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Restoring economic confidence and stabilising the public finances

The 2018 Budget outlines a series of measures to rebuild economic confidence and return the public finances to a sustainable path. The proposals build on government's renewed commitment to effective policy implementation, good governance and inclusive development. In partnership with business and labour, government intends to set South Africa on a new path of growth, development and transformation.

Following a difficult year for the economy and the fiscus, a sense of optimism has taken hold in the opening months of 2018. The economy has grown faster than projected at the time of the October 2017 *Medium Term Budget Policy Statement* (MTBPS). Government is beginning to address the problems that have eroded domestic confidence, such as corruption and poor governance at several state-owned companies. The promise of improved political and policy certainty has provided a boost to investment and the rand.

In combination with the improved growth outlook, the 2018 Budget proposals will result in a considerably narrower budget deficit than was presented in October, and a clear path to debt stabilisation.

Despite these positive signs, significant risks remain to economic and fiscal projections. Government is working to boost economic growth, promote more rapid investment to create employment, and stabilise the precarious finances of state-owned companies.

Overview

2018 Budget proposals raise taxes and reprioritise expenditure

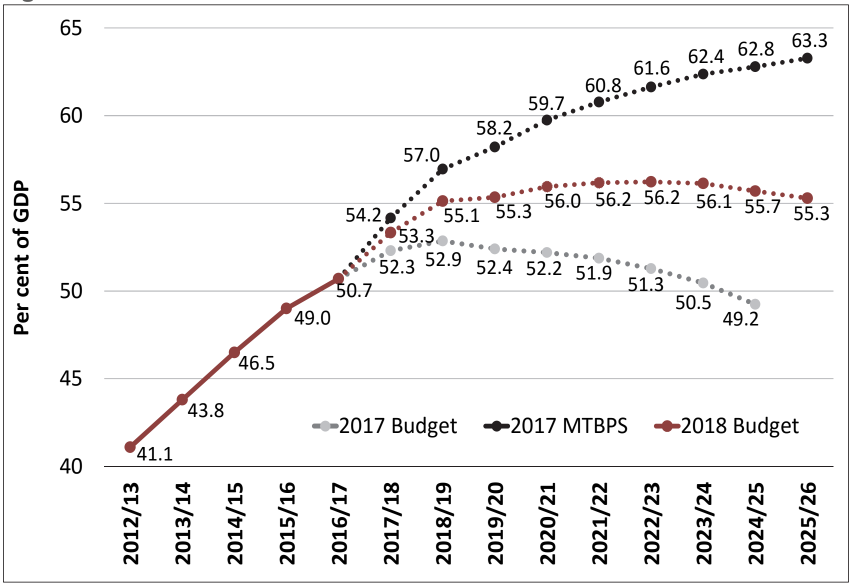
The 2018 Budget accelerates government's efforts to narrow the budget deficit and stabilise debt, laying the foundation for faster growth in the years ahead. It sets out a series of proposals to bolster the public finances by raising taxes and adjusting expenditure – decisions that involve difficult trade-offs. Major steps include a one percentage point increase in the value-added tax (VAT) rate in 2018/19 and large-scale spending reallocations over the medium term.

The fiscal proposals will involve hard adjustments that are needed to protect the integrity of the public finances. By taking steps now to strengthen the fiscal position, government will widen the path for new investment and inclusive, job-creating growth in the years ahead, while creating space to meet new spending commitments.

Debt-to-GDP outlook has improved, with debt stabilising at 56.2 per cent of GDP in 2022/23

At the time of the 2017 MTBPS, gross national debt was projected to breach 60 per cent of GDP in 2021/22, and continue rising thereafter. This projection reflected major revenue shortfalls, anaemic economic growth and a limited policy response. The outlook also represented a major departure from the 2017 Budget figures, which showed the debt-to-GDP ratio declining from 2018/19 onwards. In the 2018 Budget, the combination of higher GDP growth, a narrower deficit, a stronger currency and lower borrowing rates results in an improved debt-to-GDP outlook, with debt stabilising at 56.2 per cent of GDP in 2022/23.

