

Assessing the Quality of Reasons in Government Budget Documents

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1. INTRODUCTION¹

At the core of budgets are choices: what to spend money on, and what not to spend money on; what to tax and what not to tax; how much to borrow and how much debt to incur; when to implement the budget as planned and when to deviate from plans in order to address changing economic and fiscal conditions.

The push for greater transparency and public engagement in budgeting is at least partly about bringing the public into these choices and ensuring that these choices are governed democratically. Public participation in budget choices can help ensure that budgets are aligned with the public interest. At the same time, a watchful public to whom choices and actions must be explained and justified also helps to ensure that budget decisions are actually implemented. This is at least part of what we mean by the larger idea of accountability: government accounting to citizens for what it did or did not do and why.

Choices in turn are ultimately about reasons: what one has reasons to do and what one has reasons to avoid. If choices are about reasons, then we must be able to say something about what makes reasons acceptable, legitimate or adequate. That is to say, some reasons must be better than others and there must be some way of judging the quality of reasons. This may seem logical but extremely difficult: could there really be objective grounds for assessing reasons? Is the quality of a reason more than just one's subjective assessment of it?

In fact, the idea that reasons could be universal or objective follows logically from what we mean by a reason. Reasons normally take the form of an argument that any actor in a similar situation and faced with similar choices would have reason to do "X". For this idea to be intelligible, it must be that reasons appeal to objective or universal ideas about the meaning of the situations and choices facing an actor. This is what allows us, in ordinary

¹ The author thanks Joel Friedman and Paolo de Renzio for a number of helpful comments and suggested revisions. All errors of fact or interpretation are the responsibility of the author.

conversation, to say that “she had no reason to do X” or “While I don’t agree with him, I can understand why he did that.” The reasons and motives at play in such claims are general principles applied to specific situations. We disagree with these reasons on the same grounds: either that a particular principle is not general (less often), or that it does not apply to a specific situation (more often).

If reasons were not understood to be generally applicable, relevant to anyone facing a particular situation and a particular set of choices, then we would not have much to talk about. Reason would cease to mean what it does and would become a description of the arbitrary whims of an actor, inscrutable to others and without any anchor in ideas about what different people in the same situation should do.

The conception of reasons as an appeal to general principles is what allows collective deliberation and choice, and is therefore essential for thinking about democratic policymaking. The idea of an open, democratic, and participatory budget process rests on a notion of collective decision-making, in which citizens, civil society, legislatures, executives and other stakeholders consider alternatives and deliberate over the reasons to pursue one alternative over others. For this process to be informed and lead to desirable outcomes, such as budgets that are aligned with public priorities and that can be implemented, it must be anchored on reasons that the various participants can understand and debate. When we debate reasons for choices, rather than just the final choices themselves, we are better equipped to choose policies that are aligned with our goals, and better able to structure meaningful engagement between citizens and government officials.

It follows from this that reasons, and particularly those reasons that inform public policy, must have certain qualities that make them intelligible to others. We must be able to judge reasons according to these qualities. The challenge is to identify these qualities and determine how to measure them. This is one of the tasks that we set for ourselves in this paper, with specific application to reasons for budget-related choices.

Up to this point, we have approached the question of reasons from a prospective angle: offering reasons for choices that are yet to be made. However, when we reason about the budget, we cannot limit ourselves to reasons for future choices. We will also want to examine reasons for choices, actions and events that have already occurred. This is necessary for the review of budget implementation. We therefore mean to include in what we think of as reasons those explanations or justifications for motives or actions in the past. This is particularly important when governments do not meet their budgets (sometimes referred to as a lack of “budget credibility”).

In broadening our conception in this way, we are really talking about a process of “reasoning” rather than the somewhat narrower idea of a “reason” for a choice. We mean to say that in discussing both what has happened in a process and what we are proposing to do in the future, we must anchor the discussion in reasoning. While there are differences between reasons for choices in the future and explanations for actions and events in the past, both

are rooted in an idea of reason as the application of generally accepted norms and ideas to specific situations. Whether we wish to explain why we collected less revenue than targeted, or justify why we will aim to collect less next year, we are appealing to ideas about what any actor in a particular situation would do.²

2. REASONS ARE ALREADY PART OF PUBLIC FINANCIAL MANAGEMENT

Is asking governments to justify or explain their past behavior or their proposed actions a radical proposal? Not at all. In fact, mainstream public finance assessments and tools already require governments to explain past performance. In addition, a wide range of governments already provide explanations in budget documents as a matter of course.

Starting with international assessments, the 2016 PEFA framework asks for explanations when budgets change as part of indicator 16.4, which assesses the consistency of budgets with prior year estimates in a medium-term framework.³ The highest score on this indicator is awarded to countries that explain “all changes to expenditure estimates” at the ministry level. The International Monetary Fund’s (IMF) 2018 Fiscal Transparency Handbook calls for explanation as part of the assessment criteria in Principle 1.3.3 (explanations of any revisions to historical data), Principle 1.4.3 (explanations for variances between different reports on budget implementation versus forecast), and Principle 2.4.3 (explanations related to either policy change, macroeconomic factors, or other factors as to why forecasts are changing over time).⁴

The International Budget Partnership (IBP) argues for the importance of explanations in In-Year Reports (IYR), Mid-Year Reports (MYR) and Year-End Reports (YER) in the 2011 [“Guide to Transparency in Government Budget Reports.”](#) The 2017 Open Budget Survey asks questions about these items in the MYR in Questions 76-77, 80, 83 and for the YER in Questions 84, 87 and 90-95 (although these YER questions refer to “narrative discussion” rather than explanation *per se*).

IBP research also finds that many governments around the world already provide justifications for deviations from budget, though these are of varying quality and comprehensiveness. Afghanistan, Chile, Costa Rica, Dominican Republic, Jordan, New Zealand, Nicaragua, Philippines, South Africa, and the United Kingdom are among countries

² It may appear in some cases that the reason for a past action is out of the “control” of the agent, and that this makes it a different matter than explaining a policy choice. We will argue instead that while the level of control is a relevant consideration for holding an actor accountable, it is less relevant for the nature and quality of reasoning.

³ “PEFA Framework for Assessing Public Financial Management,” PEFA Secretariat, February 2016, https://pefa.org/sites/default/files/PEFA%20Framework_English.pdf

⁴ Sailendra Pattanayak, “Fiscal Transparency Handbook (2018),” International Monetary Fund, April 2018, <https://www.elibrary.imf.org/view/IMF069/24788-9781484331859/24788-9781484331859/24788-9781484331859.xml>

that provide explanations for variations between budget and actual spending in their budget documents.⁵ The diversity of this limited sample suggests that there is fairly widespread acceptance of the principle of providing some kind of public justification for budget deviations. For an example of the kinds of explanations that governments provide for budget deviations, see Figure 1 below for an excerpt from [The United Kingdom \(UK\) Office for Budget Responsibility Forecast Evaluation Report, October 2016](#).

FIGURE 1: EXPLANATIONS FOR REVENUE DEVIATIONS FROM BUDGET (UNITED KINGDOM)

Income tax and NICs	
3.22	Average earnings growth in 2015-16 was once again significantly lower than forecast, depressing growth in PAYE and NICs receipts. That reflected weaker-than-expected productivity growth, as discussed in chapter 2. Higher-than-expected growth in employment partly offset that weakness, but had a smaller effect on receipts.
3.23	Abstracting from the errors in earnings and employment, receipts for 2015-16 were slightly above our March 2014 and March 2015 forecasts. In our March 15 forecast, that reflected an underestimate of receipts for the final two months of the financial year – by £1.4 billion for PAYE and £1.6 billion for NICs. Information on these receipts are not available at the time of our March forecasts and tend to be more volatile, in particular due to the tax that is paid on end-of-year bonuses. Strong earnings growth in the comparatively high-paying business services sector in 2015-16 also supported receipts relative to our forecasts.
3.24	SA income tax receipts were again significantly below forecast. Self-employment income fell short, consistent with evidence that recent growth in self-employment has been concentrated among lower income individuals, while more of those with higher incomes are incorporating their businesses, which reduces the amount of tax they pay on a given amount of income. The March 2014 forecast also considerably overestimated savings income, reflecting lower than expected interest rates.

