

# IMPROVING BUDGET TRANSPARENCY IN SOUTH AFRICA

*FISCAL TRANSPARENCY AND ACCOUNTABILITY MEETING - MOSCOW, RUSSIA*

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**national treasury**  
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National Treasury  
REPUBLIC OF SOUTH AFRICA

## Presentation outline

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



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# ***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

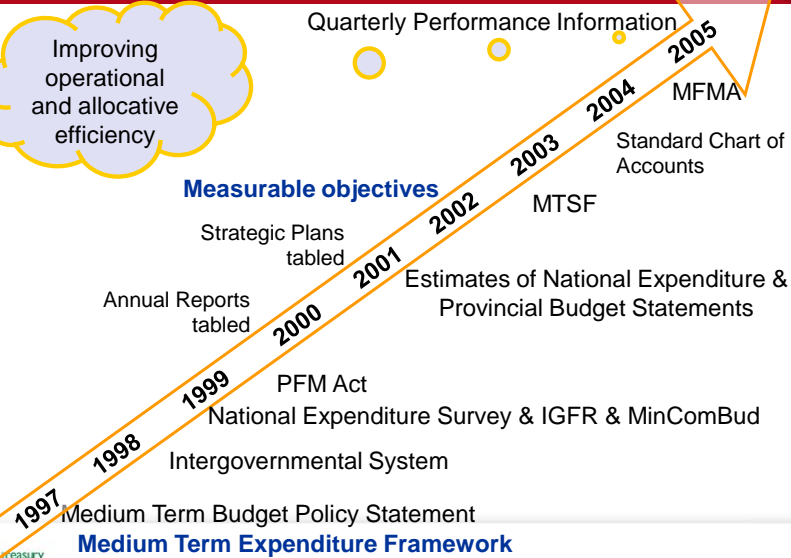
**Money Bills Amendment Procedure and Related Matters Act** puts in place procedure to amend money bills, as per Section 77(3) of the Constitution.

- 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

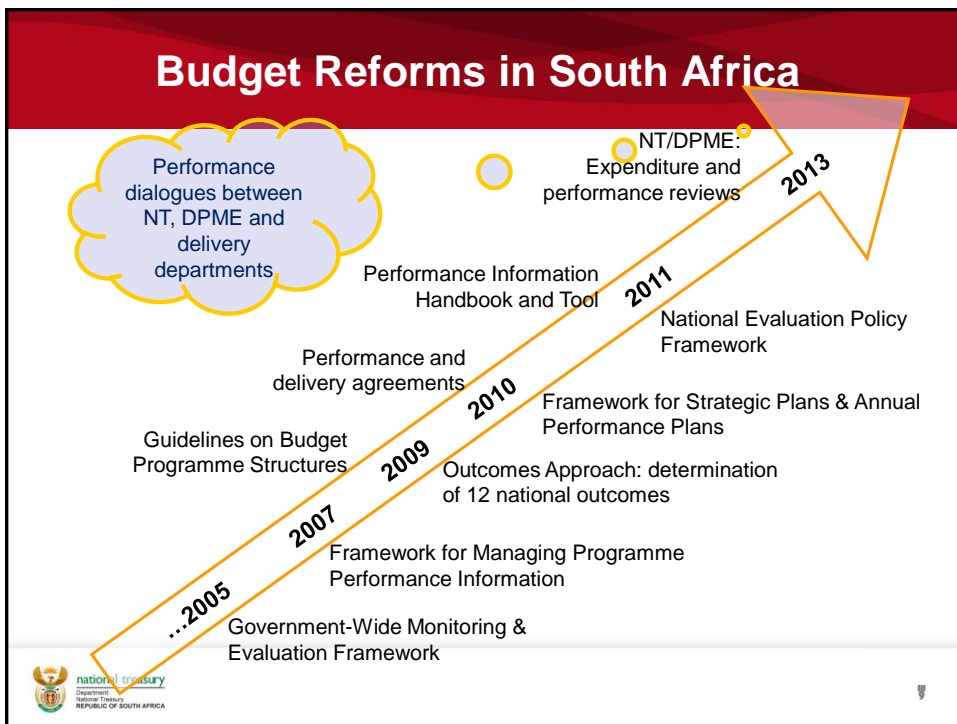
# Reforms over the years

## Budget Reforms in South Africa

Improving operational and allocative efficiency



## Budget Reforms in South Africa



## 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

**NOW WITH DEPARTMENT OF PERFORMANCE MONITORING AND EVALUATION**

#### 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



Information reported for a 7-year period (i.e. 3-year history, current year and MTEF period)

