Graduate School of Development Policy and Practice
Strategic Leadership for Africa's Public Sector

# FINANCING THE FUTURE:
## BUDGET REFORM IN SOUTH AFRICA: 1994-2004

A Case Study by the Public Affairs Research Institute

Case study prepared by the Public Affairs Research Institute, University of the Witwatersrand, in partnership with the Graduate School of Development Policy and Practice at the University of Cape Town.

## ACKNOWLEDGEMENTS

This case study was researched and written by the Public Affairs Research Institute's (PARI) Joel Pearson, Sarita Pillay and Tracy Ledger, for the University of Cape Town's Graduate School for Development Policy and Practice.

Funding for the development of the case study was provided by the Government Technical Advisory Centre (GTAC).

PARI would like to thank Trevor Manuel, Andrew Donaldson, Kuben Naidoo, Neil Cole, Ismail Momoniat and Tania Ajam who allowed themselves
to be interviewed for the purposes of this case study.

## CHAPTER I:
# A NEW START

The euphoria surrounding the historic elections of 1994 was well-justified, but it could not hide the considerable socio-economic challenges that the new ANC-led government faced in almost all areas: South Africa's economy was in decline; it had one of the most unequal distributions of income and wealth in the world; and government finances were in a parlous state. In just the 1992/93 financial year net borrowing (in the main budget) was almost 9% of GDP (Folscher and Cole, 2006). Expenditure controls were poor and tax collection was weak, contributing directly to the deterioration in government's financial position. National debt levels were rising rapidly, with an associated ballooning interest bill, which the country could ill afford. These debt problems were even worse in the notionally sovereign TBVC states ("independent" bantustans which were an integral part of the apartheid strategy of keeping the different racial groups separate), which would now be re-incorporated into South Africa and thus its national budget and debt.

The ANC had come to power with an ambitious redistribution and development agenda. The RDP laid out a vision to correct racial disparities in access to social goods, to build infrastructure and to get economic growth going. The way government spent money would have to change to reflect this new redistributive focus. To undertake this envisaged transformation would require strong institutional capacity. However, the ANC government did not come to power with a clean slate. It inherited an array of fragmented institutions with inefficient systems. The existing budget process and system had clearly contributed to this precarious state of affairs, by de-linking public sector performance from expenditure, through poor controls and limited expenditure oversight, and through a lack of transparency. Under the apartheid government there were two separate departments dealing with public finance – the Department of Finance and the Department of State Expenditure. The Minister of Finance was responsible for delivering the budget. Co-ordination among the two was poor, and neither was delivering what the new government required to address its considerable challenges.

The Department of Finance was responsible for revenue collection, through two separate directorates – Inland Revenue and Customs and Excise. The inherited tax regime was byzantine: not only were South Africa's tax laws complex, containing numerous exemptions and creating the possibility for loopholes, but the TBVC states each had their own tax systems (Doherty, 2014). Tax coverage was relatively low, and enforcement was problematic. This impacted negatively on the funds available for financing state expenditure programmes, and had contributed to rising debt to make up the budget shortfalls.

Things were not much better in the twin to the department of Finance: The Department of State Expenditure exercised little control over how departments spent their funds or how they reported on this. Government departments were not required to publicly disclose non-financial information in their budgets – i.e. to spell out the details of the impact of their spending (Nkoana and Bokoda, 2009). Instead they merely reported on amounts spent by line item, such as staff and premises. The budget process itself was fragmented and opaque: the system was based around annual planning for (incremental increases in) inputs (such as salaries and purchases of goods and services), and not for outputs (i.e. the delivery of government goods and services); there were hidden spending categories (such as illegal sanctions-busting purchases); and the entire system undermined effective performance management. Clearly the budget system was not compatible with the ANC's goal of significantly improving both financial transparency and value for money in the delivery of government programmes.

There was, however, some good news for the new government. Neil Cole, the former Chief Director of Expenditure Planning in Treasury's Budget Office, explains that although the apartheid budgeting process was opaque, and performance based budgeting was non-existent, there was a certain amount of basic institutional structure in place. There was an annual budget; there was both an auditor general and an accountant general (and associated uniform standards of auditing and accounting); and there was a reasonably comprehensive financial management system in place. According to Cole, these basic structures put South Africa in a much better place than many other newly independent African states to successfully implement complex processes around multi-year budgeting and the new inter-governmental fiscal system. The challenge now was how to build a new – and more effective – fiscal management structure on this existing, albeit limited, base.

## The Political Balancing Act

The historic elections of April 1994 – decisively won by the ANC – were made possible by the agreement on an Interim Constitution, in 1993. One of the conditions of this interim agreement was that the country would initially be ruled by a government of national unity (GNU), which was in place from April 1994 until February 1997. The main role of the GNU was to draft a final constitution, which came into effect on 8 May 1996. The interim constitution stated that any party that had twenty seats in Parliament after the 1994 elections was entitled to at least one Cabinet (Ministerial) portfolio. Therefore, although the ANC won a resounding victory in the 1994 poll, it was not entitled to hold all the Cabinet positions. In the end, and in the spirit of the GNU, even those parties who did not have the minimum twenty seats were invited by the ANC to join the Cabinet.

The arrangements for the GNU did not stipulate how Cabinet posts were to be allocated among the various parties: by virtue of its majority the ANC would have been fully entitled to claim Finance (which most would agree is probably the most important portfolio of all and central to policy making and implementation) as its own. But this it did not do. Instead President Mandela retained the National Party's Minister of Finance, Derek Keys, in the post. The media reported at the time that President Mandela had made this decision despite opposition from the ANC. Keys resigned shortly after the 1994 elections, and left his post in September 1994. Once again the post was allocated to a non-ANC person, and Keys was replaced by the former banker Chris Liebenberg, who was not officially affiliated with any party.

Nelson Mandela was, as Trevor Manuel tells the story, acutely aware of the skepticism of international investors and capital markets about the new ANC government. He did not believe that the world was "ready" for an ANC Minister of Finance, and that South Africa's considerable fiscal challenges could have been exacerbated if an ANC person had been appointed to the Finance portfolio from the start. Chris Liebenberg had, however, indicated to President Mandela that he had no political ambitions, and that he was intending to leave his post before the end of 1996. The ANC wanted Trevor Manuel (who had been appointed Minister of Trade and Industry in 1994) to replace him. Mandela agreed, but was still concerned about rocking the market boat too early and so wanted to keep the decision under wraps for as long as possible. Manuel recalls being called to Mandela's office, together with Thabo Mbeki (then Deputy President), and being asked if he could keep a secret – that he (Manuel) would be the next Minister of Finance. The challenge then was how he could prepare himself and learn the ropes of the Finance portfolio without letting this secret out. A strategy was agreed: Liebenberg announced the creation of a new committee of Ministers with the purpose of "talking through budgeting". This committee created space for the Minister of Trade and Industry (i.e.Manuel) to get close to and familiarise himself with the details of fiscal management without alarming anyone. The Ministers' Committee on the Budget (MCB) is still operational, and fills an important role in fostering what Manuel terms a "sense of collective responsibility" around the budget.