From the United Kingdom Office for Budget Responsibility Forecast Evaluation Report, October 2016 (page 49)

What is true of budget deviations is also true for proposed spending. Explaining why certain trade-offs are being made is a crucial part of the budget process, and an accepted part of public financial management. Under Principle 2.1.2 in their Fiscal Transparency Handbook, the IMF requires explanations for the assumptions behind macroeconomic forecasts used to formulate the budget. The IMF also encourages prospective explanations of how governments have taken fiscal risks into account in the budget (Principle 3.1.2). The Open Budget Survey 2017 asks whether countries provide narrative discussions of all new policy proposals in the Executive's Budget Proposal (EBP).

⁵ "Budget Credibility: What Can We Learn from Budget Execution Reports?" International Budget Partnership, 2018, <https://www.internationalbudget.org/publications/budget-credibility-execution-reports/>

There is significant variation among countries in the quality and comprehensiveness of prospective explanations for budget proposals, but most countries do provide at least some narrative justification of proposed spending and revenue choices each year. Generally, this is one of the purposes of a government's Pre-Budget Statement (PBS), at least at the highest level. It should explain and justify the broad policy direction that the government proposes to pursue through the upcoming budget. Forty three percent of the countries surveyed in the 2017 OBS published such a document. As an example of the kind of explanations provided in such documents, see Figure 2 for an excerpt from [South Africa's Medium Term Budget Policy Statement 2016](#).

FIGURE 2: EXAMPLE OF A GOVERNMENT EXPLANATION FOR ITS POLICY DIRECTION

Medium term: avoiding a low-growth trap

Since the 2009 recession, fiscal and monetary policy have been supportive of the economic recovery. Over the medium term, fiscal policy aims to stabilise debt, so that higher levels of spending can be sustained.

But further deterioration of the economy could lead South Africa into a low-growth trap. In this scenario, weak GDP growth produces less tax revenue. Aggressive fiscal consolidation – in other words, steps to contain the deficit and stabilise debt – may bolster confidence, but can undermine the economy. Taking no action could result in ratings downgrades, capital flight, rapid exchange rate depreciation and a spike in interest rates. Such developments would throw up greater challenges for private and public investment plans, and could result in even lower growth outcomes.

To avoid this trap, government proposes a balanced consolidation. Proposals include a combination of tax policy measures that will raise an additional R43 billion over the next two years, and a reduction in the expenditure ceiling of R26 billion. These steps follow consolidation measures announced in the 2015 and 2016 Budgets. If these necessary trade-offs are accompanied by higher levels of economic growth – which is possible if fresh impetus is given to private investment – it will create more space for flexibility on fiscal targets over the medium term. Conversely, continued uncertainty on major factors that affect the economy will narrow fiscal room to manoeuvre.

From South Africa's Medium Term Budget Policy Statement 2016 (page 5)

In at least some countries, more detailed and disaggregated proposals for spending are also provided. In Uganda, for example, the sectoral Budget Framework Papers present brief reasons for individual increments/decrements at

the program output level.⁶ Figure 3 provides an example from [Uganda's Health Sector Budget Framework Paper 2018/19](#).

FIGURE 3: EXAMPLE OF REASONS PROVIDED FOR BUDGET CHANGES AT THE PROGRAM LEVEL

Vote:014 Ministry of Health		
Major changes in resource allocation over and above the previous financial year		Justification for proposed Changes in Expenditure and Outputs
Output: 81 Health centre construction and rehabilitation		
Change in Allocation (US\$ Bn) : (3.071)		The reduction is in line with the work plan for construction of maternity units at HC IIIs under the RMNCH project in FY 2018/19.
Output: 82 Staff houses construction and rehabilitation		
Change in Allocation (US\$ Bn) : (5.619)		The ongoing staff house construction in Karamoja is expected to be completed in FY 2017/18
<i>Programme : 03 Ministry of Health</i>		
Output: 52 Support to Uganda National Health Research Organisation (UNHRO)		
Change in Allocation (US\$ Bn) : 0.303		This is on account of the reallocation of research institutions wage from the original department of national disease control to the Uganda Natural Chemotherapeutics organisaion
<i>Programme : 05 Ministry of Health</i>		
Output: 01 Preventive and curative Medical Supplies (including immunisation)		
Change in Allocation (US\$ Bn) : (136.276)		The reduction is on account of the reduction in the MTEF provision for GAVI and Global Fund. This is however expected to change when Development Partner commitments for FY 2018/19 have been confirmed.

From Uganda's Health Sector Budget Framework Paper 2018/19 (page 12)

In summary, the principle that governments should explain or justify their proposals for the budget as well as the ways in which these budgets deviate from proposals approved by the legislature is well established. At the global level, there is somewhat more focus on the latter question (justifying budget deviations), in part because international actors are more focused on fiscal discipline and budget credibility than they are on justifying initial sector choices to the public. Nevertheless, the basic notion that governments should provide public reasons for the choices they propose to make in the budget is uncontroversial.

⁶ Sector Budget Documents, Uganda Ministry of Planning and Economic Development, available at <http://www.budget.go.ug/budget/sector-budget-docs>

3. WHAT IS A REASON?

In thinking about the quality of reasons that governments provide for their actions and events, it is useful to start with a definition. The philosopher T.M. Scanlon defines a “reason” as the relationship between four things:

1. A fact (or state of the world)
2. An agent
3. A set of conditions
4. An action or an attitude

What we mean when we talk about reasons is that *some fact is a reason for an agent facing a particular set of conditions to act or believe in a particular way*. The implicit idea here is that any agent considering a particular fact and a particular set of conditions would have reason to act or believe in a particular way. This is not to say that this is the only reason one may have, or that such a reason is decisive.⁷ Normally, we have multiple reasons to do or to believe different things, which we must assess against one another.

Suppose that we say that Joe has reason to show up for work at 8:30 AM, because his job demands that he do so. If he fails to come on time he will lose his job, and that in turn will leave him impoverished since he has no other job prospects or sources of wealth. In this case, we may say that needing to show up on time to keep his job is a fact that constitutes a reason for Joe to do so. Joe is of course the agent, and we are considering what reasons Joe has to show up for work at 8:30 AM. We may further say that the other information that we have about Joe’s life and his prospects are conditions which affect the relevance of this fact for him of needing to show up on time. If Joe had other opportunities or was independently wealthy, then the fact about his current job might not constitute a reason for action to the same extent.

It is possible, of course, to disagree with the reasoning above. But the idea here is to appeal to general principles that anyone could agree with: anyone could imagine being in a situation where they had a job that required them to be on time, that keeping the job was important and that these facts would provide reasons to a person to act in a particular way in that situation. The reasons are specific to the facts and circumstances Joe encounters, but they are intended to be objectively or universally relevant to anyone in Joe’s situation. If we were to run into Joe on the street at 8:20 AM, rushing to the office, and he were to tell us that he needed to run to get to work on time so as not to lose his job, we would all understand this as a reason. The same would apply if we ran into Mary with the same story.

⁷ T.M. Scanlon, “Chapter 2: Metaphysical Objections” in *Being Realistic About Reasons* (Oxford University Press, 2014)

It seems that what we mean by a reason, then, is a motivation for action that can be explained in terms of ideas, norms, facts, conditions, and what it means to be an actor (a human or an institution), that others could understand and see as reasonable, even if they disagree with our final decision. Some reasons are in fact “internal,” in that they are reasons we use to explain our own choices to ourselves. We may not always subject our internal reasons to the strict standard of being acceptable to the wider world, though we often do.

Other reasons are explicitly external (we might say “social” or “public”), justifying our choices to others. Since we are concerned here with choices about the budget, the reasons that we will consider are explicitly external. That is, these are reasons that are given by executives, legislatures, auditors or the public, to explain and justify public choices as opposed to private choices. In this case, it is essential that we argue our case using reasons that we believe others would have reason to accept, or at least not to reject.