Figure 1.1 Gross debt-to-GDP outlook



Source: National Treasury

Fiscal risks include precarious financial position of major state-owned companies

Although the outlook has improved, the complexity of the economic and fiscal environment should not be underestimated. Economic growth is tepid, unemployment remains very high and the finances of major state-owned companies have become more precarious. The extent of corruption and wasteful expenditure in the public sector, together with governance and efficiency challenges in tax administration, have adversely affected tax morality. The medium-term costs of fee-free higher education and training, and public-service compensation, are uncertain.

A failure to manage these pressures could reverse the substantial gains that South Africa has made in expanding the social wage since 1994.

Growth, policy choices and spending pressures

Structural budget deficit reflects policy choices, spending pressures and weak growth

The 2008 global financial crisis and the resultant 2009 recession in South Africa produced a structural budget deficit. Government expected to eliminate this deficit within a few years, but nearly a decade on, the public finances have yet to recover. The persistent gap reflects a combination of policy choices, spending pressures (especially high wage settlements) and declining GDP growth.

Low levels of economic growth have remained a persistent problem. After a short recession in early 2017, the economy is starting to recover, but the improvement is not yet broad or deep. The global recovery has helped, with higher commodity prices and stronger growth among South Africa's trading partners. Relative to its peers, however, the country lags behind. Per capita income is declining and the most recent statistics show unemployment at 26.7 per cent.

Declining confidence and investment have been major constraints to growth

More rapid growth, investment and job creation are prerequisites for increased revenue and expanded service delivery. But growth has been constrained by declining private investment associated with political and policy uncertainty, and low business and consumer confidence. In 2015, private-sector investment contracted, and the deterioration continued into 2016 and 2017. This was partly a result of increasing concern about the sustainability of the public finances.

Large parts of the public-sector balance sheet have been exhausted. National debt is approaching R2.5 trillion. The debts of state-owned companies have also increased rapidly. Several of these companies have large government guarantees and their long-term viability is a concern. Capital markets have reduced lending to some entities in the absence of meaningful reforms. Eskom's financial position is now a major risk to the economy and the public finances.

Buoyancy of personal income tax appears to have run its course

At the same time, fiscal response options have become increasingly limited. As part of its efforts to narrow the deficit, government has raised taxes and lowered the expenditure ceiling over the past five years, with most of the reduction affecting goods and services budgets and transfers. In addition, the 2015 Budget proposed major reductions to compensation budgets, with the largest adjustment falling in 2018/19. Tax measures have primarily focused on personal income tax which, until recently, had proven to be a particularly buoyant source of revenue.

2017: complex factors shape fiscal choices

Fiscal framework adjusted in light of economic trends, materialisation of risks and new policy announcements

Over the past year, several developments required substantial adjustments to the fiscal framework:

- In light of the recession in early 2017, the MTBPS revised the 2017/18 revenue estimate down by R50.8 billion, with R20.8 billion of this shortfall attributed to lower personal income tax collections.
- Risks at several state-owned companies materialised, resulting in government transfers totalling R13.7 billion.
- The deteriorating outlook triggered credit rating downgrades in April and November 2017. Two of the three major ratings agencies have downgraded government's local-currency debt to sub-investment level.
- In November, in response to the deteriorating fiscal outlook, a Cabinet subcommittee identified medium-term spending cuts amounting to R85 billion.

- In December, then-President Jacob Zuma announced fee-free higher education and training for poor and working-class students.

Recent events suggest an upturn in the business cycle. Statistics South Africa's December 2017 economic statistics revealed an unexpected improvement in the economic outlook, largely as a result of growth in agriculture and mining. The SACCI business confidence index reached its highest level since October 2015 – and the Absa purchasing managers' index its highest level since January 2010.

Stabilising the public finances

Severity of situation outlined in MTBPS required significant, rapid changes to fiscal framework

In light of the severity of the situation outlined in the 2017 MTBPS, government has made significant changes to the fiscal framework over the past three months. In addition to R85 billion in spending reductions, major proposed revisions include:

- Revenue measures to raise an additional R36 billion in 2018/19 by increasing VAT and other taxes, which feed through to the outer years of the MTEF period.
- Funding for fee-free higher education and training, which amounts to additional spending of R57 billion over the medium term.
- A provisional allocation in 2018/19 of R6 billion for drought management, assistance to the water sector, and to improve the planning and execution of national priority infrastructure projects.
- A higher contingency reserve of R8 billion in 2018/19, R8 billion in 2019/20 and R10 billion in 2020/21, to allow for uncertainties associated with the economic outlook, the finances of state-owned companies and other spending pressures.