Trevor Manuel officially became the Minister of Finance on the 4th of April, 1996. He faced a colossal task in building a fiscal regime that would provide a solid basis both for renewed economic growth and the ANC's ambitious social development plans. Not only had the new government inherited a high level of debt which it could not afford to finance indefinitely, but the economy was under pressure from a number of external factors which made the outlook for tax revenues (and thus debt management) particularly gloomy. In mid-1995, Manuel (in his then role as Minister of Trade and Industry), announced that there would be a significant cut in import tariffs, as part of South Africa's implementation of the Uruguay round of international trade agreements. This was expected to have a serious negative impact on the country's most protected sectors – such as clothing and textiles, and automobile manufacture – with a strong possibility of job cuts adding to the already-high levels of unemployment. There were other significant risks to the economy: a current account deficit, but very limited foreign currency reserves, and the economy was isolated with no immediate prospect of a flood of new foreign direct investment.

South Africa also had to reckon with its recent re-emergence into the international economic community and the scrutiny of global financial markets. Neil Cole recalls that while international sentiment was generally positive about the "new" South Africa, investors were "very jittery" about exactly what the details of the ANC's economic policies might be, and thus reluctant to make any big financial commitments. The sharp decline of the rand in the second quarter of 1996 (at much the same time as Manuel's appointment) showed with great force the anxiety in what Manuel in frustration labeled the "amorphous" market.

The ANC was quite clear about the importance of maintaining South Africa's sovereignty – there would be no recourse to an IMF loan as a way out. A solution would have to be found at home, and it was the new Minister and his team who would have to craft it. In 1996 the government undertook a fiscal modeling exercise, the main conclusion of which was that government had to slow down the growth in the deficit as a matter of urgency. Out of this exercise was born a new macroeconomic strategy – Growth, Employment and Redistribution (GEAR). GEAR comprised a number of key elements, the first two of which (as listed in part 1.4) are described as:

- a renewed focus on budget reform to strengthen the redistributive thrust of expenditure; (and)
- a faster fiscal deficit reduction programme to contain debt service obligations, counter inflation
- and free resources for investment

Critics of GEAR accused the ANC of abandoning the RDP. However, the government framed the policy as a means to achieve the redistribution promised: "The Growth, Employment and Redistribution Framework sets the broad parameters within which a stronger economy and a sound fiscal structure will make the attainment of RDP goals possible" (Department of Finance, 1997). However, a more rigorous approach to decision making in expenditure management would be needed in this new reality of limited resources. According to Manuel, the concept of "value for money" now became a political issue, not just an accounting term. This "renewed focus on budget reform" - meant that the government would have to constrain their ambitions with respect to social and equity spending plans. These sentiments echoed the emerging global paradigm of fiscal restraint that emphasised "good fiscal governance": Not only were developing economies encouraged to spend within their means, but also to "spend better". Good public resource management was seen as fundamental to economic success and meeting the needs of service delivery (Abedian, 1998: 19).

Complex trade-offs would have to be made. But government expenditure could not simply be downscaled because a fiscal modeling exercise had calculated that it was unaffordable. A political impetus had to be created for GEAR to get off the ground. According to Manuel, getting this impetus centred largely on creating a discussion around trends in debt service costs and the trade-off effect on expenditure on social services, such as education. The projections

of Treasury were that, if nothing was done, from 1998 onwards debt service costs would be the single largest expenditure item in the budget. Manuel recalls that President Mandela was clear that "the future must always get more spending than the past". That is, the country had to manage the deficit in the present (with all the associated reductions in the programme of social transformation that this entailed) in order not to jeopardize the future. This was not such an easy political sell: managing the deficit would require sacrifices across the population, including within the base of the ANC. As an example, Manuel talks about the then system of child maintenance grants paid by the government. This system excluded black children, but it was going to be much too expensive to extend it to them at the existing levels. Instead, the system was replaced by the new childcare grant, which achieved universal coverage, but at a much lower rate. This meant that Coloured and Indian recipients of the new grant effectively lost out, and these groups were part of the ANC constituency.

Contemporaries of Manuel describe him as "a good manager and leader, and … as tough as teak" (Hirsch 2005, p94). With these leadership qualities, Manuel led a team which went about creating a new constellation of fiscal institutions and establishing new systems to transform the apartheid bureaucracy into one which better served the needs of all in democratic South Africa. Central to this project of state-building was the creation of a strong National Treasury. The team behind the Treasury undertook a delicate balancing act: trying at once to modernise the various inefficient institutions inherited from the apartheid government, establish more transparent and democratic processes, rein in government expenditure, create a greater degree of macroeconomic certainty and security, appease the capricious demands of international financiers, and at the same time effect a fundamental shift in the way the government operated to realise the redistributive thrust which post-apartheid economic policy spoke of.

## CHAPTER II:
# RESTRUCTURING TREASURY: BUILDING TEAM FINANCE

The arrival of democracy brought with it major changes in the governing structures of the country. In place of the multiple governments and administrations of the Apartheid era a "unitary but decentralised" system of government was introduced (Momoniat, 2002). Nine new provinces replaced the existing four, and the ostensibly "independent" Bantustans and the various "self-governing territories" were reabsorbed into the state. In section 216, the Constitution provided for a centralised National Treasury which would perform a coordinating role in the emerging intergovernmental system (Constitution of the Republic of South Africa, 1996). Apart from the Presidency, Treasury was the only government department specifically mentioned in the 1996 Constitution, underscoring its importance in the new fiscal landscape.

The new Treasury was formally established in 2000 after the passage of the Public Finance Management Act (PFMA). It was then that the Department of Finance and the Department of State Expenditure were officially merged to form the new National Treasury. The years preceding this, however, were characterised by far-reaching reforms to prepare the way for the formal establishment of Treasury. This involved not only restructuring existing institutions, but also the rather more difficult task of injecting a new spirit of democracy, transparency and openness into the offices of the old apartheid bureaucracy. Making this ambition a reality would require political capital, savvy, detailed strategic thinking, and the assembly of a crack team.