This idea of reasoning is closely connected to what philosopher John Rawls called “public justification,” which is a way of trying to find common ground with those who disagree with us by appealing to premises and shared beliefs that they can endorse.⁸ For Rawls, a well-ordered society has certain public ideas that are shared widely and to which people must appeal when making claims.⁹ In a related way, we can argue that public decisions should be based on public reasons that appeal to shared beliefs.¹⁰

As argued in the introduction, this approach to reasoning embraces not only reasons for choices in the future, but also reasoning about past actions and events. The latter might appear to be a substantially different matter, but the essential relationship between facts, actors, conditions and actions remains. For example, suppose that we say that the reason we under-collected revenue was because of a major global economic shock, like the banking crisis of 2007. While we may wish to avoid individual responsibility when using an explanation of this kind (i.e., we recognize that the government may not have had control over the shock), we are still making a general claim that any treasury facing a similar economic crisis with similar revenue targets would have been likely to have under-collected because of the shock. Our assessment of this reason depends entirely on the plausibility of this claim about what any similarly placed actor would have achieved under similar circumstances.¹¹

⁸ John Rawls, *Justice as Fairness: A Restatement* (Harvard University Press, 2001), pp. 26-27.

⁹ Ibid. Rawls thought of society as a “fair system of social cooperation” and a well-ordered society as one that is “effectively regulated by some public (political) conception of justice.”

¹⁰ We should not conclude from this that Rawls assumed a homogeneous society; his work was rather premised on finding an “overlapping consensus” around minimally acceptable ideas in a society with disagreement about “comprehensive doctrines” as evidenced by “reasonable pluralism” of ideas, religions and philosophies.

¹¹ While governments clearly have more control over some events than others, it is also problematic to define clearly the boundaries of “control.” Governments can also mitigate the impact of events that they do not control by having larger contingency funds, or by reacting to crises by (for example) loosening fiscal or monetary policy.

It is worth making two final observations about reasons. First, it is implicit in our idea of a reason that there are causal processes at work. An economic shock causes revenue to decline; showing up for work late causes one to lose his or her job. The relationship between facts, agents and actions revolves around beliefs about cause and effect. Adequate reasons appeal to causal chains for which there is some evidence that A causes B.

Our second and final observation is that, while it may be reasonable to think that A causes B, we will in many cases of public policy want to understand *how* A causes B. It may be obvious that if Joe is late for work, his boss will become angry and fire him (although often this may not be obvious). Suppose, however, that a government proposes to allocate more to health expenditure in order to reduce maternal mortality. On its face, this is not an unreasonable proposal, but it is inadequate insofar as it does not clarify the *how*. In what way will added funds address this problem? An adequate reason must allow for (and avoid) the possibility of bad choices that would undermine the purported causal mechanism. For example, an increase in the health budget could be used to reduce fees for maternal services at clinics, but what if the women who are failing to present at clinics are doing so because the clinics are too far away? Reducing fees may not address the problem. We can only discuss these possibilities when we look at the mechanism by which the proposal causes the outcome (e.g., how reducing fees for maternity services will lead to improved access to those services). Thus, the quality of the reasoning depends crucially on the mechanism by which A is supposed to cause B.

4. CRITERIA FOR JUDGING REASONS

The challenge is to connect this somewhat abstract conception of a reason to criteria we can use to assess actual reasons in budget documents, or provided by officials in other forums. In this section, we lay out five (5) criteria that define good retrospective and prospective reasoning. While there are similarities between our criteria for assessing retrospective reasons about past events (such as budget credibility) and prospective reasons about proposed actions, there are also some differences. These similarities and differences are captured in the mostly parallel structure outlined in Table 1 below.

TABLE 1. CRITERIA FOR ASSESSING PUBLIC REASONS

RETROSPECTIVE Case: Governments' reasons should explain actions in the past	PROSPECTIVE Case: Governments' reasons should explain proposed actions
<p>1. Identify a causal link between (A) a set of facts and (B) deviations from the budget (Minimum condition)</p> <p><i>A government should explain why actual performance deviated from the original projections in the budget. For example, actual revenue or expenditure may be different than the budget for reasons related to the economy, to changes in policy, or to technical factors such as errors in predicted participation rates in a program or tax credit. These facts could be used to provide a causal explanation for budget deviations.</i></p>	<p>1. Identify a causal link between (A) a proposed budget policy and (B) an outcome (Minimum condition)</p> <p><i>A government should explain why it is proposing a particular policy in the budget. For example, why is the government proposing to increase revenue from a particular source, or increase expenditure on particular items? A causal explanation should connect a problem to a policy solution and argue that the solution will cause the problem to be resolved or at least ameliorated. For example, if low agricultural productivity is the problem, then government investment in irrigation might be a solution.</i></p>
<p>2. Explain the mechanism by which (A) a set of facts has caused (B) deviations and, where possible, (C) the factors that caused (A) in the first place</p> <p><i>If A (facts) caused B (deviation from budget), how did A cause B? A causal statement is more powerful if it explains the mechanism through which A caused B. For example, assume government identifies an economic shock as having caused revenue to decline below forecast levels. Explaining the mechanism by which this occurred would require providing evidence showing how the economic shock resulted in lower economic growth, which led to lower employment and lower incomes, which in turn reduced collections for major tax heads like income tax and VAT. In cases where A was under the government's control, such as when it was caused by a policy change, an explanation for this (C) that caused (A) should be provided. For example, if revenue fell short of target (B) because of a failure to implement an automated revenue system (A), why was the system not implemented?</i></p>	<p>2. Explain the mechanism by which (A) policy will lead to (B) outcome</p> <p><i>If A policy will cause B outcome, how will A cause B? A causal statement is more powerful if it explains the mechanism through which a policy solution (A) addresses a problem (B). For example, assume government proposes a tax policy intended to reduce inequality. Explaining the mechanism by which this would occur would require providing evidence showing the impact of the tax policy on the after-tax incomes of poorer and wealthier taxpayers.</i></p>

RETROSPECTIVE Case: Governments' reasons should explain actions in the past	PROSPECTIVE Case: Governments' reasons should explain proposed actions
<p>3. Provide sufficient detail to explain any variation in outcomes</p> <p><i>If a set of facts (A) explains a deviation from the budget (B), is the set of facts sufficient to explain any variation in the deviation when it is disaggregated into its component parts (B₀, B₁ and B₂)? For instance, assume overall expenditure has declined, but that some types of spending increased while others decreased. The reasons presented should be sufficient to explain both facts: overall spending on health might have decreased because uptake of a large insurance scheme was below target, but spending on health infrastructure was faster than expected due to the sudden resolution of outstanding legal cases that had barred construction on contested land.</i></p>	<p>3. Acknowledge and argue against alternatives</p> <p><i>If policy A can cause B outcome, are there other policies (C and D) that could also achieve the same outcome and why were they not proposed? An explanation for a policy is better if it also addresses alternative options C and D and shows why A is superior. For example, using tax policy to reduce inequality is more compelling if there is a reason to prefer tax policy over expenditure policy to achieve the same goal.</i></p>
<p>4. Show how explanations are consistent with past experience or why conditions have changed</p> <p><i>If A facts caused B deviation, is this result consistent with historical experience? If not, why not? A is a better explanation for B if evidence is provided that A normally (from past experience) causes B. For instance, if a particular change in the economy normally causes revenue to decline by a certain amount, it is a more convincing reason for the revenue decline now. If actual performance is not consistent with past experience, then some additional explanation for this fact is needed. Where conditions have changed, governments should also confirm that they will change their approach to forecasting in the future, or explain why not.</i></p>	<p>4. Show how explanations are consistent with past experience or why conditions have changed</p> <p><i>If A policy will cause B outcome, is this consistent with historical experience? If not, why not? A is a better explanation for B if evidence is provided that policies like A have caused B in the past. For instance, if raising a particular tax has reduced inequality in the past, this is a more convincing reason to think it will do so now as well. If the proposal is at odds with historical experience, then some additional explanation for this fact is needed.</i></p>

RETROSPECTIVE Case: Governments' reasons should explain actions in the past	PROSPECTIVE Case: Governments' reasons should explain proposed actions
5. Explain the most important deviations <i>If X, Y, and Z are all major deviations from the budget, are explanations provided for all three? A government should explain all major budget deviations, rather than explaining only some or instead explaining minor deviations. Major deviations can be defined in terms of budget size, but also in terms of priority groups (e.g., the poor), or in terms of the non-financial impact of the deviations. The government will have to make and explain its judgment about what is a major deviation, or what are the most important deviations.</i>	5. Explain the most important proposals <i>If X, Y, and Z are all substantively important proposals in the budget, are explanations provided for all three? A government should explain all major budget proposals, rather than explaining only some or instead explaining minor proposals. Major proposals may be defined in terms of their size relative to the budget, but also in terms of priority groups (e.g., the poor), or in terms of the non-financial impact of the proposals. The government will have to make and explain its judgement about what is a major proposal, or what are the most important proposals.</i>

5. APPLICATION OF CRITERIA

In this section, we consider how the criteria discussed above can be applied to specific examples – one retrospective and one prospective – that are drawn from government budget documents. One important challenge in using criteria of this type is to determine *to what* they should be applied. For example, a government may provide a reason for some action or proposal in a particular document that, by our criteria, we find to be inadequate, yet this government may have provided additional justification in other documents. Assuming that those other documents are official, published documents, it would be unfair to assess the quality of government reasoning based only on the initial document. On the other hand, it is not always obvious where to look for government reasons, which is itself a threat to the quality of public reasoning.

