

REFORMING THE BUDGET

Budget reforms and the importance of improved budget practices to enhance service delivery considering the South African fiscal outlook

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



History of budget reforms in South Africa

Early 1990s Background



New government in 1994 – new challenges and opportunities

New constitution – changed structure and distribution of power – implications for way that public finances will be allocated

New government – critical commitment to improving the quality and coverage of public finances

New government did not inherit a clean slate

- '92/93 fiscal year – budget net borrowing requirement = 8.7% GDP
- '94/95 Public debt rose to more than 47% GDP, up from 30% ten years earlier
- Little fiscal space to improve equitable delivery of services

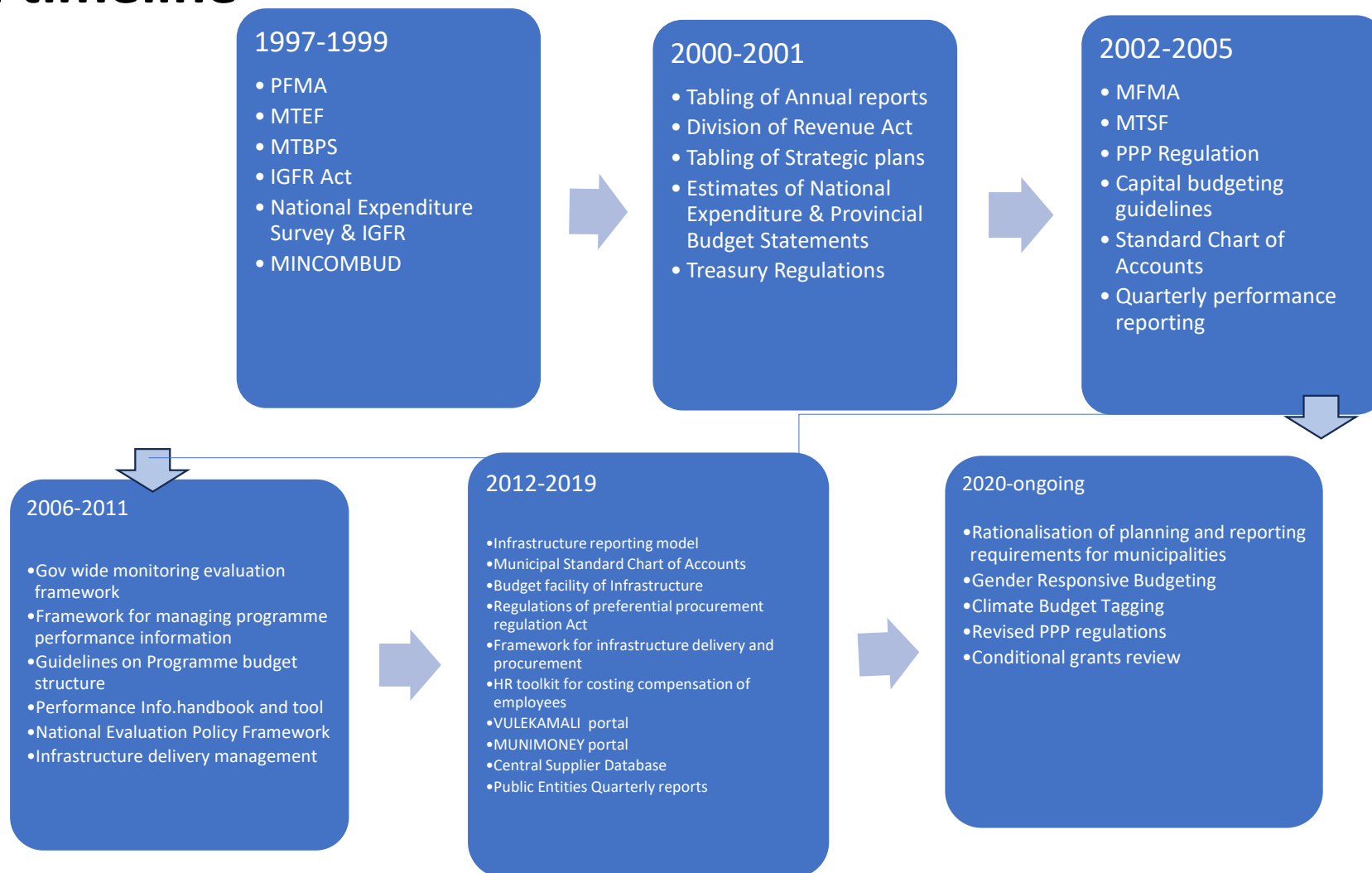
The budget tools and system were inadequate to stabilise fiscal balances and manage required policy shifts