### Team Finance

"Team Finance" has played a central role in the success of the budget reform process: The National Treasury is often held up as being the most efficient and effective of all government departments, and an "employer of choice" in the public sector. Certainly it had a more auspicious start under the new government than many other departments: Neil Cole points out that Treasury (and its previous incarnation – the twinned departments of Finance and State Expenditure) had an easier and more "ordered" transition through the 1994 change of government than most other line departments (in fact, says Cole, there are still a number of pre-1994 officials working at Treasury today, a telling example of institutional continuity.). National Treasury also did not have to directly incorporate the bantustan administrations (as, for example, the new consolidated national department of education had to), although some of the provincial treasuries had to do so. There was also – as discussed above - an existing credible technical/administrative base from which to build a new system, not something that other departments could always rely on.

Treasury also had access to a substantial pool of talented international advisers, and was able to access skills in other countries via South Africa's re-entry to the Commonwealth. Importantly, the input of these advisers was always tempered with local knowledge and context, thanks to the fact that Treasury soon became seen as one of the most desirable places to work in the public sector, and never had difficulties attracting (and retaining) good people. Many of these came from within the ranks of the ANC. The party came to power with a cohort of economists who would come to spearhead change in a number of different institutions. Ismail Momoniat, now Deputy Director General of Treasury, highlights the importance of the ANC's Department of Economic Planning (DEP). The DEP had attracted some talented individuals. Many would come to play a leading role in the new South African economic landscape. Both Maria Ramos, the future Director-General of the National Treasury, and Tito Mboweni, the future Governor of the Reserve Bank, helped to establish the DEP's first South African-based office at the ANC's Shell House headquarters in Johannesburg (Green, 2008 p.337). In 1991, Trevor Manuel was appointed to lead the DEP.

These individuals would come to form the core of "Team Finance".

When Trevor Manuel officially became the Minister of Finance in 1996 he faced a colossal task. Fortunately, he was not alone: critical to the success of the reforms undertaken was the highly capable team which developed within Treasury. Many recall that Manuel helped foster a new environment of critical dialogue and argument conducive to forging a strong team. Momoniat remembers Manuel's entry as being "a breath of fresh air", bringing with it high levels of robust discussion. Momoniat had joined the Finance Department in 1995 and had initially felt "miserable… I was given nothing to do" (Green, 2008 p.428). Yet as the new Treasury took shape, as apartheid's "dead wood" personnel were edged out, and as a more inspired culture of rigorous thinking was cultivated, individuals like Momoniat came to play a leading role in driving the process of reform. Momoniat speaks of the decision by Treasury officials to establish an HIV grant, despite the contradictory approach to the pandemic of broader government, as indicative of how the department's internal atmosphere of healthy criticism and robust debate could lead it to undertake initiatives that went against the grain.

Much of the credit for the building of this team, and the institutional depth and capacity that supported them, goes to the first two Directors-General under Manuel – Maria Ramos and Lesetja Kganyago. Maria Ramos was appointed Director-General of Finance on July 3, 1996, and continued in that position in the new National Treasury once it was established. She was an economist (with an MSc from the University of London) and alongside her prominent role as at the DEP from 1990 to 1994, she participated in the constitutional negotiations in 1993. In many ways representative of the broader change in institutional ethos, Ramos transformed the offices of the formerly conservative organization into an open-plan format on the basis that this "fosters a team culture and corporate self-management ethic" (National Treasury, 2003). A contemporary of Ramos remembers that she insisted on being called simply "Maria", instead of her more formal title of "DG". Both Ramos (and her successor) and their offices were key in creating the administrative capacity without which Manuel's ambitious budget reform initiatives would not have been possible. Ramos left Treasury at the end of 2003 to take up the position of Chief Executive at the state-owned Transnet. (Later she was to become CEO of Barclays Africa.) She was followed as Director-General by Lesetja Kganyago, who held the position from 2004 to 2011, when he was appointed deputy governor of the Reserve Bank, later becoming Governor.

One of Ramos' key contributions to the new fiscal regime – which centred around the budget process and reform thereof – was in the restructuring of Treasury, putting in place the organizational environment needed to support the drastic overhaul of the budget system. National Treasury was formally established in April 2000 in terms of the PFMA by the merger of State Expenditure and Finance. The new Treasury was made up of eight divisions – Corporate Services, Budget Office, Public Finance, Intergovernmental Relations, Economic Policy and International Financial Relations, Asset and Liability Management, the Accountant General and Specialist Functions. National Treasury grew rapidly – the 2003/2006 Strategic Plan provided for an increase in staff from 500 to 750 people in just 2 years.

The Budget Office is responsible for overseeing expenditure planning and the entire national budget process. This includes monitoring the actual allocation of resources against government's priorities. In its early days, the Budget Office staffed some of the Treasury's key roleplayers. These included Andrew Donaldson, who became head of the streamlined Budget Office, Kuben Naidoo, his successor, and Ismail Momoniat, who spearheaded the Treasury's unit of intergovernmental relations. Naidoo recalls the Office as having played a pivotal role in leading Public Finance Management reforms. It was also a testament to how Treasury developed in-house talent, contributing a great deal to institutional integrity and stability.

## Emerging Intergovernmental Relations

The notion of "Team Finance" was broader than just National Treasury: Trevor Manuel recalls that an early priority was creating an esprit de corps across the entire Finance function (i.e. across both the national and the nine provincial functions). It will be remembered that nine new provincial administrations had emerged to give form to the "unitary but decentralised" democratic state. Each province has their own treasury which receives transfers from the central government, as mandated by the Constitution. And while the National Treasury is seen to play a crucial role of guidance and oversight, imposing expectations of frequent reporting on expenditure, it is not meant to dictate exactly how provincial treasuries draw up their budgets. This lies at the heart of the Constitution's commitment to "cooperative governance": local and provincial governments are not merely administrative extensions of the center, but enjoy a significant degree of autonomy.

Yet Treasury is nonetheless mandated to play a key role in coordinating fiscal relations between these different spheres of government, and, as Manuel explains, this required the introduction of measures to build trust and political buy-in. Manuel emphasizes the importance of building trust around the budgetary decision-making process; that everyone knows how decisions are made and how resources are allocated. This helps, in his view, to transcend party political issues around the budget and to create an environment where people are motivated to resolve budget trade-offs, rather than pursuing their own agendas through "back room" negotiations.