Government's interventions narrow the deficit relative to 2017 MTBPS estimates

Together with the improved economic growth outlook, government's interventions narrow the deficit relative to the 2017 MTBPS estimates, and stabilise the debt-to-GDP ratio over the medium term. The fiscal proposals will cause economic discomfort, but are necessary to protect the integrity of the public finances. Acting now to strengthen the fiscal position will improve the outlook for the economy and increase space for future investment growth.

Improving the efficiency of spending

The baseline spending reductions set out in the 2018 Budget focus on large programmes, departmental administrative budgets, public entities, and capital transfers to provinces and municipalities. The extent of these cuts will require greater efficiency in the use of funds across the public sector.

Government recognises the need to shift spending away from consumption towards capital investment. Over the past decade, the public sector has invested R2.2 trillion in economic and social infrastructure. Yet weaknesses in project preparation, execution and delivery have resulted in lengthy delays and cost overruns.

The Budget Facility for Infrastructure, launched by the National Treasury, works to improve the planning and execution of large infrastructure projects. The facility, which includes the Presidential Infrastructure Coordinating Commission and the Department of Planning, Monitoring and Evaluation, has completed its review of 38 large infrastructure proposals. Additional work is being done to ensure that proposals can be considered for funding in the October Adjustments Budget. Options to engage development finance institutions and the private sector through the facility will be explored.

Efforts focus on improving planning and execution of large infrastructure projects

To support higher levels of capital investment, the state needs to contain the public-service wage bill, which has crowded out spending in other areas. Compensation ceilings have helped to manage headcounts, but are limiting space to expand crucial frontline services.

Government needs to contain public-service wage bill

The level and rate of growth in remuneration is of concern. Cost-of-living adjustments that consistently exceed consumer price inflation continue to put pressure on departmental ceilings. Over the longer term, government, working together with trade unions, needs to develop a comprehensive, fair and sustainable approach to public-service compensation.

Figure 1.2 Total public-service employment (full-time equivalents)

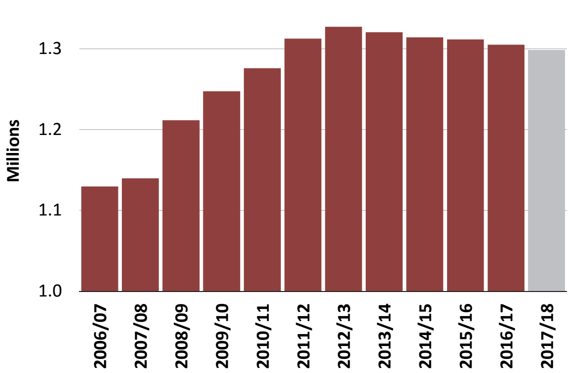
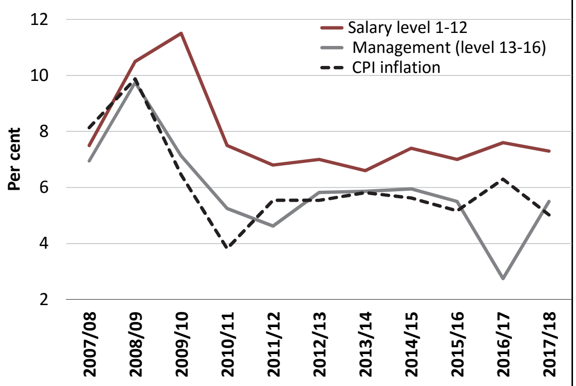


Figure 1.3 Average cost-of-living adjustments and inflation



Source: National Treasury

Strengthening good governance and acting against corruption

Government is strengthening its efforts to stamp out corruption and to ensure good governance throughout the public sector. In recent months new boards and executive managers have been appointed at Eskom and South African Airways.

The budget makes provision for contingencies related to the commission of inquiry into state capture, which may also require funding for critical Chapter Nine institutions such as the Auditor-General, and for prosecuting authorities. During 2017, Parliament passed the Financial Intelligence Centre Amendment Act, ensuring South Africa’s continued alignment with global standards to combat money laundering and the financing of terrorism.

