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Fiscal Policy in South Africa:
From 1994 to now

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This paper is one of nine papers prepared for the 1994 to Now Policy Paper Series, prepared for the SALDRU, South Africa at 30 Years of Democracy Conference scheduled for 2-4 April 2025. The papers will be (were) presented at the conference with the aim of contributing to discussions and debates and fostering informed and constructive economic dialogue.

Fouché Venter

Executive Director

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Fiscal Policy in South Africa: From 1994 to now

Estian Calitz[1]

We can only plan to spend what we collect in taxes and what we additionally borrow at great cost from the nation's saving.

Trevor Manuel, Finance Minister, 1997-2009[2]

Abstract

During the first three decades of post-apartheid South Africa, its fiscal policy deteriorated from healthy to unsustainable. Four phases are identified on the basis of macro fiscal features and in the context of domestic and global politico-economic trends and changing views of the role of government in the economy. Policy measures and outcomes are described, assessed and compared to that of peer countries, with **cognisance** of the interplay between macro and micro fiscal issues, and stabilisation and structural policies. **Policy priorities** in the various finance ministers' budget speeches appear in an appendix. After the post-apartheid government took office in 1994, earlier concerns about public debt and fears of populism were effectively arrested with successful fiscal consolidation (phase 1, 1994-1999) and followed up (phase 2, 2000-2008) with a healthy fiscal track record during and after the country's longest economic upswing since the second world war. Phase 3 (2009-2020) is described as a fiscal storm, being the result of the impact on the fiscus of the great recession, micro fiscal populism, state capture and the Covid-19 pandemic. The hard-earned investment grade credit rating was lost when foreign government bonds received junk status. The fiscal strategy was not adjusted to the lower economic growth rates and prospects. Eventually the policy focus did shift from mere reliance on growth as a panacea for fiscal sustainability, to direct fiscal reforms, when a fourth phase (consolidation, again) was entered in 2021. The main conclusions are that a major revision is overdue of the economic growth strategy – which should be unambiguously implemented, that government expenditure reprioritisation is imperative to ensure fiscal discipline, and that fiscal sustainability in the final analysis depends on an inseverable umbilical cord between the president and the finance minister, rather than fiscal anchors.

Keywords: fiscal policy, public debt, fiscal sustainability, South Africa

JEL classification: E62,H20, H30, H50,H60

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[1] Emeritus Professor, Stellenbosch University. The author thanks Fouché Venter, Steve Koch, Philippe Burger, Krige Siebrits and Ian Stuart for most valuable comments on earlier versions of the paper, while obviously accepting sole responsibility for the contents.

[2] From his 1998 Budget Speech (Department of Finance, 1998:2).

EXECUTIVE SUMMARY

South Africa's fiscal policy has evolved significantly over the years, characterized by four distinct phases that reflect the country's economic priorities and macroeconomic conditions. This policy paper provides a comprehensive analysis of these phases, evaluates the current fiscal landscape, and outlines strategic directions for the future. The country now faces critical challenges, including high debt levels, slow economic growth, and pressing social demands. Policy decisions moving forward must balance growth-oriented investments with fiscal sustainability to ensure long-term economic resilience.

South Africa's fiscal landscape today is marked by a growing debt burden, stagnant growth rates, and increasing pressure to deliver on social and infrastructure development. These challenges are compounded by global economic uncertainties and domestic structural inefficiencies. The path forward requires a combination of prudent fiscal management, structural reforms, and inclusive growth strategies. Additionally, it is crucial to foster stronger institutional frameworks and improve governance to build confidence among investors and citizens alike.

Fiscal policy in South Africa serves as a key tool for macroeconomic stabilisation, redistribution, and economic growth. Since the country's transition to democracy in 1994, fiscal policy has undergone several shifts, driven by changing socio-economic needs and global economic dynamics. Understanding these shifts is essential to formulate effective future policies that address persistent challenges such as unemployment, inequality, and sluggish growth.

South Africa's fiscal policy framework is grounded in its constitutional mandate to promote social justice while ensuring economic stability. The National Treasury plays a pivotal role in designing and implementing fiscal policies that align with broader developmental goals. Over the years, these policies have sought to balance social spending with the need to maintain macroeconomic stability. However, persistent structural challenges, such as inefficient public enterprises and policy uncertainty, continue to impede economic growth.

Moreover, the historical context of South Africa's fiscal policy provides critical insights into its current trajectory. The apartheid-era legacy left deep socio-economic inequalities, prompting the democratic government to adopt a redistributive fiscal stance. Fiscal measures have since focused on expanding social assistance programs and redistributive tax reform, but in later years investment in infrastructure played second fiddle and inclusive growth and employment creation were not achieved. The implementation of counter-cyclical policies during economic downturns were effective in the earlier years but less so in recent years.

In the face of mounting debt and subdued growth, the country must now navigate complex trade-offs between stimulating growth and ensuring fiscal sustainability. Understanding the phases of fiscal policy evolution offers valuable lessons for crafting policies that address both immediate challenges and long-term development objectives.

Four phases of South Africa's Fiscal Policy

1. **Phase 1: Fiscal Consolidation (1994–2000)**

   - **Focus:** Stabilising public finances after years of fiscal stress.
   - **Key Actions:** Implementation of the Growth, Employment, and Redistribution (GEAR) strategy; reduction of budget deficits; and enhancement of revenue collection.
   - **Outcomes:** Improved macroeconomic stability, reduced public debt, and increased investor confidence.

During this phase, the government prioritised macroeconomic stabilisation to create a conducive environment for growth. The GEAR strategy emphasised deficitreduction, tax reform, expenditure reprioritisation and trade liberalisation. Fiscal discipline during this period laid the foundation for improved economic performance in subsequent years. The consolidation efforts also included streamlining government expenditure and reforming the tax administration system to improve revenue collection efficiency, reforms that underpinned the achievement of investment grade international credit ratings.

2. **Phase 2: Fiscal Health (2001–2008)**

- **Focus:** Sustaining economic growth, expanding social development, increasing infrastructure investment, and ensuring fiscal sustainability.
- **Key Actions:** Increased social spending on health, education, and welfare; infrastructure investments; corporate tax reductions; inflation targeting; and policies to promote private-sector growth.
- **Outcomes:** The longest economic upswing since WWII, with average real GDP growth of 4.2% per annum; improved public services; expanded social grants; lower national debt-to-GDP ratio; and enhanced investor confidence, though concerns arose about long-term fiscal sustainability as expenditure growth accelerated.

This phase of South Africa’s fiscal policy was characterized by the longest economic upswing since World War II, with an average real economic growth rate of 4.2% per annum. The period saw the introduction of inflation targeting and significant progress in budget allocations for social development and poverty reduction, all while maintaining fiscal sustainability. Prudent fiscal management resulted in a budget surplus of 0.8% by 2007/08, the lowest national debt-to-GDP ratio in nearly five decades, and an improved sovereign credit rating. Despite these successes, dependency on social welfare increased, contrary to earlier policy goals aimed at reducing reliance on state support.

3. **Phase 3: The Perfect Storm (2009–2020)**

- **Focus:** Mitigating the impact of the global economic downturn.
- **Key Actions**: Counter-cyclical fiscal measures, including social support.
- **Outcomes:** Some economic resilience during the crisis but higher debt-to-GDP ratios.

The 2008 global financial crisis prompted the government to adopt counter-cyclical measures to support the economy. Fiscal stimulus packages focused on infrastructure development and social assistance. Earlier crowding out of public investment were not turned around, however and poor government services remained or increased in certain areas. Employment increased significantly during this period, raising long-term fiscal costs. The crisis exposed vulnerabilities in the economy, such as the dependence on commodity exports and limited manufacturing capacity.