As Minister of Trade and Industry, Manuel had set up a so-called MinMEC – i.e. a forum comprising the national minister and his provincial counterparts (the Finance Member of the Executive Council (MEC) of each province) - and this model he now extended into Treasury. The underlying idea of the MinMEC was to have a forum where senior provincial treasury officials could have regular meetings with the Minister and Deputy Minister of Finance.  Not only did Manuel hope that this would encourage the open exchange of ideas and information, but that it would also help to create a certain status and entrench standards associated with the Finance function. Most importantly, according to Manuel, the Finance MinMEC created what he terms "an expectation of mutual accountability." Manuel always made sure that provincial budget council meetings were attended by very senior officials from the National Treasury. Dispatching a strong Treasury team kept the MECs "happy" about their and the budget council meetings' importance, and further entrenched the solidarity of Team Finance. He rates this "mutual trust and accountability" as central to the effective working of the Treasury function, and to the budget reform process. The establishment of other intergovernmental fora such as the Budget Council in 1996, alongside the Fiscal and Financial Commission (FFC), a Constitutionally-mandated structure which fulfils an advisory role with respect to intergovernmental transfers, further strengthened this drive towards open budgeting.

The National Treasury under Trevor Manuel enjoyed strong and direct political support from both President Mandela and his successor, President Mbeki. This is not to say that there were not (sometimes heated) debates over the details of policy and implementation, but rather that this never changed the central role of Treasury in economic and fiscal reform. It was this strong political support that in many ways facilitated what we now see as Treasury's ability to exercise more initiative and "can do" than many other line departments, and their impressive ability to implement their own policies.

## The SARS Story: From problem child to star performer

An important part of the strategy both to balance the fiscal books and to create a solid foundation for the new budgetary process was the restructuring of revenue collection. The old tax collection regime was made up of two entities – Inland Revenue, and Customs and Excise – neither of which were especially effective, and certainly not able to generate the income necessary for meaningful debt reduction. The new government

needed to collect more revenue, but it could not do so at the expense of putting pressure on the already fragile economy with higher taxes. The only option was a more effective tax collection system. The ANC was the driving force behind the establishment of the Katz Commission, which was in place from 1994 to 1999 and tasked with a comprehensive review of the entire tax system. The Commission recommended a drastic overhaul of the tax regime, as well as the institutions responsible for revenue collection. Overall, tax structures were simplified, and many allowances and deductions for taxpayers were abolished. This made the administration of the tax system simpler and more effective.

On the recommendations of the interim report of the Katz Commission (released in 1997), the two directorates responsible for revenue collection were amalgamated into a new, semi-autonomous agency – the South African Revenue Services (SARS) - in the same year. SARS reported directly to the Minister of Finance, while operating under the auspices of the National Treasury. The SARS Commissioner (the head of the agency) is appointed by the President. Pravin Gordhan, a qualified pharmacist who had been active in the ANC and opposition politics since the 1970s and elected a Member of Parliament in 1994, was appointed the first Commissioner of SARS. He served in this position until 2009, when he was appointed Minister of Finance, succeeding Trevor Manuel. SARS's ability to increase tax revenues was central to the success of South Africa's fiscal restructuring, but Gordhan faced a number of considerable challenges both inside and outside of the organization. The new SARS was undercapacitated, both in terms of systems and people. Staff morale was low and staff turnover was high. It was perceived by many to be a disorganized and ineffective organization, and there were allegations of rampant corruption in the Customs and Excise function. South Africa was also characterized by a tradition of relatively low tax compliance and a culture of tax avoidance.
The relationship that emerged between National Treasury and SARS was quite different to that between the old Department of Finance and the two previous tax directorates. Treasury was responsible for tax policy, and put in place the legislation that SARS (responsible for tax administration) needed to enforce an expansion of the tax net. But SARS also had a great deal of institutional autonomy over its operations. This meant that SARS management had considerable discretion to restructure and manage the organization as it saw fit. As just one example, SARS was empowered to recruit and remunerate staff outside of the limitations imposed within the public service. Manuel and Ramos also understood that SARS needed time to design and implement new systems, and supported Gordhan in this process. It was this administrative autonomy that gave the organization the room it needed to reinvent itself as a more flexible and effective organization.

Under Gordhan tax collection was fundamentally restructured, and was later widely seen as a centre of public-sector excellence. Some of the most important changes made were the following (SARB, 2013):

- More effective debt collection;
- Better risk profiling;
- Improved enforcement strategies;
- Increased capacity to investigate non-compliance;
- Clearing of assessment backlogs.

SARS did not just focus on organizational (internal) efficiency, it also worked hard to change perceptions towards tax compliance, and increase the reach of the tax authorities. Under Gordhan SARS embarked on a public relations and general education campaign, highlighting the benefits to broader society of tax compliance. SARS also ran a number of "amnesty" campaigns, where certain categories of tax avoiders (such as small businesses who were not registered for value added tax (VAT) and individuals who had undeclared offshore assets) could "come clean" without the threat of prosecution, subject to registration.

Between the 1998/99 and 2001/02 fiscal years – a mere three years – the number of individuals registered for income tax increased by 43% and the number of companies by 40%. SARS's improved efficiency and transparency, together with a simplified tax administration process, also contributed to improved

collections: taxpayers' faith in the system increased as turnaround times for processing improved, and innovations such as the e-filing of returns made compliance both simpler and cheaper.

In almost every year from its inception until the start of the global economic downturn in 2009, SARS's revenue collection exceeded budgeted forecasts. A decade after Gordhan's appointment to SARS, revenue had grown from R184 billion to R558 billion (Manuel, Budget Speech, 2008). This achievement allowed for a steady decline in government debt and debt service costs after 2000. This, in turn, freed up funds to facilitate the expansion of government's socio-economic programmes, particularly social grants. Improved revenue collection also gave Treasury the opportunity to support economic growth through gradual declines in income tax rates. In the 2002/03 fiscal year personal income tax rates were reduced, and new tax incentives for the corporate sector were introduced. Personal income tax as a percentage of total tax revenue declined from 43% in 1999/2000, to 33.6% in the 2002/03, even though the number of registered taxpayers increased by almost 10%. The success of SARS is often held up as an example of effective organizational restructuring in the public sector.

## CHAPTER III:
# FROM BUDGETING TO PERFORMANCE MANAGEMENT

Reforming budgeting practices meant reforming an inherited system that was fragmented, opaque, and outdated. At stake was nothing less than a process of state-building. Just one of the many challenges facing the new government, for instance, had been to consolidate all of the various Budgets to present a comprehensive image of the country's finances. As Andrew Donaldson noted, this was also to determine the extent of the debt left behind by the outgoing government (Green, 2008 p.377). The then twin Departments of Finance and State Expenditure had to further contend with the new challenge of intergovernmental finance in a system of national, provincial, and local governments (Department of Finance, 1994). Most pressingly, a modernised budgeting system was integral to translating government's ambitious policy goals into public services (Department of Finance, 1998a).

