches for an MTBF
Public Financial Management (PFMx) Module 5

France’s Medium-Term Budget Framework
Budget Reform in France

1992
European Union Maastricht Treaty

1997
European Union Stability and Growth Pact

2001
Public Finance Law

2008
Constitution: Multi-year planning

2012
Organic Law
France's Medium-term framework

- Development Plans
- Multi-year Fiscal Targets
- Multi-year Spending Plans

- Annual Budget for year T
- Projections for year T+1
- Projections for year T+2

- Strategic Planning: 10 years
- MTFF: 4-5 years
- MTBF: 3 years
Medium-Term Budget Framework in France

- T-1
- T
- T+1
- T+2
- T+3
- T+4

- Preparation year
- Implementation year
- Binding
- Optional
Public Financial Management (PFMx) Module 5

South Africa’s Budget Process
South Africa’s Medium-term framework

Development Plans

Fiscal Objectives
- Multi-year
- Fiscal Targets

Multi-year Spending Plans

- Medium-term Expenditure Framework
- Revenue Framework

Annual Budget for year T
Projections for year T+1
Projections for year T+2

MTFF
MTSF
MTBF
<table>
<thead>
<tr>
<th>Month</th>
<th>National budget process</th>
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<tbody>
<tr>
<td>April / May</td>
<td>Policy discussions; Cluster meetings</td>
</tr>
<tr>
<td>June</td>
<td>Guidelines issued to institutions; information sessions</td>
</tr>
<tr>
<td>July</td>
<td>Budget submissions from institutions</td>
</tr>
<tr>
<td>August / September</td>
<td>Budget hearing (Medium Term Expenditure Committee)</td>
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<tr>
<td>September</td>
<td>Recommendations to Minister’s Committee on the Budget</td>
</tr>
<tr>
<td>October</td>
<td>Medium-term Budget Policy Statement</td>
</tr>
<tr>
<td>October</td>
<td>Budget allocations to departments</td>
</tr>
<tr>
<td>November</td>
<td>Ministerial comments on budget allocation</td>
</tr>
<tr>
<td>November</td>
<td>Cabinet approves departmental allocations</td>
</tr>
<tr>
<td>February</td>
<td>Budget tabled in Legislature</td>
</tr>
</tbody>
</table>
Medium-term Fiscal Framework

Macrofiscal projections

Debt
Percentage of GDP

Budget Revenue and Expenditure
Percentage of GDP

Source: National Treasury, South Africa.
## CONSOLIDATED FISCAL FRAMEWORK

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<thead>
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<tbody>
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<td>1 008.0</td>
<td>1 098.9</td>
<td>1 222.0</td>
<td>1 297.3</td>
<td>1 414.1</td>
<td>1 535.2</td>
<td>1 668.5</td>
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<td></td>
<td>27.8%</td>
<td>28.4%</td>
<td>29.9%</td>
<td>29.4%</td>
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<td>Expenditure</td>
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<td>1 233.5</td>
<td>1 364.2</td>
<td>1 445.2</td>
<td>1 563.1</td>
<td>1 677.1</td>
<td>1 814.3</td>
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<td>31.5%</td>
<td>31.9%</td>
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<td>-3.4%</td>
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<td>-2.8%</td>
<td>-2.6%</td>
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</table>

Source: National Treasury, South Africa.
Aggregate Expenditure ceilings

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<td>1 229 742</td>
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<td>1 229 833</td>
<td>1 323 564</td>
<td>1 435 418</td>
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Source: National Treasury, South Africa.

Note. Non-interest spending financed from the National Revenue Fund.
Determining the Total Expenditure

- Macroeconomic Indicators
- Fiscal Indicators
- New Policies
- Expenditure Estimates

- Three-year Expenditure Baseline
- Exchange rate adjustments
- Inflation adjustments
- Public Wage bill adjustments
- New Policies
- New MTEF
Public Financial Management (PFMx)  
Module 5 

United Kingdom's Medium-Term Budget Framework
United Kingdom – Fixed and Varying Expenditure

Departmental Expenditure Limits (DEL)
- £316bn (45% of total spending)
- 90% current and 10% capital
- 3-year fixed Departmental budgets

Annually Managed Expenditure (AME)
- £415bn (55% of total spending)
- Volatile or demand-led expenditure
- Managed on an annual basis

Source: HM Treasury, United Kingdom
Reserves and Margins in UK Public Finances

(GBP billion)

Source: HM Treasury, United Kingdom