In the cases we examine below, we endeavor to judge government reasons with respect to available documents. It may be that additional documents exist that were not available for this exercise and that these might change our assessment. This is not necessarily a major concern for our purposes since this section is purely illustrative, but this potential limitation of the analysis should be born in mind by readers.

RETROSPECTIVE CASE

Example: The United Kingdom (UK) Office for Budget Responsibility Forecast Evaluation Report, October 2016

This report, from which we also excerpted above, is produced by the UK's Office for Budget Responsibility, a government advisory body that is independent from the Treasury; it looks at the deviations in performance against expectation for the economy and public finances. Here, we consider an example related to the government's

forecasts for tax revenue collection (“receipts-to-GDP”). We review text from the report below in Figures 4a – 4d, and assess how the government’s justifications for its actions in this report figure against our reasoning criteria in Table 2.

FIGURE 4A: UK FORECAST EVALUATION REPORT EXCERPT, TAX-TO-GDP RATIO

3.15 Chart 3.4 shows that the 1.4 per cent of GDP error in our forecast for the change in the tax-to-GDP ratio over the forecast period has largely been due to individual taxes under-performing relative to their tax bases:

- the mix of labour income growth, with more through employment and less through earnings, was less favourable for **pay as you earn (PAYE) income tax, self-assessment (SA) and NICs** receipts than expected. Tax thresholds were also higher relative to earnings, initially due to higher inflation but then also policy measures – in particular further rises in the personal allowance. The distribution of incomes, notably for new workers and among the self-employed, has also been skewed towards the lower end. These lower effective tax rates more than explain the total error, accounting for an estimated 1.5 per cent of GDP relative to forecast;
- **oil and gas** receipts were close to zero in 2015-16, compared with the 0.5 per cent of GDP forecast. Receipts were depressed by lower prices and production (tax base) and higher tax-deductible costs and losses used (effective tax rate);

From the United Kingdom Office for Budget Responsibility Forecast Evaluation Report, October 2016 (page 44)

FIGURE 4B: UK FORECAST EVALUATION REPORT EXCERPT, TAX-TO-GDP RATIO

Income tax and NICs	
3.22	Average earnings growth in 2015-16 was once again significantly lower than forecast, depressing growth in PAYE and NICs receipts. That reflected weaker-than-expected productivity growth, as discussed in chapter 2. Higher-than-expected growth in employment partly offset that weakness, but had a smaller effect on receipts.
3.23	Abstracting from the errors in earnings and employment, receipts for 2015-16 were slightly above our March 2014 and March 2015 forecasts. In our March 15 forecast, that reflected an underestimate of receipts for the final two months of the financial year – by £1.4 billion for PAYE and £1.6 billion for NICs. Information on these receipts are not available at the time of our March forecasts and tend to be more volatile, in particular due to the tax that is paid on end-of-year bonuses. Strong earnings growth in the comparatively high-paying business services sector in 2015-16 also supported receipts relative to our forecasts.
3.24	SA income tax receipts were again significantly below forecast. Self-employment income fell short, consistent with evidence that recent growth in self-employment has been concentrated among lower income individuals, while more of those with higher incomes are incorporating their businesses, which reduces the amount of tax they pay on a given amount of income. The March 2014 forecast also considerably overestimated savings income, reflecting lower than expected interest rates.

From the United Kingdom Office for Budget Responsibility Forecast Evaluation Report, October 2016 (page 49)

The text above explains the overall difference between expected tax collection and actual tax collection by looking at each individual source (here, we show only income tax and oil and gas receipts, but others are covered in the report). More detail is provided about each source further down in this report. Further detail on VAT is shown here:

FIGURE 4C: UK FORECAST EVALUATION REPORT EXCERPT, TAX-TO-GDP RATIOIN

3.16	Partly offsetting those falls were:
<ul style="list-style-type: none">VAT receipts, rising by an additional 0.7 per cent of GDP, in part due to the consumption share of GDP being higher than expected, but also due to a higher effective tax rate. That reflects a higher share of household expenditure on standard rated goods, the VAT gap closing faster than we had assumed and the deductions forecasting error that was identified in last year's FER process and fixed in our November 2015 forecast; andcontributions from other taxes, including higher capital gains tax receipts (driven by stronger growth in equity prices up to 2014-15), as well as the effect of a weaker nominal GDP denominator boosting other smaller lines of receipts when expressed as a share of GDP.	

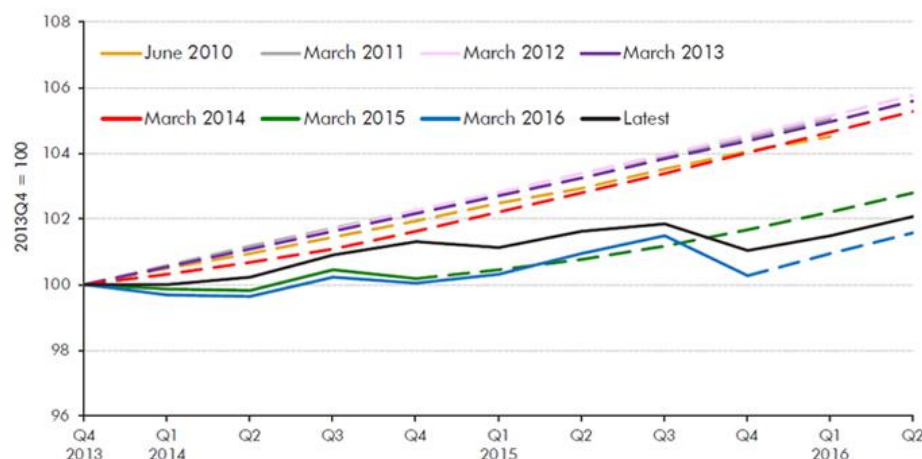
From the United Kingdom Office for Budget Responsibility Forecast Evaluation Report, October 2016 (page 45)

The following sections cover the issue of productivity growth mentioned above as being captured in Chapter 2.

FIGURE 4D: UK FORECAST EVALUATION REPORT EXCERPT, TAX-TO-GDP RATIO

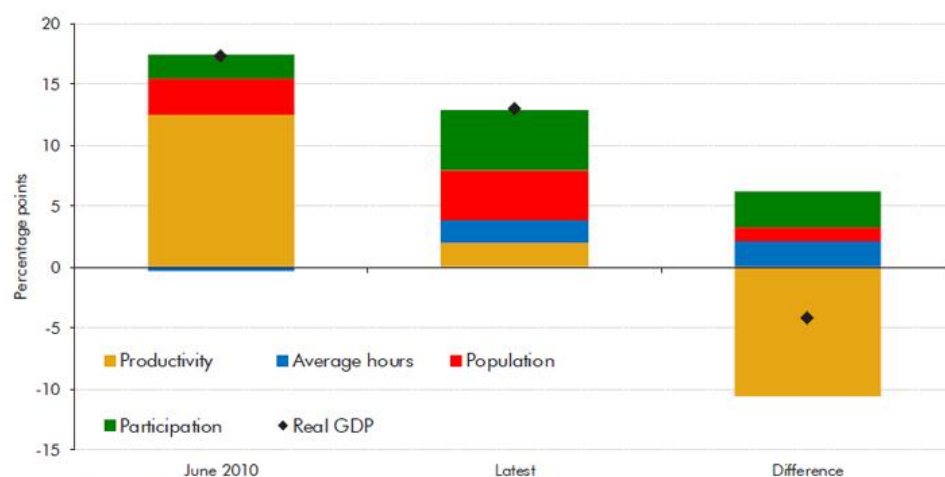
2.53 As described in previous FERs, employment growth has consistently exceeded our forecasts in recent years. Given that real GDP growth has not, productivity growth – output per person or per hour worked – has fallen well short of our forecasts. This has led us to revise down our assumption for trend productivity growth on a number of occasions, including a substantial change in our March 2016 EFO.