One of the first ways in which the Department of Finance contributed to a more rigorous link between policy and budgeting was the introduction of a multi-year budgeting framework. This was the beginning of a broader commitment in South Africa to budgeting that sought to link inputs "to the outputs that the public can expect for that spending" (Department of Finance, 1998a). The Medium-Term Expenditure Framework (MTEF) was adopted for the first time in the 1998/1999 national budget. It was described in the 1998 Budget Review as the "cornerstone of a broader process of budget reform". The MTEF introduced a multi-year budgeting framework, using three-year rolling expenditure plans for all national and provincial departments. The transition from annual budgeting to a Medium-Term Expenditure Framework provides a very good example of Treasury's leadership style at the time. It illustrates the ability of Trevor Manuel (and the entire senior Treasury team) to overcome an initial opposition to a new budget process, and a potentially serious challenge to the budgetary control of Treasury, in an inclusive (and thus sustainable) way.

The MTEF had actually been a work in progress since 1995. The first MTEF was developed for the 1996 – 1998 period, yet it had hit a political road block. All the estimates for that three-year period were done by budget officials within the then Department of Finance. These estimates were based on their own assessments and assumptions of key factors, such as inflation. Neil Cole recalls that Treasury officials then produced an exceedingly detailed and complex set of Excel spreadsheets, which they presented to Parliament as the proposed MTEF. Parliament rejected it outright: "we hit a brick wall", says Cole. According to Cole, the Department of Finance had neglected two key components of any successful budget reform process, namely, context and agency. The "context" component requires that the affected line departments and Parliament actually understood the fancy, complex spreadsheet and know how it was developed. If it is just an incomprehensible set of data, no matter how accurate or cleverly calculated, it has failed to consider its context. Related to this is the notion of "agency": it is the line departments, not Treasury, that actually have to implement the MTEF. How do they translate thousands of budget line items into tangible outputs, and make the necessary linkages between performance and budgeting, which they then take responsibility for? More importantly: where was the sense of inclusion and democracy – so carefully spelled out in the Constitution - in this budget process? Parliament's rejection of the first piloted MTEF proved to be an important lesson in the formative stages of the Treasury.

Trevor Manuel realized that even the best technical solution couldn't simply be imposed. Further, according to Neil Cole, this failed MTEF process made him realize that there was a lot of budgeting expertise in Treasury,

but not much anywhere else in government. What to do? Manuel and Team Finance understood that they first had to get Parliament and then the Cabinet on their side with respect to building understanding and consensus around the very concept of medium-term budgeting. The Ministers' Committee on the Budget was supplemented by various medium-term expenditure committees (MTECs), established for different sectors. Budget engineers from Treasury (who had both financial and sector-specific skills) worked closely with the MTECs in developing budgets and associated programmes and performance indicators for each department. No longer did Treasury present the MTEF as a fait accompli. It was from now on the result of negotiation. This approach – which allowed departments to have more say in the development of both their own and the overall MTEF - brought both consultation and credibility to the MTEF process, and produced a long-term budget that departments were committed to implementing. This reflected the view that while the aim of budget reform was to improve the quality of the contents of the budget, the process by which the budget was calculated was just as important as that outcome (Folscher and Cole, 2006).

The MTEF kick-started a budget reform process, that, along with the White Paper on Budget Reform (1998), led to the passing of the 1999 Public Finance Management Act (PFMA). Effected in April 2000, the PFMA is, after the Constitution, the most important piece of legislation governing the budget process and fiscal policy, and thus integral to the process of budget reform. It aimed to put in place a new system of fiscal management that would achieve a "break from the past regime of opaqueness, hierarchical systems of management, poor information and weak accountability". The PFMA's key objectives were to modernise the financial management system, establish a managerial ethic in government departments, and ensure that financial and performance information was regularly and well reported (Nkoana and Bokoda, 2009 p.52). It is important to point out that the PFMA does not contain lengthy lists of detailed rules for the management of either the budget process or its transformation. Instead, it focuses on the outputs of this reformed process, and the various stakeholder responsibilities in achieving these outputs (Ajam, and Fourie, 2014).

A key figure behind the PFMA was Ismail Momoniat. He portrays the PFMA as an attempt to change the very circuits by which the government was organised. It provides the legislative framework for more effective financial accountability, monitoring and financial management systems, and budget processes in government. Further, it formally brought to life the National Treasury, acting on the constitutional mandate of Section 216 of the Constitution and establishes provincial treasuries (Constitution of the Republic of South Africa, 1996; Department of Finance, 1999b).

Under the new system, the focus was shifted from planning and reporting around inputs, to what was achieved (outcomes), thereby strengthening the link between the resources allocated to departments and the impact of this on achieving government's long-term goals. Departments were now required to develop budgets for the main "programmes" within their departments, which had to indicate clearly policy priorities and the choices made between competing ends for limited resources. Additionally, and in terms of the PFMA, "measurable objectives" had to be stipulated for each programme within a particular budget vote. These objectives are defined by Treasury as the anticipated outcomes of a particular programme, and must be clearly differentiated from department outputs. Another integral aspect of PFMA reform was to give increased decision-making power to public sector managers (Nkoana & Bokoda, 2009 p.52). These departmental managers were granted flexibility in achieving their programme objectives in order to adapt to the inevitability of changing contexts and plans. As Ismail Momoniat simply put it, "Managers must be allowed to manage". In this manner, the linkages between resource allocation and actual delivery of programmes were to be strengthened.

In order to monitor programmes effectively, standardizing budget formats and reporting was essential to PFMA reforms. In 2001 a revised budget format - Estimates of National Expenditure (ENE) – was introduced, in response to the PFMA's requirement of measurable objectives. The ENE required that a substantial amount of non-financial information be included together with financial estimates in each department's budget. Treasury also implemented a new system of annual reporting (with new reporting templates prescribed in terms of regulation), which required departments to report not only on what had actually been achieved with their allocated funds, but also how that compared to what had been planned and budget. Overseeing the PFMA's regulatory compliance, and financial performance and management, were the newly-mandated audit-committees. Critically however, and perhaps one of the PFMA's noted shortfalls, these committees lacked the powers to hold managers to account.

