

South Africa

administrative and functional classification of expenditures and forecasts, and improve reporting at subnational level.

Fiscal Reporting

Coverage, Timeliness and Frequency

Background: South African data for the Government Finance Statistics Yearbook and IFS are compiled and disseminated according to the Government Finance Statistics Manual 2001 framework and reported for the consolidated general government. Data for social security funds and central government's extra budgetary funds are reported on an accrual basis. Starting in 2005, the authorities have included additional noncash data for other levels of government, consistent with their migration to accrual reporting. It also reports monthly data covering the cash operations of the budgetary central government for publication in IFS. Fiscal reports are prepared frequently and in a timely manner.

- ***Encourage South Africa's Treasury to continue in its efforts to move fully to accrual accounting and increase the comprehensiveness of the Enacted Budget by presenting information on revenues and borrowing along with the expenditure information provided.***

Quality and Integrity

Background: South African budgetary data is comprehensive and available in GFS in terms of operating balance, net balance and it's financing. However, the quality of data at the sub-national government level is not high.

- ***Encourage the authorities to increase the comprehensiveness of the Executive's Budget Proposal by presenting more information on***

Fiscal Forecasting and Budgeting

Comprehensiveness

Background: National budget documents such as the Executive's Budget Proposal provide much of the information needed to monitor macro-level decisions about revenue and expenditure. But there is a gap in budget transparency as the result of limited budget information provided by local governments and the high level of aggregation of figures in national and provincial budgets. Also, a large proportion of government services are outsourced with very limited published information on the expenditures. While revenues and expenditures are classified in line with the IMF's GFS, there are gaps in the government's reporting of expenditures for the social security funds and extra-budgetary institutions, as well. Financial statements cover the general government and are audited by an independent institution.

- ***Encourage the authorities to record national, provincial and local government treasuries and publish disaggregated data by district or infrastructure unit, scope and specification of the service budget allocation, actual expenditure and details on services delivered.***

Orderliness of the Budget Process and Policy Orientation

Background: South Africa is a parliamentary representative democratic republic. The President is elected by the National Assembly and must enjoy the confidence of

the Assembly in order to remain in office. South Africans also elect provincial legislatures, which govern each of the country's nine provinces. Most provincial and municipal expenditure is funded through transfers from the national government.

The national and provincial budget process is a continuous cycle that runs from April to March every year (when the annual budget is tabled). South Africa has no formal fiscal rule or fiscal responsibility law. However, the Treasury operates a Medium Term Budget, which forecasts the fiscal trajectory based on the government's commitments.

- ***Encourage the authorities to ensure the Executive's Budget Proposal is provided to legislators at least three months before the start of the budget year.***

Credibility

Background: There are ongoing efforts to strengthen government procurement with smarter use of technology to simplify bidding and standardize government contracts to reduce costs. In addition, spending reviews and performance-based budgeting would improve the impact of government programs and help cut ineffective spending.

- ***Encourage the authorities to continue to strengthen the government's procurement process.***

Fiscal Risk Analysis and Management

Disclosure and Analysis

Background: The Treasury has made significant progress in its analysis of fiscal risks and increased monitoring of state own enterprises (SOEs), which could help

identify ways to strengthen their performance.

The fiscal assumptions in the debt sustainability analysis are based on the national government's main budget. The coverage excludes provincial governments, social security funds, and extra-budgetary institutions (but they can not incur debt). The analysis also excludes state owned enterprises, whose debt has increased rapidly in recent years. Nearly 45% of SOEs' borrowing is covered by government guarantees, included in the fiscal analysis of contingent liabilities. South Africa is exposed to substantial macroeconomic volatility (such as commodity prices), which poses sizeable budget risks.

- ***Encourage the authorities to continue to strengthen the budgetary risks from contingent liabilities such as from SOEs.***

Open Budget Survey

Background: The International Budget Partnership prepares the Open Budget Survey, which is an independent comparable measure of budget transparency, participation, and oversight. South Africa's Open Budget Index remained largely unchanged at 86/100 in the 2015 survey from 90/100 in 2012. South Africa's score is substantially higher than the global average of 45/100 and is one of the top three scores of governments rated. Its score of 65/100 for opportunities for the public to engage in the budget process is adequate (much higher than the average international score of 25). Legislative oversight in South Africa is adequate during both the planning and the implementation stages (with score of 85/100). The supreme audit institution receives a perfect score.

Fiscal Transparency: A Snapshot

Country Snapshot	
Sovereign Rating/Outlook	Moody's: Ba2/Neg; S&P: BBB-/ Neg; Fitch: BBB/Neg
Budget Coverage	General Govt
Open Budget Index Score	86/100 in 2015; 90/100 in 2012
Availability of Year End Execution Report	Yes
Fiscal Rule/Fiscal Responsibility Laws	No
Accounting Methodology	Accrual
Key Areas for Improvement	Better reporting of expenditures, especially at the subnational level.

Key websites: Central Bank: <https://www.resbank.co.za/Pages/default> ; National Treasury: <http://www.treasury.gov.za>; Open Budget Survey: <http://www.internationalbudget.org/wp-content/uploads/OBS2015-CS-South-Africa-English>