

The Evolution of South Africa's fiscal ecosystem, 1996-2025

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Executive Summary

The adoption of the new Constitution in 1996 preceded a period of significant reform that left South Africa as a global face of good fiscal institutions in the developing world. This image would however be much tarnished as fiscal accountability weakened in subsequent years, and the state became vulnerable to corruption. This paper draws on literature and interviews with stakeholders to explore the importance of formal and informal accountability relationships, the influence of political changes on fiscal accountability, and the roles of various actors in establishing and defending, or impairing, an accountable and equitable fiscal ecosystem. In conclusion, it offers lessons and recommendations for enhancing transparency, equity, and accountability in the management of the public finances.

The fiscal stage and its actors

South Africa is a constitutional democracy with a parliamentary system of government. The 1996 Constitution sets transparency and public participation as key principles of government. Despite the Constitution establishing provincial and local government as autonomous spheres of government, the fiscal system is characterised by highly centralised revenue collection and strong National Treasury oversight. Authority to issue debt is also centralised.

Parliament's fiscal oversight role is enacted through the parliamentary committee system, but ultimately its hard accountability powers rest on its right to recall the President. Parliament was given full rights to amend the budget in the Constitution, but could use these powers only after enacting in law on how it would do so. The Minister of Finance and the National Treasury have considerable powers to set tax policy, set and monitor spending, ensure the effective use of public resources, and enforce sound public financial management. For example, only the minister can table bills that raise and spend public money. The Auditor General of South Africa (AGSA) is established in the Constitution as a Chapter 9 Institution (an independent institution that supports democracy) auditing all state institutions. The Constitutional Court can impose binding remedial action when Parliament, the President or the executive fails in their constitutional obligations, also on the budget.

Several statutory bodies have advisory, investigative, sanctioning or convening roles: the Finance and Fiscal Commission advises Parliament; the Public Protector and the Human Rights Commission are Chapter 9 Institutions with sanctioning powers; the Special

Investigations Unit investigates maladministration of public assets and money; and the National Economic Development and Labour Council (NEDLAC) convenes government, labour, business and civil society on public matters).

These formal actors interact with a range of informal actors. In South Africa's proportional electoral system, parties are a key intermediary between citizen and state. Other key informal fiscal accountability actors are the media, civil society, the private sector, global/local investors, and credit rating agencies.

The three phases of fiscal accountability

A new democracy and fiscal renaissance 1996–2008. Initially the ANC government, led first by President Nelson Mandela and then by President Thabo Mbeki and armed with a decisive majority that it would maintain for 30 years, built a rule-based fiscal system on to the new constitutional order. In practice, the system entrenched fiscal and budget power in the executive arm of government. Within the executive, budget authority was delegated to a powerful Minister of Finance alongside the National Treasury, leveraging their constitutional and statutory powers. But the fault lines that would later plague the state were already becoming apparent, including suppression of the watchdog powers given to Parliament and the Finance and Fiscal Commission; gaps in fiscal accountability at lower levels of government; lack of political accountability for using money well to address poverty and inequality; and inadequate oversight arrangements for procurement and state-owned entities. Moreover, the dominant role of the finance minister and the National Treasury in fiscal and policy matters triggered concerns from early on that the Treasury was a non-elected bureaucracy using its powers to subvert policy mandates from the electorate or the governing party.

State capture and the erosion of fiscal institutions, 2009–2018: After 2008, the end of the commodity boom heralded a change in South Africa's fiscal context. Growth faltered and public debt started rising. Whereas the budget was previously about the allocation of ample surpluses over the medium-term, it soon became an exercise in allocating how forward spending expectations should be cut. Moreover, in 2007 the ANC's Polokwane conference resulted in a leadership change: the ANC faction long opposed to the Treasury and the finance minister came to power. This grouping, led by new ANC President Jacob Zuma, asserted the centrality of the ANC in policymaking and the accountability of government to ANC mandates, thus sharply changing the approach to governance and the operation of the fiscal ecosystem.

President Zuma initially seemed to take on a progressive policy agenda and build on formal institutions, by adopting a National Development Plan and setting pro-poor outcomes as objectives for ministers. However, in reality the new government leadership oversaw a shift of authority from public institutions to party structures and personal networks. A critical element of these changed circumstances was the rise of corruption and "state capture". State-owned enterprises were repurposed to corrupt ends, and in the executive decision-making shifted towards more personalised, arbitrary and opaque processes that bypassed formal structures and undermined constitutional accountability processes. This

was paired with a more dismissive attitude towards independent centres of authority, such as Parliament, the courts, civil society and the media, and public criticism of the Constitution.