## Extending Control: Tightening the budgetary process

One of Treasury's clear objectives was to prevent any kind of back-room budget negotiations or "pork barreling". Achieving this meant that (1) the process of determining the budget (i.e who got how much money for what purpose) be both clear and transparent, and that (2) once the budget arrived in Parliament it could not be subject to any political wrangling about its contents. One of Trevor Manuel's early priorities was to develop a transparent budgetary process, where everyone understood how resource allocations were made. In his own words – "transparency requires the rule of law". Treasury regulated the entire budget negotiation process and there was full disclosure throughout. The practice of presenting the Medium Term Budget Policy statement in October of each year for the following financial year was introduced. This meant that by the time the budget arrived in Parliament there were no real surprises as to the allocation of expenditure, and that considerable consultation has already taken place. (Income proposals – such as changes to the tax regime – are kept under wraps until budget day in order to prevent market arbitrage.)

In order to prevent the second possibility – "pork barrelling" (where a particular political party or group attempts to attach additional items to the Bill in return for approving the proposed budget) when the budget is presented – the concept of "Money Bills" was developed. Section 77 of the Constitution defines a Money Bill as a "bill that appropriates money or imposes taxes, levies or duties". A Money BIll may not deal with any other unrelated matter, and the annual budget presented to Parliament is a Money Bill. The result is that Parliament has only a "yes/no" vote on the budget – it can either approve the budget as it is presented, or it can reject it. What Parliament cannot do is negotiate changes to any of its components as a pre-condition to its approval. There is also only one opportunity each year for departments to apply for an adjustment to their budgetary allocations. This has contributed significantly to centralized control over the budget process, and a corresponding improvement in fiscal discipline.

One of the most important changes to the budgetary process was the result of a fundamental shift in the way in which the different parts of government – national, provincial and local – related to each other and thus the manner in which resources were allocated among these three spheres of government. The final constitutional agreement stipulated that most revenue would be collected centrally (the provinces have very limited own revenue sources (mostly vehicle licensing fees) while local municipalities collect property taxes and charge for services such as electricity and water) and then allocated out to the three spheres of government according to some pre-determined set of guidelines. The ANC believed that this approach was vital to achieve both fiscal accountability and improved equity, which latter goal required that funds effectively be transferred from wealthier to poorer regions.

Under this system of intergovernmental finance, all money received by national government is paid into

a national revenue fund, and may only be withdrawn from this fund either in terms of an appropriation by an Act of Parliament, or as a direct charge provided for in the Constitution or an Act of Parliament. Thus each year's Division of Revenue Act (DORA) is a Money Bill as described above, which extends further control over the allocations, and leaves no room for political wrangling on the allocation of funds once it arrives in Parliament. There are two main kinds of transfer to provinces and municipalities contained in each DORA – an equitable share (which recipients then allocate to the various expenditure categories at their discretion) and conditional grants, which may only be used for a clearly specified purpose. The use of conditional grants assists National Treasury in controlling how funds are actually allocated by provinces and municipalities, ensuring that their spending is in line with national priorities. Prior to the establishment of the Social Security Agency (SASSA) the most important conditional grants were social security payments, which were then distributed by the provinces.

As Neil Cole points out, building an inter-governmental system relies to a great extent on open communication, mutual trust and accountability: although the basis on which the equitable shares of national and the nine provincial governments should be determined is spelled out in the Constitution, it would be erroneous to view this process as simply the application of some kind of formula. Instead, this should be viewed as a political split, because it is informed by the policy priorities of government. The main point he makes is that a political process (as well as a technical process) is required to make this inter-governmental allocation system work. The Treasury's Intergovernmental Relations proved "... instrumental in developing the cooperative spirit and constructive working relationship which guides the regular interactions of 'Team Finance'" (Department of Finance, 1999b p.27). Intergovernmental relations were essential to solidifying the institutions, processes and systems of South Africa's budget reform.

Treasury has focused on bringing the provinces under the accountability umbrella through the extension of the MTEF, intergovernmental fora like the Budget Council, the development of standardized budget formats for provinces and the introduction of the Intergovernmental Fiscal Review (National Treasury, 2003; Ajam, 1998). The Intergovernmental Relations unit did the groundwork of building capacity and cooperation to implement and institutionalize fiscal management reforms. As a result, there is undoubtedly improved transparency in public sector budgeting, particularly at provincial and national level. With budget information widely available and reported in a standardized way, the International Partnership's Open Budget Survey of 2010 scored South Africa's budgeting system at number 1 in the world, beating all the developed nations in the 94-country survey.

## CHAPTER IV:
# FISCAL SUCCESS AT A POLITICAL PRICE

### The Expenditure Management Imperative

The macro-economic reforms contained in the Growth, Employment and Redistribution strategy (GEAR) were based on the need to put South Africa on a more stable and sustainable fiscal foundation, and to create the conditions in which economic growth could recover, and jobs be created. Under GEAR the objectives of fiscal policy were to:

- Reduce the overall budget deficit (from 5.6% of GDP in the 1993/94 fiscal year to 3% by 1999/2000);
- Avoid permanent increases in the tax burden;
- Reduce consumption expenditure of government;
- Keep the government wage bill under control; and
- Increase government's contribution to gross domestic fixed investment (SARB, 2013)

Government was particularly concerned about reducing the overall level of government debt, to reduce the share of interest payments in annual expenditure. In addition, rising levels of government debt would have had the undesirable effect of crowding out private sector investment, as a result of rising interest rates. The structure and ownership of South Africa's debt meant that it was not really possible to consider writing it off as the debt of a previous regime of questionable legitimacy. Although, according to Trevor Manuel, the issue was discussed, the implications for the savings and pensions of ordinary South Africans (who were the indirect owners of most of this debt) were much too dire for this course of action to be considered seriously.

Although there was an expenditure "dividend" in a post-apartheid government arising from a significant reduction in defense expenditure, this was not sufficient to fund the ANC's plans: Trevor Manuel recalls that the ANC had a "naïve" expectation that their ambitious social development and equity programmes could be funded from the defense dividend, but quickly realized that this could not be the case. The deficit and the total debt level could only be reduced if additional savings were made in other places.

From the 1997/98 fiscal year, actual government expenditure as a percentage of GDP fell sharply (while tax revenues were increasing), and this trend only reversed in 2002/03. Treasury also managed to ensure that actual expenditure as a percentage of GDP remained below what was budgeted, keeping national departments and the other spheres of government within expenditure affordability targets. The public sector wage bill was also cut: members of parliament, ministers and the President all agreed to voluntary pay reductions; the number of civil servants was reduced, and pay increases limited. Expenditure on personnel (as a percentage of total non-interest expenditure) declined from 26.4% in the 1993/94 fiscal year, to 15.4% in 1999/2000.