4. **Phase 4: Fiscal consolidation, again (2021–Present)**

- **Focus:** Addressing rising debt and restoring fiscal discipline.
- **Key Actions:** Spending restraints, structural reforms, and revenue enhancement measures.
- **Outcomes:** Gradual deficit reduction but persistent growth constraints and socio-economic challenges.

In response to escalating debt levels, the government implemented measures to contain expenditure growth. The introduction of spending ceilings and efforts to improve revenue collection have yielded some positive outcomes. However, economic growth remains subdued, and socio-economic challenges persist. The government's efforts to reform state-owned enterprises (SOEs) have faced delays, limiting the potential impact of fiscal consolidation efforts.

Where do we go from here?

South Africa's fiscal policy must now pivot toward strategies that foster inclusive growth while maintaining fiscal prudence. Key policy directions include:

- **Structural Reforms:** Implementing reforms to improve business confidence, enhance productivity, and attract investment. These reforms should target key sectors such as energy, telecommunications, and logistics, but the need for a rethinking of the role of government in this regard is evident. Streamlining regulatory processes, promoting competition, and investing in infrastructure are essential components.

- **Expenditure Efficiency:** Prioritising essential services while curbing wasteful expenditure. The government must enhance public sector efficiency through performance-based budgeting and improved oversight mechanisms. Strengthening public financial management frameworks can help reduce corruption and ensure better service delivery.

- **Revenue Mobilisation:** Broadening the tax base and enhancing tax compliance. Efforts to reduce tax evasion and optimise tax incentives can generate additional fiscal space. Expanding tax education initiatives and modernising tax collection systems can further support these efforts.

- **Debt Management:** Establishing clear debt stabilisation targets to restore fiscal credibility. A transparent, medium-term debt strategy is essential to maintain market confidence. Introducing fiscal rules and regularly communicating debt reduction plans may help to reassure stakeholders, but are no guarantee of success.

Investing in human capital, particularly in education and skills development, is crucial for long-term growth. Partnerships with the private sector can also support infrastructure development and job creation. Addressing labour market inefficiencies and fostering innovation will be critical to unlocking new growth opportunities.

Summary and policy implications for the future

To secure long-term economic stability, South Africa must strike a balance between growth-enhancing policies and fiscal discipline. Policymakers should:

- **Maintain a Clear, Credible Fiscal Framework:** Consistency and transparency in fiscal policy foster investor confidence. Regularly publishing fiscal reports and engaging with stakeholders can improve policy credibility.

- **Prioritise High-Impact Public Investments:** Infrastructure projects with significant growth and employment potential should be prioritised. Emphasis should be placed on projects that align with the country's long-term development plans.

- **Implement Structural Reforms:** Reforms in the labour market, energy sector, and public enterprises are critical to unlocking growth potential. Improving the operational efficiency of key SOEs, particularly Eskom and Transnet, is vital.

- **Strengthen Social Safety Nets:** Social protection programs must be maintained to support vulnerable populations, particularly in the context of high unemployment. Expanding social assistance coverage while ensuring that funds are used effectively will be essential.

South Africa’s fiscal policy must evolve to address the country’s complex socio-economic challenges while ensuring long-term sustainability. By adopting prudent fiscal management, promoting inclusive growth, and

implementing critical reforms, the country can build a resilient and prosperous future for all its citizens. A collaborative approach involving government, private sector, and civil society stakeholders will be essential to successfully implement these policies and achieve sustainable economic growth.

The path forward requires bold, evidence-based decisions that prioritise long-term economic health over short-term gains. Continuous monitoring, evaluation, and adaptation of credible economic and fiscal strategies will be crucial in navigating future uncertainties. With a collective commitment to prudent and inclusive policies, South Africa can realize its development goals and foster a more equitable and prosperous society.

1. Introduction

This paper examines the evolution of South Africa's fiscal policy over the past thirty years and its interplay with the country's economic performance. The analysis focuses on the macroeconomic dimensions of fiscal policy while highlighting relevant micro-level issues. Section 2 explores fiscal policy objectives, strategies, and outcomes across four distinct phases from 1994 to 2024, considering the influence of both international and domestic political and economic contexts. Based on this historical review, Section 3 identifies key policy challenges for the future. Section 4 summarises the findings, outlines critical fiscal issues requiring attention, and suggests potential research topics. This policy paper aims to provide policymakers with insights into significant fiscal risks and opportunities while helping researchers shape a valuable agenda for academic inquiry and practical policy application.

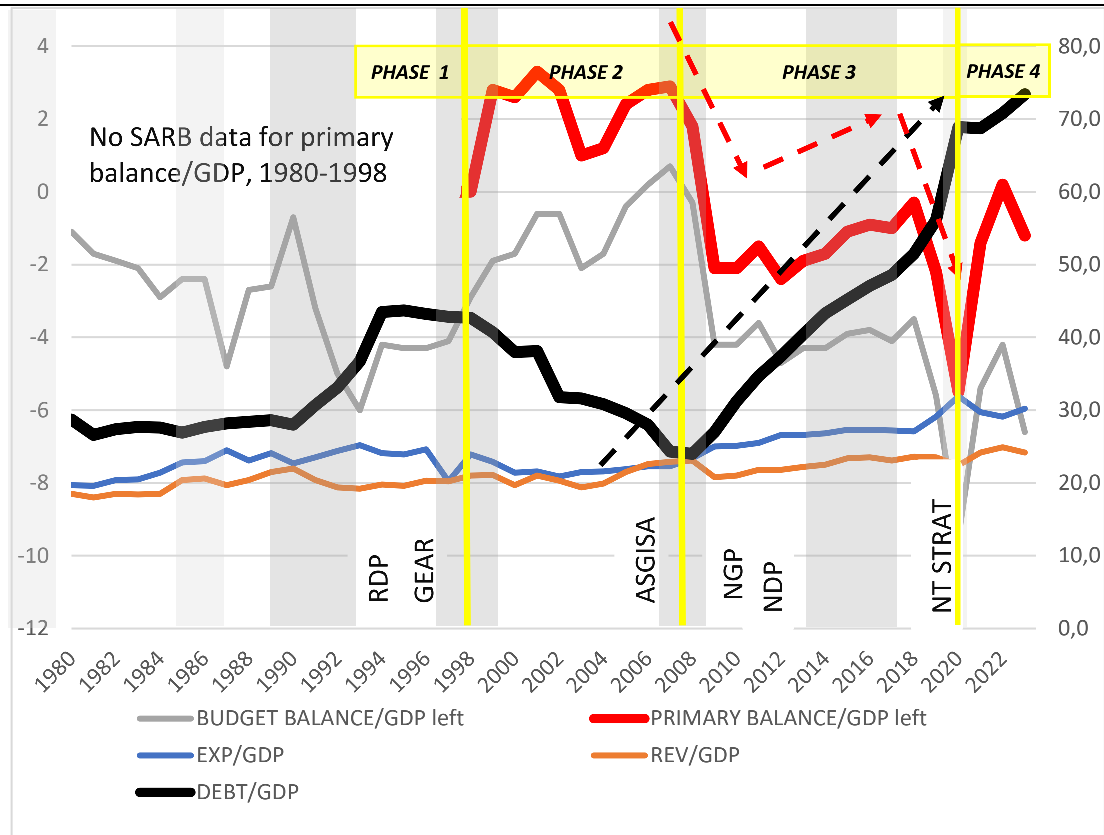
2. Four Phases of South Africa's Fiscal Policy

This section describes four phases of South Africa's fiscal history, reflecting fiscal features and dynamics within the context of contemporary global and domestic political and economic developments. The track record of fiscal policy is explored during each of these phases.[3] The narrative focuses primarily on macro-fiscal policy and fiscal sustainability and distinguishes where appropriate between the short-term (macroeconomic stabilisation) and long-term (structural) dimensions of fiscal policy.