Chart 2.21: Forecasts and outturns for hourly productivity from 2013Q4



2.6 The continued weakness in productivity growth has been very unusual by historical standards¹ and as a result productivity growth has fallen well short of our June 2010 forecast. As Chart 2.4 shows, this was responsible for a large part of our error in forecasting real GDP growth. Employment growth has been higher than we forecast in June 2010, due to lower than expected unemployment and higher than expected participation, but in terms of GDP growth this was not enough to offset weaker-than-expected productivity growth.

Chart 2.4: Contributions to real GDP growth from labour inputs and productivity since 2010Q1



Source: OBR calculations

¹ For an overview of the 'productivity puzzle' and some of the possible explanations of its size and persistence, see *The UK productivity puzzle*, Bank of England quarterly bulletin, June 2014.

We assess the quality of the reasoning from this U.K. report using our five criteria in Table 2.

TABLE 2. ASSESSING QUALITY OF REASONING AGAINST FIVE CRITERIA – EXAMPLE OF A RETROSPECTIVE CASE

RETROSPECTIVE: <i>Explains actions in the past</i>	Assessment of <u>UK Office for Budget Responsibility: Forecast Evaluation Report, October 2016, Tax Receipt Section</u>
<p>1. Identify a causal link between (A) a set of facts and (B) deviations from the budget (Minimum condition)</p> <p><i>A government should explain why actual performance deviated from the original projections in the budget. For example, actual revenue or expenditure may be different than the budget for reasons related to the economy, to changes in policy, or to technical factors such as errors in predicted participation rates in a program or tax credit. These facts could be used to provide a causal explanation for budget deviations.</i></p>	<p>The overall issue to be addressed here is the reason why the tax to GDP ratio was lower than forecast. The document appears to meet our minimum condition for explaining this issue. The initial explanation mentions both higher inflation, an economic reason, and increases in the personal allowance, a policy reason.</p>
<p>2. Explain the mechanism by which (A) a set of facts has caused (B) deviations and, where possible, (C) the factors that caused (A) in the first place</p> <p><i>If A (facts) caused B (deviation from budget), how did A cause B? A causal statement is more powerful if it explains the mechanism through which A caused B. For example, assume government identifies an economic shock as having caused revenue to decline below forecast levels. Explaining the mechanism by which this occurred would require providing evidence showing how the economic shock resulted in lower economic growth, which led to lower employment and lower incomes, which in turn reduced collections for major tax heads like income tax and VAT. In cases where A was under the government's control, such as when it was caused by a policy change, an explanation for this (C) that caused (A) should be provided. For example, if revenue decline (B) was caused by failure to implement an automated revenue system (A), why was the system not implemented?</i></p>	<p>The reasoning partially addresses these matters. What is the mechanism by which higher inflation and a higher personal allowance (A) reduced tax revenue (B)? There is an explanation, but it could be clearer. It appears to be because tax thresholds rise with inflation, and seem to be rising faster than wages. This specific relationship between the rate of increase in the rate of inflation and the rate of increase in wages is not made explicit. The increase in the personal allowance naturally reduces taxable income.</p> <p>With respect to the reasons for the policy change, these are not offered (i.e., why did the personal allowance rise and why was this not anticipated?). However, some reasons are provided for the economic fact that wage income has not risen as fast as expected, including that productivity growth has been low, and that there has been more low-wage employment than anticipated.</p>

RETROSPECTIVE: <i>Explains actions in the past</i>	Assessment of <u>UK Office for Budget Responsibility: Forecast Evaluation Report, October 2016, Tax Receipt Section</u>
<p>3. Provide sufficient detail to explain any variation in outcomes</p> <p><i>If a set of facts (A) explains a deviation from the budget (B), is the set of facts sufficient to explain any variation in the deviation when it is disaggregated into its component parts (B₀, B₁ and B₂)? For instance, assume overall revenue has declined, but that some sources declined while others increased. The facts presented should be sufficient to explain both deviations: a slower economy with lower employment and incomes could lead to lower collections for income taxes and VAT, but improved administration could account for the reason that receipts from excise taxes increased.</i></p>	<p>Revenue sources behaved differently during the period, and explanations are offered for this. During the period, VAT and capital gains taxes exceeded while income tax fell below forecasts. The explanation for VAT increase is a higher than expected share of household spending on standard rated goods. This could perhaps be further explained: either by telling us why this happened, or by telling us on what kinds of goods in particular, which might help us understand why.</p> <p>The explanations for income tax and VAT are distinct and potentially complementary. For example, it is at least plausible to think that more low-wage employment (and a higher personal allowance) than anticipated would lead to more consumption, and thus higher VAT receipts than expected, but also (as argued above) to lower income tax collections.</p>
<p>4. Show how explanations are consistent with past experience or why conditions have changed</p> <p><i>If A facts caused B deviation, is this result consistent with historical experience? If not, why not? A is a better explanation for B if evidence is provided that A normally (from past experience) causes B. For instance, if a particular change in the economy normally causes revenue to decline by a certain amount, it is a more convincing reason for the revenue decline now. If actual performance is not consistent with past experience, then some additional explanation for this fact is needed. Where conditions have changed, governments should also confirm that they will change their approach to forecasting in the future, or explain why not.</i></p>	<p>An explanation is offered for one of the most important factors in the deviations from forecast: the fact that productivity growth has been lower than expected, leading to lower than expected wage growth, and lower than expected income tax growth. In this case, the reason for the poor performance of the prediction is that productivity growth performed more poorly than in the past -- outside of the normal rate of growth. This is a complex topic; it is discussed further in another chapter, and even that chapter refers to another report on the topic. Some attempt is made to explain the fact that GDP has been rising but labor participation has also been rising, leading to slower productivity growth. Evidence is also provided that projected productivity growth has been revised down going forward, suggesting that this is considered a "new normal" rather than a one-off deviation from past performance.</p>

RETROSPECTIVE: <i>Explains actions in the past</i>	Assessment of UK Office for Budget Responsibility: Forecast Evaluation Report, October 2016, Tax Receipt Section
<p>5. Explain the most important deviations</p> <p><i>If X, Y, and Z are all major deviations from the budget, are explanations provided for all three? A government should explain all major budget deviations, rather than explaining only some or instead explaining minor deviations. Major deviations can be defined in terms of budget size, but also in terms of priority groups (e.g., the poor), or in terms of the non-financial impact of the deviations. The government will have to make and explain its judgment about what is a major deviation, or what are the most important deviations.</i></p>	<p>Not all revenue sources are discussed in detail, but the major ones -- those that contribute most to revenue and that had substantial forecast errors -- are.</p>

In summary, the UK's Office for Budget Responsibility's Forecast Evaluation Report offers reasonably comprehensive explanations that perform well against our criteria, but could still be improved. This is particularly so with respect to our second criteria, where more information could be provided about the mechanisms at work linking inflation to reduced tax revenue, and to explain the reasons for the policy decision to increase the personal allowance.

PROSPECTIVE CASE

Example: South Africa's 2018 Full Estimates of National Expenditure: Vote 16 Health

South Africa operates a program-based budget where expenditure prioritization occurs at the program and sub-program level. Each year's budget proposes shifts in allocations at the program level which should be explained. We consider the explanations related to the health sector. While we focus on the budget proposal itself, we take note of the existence of other planning documents that may inform the budget, including the Department of Planning, Monitoring & Evaluation [Mandate Paper 2018](#), the National Treasury [Medium Term Budget Policy Statement 2017](#), and the National Department of Health [Annual Performance Plan 2018/19-2020/21](#).