Treasury was extremely successful in its strategy to reduce the deficit, which fell to 2.1% of GDP in the 1999/2000 year, well below the target that had been budgeted. Government debt as a percentage of GDP stood at 43% just before the April 1994 elections. Due to the lag effect, it continued to increase (albeit at a slower rate than previously) and peaked at just over 50% in 1995/96. Thereafter the prudent fiscal policies started to show an effect and debt as a percentage of GDP fell steadily – down to 22% in 2009. From the 2009/10 fiscal year, the deficit was increased as part of the counter-cyclical policy to ameliorate the local effects of the 2008 global economic crisis.

However, it should be noted that this strict management of expenditure coincided with an increase in expenditure on the government's Reconstruction and Development Programme, albeit at a more modest pace than had initially been planned. Spending on health, education and social welfare all increased during this

period when overall expenditure was declining. By the 2000/2001 fiscal year government finances had improved to the point where government was able to move to an expansionary fiscal policy. In his 2001 Budget speech, Manuel celebrated what he called the "fruit of the macroeconomic transition" (Manuel, 2001). Spending on social services increased substantially thereafter, particularly in the increase in the range of the child-care grant, which represents a transfer to the poorest households. By 2003, expenditure on social grants was R38.4 billion (up almost fourfold from 1994) representing almost 7 million beneficiaries (more than double the number in 1994). The more expansionary fiscal policy also allowed government to reverse the decline in government fixed capital formation, and to increase its expenditure on productive infrastructure. Despite the transition to a more expansionary fiscal policy from 2001 onwards, the deficit averaged just 1.6% of GDP for the period to 2004/2005. In Fiscal 2005/06 it fell even further – to just 0.3% of GDP. Government debt as a percentage of GDP took longer to decline than the deficit, due to the lag effect, but significant improvements were seen from 2003/04 onwards.

Success in achieving the fiscal targets of GEAR was underpinned by the authority that Treasury was able to extend over government expenditure, particularly through the MTEF, and the new performance based system that required departments to account clearly for what they had spent on. But reducing the overall level of government debt also required a commitment to reducing government expenditure at a time when the demands in terms of social and economic transformation, and expectations of such transformation, had never been higher.

In achieving this outcome – declining deficits and debt in tandem with an increase in government expenditure – the success of SARS has been key: Between the 1994/95 and 2010/11 fiscal years, real government revenue more than doubled (Doherty, 2014). This was achieved while simultaneously reducing both corporate and marginal rates of personal income tax, in line with GEAR's desire to balance the competing needs of higher revenue with higher economic growth.

## Political Opposition

The adoption of GEAR was not welcomed in all quarters: the ANC was in a political alliance with the South African Communist Party (SACP) and the labour federation COSATU (Congress of South African Trade Unions). COSATU was particularly unhappy with the adoption of GEAR, viewing it as government's abandonment of the Reconstruction and Development Programme (RDP). In their view the sharp reductions in expenditure growth required by GEAR would undermine job creation and the reduction of income inequality. (COSATU was also displeased with that part of the GEAR strategy that dealt with the need for more flexible labour markets, which they took as a threat to the organized labour movement and hard-won rights for employees.) COSATU did not believe that they had been adequately consulted on GEAR before it was implemented. The federation was convinced that an alternative strategy, based on a much less austere approach towards government expenditure, would have a better long-term impact on job creation, equity and social transformation. They accused the ANC of adopting a "neo-liberal" economic policy, and believed that GEAR was much more likely to advance the interests of the already wealthy than the poor.

Tensions over GEAR resulted in an uneasy relationship between COSATU and President Thabo Mbeki (who succeeded Nelson Mandela in 1999). The long-term anger that COSATU felt over GEAR was one of the reasons why COSATU did not support Mbeki in his bid for re-election as president of the ANC at the party's 52nd congress in December 2007, which resulted directly in his early resignation as President of South Africa in 2008. (Jacob Zuma – whom Mbeki had sacked as vice-President of South Africa in June 2005 – was elected President of the ANC, and became President of South Africa after the 2009 general election.)

## Disappointments

The fiscal discipline and sacrifices required by GEAR were expected to yield (at least) two important outcomes: firstly, it was expected that as the fiscal position stabilized, investment would respond, economic growth would recover and unemployment would start to decline. Secondly, it was assumed that the restructuring of expenditure towards social transformation and equity would make a real difference to the socio-economic lives of the majority of South Africans. Neither of these expectations materialized to the extent that had been hoped for.

GEAR was based on reaching an economic growth target of 6% per annum, and creating around 400,000 new jobs each year. The economy grew at an average annual rate of around 3% between 1994 and 2003. Thereafter, growth accelerated (as had been hoped) to an average 5% per annum until the global financial crisis hit in 2008. Although this was not far below the 6% GEAR target, these growth rates were not matched by increases in employment, particularly in relatively higher-paid formal sector jobs. Many of the new jobs created were in the informal sector, where incomes were lower and job security more tenuous than in the formal sector. Additionally, the labour force was increasing almost as quickly as new jobs were created, reflecting South Africa's population demographics, with a high proportion of the population aged 18 or younger. At the peak of the employment creation phase (the fourth quarter of 2008), the unemployment rate was at just over 25% (StatsSA, 2013), compared to around 31.5% in 1994. But the total number of unemployed people (on the expanded definition, which includes discourage job seekers) stood at just over 5 million in 2008, which was up from 4.7 million in 1994. And as soon as the slowdown started to hit in 2009, the economy shed jobs rapidly, in both the formal and informal sectors.

Some Treasury officials were disappointment with the results of fiscal consolidation. Shifting the budget was one thing. And against this measure fiscal reforms had been a great success. Yet when measured against developmental indicators the results were disappointing. Kuben Naidoo insists that if primary motive behind fiscal consolidation had been to improve government performance in delivering services, then the process could not really be considered a success.

Disappointment has also been expressed about the effectiveness of the PFMA. Momoniat believes there was a certain element of "naivete" in design of the PFMA. It relied on the good will of officials and had very few tools to deal with officials who acted in "bad faith".

Within a system of "cooperative governance", there has also seen limited success in extending fiscal controls to municipal government, the primary node of service delivery on the ground. Municipal financial management reforms lagged provincial and national gains. Until the Municipal Financial Management Act in 2003, many Municipalities did not work within the MTEF and still used annual budgets. The quality of reporting on the link between budgets and service delivery outputs at the local government level is generally poor. Treasury's success in improving fiscal efficiency and effectiveness has thus often not been matched by the entities that were responsible for ensuring that a social and economic transformation actually took place. Addressing the factors that contribute to poor service delivery has proven to be a much more formidable challenge than budget reform.