Figure *1* captures some key economic and fiscal features since 1960 and between 1994 and 2024 in particular. It contains five fiscal metrics, namely the ratio to GDP of the national government's revenue, expenditure, budget balance, primary budget balance and debt. It also shows the business cycles, with the grey coloured rectangles depicting the downswings. The vertical lines in the years 2008 and 2020 correspond to phase 3. The timing of the four phases is shown in the rectangles at the top of the figure. At the bottom, the different economic strategies since 1994 are shown. Reference to this figure will be made at various points in this paper.

[3] The literature shows different time intervals. Quarterly Bulletins of the South African Reserve Bank typically describe the course of the economy and fiscal policies with reference to the state of the business cycle, of which the stages are indicated in each of Tables 1-4 and Figure 1. Burger and Calitz (2020), focusing on national and provincial government, estimated a Markov-switching model to determine regime breaks, according to which fiscal sustainability applied until 2008 but not thereafter. Government has been focusing on the different ten-year periods since 1994, such as in *Towards a Ten Year Review*. Calitz, et al. (2023:12) use the decades before and after 1990s while adding two subperiods before and after the constitutional change, namely 1990-1994 and 1995-1999 (see Table 5).

Figure 1. South Africa's budget balance and primary balance (left axis) and gross national government debt, expenditure and revenue (right axis), all as % of GDP 1980-2023 (calendar years)



Note: Downward phases of the business cycle are shown as grey rectangles.
Source: SARB electronic data

The prominent characteristics of the four phases are shown in Table 1. Each of these phases will be explored, in turn, in sub-sections 2.1 to 2.4.

Table 1: Prominent characteristics of four fiscal phases, 1994-2024

Phase	Prominent characteristics
Phase 1: Fiscal consolidation (1994-1999)	Fiscal consolidation and expenditure reprioritisation; investor confidence established in economic and fiscal policy by avoiding macroeconomic populism
Phase 2: Fiscal health (2000-2008)	Longest economic upswing since second world war; average real economic growth of 4.2% p.a.; inflation targeting introduced; substantial progress with budget support for social development and poverty reduction while maintaining fiscal sustainability
Phase 3: The perfect storm (2009-2020)	Global financial crisis; Covid-19 pandemic; fiscal sustainability and international investment credit rating lost; poor economic performance; replacement of finance ministers; fiscal strategy not adjusted to lower economic growth; state capture
Phase 4: Fiscal consolidation, again (2021-2024)	Post Covid-19 global economic recovery; slow economic recovery – a realisation that high inclusive economic growth required major economic restructuring; some improvement in fiscal balances; public debt-to-GDP ratio still increasing.

2.1 Phase 1: Fiscal consolidation (1994-1999)

Table 2: Selected macro metrics, 1994-1999

Finance Ministers' Budget Speeches: Keys (1996), Liebenberg (1997, 1998), Manuel (1999)			
Phase 1 summary			
Fiscal consolidation and expenditure reprioritisation; investor confidence established in economic and fiscal policy by avoiding macroeconomic populism			
Variable	1994/95	1999/2000	Avg 1994-99
Real economic growth rate (%)	3.2	2.4	2.7
National government revenue (% of GDP)	19.4	21.2	20.1
National government expenditure (% of GDP)	24.4	23.3	24.1
Budget balance % of GDP)	-5.0	-2.5	-3.9
Primary balance (% of GDP)	n.a.	2.5	2.05*
National government debt (% of GDP)	38.1	42.1	41.9
Business cycle			
Upswing	Downswing		
June 1993 – November 1996 (42**)	December 1996 – August 1999 (33**)		

Source SARB (n.d.)
Notes: Economic growth rates for calendar years; the rest of fiscal years, ending 31 March of indicated year
*Average for 1998 and 1999 only
**months

Context and Policy

In President Mandela's first opening address to the National Assembly on 24 May 1994, he envisaged improved standards of living for all South Africans that were to be sought through meeting basic needs, promoting human development and building a strong and growing economy (Department of Finance, 1994b:2.3). Three years later, Finance Minister Trevor Manuel (Department of Finance, 1997a:8) emphasised that *"it was well understood that growth and job creation are critical elements in redistributing income and reducing poverty"*. The opening up of a former inward-looking and protectionist economy to global opportunities characterised his term as finance minister. At the same time, the limitation of resources was a repetitive theme in his budget speeches, with emphasis on reprioritisation, efficiency and effectiveness in reforming the fiscus in support of reconstruction and development.

The new government was determined to demonstrate success by seeking to credibly balance economic growth with macroeconomic stability and redistribution. The 1994 Budget Review (Department of Finance b, 1994b:(iii)) expressed the expectation that a well-managed transition to a growing economy, complementing a successfully negotiated passage to democracy, should bring improved domestic confidence and increased foreign interest. Both the apartheid and post-apartheid governments were wary of public debt, but arguably for totally different reasons: The apartheid government was at risk of not being able to obtain foreign funding if required, except at high-interest cost, while the post-apartheid government's aversion might have been to avoid falling prey to IMF conditionalities.

Internationally, financial and trade sanctions against South Africa had been lifted, and access to international trade and financial markets normalised, although, as an emerging market economy, the contagion of the East Asian financial crisis of 1997 still impacted adversely on South Africa's exchange rate and value of financial assets. After financial sanctions were terminated, the two-tier exchange rate dispensation (consisting of a commercial and a financial rand and extensive exchange control) was replaced by a unified (single) exchange rate (March 1994), and a gradual phasing-out of exchange control began. Following this and the constitutional change in 1994, access to international capital markets was formalised. South Africa's first global bond was successfully launched on 7 December 1994. In the run-up to this event, sovereign

investment grade ratings were received from Moody's on 3 October 1994 and Standard and Poor's on 25 February 2000.

The social development and economic reconstruction goals to which the Government of National Unity was committed were a central consideration of fiscal policy during this period (Department of Finance, 1994b:(iii)). At the same time, improved economic growth performance was deemed to be a precondition for sustainable growth in the supply of public goods (Department of Finance, 1994b:2.1). The importance of economic growth has been a recurrent theme up to the present. However, the National Treasury was confronted by apparent differences of opinion in the public debate about the nature of growth and the government's role in the economy (See Appendix 3 for a discussion on these themes).

Two documents dominated the economic and social policy scene. The growth, employment and redistribution strategy (GEAR) of 1996 surprised many domestic and international sceptics with a conservative fiscal approach. It recognised fiscal constraints and thereby added the need for prioritisation to the expectations vocalised by the ANC's (1994) reconstruction and development programme (RDP).

The macro-fiscal goals entailed consolidating national and subnational debt (of the former homelands) and a reduced budget deficit. The fiscal approach was predominantly structural, positively impacting expectations about macroeconomic stability even though Keynesian countercyclical fiscal policy was not really the aim.

Consequently, this period began with efforts to consolidate inherited public debt and gradually reduce the budget deficit. Key measures included various tax policy changes and commitments; some focused on fiscal consolidation, and others aimed at stimulating economic growth in a competitive global economy.

Examples of these measures include avoiding a permanent increase in the overall tax burden (Department of Finance, 1995b:2.4), addressing bracket creep inconsistently (e.g., eliminating it in 1998/99 but not in other years, effectively increasing real personal income tax "by stealth"), and reducing corporate income tax rates from 40% in 1993/94 (and as high as 50% in 1990/91) to 35% in 1994/95, with further reductions leading to 27% by 2022. Taxes on international trade transactions were also reduced, alongside the phasing out of the 1988 import surcharge. This was done to normalise South Africa's international relations and address resource misallocations caused by the surcharge. Similarly, the general export incentive scheme was phased out, possibly reflecting a stricter stance on ineffective tax incentives.