The key proposal to be explained is contained in Figure 5 below. This excerpt shows the six programs under the health department with their proposed allocations for the medium term, as well as the average growth rate. We will make the assumption that the main choice to be made in the budget is about the way in which incremental increases are going to be allocated, and thus how fast each of the programs will grow.¹² It is clear that there is

¹² Typically, the annual budget process begins with baselines for major sectors and programs (adjusted for one-off expenditures or projects that are ending) and the main decision to be made is how to allocate new resources above these baselines among available options.

considerable variation here: from program six, which will grow by less than five percent, to program two, which will grow by nearly 50 percent over the period. The question is why additional funds are allocated in this particular way across the six programs.

FIGURE 5: EXCERPT FROM SOUTH AFRICA BUDGET SHOWING PROGRAM ALLOCATION FOR NATIONAL DEPARTMENT OF HEALTH, 2018

Expenditure estimates

Table 16.3 Vote expenditure estimates by programme and economic classification

Programmes								
1. Administration								
2. National Health Insurance, Health Planning and Systems Enablement								
3. HIV and AIDS, Tuberculosis, and Maternal and Child Health								
4. Primary Health Care Services								
5. Hospitals, Tertiary Health Services and Human Resource Development								
6. Health Regulation and Compliance Management								
Programme	Revised estimate	Average growth rate (%)	Average: Expenditure/ Total (%)	Medium-term expenditure estimate			Average growth rate (%)	Average: Expenditure/ Total (%)
R million	2017/18	2014/15 - 2017/18		2018/19	2019/20	2020/21	2017/18 - 2020/21	
Programme 1	514.8	9.7%	1.2%	550.8	592.5	627.1	6.8%	1.2%
Programme 2	914.7	11.6%	1.6%	1 671.6	2 380.3	3 081.7	49.9%	4.1%
Programme 3	18 267.8	12.5%	40.7%	20 719.1	22 873.3	25 317.7	11.5%	44.1%
Programme 4	263.9	6.9%	0.6%	301.7	366.6	431.4	17.8%	0.7%
Programme 5	20 907.8	3.6%	51.7%	22 124.2	23 364.2	24 831.1	5.9%	46.2%
Programme 6	1 726.6	7.2%	4.2%	1 775.5	1 876.5	1 980.4	4.7%	3.7%
Total	42 595.6	7.5%	100.0%	47 142.9	51 453.4	56 269.3	9.7%	100.0%
Change to 2017				475.9	1 068.4	1 749.9		
Budget estimate								

The budget proposal contains the following excerpt, which addresses expenditure prioritization among programs.

FIGURE 6: EXPENDITURE ANALYSIS, EXCERPT FROM SOUTH AFRICA BUDGET ESTIMATES FOR HEALTH 2018 (PAGES 310-313)

Expenditure analysis

Chapter 10 of the National Development Plan (NDP) sets out health goals, indicators and key actions towards achieving its vision by 2030. These are expressed in terms of outcome 2 (a long and healthy life for all South Africans) of government's medium-term strategic framework, with which the work of the Department of Health is closely aligned. Accordingly, over the MTEF period, the department plans to focus on implementing the second phase of national health insurance; expanding treatment and prevention programmes for HIV and AIDS, and tuberculosis (TB); revitalising public health care facilities; and ensuring accessible specialised tertiary health services.

As provincial health departments are mandated to provide health care services, the national department's role is to formulate policy, and coordinate and support provincial health departments in fulfilling their mandates. In this regard, 86.8 per cent (R133.8 billion) of the department's total budget over the medium term is expected to be transferred to provinces through conditional grants. Two major challenges faced by the sector are weak financial management capacity in provincial departments of health and escalating contingent liabilities due to medical malpractice litigation. To support provinces in these areas, the department has reprioritised R34 million from its goods and services budget over the MTEF period to expand its financial management support programme to provincial health departments. This intervention is to be led by the South African Institute for Chartered Accountants. R22.5 million has been allocated to set up expert medical committees to support provinces in dealing with medico legal claims.

FIGURE 6 CONTINUED: EXPENDITURE ANALYSIS, EXCERPT FROM SOUTH AFRICA BUDGET ESTIMATES FOR HEALTH 2018 (PAGES 310-313)

The South African Health Products Regulatory Authority is expected to be established in 2018/19, after which the department's internal regulatory unit is expected to move to the authority. It is anticipated that 180 employees will leave the department on 1 April 2018 to work in the new authority. The department expects to transfer R396.9 million to the entity over the medium term to support the operations of the authority.

The department's expenditure on compensation of employees is expected to increase at an average annual rate of 3.3 per cent over the MTEF period, from R873.4 million in 2017/18 to R961.4 million in 2020/21. The department expects a decrease in its staff complement over the medium term, from 1 508 in 2017/18 to 1 479 in 2020/21. This excludes staff who will be transferred to the South African Health Products Regulatory Authority, and is mainly due to the department applying stricter criteria for filling non-critical vacant posts, particularly those becoming vacant through retirement.

Implementing the second phase of national health insurance

The aim of national health insurance is to fundamentally reform how health care in South Africa is financed in order to increase access to and the quality of health care services. In this regard, over the MTEF period, the department intends to develop a national health insurance fund and related management structures, and expand access to the initial set of the priority services of national health insurance, as announced by the Minister of Health in 2017. For this purpose, additional amounts of R700 million in 2018/19, R1.4 billion in 2019/20 and R2.1 billion in 2020/21 are allocated mainly to the *National Health Insurance, Health Planning and Systems Enablement* programme, financed through downward adjustments of the medical tax credit. Accordingly, the *National Health Insurance, Health Planning and Systems Enablement* programme's total budget is expected to increase at an average annual rate of 49.9 per cent over the medium term, from R914.7 million in 2017/18 to R3.1 billion in 2020/21.

Of the additional amounts, R3.8 billion is allocated to the *national health insurance indirect grant*, thereby increasing its total allocations to R9.1 billion over the medium term. To appropriately manage the increase in allocations, the grant will be restructured to merge all existing components (except the health facility revitalisation component in the *Hospitals, Tertiary Health Services and Human Resource Development* programme) into 2 new components: the personal services component and the non-personal services component. The personal services component of the grant is allocated R4 billion over the medium term to fund priority services for national health insurance, which include: expanding access to school health services, focusing on optometry and audiology; contracting general practitioners by capitation, that is, paying care providers a set annual amount per patient registered in their practice instead of fees per service provided; and providing community mental health services, maternal care for high risk pregnancies, screening and treatment for breast and cervical cancer, hip and knee arthroplasty, cataract surgeries, and wheelchairs.

The non-personal services component of the *national health insurance indirect grant* is allocated R2.3 billion over the MTEF period to fund the expansion of the centralised chronic medicines dispensing and distribution programme, development and rollout of health information systems, a capitation model for the purchasing of primary health care services, and monitoring and supporting the ideal clinic programme. Through the non-personal services component of the grant, by 2020/21, the department aims to implement the electronic stock surveillance system in 3 942 health facilities (from 3 349 in 2016/17), and distribute chronic medicines to 3 million patients through the centralised chronic medicine dispensing and distribution system (from 1.3 million in 2016/17).

The remaining R368 million of the additional allocations is earmarked over the MTEF period to support interim national health insurance activities, including 7 gazetted ministerial advisory committees; strengthen health technology assessment; and fund programmes related to the prevention of non-communicable diseases. The health promotion levy on sugary beverages is expected to be implemented in 2018/19, with consideration being given to use a portion of revenue generated from the levy to further fund programmes related to the prevention of non-communicable diseases.

FIGURE 6 CONTINUED: EXPENDITURE ANALYSIS, EXCERPT FROM SOUTH AFRICA BUDGET ESTIMATES FOR HEALTH 2018 (PAGES 310-313)

Revitalising public health care facilities

The department is in the process of finalising a 10-year infrastructure plan to determine areas with the greatest need for capital investments, based on population projections up to 2025. Accordingly, the department plans to invest an estimated R21.1 billion in health care infrastructure over the medium term. These funds will be managed as 2 conditional grants in the *Health Facilities Infrastructure Management* subprogramme in the *Hospitals, Tertiary Health Services and Human Resource Development* programme.