Government, parliament and government of South Africa initiated the Women's Budget Initiative with the intention of reorientating the National Budget post-apartheid

Politically the conditions were conducive for change and this provided an opportunity for new reforms

SA government had international support by Public Finance Management experts

Reform timeline



The Value for Money Agenda



PFMA implementation plans included performance management



PFMA gave departments responsibility to spend within approved budgets and against policy/performance commitments



PFMA requires measurable objectives by programme



VFM is arguably the hardest thing to achieve through the budget



NT has no direct say in how a department spends its money or how services are delivered, and cannot impose sanctions for poor spending



Our philosophy has been that if departments report on performance alongside spending, then parliament, the public, the media can play a role in improving the quality of spending



It's all about accountability, which is not a financial management issue but a political issue

Functional classification

FUNCTION GROUP	BUDGET GROUP
1. BASIC EDUCATION	A: Basic Education
2. HEALTH	B: Health
3. DEFENCE, PUBLIC ORDER AND SAFETY	C: Defence and State Security
	D: Police Services
	E: Law Courts and Prisons
4. POST SCHOOL EDUCATION & TRAINING	F: Post School Education and Training
5. ECONOMIC AFFAIRS	G: Industrial Development, Trade and Innovation
	H: Employment, Labour Affairs and Social Security Funds
	I: Economic Infrastructure and Network Regulation
6. LOCAL ECONOMIC DEVELOPMENT & SOCIAL INFRASTRUCTURE	J: Housing Development and Social Infrastructure
	K: Rural Development and Land Reform
	L: Arts, Sport, Recreation and Culture
7. GENERAL PUBLIC SERVICES	M: Executive and Legislative Organs
	N: General Public Administration and Fiscal Affairs
	O: Home Affairs
8. SOCIAL PROTECTION	P: External Affairs and Foreign Aid
	Q: Social Development and Welfare Services

Successes and challenges in implementing reforms (lessons learned)

What supported successful reforms

- Democratic transition and a new Constitution
- Strong political buy-in: reforms were championed by the Minister of Finance, who carried broad political support
- Good international practices were emulated, but customised to suit the South African situation (self-determined)
- Simple frameworks used
- Consultation with relevant stakeholders when reforms are introduced
- Where relevant, pilot before full implementation
- Comprehensive implementation
- Recently, collaboration of the departments at the centre of government to collectively improve performance of government

Transparency in initiatives



Isitatimende Sengqubo-Mgomo Sohlelo-Mali Lwaphakathi Nonyaka (MTBPS) | Mid-Year Budget Guide for Citizens | Unilede



Transparency Scores



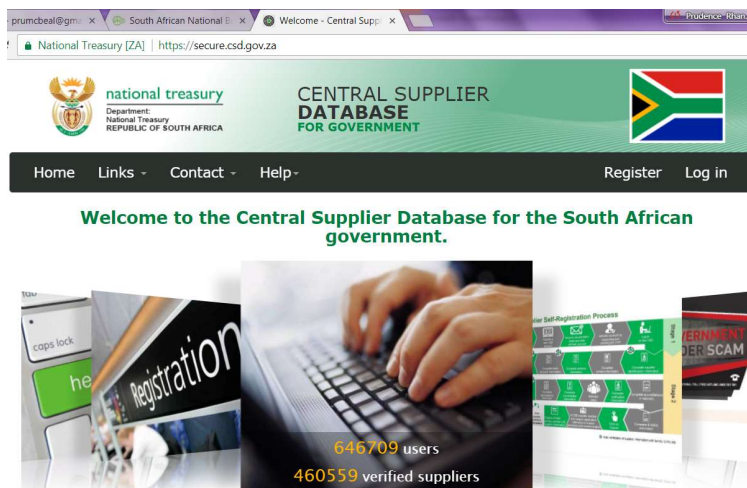
- South Africa slipped to 4th from a 2nd spot in 2021
- In 2023, South Africa scored **83 (out of 100)**.
- Despite this, South Africa still maintains its reputation as a global leader.
- Only **8 countries out of 125** have a transparency score of **80** or more.