Additionally, a tax commission of inquiry (the Katz Commission) was established to evaluate the tax system and recommend reforms to support reconstruction and development goals, addressing identified deficiencies (Department of Finance, 1996:2.6). Other growth- and employment-oriented measures included the introduction of public-private partnership (PPP) projects and the implementation of job creation programmes.[4]

However, the main impact of the fiscal consolidation was on expenditure. Expenditure restraint and reallocation of government resources (for redistribution purposes) were also the main policy instruments that enabled a letter of understanding to the IMF to restrain government expenditure.[5] The intention was a

[4] For example, almost R3 billion of the 1999/2000 Budget was linked to this. Funds were allocated for poverty relief (Department of Finance, 1997a:9), namely community-based poverty relief programmes, a grant for elderly people and a flat-rate child support benefit.

[5] To assist in the rapid and effective mobilisation of resources for key initiatives of a socioeconomic development nature without jeopardising fiscal credibility, an RDP Fund was established in 1994 as a special-purpose mechanism to act as a

reduction in recurrent expenditure as a percentage of GDP and keeping overall wage and salary increases within inflation limits (Department of Finance, 1995b:2.4). This formed the basis for obtaining a loan under the compensatory and contingency financing facility (CCFF) of the IMF for balance of payments purposes. (See Department of Finance, 1994b:2.8.) Early on, it was recognised that, as personnel expenditure represented some 40% of state expenditure, there must also be a focus on restraining the wage bill and, consequently, employment and remuneration. In his opening address to parliament in 1998, President Mandela said: *"Apartheid South Africa was over-governed and over-supervised. The size of the public service had nothing to do with public service. Government is not an employment agency. Put in simple terms, we need to cut spending on personnel."* In 2024, this was still a big issue.

This phase also saw the establishment of several fiscal institutions that became critical instruments of fiscal management, including the South African Revenue Service, the Public Finance and Management Act, the Financial and Fiscal Commission, the Budget Council, the Auditor General and the National Economic Development and Labour Council. A summary of each is provided in Appendix 1.

Fiscal outcomes

The budget deficit-to-GDP ratio was reduced from 6.4% in 1992/93 and 4.9% in 1993/94 to 2.4% in 1998/99. With debt consolidation, the national government's gross-debt-to-GDP ratio first increased from its pre-1994 levels of 33.8% (in 1992/93) to 43.6% in 1995/96, before falling to 42.1% in 1998/99. The net impact of the consolidation was not expansionary in the traditional (Keynesian) sense of the word, but it built domestic and international confidence in the new government's fiscal management.

Socioeconomic expectations were addressed by reallocation so that only a slight increase in the national tax burden was required. The average tax-to-GDP ratio increased from 20.2% during 1990-1994 to only 20.4% during 1995-1999 (see Appendix 2, Row 1). The introduction on 30 September 1990 of a broad-based consumption-type value-added tax (VAT) with limited zero-ratings and adequate tax buoyancy properties also provided a tax source whereby the loss of international trade taxes[6] could be replaced. The tax base was broadened, tax evasion combated, and the tax burden lowered on low- and middle-income working people (Department of Finance, 1999a:9)

A sound foundation was laid for fiscal sustainability by fiscal prudency and the creation of institutions that strengthened the fiscal framework. In nominal terms, the general government-consumption-expenditure-to-GDP ratio dropped because the nominal expenditure growth was less than economic growth.

Fiscal policy was sustainable (Burger et al., 2023), and fiscal measures supported reducing inequality and alleviating the consequences of poverty. However, the difficult task of reducing the primary Gini coefficient, that is, to reduce structural unemployment and enable access to and earning income in the formal market economy, still lay ahead. This was and still is on the agendas of many other government institutions.

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bridge between existing commitments and new priorities of the state. Like with most funds within a budget that cuts across various line functions, this obviously resulted in uncertainty about priorities, implementation and accountability. The RDP office was closed in 1996.

[6] In 1993/94 revenue from international transactions was reported to amount to R5.26 billion, that is, about 5½% of national budget revenue (Department of Finance, 1994b:5.1). The reduced reliance on this tax source (as a percentage of total revenue) was significant. From 2008 to 2020, for example, the average was 4.1% and in the 2024 Budget the revenue was projected to still amount to 4.2% of total revenue.

2.2 Phase 2: Fiscal health (2000-2008)

Table 3: Selected macro metrics, 2000-2008

Finance Ministers' Budget Speeches: Manuel (2000-2008)			
Phase 2 summary			
Longest economic upswing since Second World War; average real economic growth of 4.2% p.a.; inflation targeting introduced; substantial progress with budget support for social development and poverty reduction while maintaining fiscal sustainability			
Variable	2000/01	2008/09	Avg 2000-08
Real economic growth rate (%)	4.2	3.2	4.2
National government revenue (% of GDP)	20.8	23.3	21.0
National government expenditure (% of GDP)	22.7	22.5	21.9
Budget balance % of GDP)	-1.9	+0.8	-0.9
Primary balance (% of GDP)	+2.7	+3.0	+2.4
National government debt (% of GDP)	40.0	23.7	31.1
Business cycle			
Upswing	Downswing		
September 1999 – November 2007(99*)	December 2007 – August 2009 (21*)		

Source: SARB (n.d.)
Notes: Economic growth rates for calendar years; the rest of fiscal years, April to March ending 31 March of the indicated year
*Months

Context and Policy

"The government must act to ensure that we reduce the number of people dependent on social welfare, increasing the numbers that rely for their livelihood on normal participation in the economy."

From President Thabo Mbeki's

State of the Nation Address, 14 February 2003

Globalisation brought prosperity to many countries, but severe poverty remained in many developing nations, and inequality between countries widened. The 9/11 attacks in New York shocked the world and brought considerable uncertainty to global growth. In his 2002 Budget Speech, South Africa's Finance Minister (NT, Various years a - 2022:6) stated that it was "the first time since the mid-1970s that there had been such a comprehensive slowdown in the global economy." Nevertheless, South Africa's successful fiscal consolidation during the early 2000s and its reconstruction and development program helped sustain relatively good economic performance as it entered the twenty-first century.

The country entered its most prolonged cyclical upswing since World War II, with fiscal space to meet expectations of an improved social wage and absorb fiscal shocks. This phase ended with the global financial crisis (GFC) and the subsequent Great Recession of 2008. Before presenting the 2008/09 Budget, the IMF revised its global growth forecast for 2009 downward five times, from 3.8% in April 2008 to 0.5% (NT, Various years a - 2009:4).

Despite these external shocks, Finance Minister Manuel (NT, Various years a - 2008:6) expressed continued openness to globalisation: "In revisiting our strategic priorities for the decade ahead, we seek to engage proactively with the global environment, its threats and opportunities, while remaining firmly rooted in the principles on which our democracy is founded."

During this phase, the focus was on increasing the economy's growth potential and labour absorption capacity. Key measures included early tax relief, a more generous tax regime for small businesses (2002/03) (NT, Various years a - 2004:19), and reductions in the corporate tax rate from 30% to 29% (NT, Various years a - 2006:29), and later to 28% (NT, Various years a – 2008:20).

On the expenditure side, the goal was to increase investment and savings in national income[7] to build infrastructure and industrial capital for sustained output growth – a priority for 2004 to 2013 (NT, Various years a - 2004:7). A 5% annual real growth in capital spending was also targeted, aiming to eliminate dissaving (NT, Various years a – 2000:5,8). One key ambition was to halve the unemployment rate by 2014[8], reduce poverty, create work opportunities, and build sustainable communities while consolidating the social security system (NT, Various years a - 2004:7).

While moderate tax relief seemed possible, it was acknowledged that revenue outcomes in 2006/07 and 2007/08 were partly temporary (cyclical). Economic growth allowed for significant expenditure growth, with non-interest government expenditure projected to grow by 6.7% annually in real terms over the MTEF period 2006/07-2008/09 (NT, Various years a - 2006:23). In hindsight, it is not surprising that this trend posed a risk to fiscal sustainability during and after the GFC.