The direct *health facility revitalisation grant*, which receives R18.2 billion over the MTEF period, after reductions of R511 million approved by Cabinet, is transferred to provincial health departments to fund the upgrading, refurbishing and maintenance of existing health care facilities, and the building of new facilities.

The second conditional grant for health care infrastructure is the *national health insurance indirect grant*, in which the health facility revitalisation component focuses on replacing, refurbishing and maintaining infrastructure in the national health insurance pilot districts. This grant is managed by the department, and is allocated R2.8 billion over the medium term after reductions of R309 million that were approved by Cabinet. The department is working closely with implementing agents to ensure that all 872 primary health care facilities in the national health insurance pilot districts are maintained, constructed or revitalised by 2019/20.

Ensuring accessible specialised tertiary health services

Tertiary health services are highly specialised, hospital-based health care services that require strong national coordination as a result of their unequal distribution across South Africa. Consequently, many patients are forced to seek specialised care in neighbouring provinces when the required tertiary services are not available in their home province. To compensate provincial health departments for treating patients from other provinces, the department plans to continue subsidising tertiary health services in 29 hospitals and hospital complexes over the medium term through the *national tertiary services grant*.

This direct grant provides funding for specialised personnel, equipment, and advanced medical investigation and treatment according to approved service specifications; and supports the modernisation of tertiary facilities by upgrading medical equipment. For this purpose, R12.4 billion in 2018/19, R13.2 billion in 2019/20 and R14.1 billion in 2020/21 is allocated to the *national tertiary services grant* in the *Hospitals, Tertiary Health Services and Human Resource Development* programme.

Expanding treatment and prevention programmes for HIV and AIDS, and TB

The department has adopted the 90 90 90 targets of the United Nations programme on HIV and AIDS. These targets commit government to ensuring that, by 2020, 90 per cent of all people living with HIV will know their status, 90 per cent of all people diagnosed with HIV will receive sustained antiretroviral therapy, and 90 per cent of all people receiving antiretroviral therapy will be virally suppressed.

In 2016, the department implemented the universal test and treat policy, which states that the department should offer treatment to everyone diagnosed with HIV, regardless of their CD4 count, which is the marker for the strength of the immune system. For this purpose, an additional R1 billion is allocated to the *HIV and AIDS, Tuberculosis, and Maternal and Child Health* programme in 2020/21 for the *comprehensive HIV, AIDS and TB grant* for provinces to provide antiretroviral treatment to an estimated 6 million people by the end of the MTEF period. As a result of the additional allocation in 2020/21, funding for the grant increases by 11.6 per cent per year, with a total allocation of R66.4 billion between 2017/18 and 2020/21.

FIGURE 6 CONTINUED: EXPENDITURE ANALYSIS, EXCERPT FROM SOUTH AFRICA BUDGET ESTIMATES FOR HEALTH 2018 (PAGES 310-313)

Community health workers play a pivotal role in ensuring access to primary health care services in South Africa's most vulnerable communities. In recognition of this, over the medium term, the department intends adding a community outreach services component to the *comprehensive HIV, AIDS and TB grant*. The new component is expected to enable the sector to improve the efficiencies of the ward-based primary health care outreach teams programme by standardising and strengthening the training, service package, and performance monitoring of community health workers. The community outreach services component framework, which is included in the 2018 Division of Revenue Bill, outlines the grant conditions and performance indicators that will regulate the community outreach services component of the *comprehensive HIV, AIDS and TB grant*. By 2020/21, the number of ward-based primary health care outreach teams is expected to increase to 3 700 from 3 275 in 2016/17. An estimated R4.4 billion over the MTEF period has been reprioritised in the *comprehensive HIV, AIDS and TB grant* to create the community outreach services component.

We assess the quality of the explanations provided in the South African documents in Table 3 below.

TABLE 3. ASSESSING QUALITY OF REASONING AGAINST FIVE CRITERIA – EXAMPLE OF A PROSPECTIVE CASE

PROSPECTIVE: <i>Explains proposed actions</i>	Assessment of the South Africa National Budget Estimates for Health 2018
<p>1. Identify a causal link between (A) a proposed budget policy and (B) an outcome (<i>Minimum condition</i>)</p> <p><i>A government should explain why it is proposing a particular policy in the budget. For example, why is the government proposing to increase revenue from a particular source or to increase expenditure on particular items. A causal explanation should connect a problem to a policy solution and argue that the solution will cause the problem to be resolved or at least ameliorated. For example, if low agriculture productivity is the problem, then government investment in irrigation might be a solution.</i></p>	<p>The first part of this section does not speak directly to programs, though it implies that part of what is covered under program 6 (on regulation) will be moving to a new authority. This would be a reason to expect this program to grow less quickly than others, as it in fact does. The next section explicitly mentions the high rate of growth of the insurance program, but does not clarify why this program is preferred to alternative ways of spending the budget increment. What problem does the insurance program solve specifically? Arguably, however, the justification for prioritizing this program is found in other documents. This is the second phase of NHI implementation, so to some extent the need for this funding was decided much earlier. The background to this decision is discussed in the Annual Performance Plan (see Annex A). If we consider the second fastest growing program, it is program 4 on primary care. This program is not mentioned in the section above and so no causal link is offered connecting an increase in its budget to any specific outcome. The document does discuss some of the activities under this program, but not the fact that it has been prioritized for additional spending. There is some mention of strengthening primary care in the Mandate Paper (see Annex A) and in the budget</p>

PROSPECTIVE: <i>Explains proposed actions</i>	Assessment of the South Africa National Budget Estimates for Health 2018
<p>1. (continued) Identify a causal link between (A) a proposed budget policy and (B) an outcome <i>(Minimum condition)</i></p>	<p>proposal for purposes of supporting the NHI, which might be a causal statement, but at the level of the budget, this financial support seems to flow through the insurance program and the HIV/TB program (for community health workers), not the primary health care program. “Re-engineered primary health care” is a medium term strategic goal for South Africa in its 2014-19 Medium Term Strategic Framework (see Annex A), but it would be hard to use this to explain the increased funding in this particular period and relative to other areas. We can ask the same question about the other programs: no explanation for their relative prioritization is provided in terms of a desired outcome for the sector.</p>
<p>2. Explain the mechanism by which (A) policy will lead to (B) outcome</p> <p><i>If A policy will cause B outcome, how will A cause B? A causal statement is more powerful if it explains the mechanism through which a policy solution (A) addresses a problem (B). For example, assume government proposes a tax policy intended to reduce inequality. Explaining the mechanism by which this would occur would require providing evidence showing the impact of the tax policy on the after-tax incomes of poorer and wealthier taxpayers.</i></p>	<p>To the extent that funding for the health insurance program will support NHI, detail is provided about what this funding will be used for specifically. More details on the nature of the NHI program can be found elsewhere. To the extent that our main question is about why the increment in the budget has been allocated to some programs over others, there is no specific explanation for this.</p>
<p>3. Acknowledge and argue against alternatives</p> <p><i>If policy A can cause B outcome, are there other policies (C and D) that could also achieve the same outcome and why were they not proposed? An explanation for a policy is better if it also addresses alternative options C and D and shows why A is superior. For example, using tax policy to reduce inequality is more compelling if there is a reason to prefer tax policy over expenditure policy to achieve the same goal.</i></p>	<p>The way we have framed the question here around the reasons why some programs are growing faster than others is closely linked to this criteria. Obviously, the government could have considered alternatives in terms of which programs would see their budgets grow faster. For example, why isn’t the program for tertiary care growing faster relative to others? There might be good reasons for this, but they are not presented. To the contrary, it is explained that a major priority is investment in health infrastructure, and that the conditional grants supporting these investments are located in this program. Thus, we might expect it to be growing faster than other programs and not slower. No specific argument is made for the decision about how to spread the increment in the budget across the six programs.</p>