Procurement Reforms

Ongoing reforms

- Central supplier database accessible online: www.csd.gov.za
- eTenders portal accessible online: www.eTenders.gov.za



Digital Reforms

- On the 20th of February 2017 vulekamali was launched
- A National and Provincial budget data portal
- The portal is still under construction as it is intended to meet the needs of the user
- This reform is an initiative between IMALI YETHU CSO coalition and the National Treasury
- <https://vulekamali.gov.za/>
- Detailed financial data that will enable researchers and developers to develop their own Apps
- www.municipalmoney.gov.za to access information on your municipality

The screenshot displays two web pages. The top page is the vulekamali.gov.za portal, which features a search bar, navigation links for Department Budgets, Learning Centre, Contributed Data, FAQ, and About. It shows the 'The South African National Budget 2018' with a selection of financial years (2015-16 to 2018-19). Below this, there are links to National Budget 2018 Resources from Treasury and a newsletter subscription form.

The bottom page is the City of Tshwane's financial performance page, accessible via <https://municipalmoney.gov.za/profiles/municipality-TSH-city-of-tshwane/>. It includes a header with the city's name and population, and a navigation menu for Financial Performance, Income, Spending, and Resources. A video player titled 'A quick introduction to Municipal Finance' is featured. Below the video, the 'FINANCIAL PERFORMANCE' section shows 'Audit outcomes' for the years 2012 to 2015, all marked as 'Unqualified - Emphasis of Matter items'. Each year has a 'Read report' link. The source is cited as 'Municipal Audit Reports'.

Year	Audit Outcome	Action
2015	Unqualified - Emphasis of Matter items	Read report
2014	Unqualified - Emphasis of Matter items	Read report
2013	Unqualified - Emphasis of Matter items	Read report
2012	Unqualified - Emphasis of Matter items	Read report

SOURCE: Municipal Audit Reports

CROSS CUTTING PRIORITIES REFORMS

Cross cutting priorities update

GRB	STI	CBT
Roadmap developed	TOR	Phase 1 pilot 2022
GNA –2024 informed pilot selection 1 st pilot	Governance structure	Methodology review
Workshops done 2 nd pilot 1 st Gender Budget statement 2025	Selection of sectors Include department in a tagging exercise	Workshop and training 2 nd phase of the pilot

- If it is everyone's problem it becomes no one's problem
- All cross cutting priorities must be mainstreamed into the sector plans and budgets
- Sector departments can reprioritise funds in their baselines towards these priorities
- Sector leads
DFFE,DWYPD,DSI provide guidance on the gaps to be addressed

Lessons learnt from the pilots

- Gender and climate gap should inform planning analysis (First step)
- Support for development of interventions and indicators for measuring should be provided to a select departments
- Silos working between finance, planning & ME, gender focal points and programme managers
- Departments are doing the bare minimum because that was sufficient in the past
- The request for more interventions in core programmes
- Mainstreaming of cross cutting priorities is lagging behind
- Support is needed from Interdepartmental Task Team
- **Next steps**
- Expand the number of departments
- Add other spheres of government starting with provinces
- Publish tagging framework for cross cutting priorities

Improved Budget practices

How do the reforms enhance service delivery considering the South African fiscal outlook?

- The first phase of the reforms established structures and legislation to support governance
- The second phase mainly focused on testing and implementation
- The current phase is about improving the structures and tools available to maximise the available resources
- The nation faces similar challenges as those they inherited with debt levels being high and low economic growth
- Providing an opportunity to grow together and find solutions
- Transparency tackles the market perception and literacy gaps
- Transparency enhances accountability
- The cross cutting reform assists with dealing with priorities that can be neglected when not considered by the collective gov agenda

Thank you