Presentation outline

- Key roles and Players in the budget process
- South African reforms over the years
- Performance information management and transparency
- Budget transparency assessment
Key roles and Players in the budget process

Role players in the budget process

- In the Executive
  - Medium Term Expenditure Committee
  - Minister’s Committee on the Budget
  - Cabinet
  - Extended Cabinet

- Line departments & central departments

- Relevant entities and donors

- Legislatures
  - Portfolio Committees, Finance Committees, Appropriations Committees
  - National Assembly
  - National Council of Provinces

- Required by the Constitution and IGFR Act:
  - Financial and Fiscal Commission
  - Provincial governments - the ‘Budget Council’
  - Organised local government - the ‘Budget Forum’
  - Various intergovernmental forums exist at both the executive and official level to give effect to the constitutional imperative for cooperative governance

- Civil Society Organisations

- Media
National Treasury’s role

• Provide overall Fiscal Framework based on macroeconomic forecast
• Propose Division of Revenue between the 3 spheres of government based on the above, and decisions made at a political level on priorities
• Provide technical guidelines for budget submissions
• Evaluate budget submissions
• Ensure that budget allocation proposals reflect key government priorities
• Maintain on-going communication with other central government departments
• Make recommendations to Budget Council, Budget Forum and Ministers’ Committee on the Budget (who in turn make recommendations to Cabinet)
• Ensure that comprehensive budget documentation supporting the budget law are published annually and are accessible

Parliament’s role

Money Bills Amendment Procedure and Related Matters Act puts in place procedure to amend money bills, as per Section 77(3) of the Constitution.

• In the year prior to tabling the Budget, each parliamentary committee tables a Budget Review and Recommendation Report (BRRR)
  – Evaluates performance of each government department and must be referred to the Minister of Finance and relevant Minister, by Parliament
  – Recommendations ≈ ‘early warning system’ regarding issues that Parliament is concerned about
• When the Finance Minister tables the Budget s/he must table a report indicating how the Division of Revenue and the Budget give effect to recommendations made in BRRRs
• If Finance Minister’s explanation does not address Parliament’s concerns, they have the power to amend the Budget in order to give effect to their proposals
Reforms over the years

Budget Reforms in South Africa

- Improving operational and allocative efficiency
- Measurable objectives
  - Strategic Plans tabled
  - Annual Reports tabled
- PFM Act
- National Expenditure Survey & IGFR & MinComBud
- Intergovernmental System
- Medium Term Budget Policy Statement
- Medium Term Expenditure Framework
- Quarterly Performance Information
- MFMA
- Standard Chart of Accounts
- Estimates of National Expenditure & Provincial Budget Statements
Budget Reforms in South Africa

- Performance dialogues between NT, DPME and delivery departments
- Expenditure and performance reviews
- National Evaluation Policy Framework
- Framework for Strategic Plans & Annual Performance Plans
- Outcomes Approach: determination of 12 national outcomes
- Guidelines on Budget Programme Structures
- Government-Wide Monitoring & Evaluation Framework
- ...2005 2007 2009 2010 2011 2013

Achievements of reforms

- political oversight is enhanced and focus is on key policy priorities
- 1 central budget process, starting from allocation of division of revenue
- enhance consultation and cooperation with stakeholders
- multi year budgeting, with 3 year framework
- top-down budgeting discipline
- budget stability and predictability for departments
- reprioritisation over time
- transparency
- value for the money spent
- planning, budgeting, reporting and policy are aligned at PROGRAMME LEVEL to get better service delivery within budget
- information used strategically to improve public policy development, funding choices and enable accountability, across budgeting dimensions
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

Performance information management and transparency
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

• Performance-informed budgeting adopted

• Treasury ensures value for money by enforcing reporting on performance alongside spending

• Parliament, and the public, play the key role in holding government departments accountable

• Reforms through various guidelines and frameworks were introduced over the years to improve value for money