Budget makes provision for contingencies related to commission of inquiry into state capture

The Office of the Chief Procurement Officer continues to build on supply-chain management reforms. In recent years, a large number of deviations from normal procurement processes has reduced the credibility of the supply-chain management system. Deviations can also result in anti-competitive practices that open the door to corruption, and which limit transformation by preventing small businesses from doing business with the state. In future, deviations will be allowed only in rare, well-justified cases.

Towards faster economic growth

Mining and telecoms reforms, and support for labour-intensive sectors, can boost growth

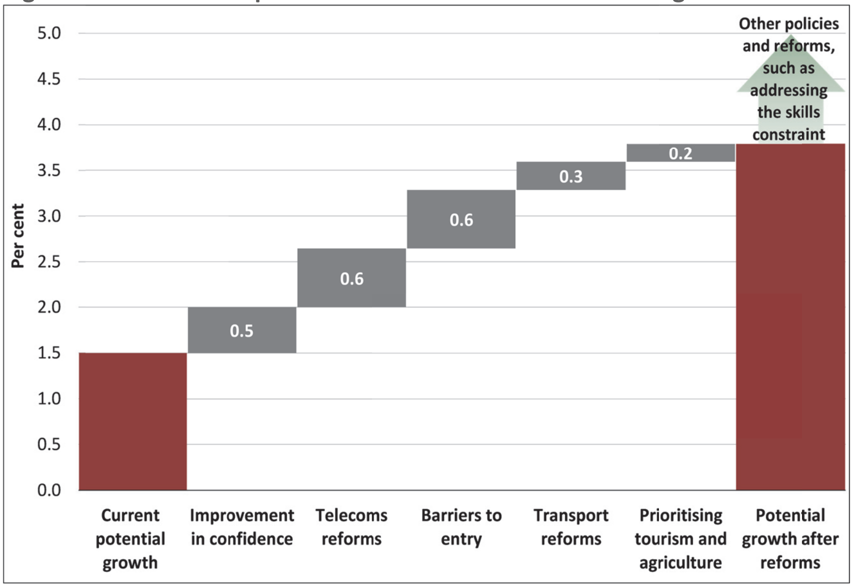
Translating the cyclical upturn and improved investor sentiment into more rapid economic growth requires government to finalise many outstanding policy and administrative reforms, particularly in sectors with high growth potential. These include:

- Mining sector policies that support investment and transformation
- Telecommunications reforms, including the release of additional broadband spectrum
- Lowering barriers to entry by addressing anticompetitive practices
- Supporting labour-intensive sectors, such as agriculture and tourism, and increasing skills levels across the economy.

Effective reforms could add 2-3 percentage points to real GDP growth

The National Treasury estimates that, if the international environment remains supportive, effective implementation of these reforms could add two to three percentage points to real GDP growth over the coming decade.

Figure 1.4 Potential impact of selected NDP reforms on GDP growth



Source: National Treasury

There has been marked progress on the 14 confidence-boosting measures announced by the Minister of Finance in July 2017. These measures were intended as short-term interventions to complement the structural reform agenda set out in the National Development Plan (NDP).

Regulatory reforms to facilitate greater municipal infrastructure investment to be introduced

Over the period ahead, government will build a social compact in partnership with business and labour to strengthen the economic recovery. This will include intensifying collaboration with the private sector through platforms such as the CEO Initiative. As part of its policy commitment to accelerate economic growth in South African cities, government will introduce regulatory reforms in 2018 to facilitate greater investment in local government infrastructure.

Update on government's short-term confidence-boosting measures

In July 2017 Cabinet announced steps to restore the sustainability of fiscal policy, promote transformation by implementing sector reforms, manage risks associated with state-owned entities and create policy certainty. Progress to date is as follows:

- A new board and acting chief executive officer have been appointed at Eskom. The Minister of Energy has instructed Eskom to conclude all power-purchase agreements with independent power producers.
- The Budget Facility on Infrastructure received 64 large infrastructure project submissions. Of these, 38 projects that met submission requirements were assessed.
- Government is working to ensure that the public-service wage agreement does not disrupt compensation ceilings.
- A Public Procurement Bill will be presented to Cabinet in 2018.
- The Financial Sector Regulation Act, signed into law in August 2017, aligns South Africa with global best practice. It creates prudential and market conduct authorities and gives the South African Reserve Bank a financial stability mandate.
- The Financial Sector Codes have been gazetted. The National Economic Development and Labour Council plans a Financial Sector Summit in April 2018.
- The Insurance Act, signed into law in November 2017, strengthens the insurance market through higher prudential standards, makes the industry more accessible to new entrants and aligns the sector with international standards.
- Work has been completed on a fund to benefit small and medium enterprises, with a particular focus on start-ups.
- Government granted South African Airways R10 billion to settle its short-term debt obligations. A new board, chief executive officer and restructuring officer have been appointed. A turnaround strategy is being implemented.
- Cabinet has approved a private-sector participation framework for state-owned companies.
- The Council for Scientific and Industrial Research completed a study on spectrum availability and open access.
- The Competition Commission's market inquiry to investigate data prices will be complete by end-August 2018.
- Draft legislation is being prepared to allow Postbank to apply for a banking licence. The National Treasury and the Department of Telecommunications and Postal Services have met the Banking Registrar to discuss a Postbank structure.

Summary of the budget

Economic outlook

The National Treasury projects real GDP growth of 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 per cent in 2020.

Table 1.1 Macroeconomic outlook – summary

	2017	2018	2019	2020
Real percentage growth	**Estimate**		**Forecast**	
Household consumption	1.3	1.7	1.9	2.3
Gross fixed-capital formation	0.3	1.9	3.3	3.7
Exports	1.5	3.8	3.4	3.5
Imports	2.7	4.4	4.6	4.5
Real GDP growth	**1.0**	**1.5**	**1.8**	**2.1**
Consumer price index (CPI)	5.3	5.3	5.4	5.5
Current account balance (% of GDP)	-2.2	-2.3	-2.7	-3.2

Across all tables in the Budget Review, the use of "0" refers to a value of small magnitude that is rounded up or down to zero. If a value is exactly zero, it will be denoted by "–". If data is not available it is denoted by "N/A"
Source: National Treasury

The growth forecast has improved by an average of 0.4 percentage points since the 2017 MTBPS, but remains lower than projected in the

Global economy continues to provide a supportive environment for expanded trade and investment

2017 Budget. The global economy continues to provide a supportive environment for expanded trade and investment.

The main risks to the economic outlook are continued policy uncertainty and deterioration in the finances of state-owned entities. Drought in several provinces poses significant risks to agriculture and tourism that could result in job losses. Over the period ahead, government will strengthen its efforts to build durable partnerships with the private sector and organised labour to promote inclusive growth and job creation.

Fiscal policy

Budget deficit projected to narrow from 4.3 per cent of GDP in current year to 3.5 per cent in 2020/21

The budget deficit is projected to narrow from an estimated 4.3 per cent of GDP in 2017/18 to 3.5 per cent in 2020/21. Although net debt is projected to stabilise at 53.2 per cent in 2023/24, debt continues to rise over the medium term, as do debt-service costs.

The main risks to the fiscal outlook are uncertainty in the growth forecast, contingent liabilities of state-owned companies and the public-service compensation budget.

To respond to unanticipated economic and fiscal developments, a R26 billion contingency reserve has been set aside over the medium term.

Table 1.2 Consolidated government fiscal framework

R billion/percentage of GDP	2017/18 Revised estimate	2018/19	2019/20	2020/21
		Medium-term estimates		
Revenue	**1 353.6**	**1 490.7**	**1 609.7**	**1 736.9**
	28.8%	*29.7%*	*29.9%*	*29.9%*
Expenditure	**1 558.0**	**1 671.2**	**1 803.0**	**1 941.9**
	33.2%	*33.3%*	*33.4%*	*33.4%*
Budget balance	**-204.3**	**-180.5**	**-193.3**	**-205.0**
	-4.3%	*-3.6%*	*-3.6%*	*-3.5%*

Source: National Treasury

Revenue trends and tax proposals

A revenue shortfall of R48.2 billion is expected in 2017/18

The revenue outlook has been revised slightly upwards since the 2017 MTBPS, reflecting stronger economic growth towards the end of 2017. Nevertheless, the National Treasury estimates a revenue shortfall of R48.2 billion in 2017/18.