Moreover, the effective powers of the finance minister and the Treasury were weakened as budget authority shifted to new institutions in the Presidency. This became increasingly challenging for sustainability and spending effectiveness, as the “norms and standards” of setting departmental spending delinked from budget realities. Although efforts to sideline the finance minister and the National Treasury in critical policy discussions succeeded, the authority to block key elements of state capture was retained, through their constitutional powers. Together they emerged as a key centre defending constitutionalism and institutions against state capture within the executive. These tensions culminated in watershed moments for accountability when President Zuma twice tried to replace the finance minister with individuals loyal to him, triggering highly adverse responses from financial markets.

In the absence of strong parliamentary oversight, actors like the AGSA, the Public Protector, civil society stepped up to bolster accountability. Frustrated with weak executive action on its findings and recommendations, the AGSA sought, and won through Parliament stronger, more direct powers. The Zondo Commission of Inquiry, which laid bare the mechanisms of state capture, was a direct result of investigation by the Public Protector. The media exposed and provided evidence of corruption, weakening coalitions between bad actors and forcing consequences. Civil society staged mass protests demanding Zuma and his cabinet resign. These pressures culminated in the Zuma faction being ousted from power in the ANC’s 2017 elective conference, with Cyril Ramaphosa becoming ANC president.

Political fragmentation, uncertainty – and possibility, 2018-2025: The change in leadership did not result in immediate or significant reversal of the damage to rule-based fiscal institutions. For example, Cabinet’s function as a forum for political debate on fiscal and policy matters was not revived, a reflection of the unreconciled policy positions of the ANC factions represented. Instead, the President opted to house parallel initiatives in the Presidency to address critical policy failures, often with external funding, leaving the Treasury in relative isolation to deal with rising expenditure demands, bail-outs of state-owned entities and skyrocketing public debt.

In May 2024, the ANC lost its parliamentary majority and control of several provinces, ushering in coalition government. While some see this as accountability for poor governance and corruption, the main reason was that over two million ANC voters shifted to Jacob Zuma’s new party, which opposes current constitutional structures and includes many former state capture figures.

The results, however, radically altered the configuration of political parties in Parliament and presaged a broader shift, including in the fiscal ecosystem. This was illustrated in 2025 by the finance minister needing to prepare three budgets before securing parliamentary approval, an unprecedented turn of events, and by parliamentary processes being the context in which the ANC and other parties negotiated agreement. Even so, Parliament still did not take up its rights to amend the budget. Instead, it referred the budget back to the National Treasury to compile a version that could be agreed, reconfirming Treasury’s role as the trusted centre of fiscal expertise in the ecosystem.

The evolving role of institutions, civil society and the media

The paper reviews the evolution of groups of actors, their relationships and their powers to identify recommendations for strengthening accountability and equity.

Overall, the strength and effectiveness of the **National Treasury** have been a notable and enduring feature of government. This is due to its formal powers, the political backing provided by the President in the early days of reform, the reservation of the position of Minister of Finance for the most senior ANC leaders, the competency of the institution, and the pressure exerted by **capital markets, banks and taxpayers** on the Treasury to perform in certain ways. Yet, its role has not consistently evolved towards greater power because of dissatisfaction within the ANC and civil society over its dominance in fiscal and budget policy, and efforts to limit its authority during the Zuma years. Even so, any threat to its ability, authority and broader policy direction has been met by immediate market reactions and, towards the end of the Zuma years, broad support from civil society, the private sector and opposition parties when it was under threat of capture, a recognition of the key role of a capable central budget agency.

Parliament's ability to hold the executive accountable weakened over time, particularly when the ANC held the majority vote and controlled the institution. The Zondo Commission highlighted Parliament's failure to fulfil its oversight duties during the state capture period. Parliamentary committees have faced challenges due to inadequate resources and political interference. Enacted in 2009, the Money Bills Amendment Procedure Act aimed to enhance parliamentary oversight but had limited impact. Post the 2024 election, Parliament has shown renewed vigour in interrogating the executive's budgetary choices, including during the 2025/26 budget process.

The **AGSA** is internationally respected for its effective audits and clear reports that support accountability in South Africa's public sector. The Auditor General's position is protected by the Constitution, and the institution is financially independent and attracts skilled staff. In 2018 the AGSA secured an amendment of the Audit Act to address material irregularities directly, leading to significant recoveries and disciplinary actions. However, many actors see the AGSA as being too inflexible in compliance audits, and imposing too high an administrative burden on state departments in the audit process. Some fear its stringent measures may drive out capable officials and shift management priorities away from effective delivery to audit compliance. AGSA counters that complaints typically come from those implicated, that it maintains its professionalism and has sufficient dispute processes. The institution's strongest defence, however, is that it is merely doing its duty and that the real problem is an overly complex regulatory environment, especially around procurement. Despite criticisms, the presence of an independent AGSA remains vital for safeguarding public sector integrity in South Africa.