To sustain revenue growth, decisive action was promised against tax evasion, including tackling transfer pricing abuses, misuse of tax treaties, and illegal money flows. This was based on the work of the OECD, the G20 joint project on base erosion and profit shifting (BEPF), and bodies like the Tax Justice Network (NT, Various years - 2016:16-17). Various measures were implemented to improve tax administration and build a culture of compliance to close the gap between potential and actual tax revenue, as discussed in Sections 2.3 and 3.2.

Alongside efforts to combat tax evasion, investment tax incentives were introduced to encourage industrial development and job creation. These included accelerated depreciation allowances (NT, Various years a – 2003:18) and R5 billion in tax support for industrial investment (NT, Various years a – 2008:8). However, the effectiveness of these incentives in stimulating growth and employment remains questionable, even after attempts to reduce their fiscal cost, as evidenced by concerns over the motor industry development programme.

While investment incentives narrowed the tax base, the government also pursued base-broadening policies, such as introducing capital gains tax, transitioning to a residence-based tax system, closing loopholes, implementing a tax amnesty, and adopting a graduated corporate tax rate for SMEs (NT, Various years a – 2000:20).

Three other macroeconomic policy measures from this period are notable: First, a mandatory, earnings-related social security scheme was proposed to provide improved unemployment insurance, disability, and death benefits, funded by a social security tax (NT, Various years a - 2007:29). However, no further mention of this initiative was made in subsequent budget speeches. Second, an inaugural fiscal measure targeting environmental issues was introduced, with a new levy on electricity generated from non-renewable sources, with exemptions for households and businesses that reduced their consumption (NT, Various years a - 2008:23). Third, an inflation target band of 3-6% was established (Department of Finance, 2000a:6), with price stability seen as a key macroeconomic goal.

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[7] This resonates with one the findings of the Spence Commission (2008) of which Minister Manuel was a member, namely the high saving- and investment-to-GDP ratios of 13 countries in the world that achieved an average annual real economic growth rate of at least 7% during a 25 year period at any stage between 1960 and 2005.

[8] A target set by the Growth and Development Summit of 2023 (NT, Various years a - 2004:7).

Fiscal outcomes

South Africa’s fiscal health improved from 1996 to 2008. The budget deficit of 6.4% in 1992/93 had turned into a surplus of 0.8% by 2007/08, the best outcome since 1961. The national government debt-to-GDP ratio was 23.8% in 2008/09, the lowest in 49 years, far below the 40.4% average from 1959/60 to 2007/08. However, dependency on social welfare increased, contrary to former President Mbeki’s goals.

Fiscal performance compared well to peer countries, and South Africa’s sovereign investment grade rating peaked. An average real economic growth of 4.2% from 2000 to 2008, contained inflation, lowered debt service costs, and achieved a positive average primary-balance-to-GDP ratio of 2.4%, contributing to fiscal sustainability (see Section 2.3 for further explanation). Analysts concluded that fiscal sustainability applied up to the GFC (2007-08) but not afterwards.

Prudent fiscal policy, a conservative mix of expenditure and taxes, reallocating budget funds, and substantial economic growth enabled a sustainable outcome. Strong political commitment to fiscal constraint, especially from South African Presidents, helped the finance minister's task. Periods of high, stable economic growth made it easier. The global commodity and credit boom of the early-to-mid 2000s obscured high spending growth and tax cuts. Even procyclical fiscal policy in the early 2000s did not present deficit or debt risks, though this would not have been affordable at lower growth rates.

The primary balance was positive from 1997/98 to 2008/09 but turned negative thereafter. The reduction in the debt-to-GDP ratio was achieved by primary surpluses higher than needed to stabilise debt. Burger et al. (2016:517) point out that the public-fixed-assets-to-GDP ratio fell as fixed investment was crowded out by consumption expenditure, leading to no change in net liabilities but lower debt- and assets-to-GDP ratios. The lower ratio coincided with poorer public service delivery due to the sacrifice of public investment.

South Africa’s strong fiscal and economic performance resulted in positive independent appraisals. Credible policies contributed to achieving South Africa’s highest rating of A3 from Moody’s (16 July 2009) and BBB+ from S&P (1 August 2005). According to the IMF (2006:5) Staff Report, South Africa showed strong macroeconomic performance due to sound policies aimed at raising growth and reducing poverty in a stable environment.

2.3 Phase 3: The perfect storm (2009-2020)

Table 4: Selected macro metrics, 2009-2020

Finance Ministers' Budget Speeches: Manuel (2009), Gordhan (2010-14), Nene (2015), Van Rooyen (none); Gordhan (2016-17); Gigaba (2018), Mboweni (2019-20)				
Phase 3 summary				
Global financial crisis; Covid-19 pandemic; fiscal sustainability and international investment credit rating lost; poor economic performance; replacement of finance ministers; fiscal strategy not adjusted to lower economic growth; state capture				
Variable	2009/10	2020/21	2021/22	Avg 2009-20
Real economic growth rate (%) (calendar years)	-1.5	-6.2	5.0	1.0
Consolidated government revenue (% of GDP)	23.0	23.5	22.0	22.6
Consolidated government expenditure (% of GDP) (fiscal years)	23.7	29.6	31.8	26.5
Budget balance (% of GDP) (fiscal years)	-0.7	-6.1	-9.8	-4.0
Primary balance (% of GDP) (fiscal years)	+1.4	-2.5	-5.7	-1.3
National government debt (% of GDP) (fiscal years)	23.6	57.1	70.1	40.6
Business cycles				
Upswing	Downswing			
September 2009 – November 2013 (51*) May 2017 – June 2019 (26*) May 2020 - … (end date not yet determined)	December 2007 – August 2009 (21*) December 2013 – April 2017 (41*) July 2019 – April 2020 (10*)			

Source: SARB (n.d.)
Notes: Economic growth rates for calendar years; the rest of fiscal years, ending 31 March of indicated year
*months

Context and Policy

At the outset of this phase, the economy was hit hard by the consequences of the global financial crisis (GFC) and the concomitant great recession. In South Africa, a sound banking system, healthy fiscal position, credible monetary policy, and appropriate foreign exchange regulations limited the exposure to international downturns to an extent. Then followed a protracted period of state capture[9] and the COVID-19 pandemic of 2020, with fiscal consolidation returning in importance towards the later part of this phase. The first few years after the GFC saw attempts to regain economic growth, after which economic progress was increasingly stifled by deteriorating service delivery in all three spheres of government and state-owned enterprises. The latter reflected the impact of the crowding out of public investment and state capture.

As in all countries during these years, trade-offs regarding two macro considerations had to be dealt with during and after the GFC. The first is expansionary fiscal policy to counter cyclical downswings and stimulate higher economic growth in the short term, temporarily increasing the budget deficit and public debt if there was fiscal scope (see Appendix 3 on active Keynesian stabilisation policy). The second is fiscal consolidation

[9] The Zondo Commission (2022) produced a report of six volumes. exposing a big number of suspected perpetrators in key government positions and their nongovernment allies, of which the Gupta brothers were particularly prominent and notorious. Court cases and prosecution have since been making slow progress.

to improve fiscal sustainability and rebuild fiscal scope to absorb future fiscal shocks, which reduces the budget deficit and debt over a period.

In his 2011 Budget Speech (NT, various years a – 2011:2) the Finance Minister committed to ensuring countercyclical fiscal policy within a sustainable long-term framework. Some years later (NT, Various years a - 2015: 25), however, it was stated that the countercyclical approach had reached its limits and that the budget deficit was largely structural and could not be reduced through a cyclical upturn in revenues. Given the persistent increase of the public-debt-to-GDP ratio, the South African picture is one of bias toward expansionary fiscal policy even beyond the point of effectiveness (see Section 3.4).