Linking plans with budgets

Planning documents

Strategic Plan:
• Mandate and Strategic goals

Annual Performance Plan:
• Performance indicators & targets
• Programme and subprogramme budget and expenditure
• Programme objectives
• Budgets for infrastructure projects, changes to conditional grants, public entities and Public Private Partnerships

Strategic and Annual Performance Plans are tabled in Parliament after tabling of Budget

Budget documents

Estimates of National Expenditure:
• Mandate and Strategic goals
• Performance indicators & targets
• Programme and subprogramme budget and expenditure
• Programme objectives
• Budgets for infrastructure projects, changes to conditional grants, public entities and Public Private Partnerships

Budget programme structure:
• Should reflect main areas of responsibility or service delivery
• Key link between objectives (as reflected in Strategic Plans) and operational budgets
Linking plans with budgets

Planning documents

Quarterly performance reports:
• Tracking progress against what has been planned and what is actually achieved (service delivery outputs)
• Compares performance data against targets tabled in Annual Performance Plans
• Provincial departments within each sector have customised sector performance indicators

Budget documents

Quarterly Expenditure Reports:
• Statement of revenue and expenditure, showing actual performance against the budget
• Alert departments to potential problems and to where remedial action is required
• Also submitted to the Standing Committee on Appropriations in Parliament

In-year monitoring and reporting against plans and budgets

Government-wide Monitoring & Evaluation System

The Department of Performance Monitoring and Evaluation is responsible for government’s performance management

- Framework for Strategic and Annual Performance Plans (2009-2010)
- Performance Information Handbook and Tool (2011)

- Evaluations
- Social, economic and Demographic statistics
- Programme Performance Information
Government’s outcomes approach

• Aim is to improve service delivery by:
  – Enhancing strategic focus of government
  – Making more efficient and effective use of limited resources
  – Introducing more systematic monitoring and evaluation
  – Identifying suitable indicators and regularly measuring or monitoring them
  – Carrying out periodic evaluations of the impact of government’s work on society
  – Using this analysis to inform government decisions, improve government programmes & promote evidence-based policy making

• Led to development of Performance Agreements between the President and select Ministers
• But all Ministers sign a Service Delivery Agreement, which informs strategy of their departments
• Recently government planning is informed by the National Development Plan and 5-year Medium Term Strategic Plans
The role of auditing

• Auditor General has started with auditing of predetermined objectives
• National Treasury and the Auditor General have agreed on refining the approach to auditing of pre-determined objectives
• Aim is to avoid unintended consequences of negative audit results
• Collectively assist departments to improve the quality of non-financial information to reflect core functions of government
• The following key issues have been agreed on:
  – Enhancing the quality of outcomes and related outputs indicators
  – Appropriate reflection of administrative/statistical data used for reporting on pre-determined objectives
  – Reporting on concurrent performance indicators by national departments (consolidated audit)
  – Auditing of under/non achievement of targets
• Internal auditors advise departments on compliance with relevant guidance, regulations and legislation

Budget transparency assessment
OBI rankings over the years

- South Africa has participated in all four Open Budget Index Surveys
- Maintained ranking in the top four in all years

Key budget documents scores: 2006-2012

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1. The 2006 OBI report does not provide the scores.
2. There was only one question for the citizen’s budget in 2006. The survey found that only ten of the 59 countries studied provided such a document. These include Angola, South Africa, France, New Zealand, El Salvador, South Korea, Sweden and United Kingdom.
Key findings of the OBI survey

• South African government provides the public with extensive information on national government’s budget and financial activities

• Information is available on treasury website (www.treasury.gov.za)

• Information is timely, informative and accurate

• Hard copies and Compact Disk format of the documents are also available on request

• Information is comprehensive and presents a fairly accurate picture of national government operations

Key budget documents

Pre-Budget Statement
• Annually tabled 5 months before the beginning of the new financial year
• Available immediately on the treasury website and hard copies as well
• Comprehensive information was published over the years – always an OBI score of 100