PROSPECTIVE: <i>Explains proposed actions</i>	Assessment of the South Africa National Budget Estimates for Health 2018
<p>4. Show how explanations are consistent with past experience or why conditions have changed</p> <p><i>If A policy will cause B outcome, is this consistent with historical experience? If not, why not? A is a better explanation for B if evidence is provided that policies like A have caused B in the past. For instance, if raising a particular tax has reduced inequality in the past, this is a more convincing reason to think it will do so now as well. If the proposal is at odds with historical experience, then some additional explanation for this fact is needed.</i></p>	<p>Little mention is made of historical challenges that require new ways of doing things in terms of the decisions in the budget. One exception is around the need to provide more financial management support to provinces, for which funds have been “reprioritized,” though it is not entirely clear from where. A second area that does relate to program spending is the additional “community outreach services component,” which seems to be responding to a need to standardize quality among community health workers and does seem to be a driver of the budget for the HIV/TB program, which is growing rapidly going forward. Taking this together with the universal “test and treat” program introduced in 2016 gives us part of an explanation for this program’s budget increase relative to others.</p>
<p>5. Explain the most important proposals</p> <p><i>If X, Y, and Z are all substantively important proposals in the budget, are explanations provided for all three? A government should explain all major budget proposals, rather than explaining only some or instead explaining minor proposals. Major proposals may be defined in terms of their size relative to the budget, but also in terms of priority groups (e.g., the poor), or in terms of the non-financial impact of the proposals. The government will have to make and explain its judgement about what is a major proposal, or what are the most important proposals.</i></p>	<p>Again, from the perspective of explaining the reason why the different programs in health are growing at different speeds, arguably the budget does not explain the most important proposals. We might exempt the massive increase in the NHI budget as the result of long-standing commitments to this reform that do not need to be rehashed here. But the differences in the rate of growth of the other programs should be explained.</p>

Assuming, as we have done here, that the purpose of a program budget is to prioritize spending across programs, and that the purpose of the budget narrative is to explain this prioritization (which can be seen most clearly in which programs are growing fastest), the South African budget narrative, which is extensive, provides only partial explanations.

6. CONCLUSION

This paper has argued that governments should reason publicly about the choices they make in the budget and the deviations they make from approved budgets. We based our view on what seems to be necessary to promote transparency and public deliberation about the budget, and a measure of government accountability to citizens. We have seen that this idea is not a radical one: international actors already include public reasons in one form or another in global assessments of PFM and many countries already provide explanations and justifications in their budget documents.

Nevertheless, what is needed is a set of criteria for evaluating the adequacy of such public reasons. This is not a simple problem, but we believe that this paper makes at least some initial steps in the direction of a solution. We offer a set of criteria for judging both retrospective and prospective reasons, and a couple of examples of how these criteria might be applied.

We must continue to test these ideas against real choices and credibility challenges in more countries and with more budget documents. By further utilizing these criteria, we can continue to refine them and build a global consensus around what public reasoning about budgets actually entails.

ANNEX: SOUTH AFRICAN PLANNING DOCUMENTS RELATED TO THE HEALTH BUDGET

The following are excerpts from additional South African planning and budget documents related to the health sector from which we could reasonably expect to find further information on the allocation among programs in the budget.

ANNUAL PERFORMANCE PLAN: EXCERPT ON NATIONAL HEALTH INSURANCE (PAGES 15-16)

The Minister of Health published the White Paper on National Health Insurance on 10 December 2015 for public comments. The Department received more than 160 written comments from various stakeholders. In addition, the National Department of Health had setup 6 NHI work streams. These were:

1. Establishment of the NHI Fund
2. Design and Implementation of NHI health service benefits package
3. Preparation for the purchaser-provider split and accreditation of providers
4. Role of medical schemes in an NHI environment
5. Completion of the NHI Policy for publication
6. Strengthening of the District Health System

The public comments and recommendations from the NHI workstreams contributed to the development of the NHI policy. During June 2017, the National Health Insurance Policy of South Africa was gazetted as the official Policy on NHI.

An evaluation of the first phase of National Health Insurance is currently underway, and the report will be finalised in 2018/19 financial year.

ANNUAL PERFORMANCE PLAN: EXCERPT ON NATIONAL HEALTH INSURANCE (PAGES 15-16)

Phase 2: 2017-2022	
The second phase will entail development of systems and processes to ensure effective functioning and administration of the NHI Fund. These reforms are categorised into four items: (a) Financing, (b) Health service provision, (c) Governance, and (d) Regulatory, as described below:	
Financing <ul style="list-style-type: none"> Public Sector <ul style="list-style-type: none"> - Restructuring Equitable share - Hospitals (i) Establish cost-based budget for hospitals, (ii) Introduce case-mix based budget - PHC (i) Establish Clinic Budget, (ii) Introduce capitation contracting Private Sector <ul style="list-style-type: none"> - High price for health services - Price regulation for the all services included in the NHI comprehensive benefit framework - Removal of Differential pricing of services based on diagnosis - Co-Payments and Balanced billing 	Provision <ul style="list-style-type: none"> Public Sector <ul style="list-style-type: none"> - School Health, Maternal and woman's health - Mental Illness, Elderly, Disability and Rehabilitation - Expansion of Service Benefits, and Implementation PHC services through 1st 1000 clinics Private Sector <ul style="list-style-type: none"> - Introduction of Single Service Benefits Framework - Reduce the number of options per scheme - Reform of PMBs and alignment to NHI services benefits, including common protocols/care pathways
Governance <ul style="list-style-type: none"> Public Sector <ul style="list-style-type: none"> - Established Central Hospital as Semi-autonomous structure - Strengthen Governance and delegations of Hospitals - Strengthen Governance and delegations of Districts Private Sector <ul style="list-style-type: none"> - Governance and non-health care - Reserves and solvency Interim Institutional Structures <ul style="list-style-type: none"> - Establishment of NHI Transitional Structures - Establishment of Health System Reform Structures - Interim NHI Fund 	Regulatory <ul style="list-style-type: none"> Public Sector <ul style="list-style-type: none"> - Legislation to create NHI Fund - the NHI Bill introduced - Legislation Amendments: (i) National Health Act; (ii) The Health Professions Act and (iii) General Health Legislation Amendment Private Sector <ul style="list-style-type: none"> - Medical Schemes Act and regulations Reform - Consolidation: (i) Consolidate GEMS and other state medical schemes into single structure; (ii) Reduce the number of Medical Schemes and (iii) Reduce the number of options in Medical Schemes - Licensing of health establishments

MANDATE PAPER: EXCERPT ON PRIMARY HEALTH CARE (PAGE 23)

In health, following the approval by Cabinet of the White Paper on National Health Insurance in June 2017, focus should be on phased implementation. In 2018/19, priority focus will be on:

1. Improving access to a common set of maternal health and ante-natal services;
2. Expanding the integrated school health programmes, including provision of spectacles and hearing aids;
3. Improving services for people with disabilities, the elderly and mentally ill patients, including provision of wheelchairs and other assistive devices.

The Primary Health Care (PHC) platform of service delivery should be strengthened as the backbone of successful implementation of NHI. Community Health Workers (CHWs) are game changers in community-based services. The health sector should finalise the policy on Community Health Workers and mobilise resources for expanding the CHW component of PHC, to enhance health promotion and disease prevention. Routine maintenance of the health system includes ensuring continuous availability of lifelong antiretroviral therapy (ART) for the 3.7 million people already receiving treatment, and those who will be newly initiated on ART.

MEDIUM-TERM STRATEGIC FRAMEWORK: EXCERPT ON HEALTH (PAGE 18)

The strategy for achieving better health outcomes is based on progressively improving the quality and accessibility of health services through the phasing in of National Health Insurance. The NHI funding model will give effect to three key principles: universal provision of quality health care, social solidarity through cross-subsidisation and equity in access through free health care at the point of delivery. Over the MTSF 2014-2019 period, key components of this reform path will include:

- Improved quality of health care and reduced waiting times in the public sector, supported through the newly established Office of Health Standards Compliance and adherence to a Patients' Charter
- Expanded and re-engineered primary health care, including municipal Ward-based Outreach Teams and school health services
- Expanded district-based piloting of NHI services
- Promotion of healthy lifestyles and encouragement of regular screening for non-communicable diseases
- Reduced health care costs
- Improved human resources for health, revitalisation of nursing colleges and expanded professional health training
- Investment in health management improvements and leadership, including reform of the governance, funding and management of central hospitals as national referral facilities
- Improved health facility planning and accelerated infrastructure delivery