Overall, South Africa's **civil society** is diverse and fragmented, and subject to deep tensions about funding and representation. However, it has been instrumental in advocating for fiscal accountability and influencing public policy in South Africa. There are many instances, like the Treatment Action Campaign where civil society coalesced successfully to put pressure on government for realising socio-economic rights and budgetary changes. Government

actors, including the National Treasury and the AGSA, have also worked collaboratively with civil society actors to improve policy, strengthen fiscal institutions and spend money better. But, the relationship has not been consistently collaborative: civil society formations have often opposed and criticised government including through public protest and court actions, and in turn found themselves opposed and criticised by high-ranking politicians.

The Constitution empowers **the courts** to adjudicate on whether state institutions are fulfilling their constitutional obligations, including government's duty to progressively achieve human rights. There are many cases, including in housing, health, education and water, where the courts have required that the executive change policies and adjust budgets following public interest litigation brought by civil society. The courts have also been used by political parties, civil society organisations and the private sector to clarify or enforce the governance and accountability responsibilities of state institutions and elected officials. The courts are of course also key in the prosecution of public sector fraud, theft and corruption.

The **media** is vital for transparency and accountability in South Africa's fiscal ecosystem. Investigative journalism has exposed corruption and government abuse of power, driving public awareness and mobilization. Social media has emerged as a platform for public information and debate but also poses risks of misinformation, as illustrated by an orchestrated campaign during the state capture years using false accounts to change the public narrative in Zuma's favour. The media landscape faces challenges, including concentrated ownership, financial difficulties and threats to its constitutionally guaranteed freedom. Journalists have been threatened and targeted on social media, and taken to court in acts of intimidation. High-ranking politicians and some government agencies have attempted to limit press freedom, ostensibly in the interest of state security, triggering broad resistance from across society.

Lessons for fiscal accountability

The South African case illustrates pathways towards more open fiscal systems, stronger accountability and more equity in budget outcomes. It shows that wide-ranging institutional reform can establish improve accountability and fiscal results with political backing, resulting in durable institutions. Fiscal decision-making links closely to political authority. The ANC's dominance in 1994 facilitated impactful reforms, debt control, and redirected spending to basic services. The same dominance later posed challenges to fiscal processes. In 2025 the lack of a clear political mandate put the budget at risk.

In South Africa, many actors have stepped up to exact accountability for public resource use and the progressive realisation of rights. The statutory and financial independence of the AGSA has been key. Multi-front collective action has effectively influenced fiscal policies, especially when campaigns invest in technical expertise, use both engagement and public protest, build coalitions with state actors, and leverage widely supported causes. South Africa's constitution encourages activism and litigation on socio-economic rights, setting precedents and institutionalising accountability. But the effectiveness of legal pathways relies on judicial independence, laws, public trust, and government respect for rule of law. The media is crucial for effective fiscal transparency, exposing corruption and facilitating public debate: however for this role it must be capacitated, independent, and accountable.

Recommendations

With the shift to coalition government, there is an opportunity to address core accountability and equity challenges in the fiscal ecosystem. The paper makes four recommendations.

Within a reasonable period following his election, the new President should table for parliamentary approval a fiscal accountability framework with clear and explicit commitments on tax policy, spending priorities and spending reviews, and the principles of fiscal policy that will guide the administration over its term of office. This will serve as a clear political mandate to key fiscal actors, including to the National Treasury. If institutionalised effectively and subjected to independent scrutiny (such as by a reformed and capacitated Finance and Fiscal Commission) this can promote greater accountability. In the longer term, the fiscal accountability framework could be anchored in a law that requires incoming presidents to table the framework together with the first state of the nation address after their election.

The need to use existing resources better is now pressing. Many actors have called for public expenditure reviews to help government identify wastage and savings. Expenditure reviews should not be isolated technical exercises, like the reviews the Treasury already does, but comprehensive undertakings explicitly linked to a political decision-making process on balancing sustainability and equity in fiscal choices, i.e. the negotiation and adoption of the incoming government's proposed term-long budget framework. Such comprehensive public finance reviews should be done every five years, in the final year of the incumbent government, by the strengthened Finance and Fiscal Commission. Together, the start-of-term fiscal accountability framework and the end-of-term public finance review would bookend the political term of governments, providing a robust framework for executive accountability.

Strong, well-resourced parliamentary committees are vital, yet their work is often hampered by political interference, inadequate resources, weak organisation, poor support, technical limitations, and lack of enforcement tools. The seventh Parliament, as the first hung Parliament since democracy, has a unique chance to correct these systemic issues and push for reforms. Key reforms include boosting the share of Parliament's own budget dedicated to oversight, strengthening technical support such as the Parliamentary Budget Office, and ensuring proportional distribution of committee chairpersonships among parties to prevent dominance by larger parties. Additional measures are systems to track executive responses to parliamentary resolutions, better instruments to sanction the executive, and a revised budget process, including earlier tabling of the budget for thorough scrutiny.

The media and civil society play a crucial role in fiscal accountability, but declining funding threatens their effectiveness. Establishing an independent, non-public fund, supported by global and local donors, could help sustain these organisations and advance fiscal equity. Effective governance and collaboration among donors are essential for setting up and managing such a fund.