The 2018 Budget proposals will increase the gross tax-to-GDP ratio from 25.9 per cent in 2017/18 to 27.2 per cent in 2020/21. The main tax proposals to raise R36 billion in additional revenue in 2018/19 include a one percentage point increase in VAT to 15 per cent. Other changes include below-inflation adjustments to personal income tax brackets (particularly for higher-income individuals), increased *ad valorem* excise duties on luxury goods and higher estate duties for wealthy individuals.

Table 1.3 Impact of tax proposals on 2018/19 revenue[1]

R million		
Gross tax revenue (before tax proposals)		**1 308 965**
Budget 2018/19 proposals		**36 000**
Direct taxes		**7 310**
Revenue from not fully adjusting for inflation	6 810	
Medical tax credit adjustment	700	
Special economic zones	-350	
Estate duty increase	*150*	
Indirect taxes		**28 690**
Increase in value-added tax	22 900	
Increase in general fuel levy	1 220	
Increase in excise duties	4 290	
Increase in environmental taxes	280	
Gross tax revenue (after tax proposals)		**1 344 965**

1. Revenue changes are in relation to thresholds that have been fully adjusted for inflation
Source: National Treasury

Medium-term spending plans

Consolidated government expenditure, which includes the main budget, social security funds and public entities (but not state-owned companies) is set to grow at 7.6 per cent per year, reaching R1.94 trillion in 2020/21.

Post-school education and training and debt-service costs are fastest-growing areas of spending

The 2018 Budget reflects major expenditure commitments, and corresponding expenditure reductions and reprioritisation in line with new policy initiatives. Over the next three years, more than half of government spending will be allocated to basic education, community development, health and social protection. In line with poverty-reduction commitments, 17.6 per cent of spending (R948.7 billion over the medium term) is allocated for transfers to households. Post-school education and training and debt-service costs are the fastest-growing areas of spending. Compensation accounts for 35.2 per cent of total expenditure.

Table 1.4 Consolidated government expenditure by function

R billion	2017/18 Revised estimate	2018/19 Budget estimate	Average growth 2017/18–2020/21
Learning and culture	323.1	351.1	8.5%
Health	191.7	205.4	7.8%
Social development	234.9	259.4	9.2%
Community development	183.5	196.3	7.4%
Economic development	183.5	200.1	7.4%
Peace and security	195.7	200.8	5.2%
General public services	62.1	64.0	4.3%
Payments for financial assets	20.4	6.0	–
Allocated expenditure	**1 394.8**	**1 483.1**	**7.2%**
Debt-service costs	163.2	180.1	9.4%
Contingency reserve	–	8.0	–
Consolidated expenditure[1]	**1 558.0**	**1 671.2**	**7.6%**

1. Consisting of national, provincial, social security funds and selected public entities See Annexure W2 on the National Treasury website for a full list of entities included
Source: National Treasury

Planning and investment in South Africa's water resources

South Africa, a water-stressed country, faces growing demand for water and sanitation to meet the needs of its economy and a growing population. Climate change predictions suggest a warmer and drier future.

Long-term planning involves significant investments to increase dam capacity, and distribute water to cities, towns, farms and mines. Over the next three years, the public sector will spend R91.6 billion to extend, upgrade and maintain water resource infrastructure. Over the same period, R34 billion will be invested in water services, largely through municipal grants.

These investments need to be accompanied by changes in water use and management. South Africa loses about 36 per cent of its treated water before it reaches the taps, owing to maintenance backlogs and skills shortages. In many areas, consumers do not pay tariffs that reflect the full value of the water they use.

Imbalances in the water delivery chain put the balance sheets of municipalities, water boards, the Water Trading Entity and the Trans-Caledon Tunnel Authority at risk. Wide-ranging institutional reforms are required at the Department of Water and Sanitation to strengthen regulatory frameworks and rationalise inefficient institutions. The new institutional framework is expected to be underpinned by strengthened intergovernmental coordination and a pricing framework that promotes a more water-resilient economy. Government's response to the drought is discussed in Chapter 6.

Division of revenue

Expenditure reprioritisation results in reductions to previously announced transfers

As a result of expenditure reprioritisation, the 2018 Budget reduces previously announced transfers to provinces and municipalities. Reductions over the MTEF period are equivalent to 1 per cent of provincial allocations and 3.5 per cent of local government allocations. Of the funds available after providing for debt-service costs and the contingency reserve, 48 per cent are allocated to national government, 43 per cent to provincial government and 9 per cent to local government over the next three years.