It had become clear that the economic progress and healthy fiscal conditions of Phase 2 did not last. The fiscal authorities realised that growth limits necessitated *fiscal* adjustment, as growth was increasingly playing a lesser role in regaining fiscal sustainability.[10] The adjustment turned out to be in the form of both higher tax revenue and less government expenditure (relative to GDP). The fiscal consolidation goals in the 2016 Budget Speech included a broad but moderate increase in taxes (while limiting the impact on lower-income families), a curtailment of personnel spending, a reinforcement of cost containment measures and reduced transfers for operating budgets of public entities (NT, Various years a - 2016:14).

Along with further tax incentives and addressing the tax gap, *tax policies aimed at increasing revenue* (NT, various years a -2018) were also implemented and envisaged to increase the tax-to-GDP ratio from 2015/16 to 2018/19. They included:

- Only limited fiscal drag relief for individuals, focusing on lower- and middle-income earners, which amounted to a real increase in the tax burden;
- Indirect tax increases;
- Higher effective capital gains tax rates for individuals and companies;
- Strengthening of environmental taxes;
- Higher personal income tax rates.

The latter gained momentum because of the persistence of income and wealth inequality and the global debate about a universal wealth tax that Piketty (2014) kindled.

These tax increases were also significant as, early in this phase, the thinking was that to meet the country's social and economic goals, *sustainable increases in real expenditure* were required over the decades to come (NT, Various years b -2014:44). Unfortunately, pressures for additional de facto and de jure expenditure[11], such as qualified free tertiary education (NT, Various years b - 2018:14)[12], persistent wage increases and rising debt servicing cost crowded out capital (infrastructural) expenditure – the expenditure required to "meet the country's social and economic goals".

Expenditure ceilings were introduced in 2012 as control measures to reallocate resources to key areas, expand the economy's long-term growth potential, eliminate wasteful expenditure, and enforce rigorous cost-containment in all aspects of public spending (NT, Various years b - 2014:92). Unfortunately, while the ceiling did reallocate resources, it did so at the cost of public investment. The general government's gross fixed investment (or capital formation) fell by almost 26% from 2016 to 2020, with economic infrastructure investment declining by about 34% and state-owned enterprises dropping by nearly 45%. In contrast, general

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[10] See Section 3.2.1 for the role of real economic growth and the other policy variables in the sustainability formula.

[11] "de facto non-discretionary expenditure" refers to expenditure over which the policymakers have very little or no control, often due to political pressures.

[12] Fully subsidised education and training for the poor were claimed to be the government's flagship intervention regarding higher education (NT, Various years a - 2019:14).

government real consumption expenditure increased by 3.6% during the same period.

The unsatisfactory financial position of some state enterprises, fuelled by state capture, amongst other things, further exacerbated South Africa's poor fiscal performance. (see, for instance, NT, Various years a 2015:21). Comprehensive support measures, coupled with the monitoring of their turnaround performance under the supervision of the deputy president, were announced in October 2014 (NT, Various years b – 2015:22).[13]

Fiscal support to SOEs from 2015 onwards was to be financed through offsetting asset sales so that there is "no net impact on the budget deficit". However, the full story of how the state's balance sheet would be affected was not explained. To what extent, for example, would the asset sales amount to replacing relatively good government investments (selling good performing assets) with inferior ones (implicitly acquiring under- or lower-performing assets)? If so, the government's financial assets would deteriorate in quality, if not in market-determined value.

The Treasury's frustration with Eskom could not have been put better than in the words of Finance Minister Tito Mboweni (NT, Various years a – 2019:8): "*Pouring money directly into Eskom in its current form is like pouring water into a sieve. I want to make it clear: the national government is not taking on Eskom's debt. Eskom took on the debt. It must ultimately repay it. We are setting aside R23 billion a year to financially support Eskom during its reconfiguration*." (R230 billion was allocated over ten years to achieve the restructuring of the electricity sector (NT, Various years a – 2020:16)). Later, some Eskom debt was indeed taken over by the national government (see below).

Fiscal outcomes

Global crises (notably the GFC and the COVID-19 pandemic) put the economy and fiscal health on the back foot during this phase of South Africa's fiscal history. Current revenue could not pay for the steep rise in government expenditure, resulting in debt increases. The deteriorating financial position of SOEs increasingly impacted the state coffers negatively as well. Other commodity-dependent countries (for example, Botswana and Chile) showed similar trends, but South Africa's decline was starker, mainly due to the drop in GDP growth.

South Africa's underperforming growth strategies and industrial policies, receding international competitiveness and poor ranking of institutional effectiveness restricted fiscal scope. Policy goals such as fiscal sustainability were undermined by state capture, 'cold feet' on wage bill containment[14], targeted free tertiary education and bailing out state-owned enterprises. Cabinet did not accept collective responsibility for sound fiscal management.

The political economy increasingly hampered economic progress and fiscal performance. In this regard, Sachs (2021: 14-17) gives an illuminating and disturbing overview of the political dynamics, including state capture, that fuelled the fiscal deterioration since the ANC's Polokwane Conference in 2007, when Thabo Mbeki was replaced by Jacob Zuma as the ANC's and then the country's national president. These observations explain much of the deterioration of South African institutions indicated earlier. Unfortunately, SARS itself became a prime victim of state capture.

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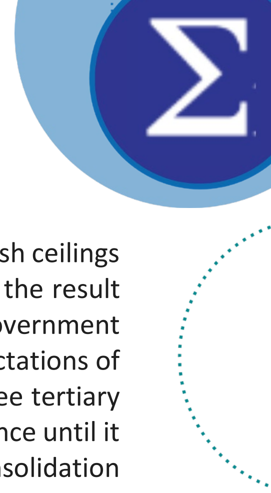
[13] The "rescue" package entailed a capital injection of R23 billion, governance improvements, operational cost containment, additional borrowing and support for required tariff increases.

[14] The 2024 Budget reversed "some of the spending reductions announced in the 2023 MTBPS by adding R57.6 billion to expenditure over the medium term, mainly to cover the costs of the 2023 public-service wage agreement" (National Treasury, Various years b – 2024:23).



Despite early recognition (in 2010) of the fiscal risk of increasing expenditure permanently based on temporary income, the government did not respond to lower economic growth with a fundamental revision of the fiscal strategy, as pointed out by Sachs (2021). Retrospectively, the cash ceilings of 2012 were too high (that is, too lenient) compared to the lower economic growth rates, with the result that revenue *and* expenditure increased as a percentage of GDP (Calitz, et al., 2023:450). Government continued with tax subsidies to support the New Growth Path strategy. It also strengthened expectations of a national health insurance system, widely criticised as unaffordable, and introduced qualified free tertiary education. Even a very costly[15] Russian deal on nuclear energy threatened to derail the public finance until it was cancelled. The government's wage bill remained a recurring stumbling block in the fiscal consolidation process.[16]

The countercyclical fiscal response stood South Africa in good stead during the early post-GFC phase. Unfortunately, it was impossible to reverse the debt pattern, and fiscal sustainability was lost, along with the government's international investment grade rating. At some point, the country ran out of fiscal space to counter the cyclical downswing. The central fiscal policy objective was stabilising the debt-to-GDP ratio by 'closing' the budget deficit (NT, Various years b - 2017: 28); this did not materialise.[17]

A rule of thumb about fiscal sustainability reads as follows: A government is regarded as serious about ensuring sustainability if rising debt-to-GDP ratios are accompanied or preceded by an improvement in its primary surplus when real interest rates exceed real economic growth rates.[18] Figure 1 (presented at the beginning of section 2) shows the South African experience before and since 1994. Undoubtedly, after 2008, growth strategies and fiscal outcomes – in combination – did not prevent debt-to-GDP ratios from rising steadily.