Executive’s Budget Proposal
• Tabled annually together with the budget
• Available immediately on the treasury website and hard copies as well
• Comprehensive information was published over the years – always an OBI score of 81-100
• OBI findings:
  • Executive Budget Proposal still lacks information on outputs and outcomes
  • Tax expenditure information for the budget year not included in the document
  • The score dropped by 1 point in 2012 from the 2010 score
  • Detailed performance information is reported in the Estimates of National Expenditure and other budget documents
  • Some detail not available at the time of publication due to timing of availability of source information
### Key budget documents

**Enacted Budget**
- Tabled annually together with the budget
- Available immediately on the treasury website and hard copies as well
- Comprehensive information was published over the years — always an OBI score of **100** (except in 2006)

**Citizen's Budget**
- Tabled annually together with the budget
- Available immediately on the treasury website and hard copies as well
- Comprehensive information was published over the years — always an OBI score of **81-100**
- The score dropped to **58** in the 2012 survey
- OBI findings:
  - The level of detail in the Citizen’s Budget is not enough
  - Citizen’s budget not published throughout the budget process
  - **Current format of the publication is appropriate for ensuring accessibility for the targeted audience**
  - Consideration of a separate publication with more detail

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**In-Year Reports**
- Monthly expenditure reports for departments are published on the treasury website
- Quarterly expenditure reports are available
- Always an OBI score of **100**

**Mid-Year Review**
- Tabled annually after the first six months of the financial year
- Available immediately on the treasury website and hard copies as well
- Comprehensive information was published over the years — always an OBI score **100**
Key budget documents

Year-End Reports
- Tabled by each department six months after the end of the financial year and available on websites
- Always an OBI score of 81-100 (score dropped from 90 to 83 in 2012)
- OBI findings:
  - Mechanisms to identify the public’s perspective on budget execution are not accessible to the majority of the public
  - Executive issues only limited reports that do not provide detailed feedback on how it has used inputs from the public to develop its budget plans or to improve budget execution
  - Some CSOs are involved in discussions with the National Treasury and Line departments regarding sectoral issues, these discussions include deliberations on past budget execution

Audit Report
- Tabled annually six months after the end of the financial year and available on the websites
- Also form part of the Year-End Reports
- Significant information was published over the years – always an OBI score 61-80, except in 2006 (then it was 81-100 due of the fewer questions in the questionnaire)
- The score increased by 5 points in 2012

Mechanisms for public engagement with the Auditor General have been established

Improvements over the past years

Overall improvements
- Improved quality of information and level of detail in budget documentation
- Enactment of Parliamentary Act, enhancing Parliamentary oversight of budget process
- Improved quality of information in the ENE: public entities’ coverage, indicators and objectives per programme, subprogramme details, personnel details, donor funding (including non-financial information per programme/project), infrastructure spending
- Medium Term Budget Policy Statement and Budget Review continue to provide comprehensive information on the fiscal policy stance and key government policies & related departmental policies and spending plans
- Recent reforms focused on enhancing value for money and transparency
  - Consulted extensively with other departments & entities through function budgeting approach
  - Introduction of guidelines for Budget Programme Structures, Strategic & Annual Performance Plans, Performance Information Handbook and Tool, etc.
- Establishment of National Planning Commission and DPME – to strengthen management of government planning, performance, implementation and evaluation
- Enhanced relations between auditor general and departments and accessibility of audit information to the public
Improvements over the past years

Improvements in public participation

• Budget outreach programme to universities and Civil Society Organisations

• National Treasury also consults through formal structures with major civil society organisations and other institutions, e.g. at NEDLAC

• Public consultations also exists through:
  – Policy and budget road shows
  – Social media
  – Local government engagements on development of plans e.g. Integrated Development Plans and the Growth and Development Strategies

• Numerous policies and laws that promote public involvement and the right to access information exist, in respect of all three pillars of the state i.e. Executive; Judiciary and the Legislature

• Utilisation of citizens’ rights to access information and participation in policy platforms can be improved

• Questioning of the assumption that citizens understand what funding is on budget, and what service delivery is planned to take place against this funding

Thank you

www.treasury.gov.za