Table 1.5 Division of revenue

R billion	2017/18	2018/19	2019/20	2020/21
National allocations	599.9	628.6	685.9	736.6
Provincial allocation	538.2	571.0	611.8	657.5
of which				
Equitable share	*441.3*	*470.3*	*505.0*	*542.4*
of which				
Conditional grants	*96.8*	*100.7*	*106.7*	*115.0*
Local government allocations	110.7	118.5	126.9	137.5
Provisional allocation not assigned to votes	–	6.0	2.3	2.1
Non-interest allocations	**1 248.8**	**1 324.1**	**1 426.9**	**1 533.6**
Percentage shares				
National	*48.0%*	*47.7%*	*48.1%*	*48.1%*
Provincial	*43.1%*	*43.3%*	*42.9%*	*42.9%*
Local government	*8.9%*	*9.0%*	*8.9%*	*9.0%*

Source: National Treasury

Provinces face substantial spending pressures in health and education

Provinces, which depend on transfers from national government for over 95 per cent of their budgets, face substantial spending pressures to provide health, education and other services to growing populations. Spending efficiency is a priority over the medium term. The health sector is working with provincial treasuries on a three-year turnaround plan.

Local government also confronts tough fiscal choices in the face of financial and institutional problems that result in service-delivery breakdowns and unpaid bills. Municipalities can offset these trends by improving own revenue collection and working more efficiently.

Government debt and contingent liabilities

Government's medium-term financing strategy reflects a prudent approach to managing debt in an environment of great uncertainty. The strategy maintains a broad range of funding instruments in the domestic and global markets. It includes measures to manage refinancing risk by adjusting the composition and maturity of the debt portfolio.

Government maintains prudent approach to debt management amid great uncertainty

Table 1.6 Projected state debt and debt-service costs

R billion/percentage of GDP	2017/18	2018/19	2019/20	2020/21
Gross loan debt	**2 506.1**	**2 770.6**	**2 983.3**	**3 250.0**
	53.3%	*55.1%*	*55.3%*	*56.0%*
Debt-service costs	**163.2**	**180.1**	**197.7**	**213.9**
	3.5%	*3.6%*	*3.7%*	*3.7%*

Source: National Treasury

In 2017/18 the net borrowing requirement – the amount needed to finance the budget deficit – will total R217.3 billion, which is R50.5 billion higher than projected in the 2017 Budget. The borrowing requirement for 2018/19 is expected to reach 3.8 per cent of GDP, declining marginally to 3.7 per cent in 2020/21. Gross debt stabilises at 56.2 per cent of GDP in 2022/23. Net debt stabilises at 53.2 per cent in the following year.

Government's borrowing requirement totals R217.3 billion in 2017/18

Financial position of public-sector institutions

The already weak financial position of state-owned companies deteriorated in 2016/17. The position of development finance institutions improved, mainly due to a recovery in the equity portfolio of the Industrial Development Corporation. The overall solvency of social security funds weakened as a result of the liabilities of the Road Accident Fund (RAF); excluding the RAF, solvency strengthened.

The public-sector borrowing requirement is expected to be R329.1 billion in 2017/18, R77.4 billion higher than projected in the 2017 Budget.

The financial risks posed by the broader public sector remain significant. Any additional commitment of public resources to state-owned companies will be associated with far-reaching governance and operational interventions – including, where appropriate, private-sector participation. Government has acted decisively to strengthen governance at Eskom and South African Airways, and will take additional steps in the months ahead. A new road accident benefit arrangement has been tabled in Parliament to replace the RAF.

Table 1.7 Combined financial position of public institutions

R billion/net asset value	2014/15	2015/16	2016/17
State-owned companies	303.2	361.8	356.3
Development finance institutions[1]	121.2	120.2	126.8
Social security funds	22.4	-4.6	-19.5
Other public entities[2]	573.9	625.3	656.0

1. Institutions listed in schedule 2 of the PFMA
2. State-owned institutions without a commercial mandate and listed in either schedule 1 or 3 of the PFMA such as the National Library of South Africa
Source: National Treasury

The budget documentation

Extensive, clear budget documents support transparency and accountability

The 2018 budget documentation and submissions include the *Budget Review*, the Division of Revenue Bill, the *Estimates of National Expenditure* and the *People's Guide to the Budget*. These and other publications are available at www.treasury.gov.za.