### 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

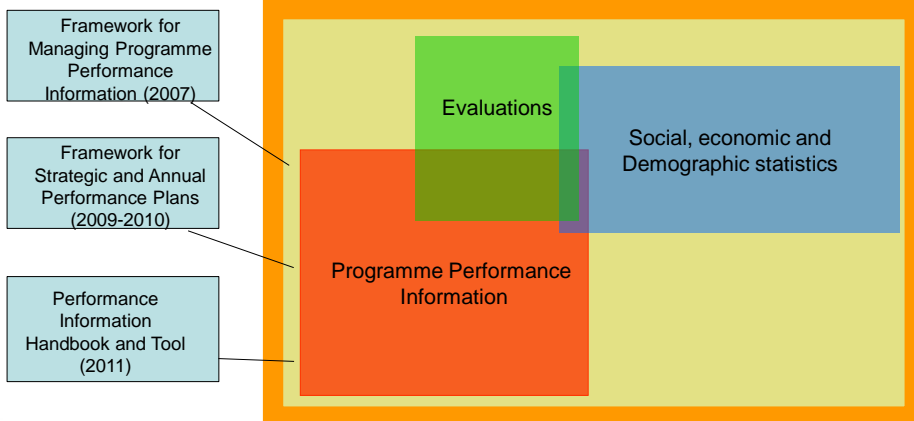
### Quarterly Expenditure Reports:

- 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





# Government's outcomes approach

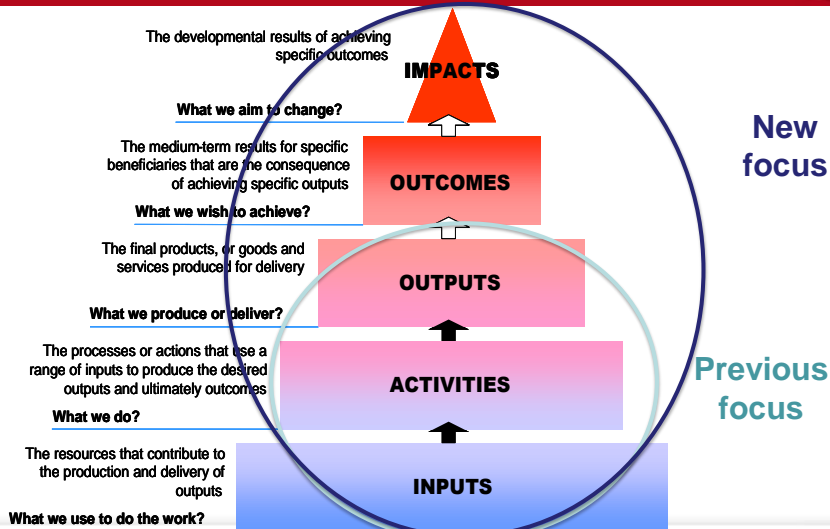
- Aim is to improve service delivery by:
  - Enhancing strategic focus of government
  - Making more efficient and effective use of limited resources
  - Introducing more systematic monitoring and evaluation
  - Identifying suitable indicators and regularly measuring or monitoring them
  - Carrying out 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



# Government's outcomes approach



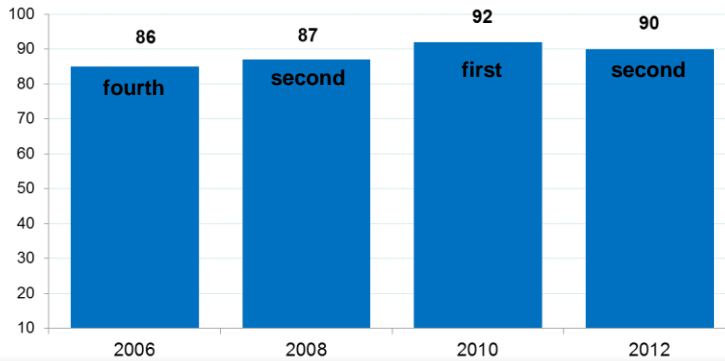
## The role of auditing

- 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

Key Budget Documents	Level of Information Grade			
	2006	2008	2010	2012
Pre-budget statement	A	A	A	A
Executive budget proposals	A	A	A	A
Enacted budget	-[1]	A	A	A
Citizens budget	-[2]	A	A	C
In-year reports	A	A	A	A
Mid-year reviews	A	A	A	A
Year-end report	A	A	A	A
Audit report	A	B	B	B

[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](http://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**

## Key budget documents

### 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**



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## 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



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## 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***