At the start of the GFC, South Africa had relatively low budget deficit-to-GDP and government debt-to-GDP ratios and, therefore, substantial fiscal scope to absorb shocks. This changed quite rapidly. Within fifteen years, the SA debt-to-GDP burden rose from 23.6% in 2008/09 to 74.1% in 2023/24. A record budget deficit of 9.8% was recorded in 2020/21 during the Covid-19 pandemic, the worst in 60 years.[19]

The public debt trends and other metrics did not comply with the above-mentioned rule of thumb, especially given the low economic growth between 2017 and 2020.[20] In this regard, Burger (2024:19-20) point out that, even though the primary-balance-to-GDP ratio was improved, its level was too low to stabilise the debt-to-GDP ratio and thus the need for higher economic growth to stabilise and reduce the debt-to-GDP ratio.

[15] Weiss and Rumer (2017) reported as follows: "Viewed from South Africa, the most troubling aspects of the deal were its enormous cost, the disregard for the established legal and administrative norms for government procurement, and the likelihood that the chief personal beneficiaries would be Zuma and the Guptas."

[16] Just to give an indication of order of magnitudes, suppose that the remuneration of general government employees since 2006/07 had increased at the same rate as inflation instead of the actual annual increases. A rough calculation shows that the total cumulative cash that would then have been available for alternative use at the end of the 2022/23 fiscal year, would have amounted to almost 16% of the total cash payment of R2.4 billion for operational activities in 2022/23.

[17] Burger (2024:4, fn 1) points out that the debt-to-GDP ratio has always, year after year, been "projected to stabilize in an outer year of the medium-term forecast. The failure to do so has usually also coincided with economic growth rates (and therefore the rate of revenue) falling short of the Treasury's forecast for growth."

[18] Mathematically, this rule of thumb can be derived from the intertemporal budget constraint.

[19] The GFC shock to the economy was probably as disruptive, however.

[20] Sachs (2021:17) noted that "(t)he progress towards a primary balance was reversed (in 2016), as tax buoyancy suddenly fell, reversing a run of surprisingly good outcomes in personal income collections". (Parenthesis added by the author.)

As a result of the fiscal trajectory during this phase, the country's international sovereign credit ratings started moving downhill. Eventually, South Africa was downgraded to non-investment (junk-bond) status by Standard and Poor's (3 April 2017) and Moody's (30 April 2020). Fortunately, this did not adversely impact the composition of debt (the ratio between domestic and foreign debt) but did increase the cost, as indicated by the sovereign debt premium (above US$ bonds)[21], and decreased the average maturity of foreign and domestic debt.

The distributional impact of fiscal policy was always on the agenda and with significantly positive results, as shown by Van der Berg (2009) and Inchauste, et al. (2015:3). They concluded that fiscal policy was both equalising and poverty-reducing and added that "*addressing the twin challenges of high inequality and poverty will require not only much improved quality of public services, but also higher and more inclusive economic growth.*" Unfortunately, fiscal resources came under even more pressure in the years that followed these publications.

In various speeches and budget reviews, details were provided of jobs created by programmes such as investment subsidies, the employment tax incentive scheme (regarded as highly successful by government[22]), public works projects and the Jobs Fund. It is not possible, however, to assess the impact of these measures without linking up the data with the broader set of StatsSA's (un)employment data.

To summarise, the impact of all external shocks and populist pressures on the fiscus was devastating and much of the build-up during phase 2 of a sound and sustainable fiscal state was destroyed. Lower growth, rising budget deficits and debt, higher unemployment and poverty and the downgrading of the country's sovereign credit rating were all features of a perfect storm. The country's fiscal health deteriorated substantially during these years, both by historical standards and compared to peer countries. South Africa emerged from the great recession in a weak fiscal condition relative to peer countries, compared to its much better position before the GFC. Unsurprisingly, the need for fiscal sustainability had become a recurrent theme and goal in annual budget speeches.

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[21] Premia as updated on 5 January 2024 (NYU Stern, 2024) were as follows (African countries underlined). **Better** (i.e. lower) than **or the same as South Africa's 4.40%** were: Botswana, 1.75%; Brazil, 4.40%; Chile, 1.24%; China, 1.03%; Czech Republic, 0.88%; Hungary, 2.78%; India, 3.21%; Malaysia, 1.75%; Mauritius, 3.21%; Mexico, 2.78%; Morocco, 3.66%; Peru, 2.34%; and Thailand, 2.34%. Countries with **higher premia than South Africa** were: Argentina, 17.55%; Egypt, 10.89%; Ghana, 14.63%; Kenya, 9.51%; Nigeria, 10.97%; Rwanda, 8.09%; Turkey, 9.51% and Uganda, 8.94%.

[22] There is no mentioning of any independent assessment of the scheme, nor what the opportunity costs may have been.

2.4 Phase 4: Fiscal consolidation, again (2021-2024)

Table 5: Selected macro metrics, 2021-2024

Finance Ministers' Budget Speeches: Mboweni (2021), Godongwana (2022-24)			
Phase 4 summary			
Post Covid-19 global economic recovery; slow economic recovery – realisation that high inclusive economic growth required major economic restructuring; some improvement in fiscal balances; public debt-to-GDP ratio still increasing.			
Variable	2021	2024*	Avg 2021-24
Real economic growth rate (%)	5.0	1.0	2.2
Consolidated government revenue (% of GDP)	22.0	24.3	24.0
Consolidated government expenditure (% of GDP)	31.8	28.9	30.1
Budget balance % of GDP)	-9.8	-4.6	-6.0
Primary balance (% of GDP)	-5.7	+0.4	-1.6
Public debt (% of GDP)*	70.1	74.1	70.6
Business cycles			
Upswing	Downswing		
May 2020 – … **			

Source SARB (n.d.); Bureau of Economic Research (2024 (growth forecast))
Notes: Economic growth rates for calendar years; the rest of fiscal years, ending 31 March of indicated year
Figures for 2022 and 2023 are provisional, and for 2024 are forecasts
*Public debt figures for 2021-2023 only; ** At the time of writing, the length of the upswing was unknown.

Context and Policy

The state of affairs was well summed up by Finance Minister Godongwana in his first budget speech (NT, various years a - 2022:4). "*Our economic recovery has been uneven and risks remain high. We must proceed with caution. In the 2021 MTBPS (Medium-term Budget Policy Statement) we committed ourselves to charting a course towards growth and fiscal sustainability. This budget reasserts this commitment. It narrows the budget deficit and stabilizes debt. It also extends income and employment support to the most vulnerable, addresses service delivery shortcomings and provides tax relief. However, these interventions cannot replace the structural changes our economy needs. Difficult and necessary trade-offs are required.*"

Calls for a permanent increase in social protection that exceeds available resources, continued pressures on the public-service wage bill and continued requests for financial support from financially distressed state-owned companies were three of the challenging fiscal issues faced during the post-pandemic phase. (NT, Various years a - 2022:6).

The most recent two Finance Ministers have been emphatic about economic growth and fiscal sustainability, reflecting the urgent need to rebuild the economy and restore fiscal credibility. Only through sustained economic growth can South Africa create enough jobs to reduce poverty and inequality (NT, Various years a - 2022:8).

The controversial use of tax incentives continued with a new incentive announced in the 2024 Budget, namely an investment allowance for new investments in the production of new energy vehicles has been announced and is scheduled to begin on 1 March 2026 (NT, Various years a - 2024:9). T*ax to support faster debt stabilisation* were mostly raised through not adjusting personal income tax brackets, rebates and medical tax credit for inflation. (NT, Various years a – 2021:11). In addition, a global minimum corporate tax was announced to limit the negative (fiscal) effects of tax competition (NT, Various years a - 2023: 13) and

counter the erosion of the tax base.[23] It was set to be implemented over the next few years. Multinational corporations with annual revenue exceeding €750 million will be subject to an effective tax rate of at least 15%, regardless of where their profits are generated[24].