The results of the 2017 Open Budget Survey, summarised in the box below, underline the National Treasury's enduring commitment to its constitutional obligations. These include promoting transparency, accountability and the effective management of the public finances. South Africa's extensive and clear budget documentation supports parliamentary oversight and public engagement with the country's economic and fiscal policies.

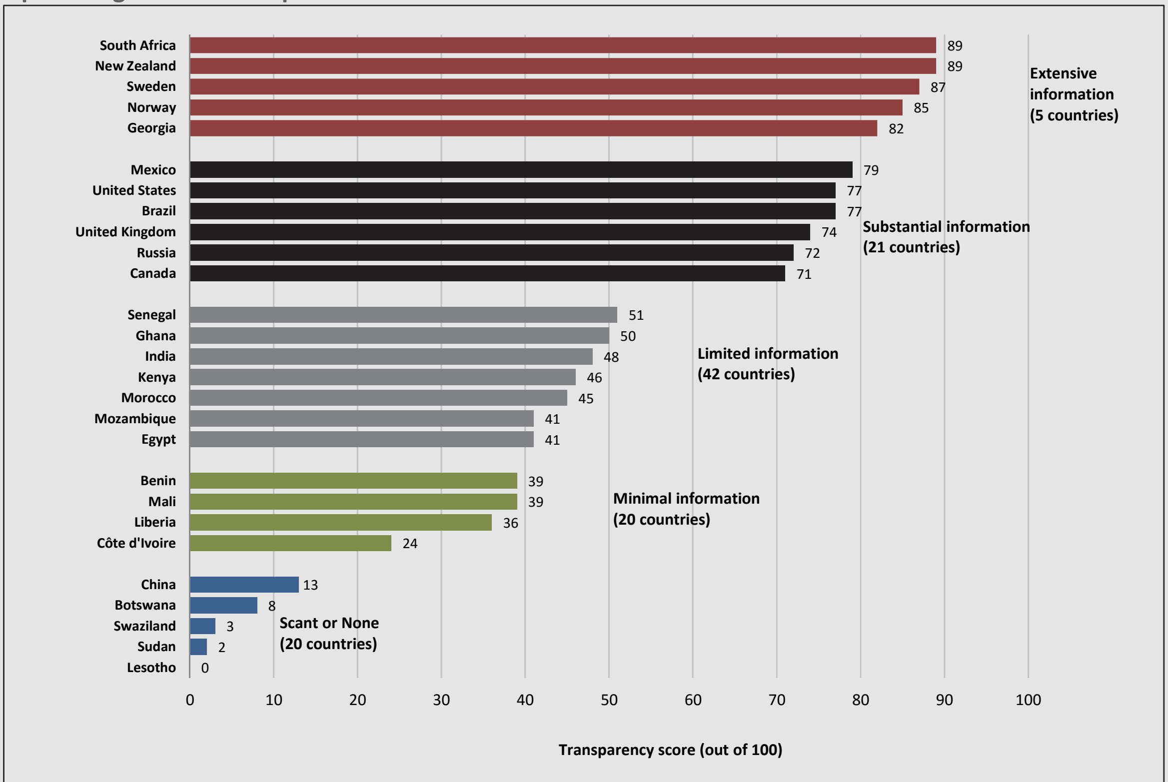
South Africa tops global budget transparency index

South Africa has been ranked first, alongside New Zealand, on the 2017 Open Budget Index. The index ranks countries covered by the Open Budget Survey. The survey evaluates 115 countries on the comprehensiveness and timely availability of their budget documentation, the effectiveness of their oversight and opportunities available to the public to participate in national budget processes.

In the 2017 Open Budget Survey, South Africa achieved a score of 89 out of 100 in terms of transparency, an improvement from the score of 86 achieved in 2015.

The survey points out that South Africa can do more to encourage public participation in budget processes, which is the central focus of current budget reforms. The National Treasury and civil society organisation Imali Yethu have partnered to develop a budget data portal. The portal, *vulekamali* ("open money" in Xhosa), is intended to encourage informed public debate on service delivery and to promote government accountability. The portal has just been launched, and will be developed further through engagement with the public.

Open Budget Index 2017 performance*



**The sample is drawn from the International Budget Partnership survey of 115 countries*
Source: International Budget Partnership