## POSTSCRIPT

The global financial crisis – precipitated by the collapse of Lehman Brothers in September 2008 – took hold in the last quarter of 2008, bringing a swift halt to the existing period of economic expansion. In sharp contrast to many other countries, and due entirely to its relatively healthy fiscal position. The fiscal discipline that had been exerted by Treasury meant that South Africa had a debt: GDP ratio of less than 30% in the 2007/08 fiscal year. South Africa was able to respond with a counter-cyclical policy, increasing expenditure even though tax revenues were under pressure. This has ameliorated somewhat the impact of the crisis, and was only possible thanks to the sound fiscal base established during the early GEAR years.

Although Treasury has remained a centre of excellence in government and has overseen an ongoing programme of fiscal restructuring, with a growing focus on local government, its place in the political firmament has slipped a little. The ANC Conference at Polokwane In December 2007 represented a watershed moment for National Treasury: Prior to Polokwane there was a clear, central and dominant role for Treasury in the management of the economy and economic policy, with strong support from the President. After Polokwane, that was no longer the case. After the 2009 general elections there were other departments directly involved in economic policy making and the Minister of Finance no longer had quite the same support from the new President Zuma as had been enjoyed under Mandela and Mbeki. A new Department of Economic Development was established after the 2009 elections. Neil Cole argues that, pre-Polokwane, Treasury had been more "relaxed" in going about its business, depending on informal relationships of mutual trust and focusing on consensus building to get things done. Post-Polokwane, however, it became much more focused on hard and fast rules, and the period thereafter is marked by a considerable increase in the issuing of regulations and new legislation.

Trevor Manuel was replaced as Minister of Finance by Pravin Gordhan (who moved from SARS) after the 2009 elections. Although Gordhan was known to be a competent manager, he did not have the same personality or political influence as Manuel, and adopted a more technocratic approach towards the budget process. The Budget Councils – used to great effect to build consensus under Trevor Manuel – were convened and used less often under Pravin Gordhan. The rise of a more partisan politics meant that Treasury no longer enjoyed sole sway over economic policy.

Nhlanhla Nene (previously Deputy Minister of Finance) replaced Gordhan in 2014. His first budget speech highlighted that many of the challenges faced in 1996 – inadequate economic growth, rapidly rising government debt, and a growing deficit and interest bill – have returned. Broader political and economic circumstances have changed markedly from the early post-apartheid period. Nene's surprise removal by Jacob Zuma on 9 December 2015, followed by a sudden drop in the value of the Rand, has brought about renewed debate about the National Treasury going forward. Just what role it will undertake in this new landscape in the years to come remains to be seen.

## REFERENCES


- Abedian, I. (1998). Economic Globalization: The consequences for fiscal management. in Abedian, I, and Biggs, M. (eds), Economic globalization and fiscal policy. USA: Oxford University Press, USA,
- Ajam, T. and Fourie, D. J. (2014). The role of the provincial treasury in driving budget
- reform in South Africa's decentralized Fiscal system. Administratio Publica 22(3): 43 - 61.
- Ajam, T. (1998). The Evolution of devolution: fiscal decentralization in South Africa. in Abedian, I, and Biggs, M. (eds), Economic globalization and fiscal policy. USA: Oxford University Press.
- Ajam, T. (2008). Integrating strategic planning and budgeting: A PFMA perspective. Southern African Journal of Accountability and Auditing Research, 8, 45-56.
- Department of Finance. (1994). Annual Report.
- Department of Finance. (1997). Budget Review.
- Department of Finance. (1998a). Budget Review.
- Department of Finance. (1998b). Annual Report.
- Department of Finance. (1999a). Budget Review.
- Department of Finance. (1999b). Annual Report.
- Doherty, J. (2014.) Increasing tax revenue and its impact on financing public health care in South Africa. RESYST Working Paper 6. UK Aid.
- Folscher, A. and Cole, N. (2006). South Africa: Transition to Democracy Offers Opportunity
- for Whole System Reform. OECD Journal on Budgeting (Volume 6 – 2). OECD.
- Green, P. (2008). Choice not Fate: The Life and Times of Trevor Manuel. Johannesburg: Penguin Publishers.
- Hirsch, A. (2005). Season of Hope. Economic Reform under Mandela and Mbeki. University of KwaZulu-Natal Press.
- Mahadea, D. and Simson, R. (2010). The challenge of "low employment economic growth" in South Africa: 1994 – 2008. SAJEMS 13 (4): 391 - 406
- Manuel, T. (2001). Budget Speech.
- Manuel, T. (2008). Budget Speech.
- Mkhize, N., & Ajam, T. (2006). The new budgeting approach in South Africa: A critical assessment. Journal of Public Administration, 41(4), 761-775.
- Momoniat, I. (2001). Fiscal Decentralisation in South Africa: A Practitioner's Perspective. Paper delivered at the World Bank conference.
- Naidoo, K. (2006). Operationalising South Africa's Move from Macroeconomic Stability to Microeconomic Reform. in Padayachee, I. (ed), The Development Decade? Economic and social change in South Africa, 1994-2004. Cape Town: HSRC Press.
- National Treasury. (2002). Annual Report 2001-2002.
- National Treasury. (2003). Annual Report 2002-2003.
- National Treasury. (2003). Strategic Plan 2003 – 2006.
- Nkoana, J. I. and Bokoda, P. (2009). Towards Performance Budgeting. The South African Journal of Accountability and Auditing Research 9: 49 – 56.
- South Africa. (1996). Constitution of the Republic of South Africa.
- South Africa. (1999). Public Finance Management Bill.
- South Africa. (2001). Public Services Regulation Act.
- SARB. (2013). Government Finance Statistics of South Africa: 1994 – 2102. (Supplement to the South African Reserve Bank Quarterly Bulletin – March 2013). South African Reserve Bank.

- StatsSA. (2013). Quarterly Labour Force Survey: Quarter 3, 2013. Statistical Release P0211. Statistics South Africa.
- Verwey, L. (2009). Pro-poor budgeting: general reflections and the South African situation. in Verwey, L. (ed.), Parliament, the Budget and Poverty in South Africa: A shift in power. African Books Collective.
- Wehner, J. (2009). South Africa's new parliamentary budget process: an initial assessment. in Verwey, L. (ed.), Parliament, the Budget and Poverty in South Africa: A shift in power. African Books Collective.