Expenditure measures entailed allocations to job creation programmes (NT, Various years a - 2022:9), including the presidential employment initiative ((NT, Various years a – 2024:16). This reflected a continued role for the government to create jobs, albeit it of a temporary nature. An allocation for the National Health Insurance Scheme (NHI) was stated, demonstrating the government's commitment to this scheme. (NT, Various years a - 2023: 15). The public sector was projected to spend R903 billion on infrastructure (mainly transport and logistics and water and sanitation) over the medium term. The most considerable portion of this, around R448 billion, was to be spent by SOCs, public entities and through public-private partnerships. (NT, Various years a – 2023:12).

Fiscal outcomes

The National Treasury and the finance minister have been unable to guard against dissaving (see Table 7, Section 3.5) and crowding out of public investment in infrastructure. Rising debt service costs have continued to crowd out service delivery. Fiscal authorities have also been unable to stem the drain on the fiscus by SOEs such as Eskom, Transnet, South African Airways and the Post Office.

Unfortunately, a fundamental restructuring of SOEs has been slow to materialise, even with occasional strong statements by finance ministers. In 2024, conditional loan guarantees were still made available to Transnet and nonfinancial measures were announced in support of public infrastructure (economic growth) to attract private sector investment (NT, Various years a - 2024:6).[25] Contingent liabilities such as these, which only become debt on default of entities that obtained debt guarantees from the Finance Minister, entail a further debt risk for the fiscus. In 2022/23, government guarantees to SOEs alone amounted to R503 billion or 11.1% of the national government's net loan debt of R4 516 billion. The government's liability exposure (the amount of actual guaranteed borrowing by SOEs and accrued interest) was R433 million (86.4% of the total amount of SOE guarantees). Nine years ago (in 2013/14), the exposure was only about half, namely 44.6%.[26]

In his 2023 Budget Speech (NT, Various years a – 2023:6), the Finance Minister mentioned that the Government's fiscal consolidation strategy restrained growth mainly in consumption expenditure several years ago and allowed the Government to use part of higher-than-expected revenues to reduce the deficit. The fiscal deficit was brought down without tax increases (except when fiscal drag was not entirely removed) or further cuts in the social wage and infrastructure. The problem with this argument is that the underlying deficit is likely to reappear if the excessive revenue is merely the once-off result of an inaccurate revenue estimate. This, however, reflects a trade-off that gives preference to fiscal consolidation above countercyclical fiscal policy, for which there clearly was no more scope.

The budget deficit decreased from 9.8% in 2021 to 4.6% in 2024, with the primary balance turning from a

[23] In October 2021, South Africa joined with over 135 other jurisdictions to agree a two-pillar solution to reform the international taxation rules and ensure that multinational enterprises pay a fair share of tax wherever they operate and generate profits (NY, Various years a - 2024:3)

[24] The proposed reform was expected to yield an extra R8 billion in corporate tax revenue in 2026/27.

[25] These included: reduction of the procedural complexity of undertaking PPPs, creating capacity to support and manage PPPs, formulating clear rules for managing unsolicited bids, strengthening the governance of fiscal risk. and introducing several new financing instruments, such as infrastructure bonds and concessional loans. (NT, Various years a - 2024: 7).

[26] Exposure percentages, as calculated from various Budget Reviews, are the amount of borrowing and accrued interest for the period as a percentage of the value of the guarantee. Approved government guarantees amounted to 9.9% of GDP. Combined with gross loan debt (70.5% of GDP), this totalled 80.4% of GDP.

deficit to a surplus (see Table 5). However, government debt as a percentage of GDP continued to increase to 74.1% on 31 March 2023. The budget deficit for 2023/24 amounted to 4.9% of GDP and was projected to improve gradually to 3.4% by 2026/27, and debt was set to peak at 75.% of GDP in 2025/26 (NT, Various years b – 2024:31). As always, the proof of the pudding lies in the eating. To reduce its debt level, the Government will draw on its gold and foreign contingency reserve account (GFECRA), an asset accumulated over the years. Irrespective of how the debt level is reduced by using government assets, debt will reappear if tax revenue cannot finance current expenditures, and loan financing has to fill the gap.

Despite the many factors that adversely impacted fiscal conditions, one factor mitigated fiscal risk during all these years. Due to the relative strength of the domestic financial sector, the government could *finance the bulk of the deficit domestically*. The country's relatively low foreign debt exposure during economic difficulties protected it against the high debt risk and exchange rate pressures that characterised a country such as Argentina, with its high exposure to foreign currency-denominated debt.

Fiscal consolidation will not be a quick process. Once clarity about a future fiscal anchor is provided, a possible debt or other fiscal target may be forthcoming. Even so, avoiding unrealistic expectations of such an anchor is recommended.

3. Where do we go from here?

At the time of the 2024 Budget Speech, global growth for the year was forecasted at 3.1%. However, several downside risks threaten the global economy, including the potential for sharp increases in oil prices if the Middle East conflict intensifies and slower growth in China, South Africa's largest trading partner. Additionally, the implications of a new Trump administration following the US election will be closely monitored for their potential impact on South Africa.

South Africa's fiscal policy is defined by a persistent rise in government debt. Efforts to reduce and control public spending have limited the effectiveness of fiscal policy as a tool for macroeconomic stabilisation. While spending has been contained in many areas, especially in per capita terms, the debt continues to rise. As Michael Sachs (2021:20) aptly puts it, fiscal policymaking in the country has become an exercise in "austerity without consolidation" (Calitz et al., 2023: 442-443).

So, where do we go from here? As pointed out by Burger et al. (2016), we need a higher primary budget balance, a higher economic growth rate, a lower inflation rate, or a mix of all three. A different approach than in phases 1 and 2 could be one whereby investment is crowded in by substituting investment for consumption. This will go hand in hand with net indebtedness being maintained at comparatively higher values for both the fixed public-assets-to-GDP ratio and the public-debt-to-GDP ratio than in phases 1 and 2. A less demanding primary balance target should then suffice.

The successes of macro-fiscal policy are related to the impact on the business cycle (that is, stabilisation policy) and the speed and nature of restoring fiscal sustainability (that is, fiscal consolidation). These considerations sometimes conflict, especially when fiscal scope is limited and requires trade-offs. Molnar (2012:18-19) presents success factors of fiscal consolidation based on panel research. These include economic growth, easing of monetary conditions, fiscal rules and spending cuts (rather than tax increases).

However, Okwuokei (2014:128-129) argues that empirical evidence suggests that "large fiscal adjustments have been initiated under difficult macroeconomic conditions: sluggish growth, high budget deficits, high inflation, high unemployment, high debt, and balance of payment crises". These are the conditions that describe the South African scene.

Within this context, what are the options?

3.1 Should we increase taxes?

This is a question about using the tax instrument in fiscal consolidation. Empirical evidence suggests tax increases have been less successful than expenditure restraints or reductions. In countries with substantial tax gaps, increased tax revenue would be possible without new taxes or higher tax rates. None of the two tax commissions since 1994 recommended new taxes with significant revenue potential and also did not find substantial tax gaps. Despite lapses during the state capture years, SARS has been active in addressing tax avoidance and evasion.

South Africa's overall national government tax burden (tax revenue as a percentage of GDP) has almost doubled since the 1960s, including the increase from 20.4% (1995-2000) to 24.9% (2022)), the highest in the 74 years from 1960 to 2023 (see Annexure 1, Row 1).

The personal income tax base is narrow, with 79.5% of personal and payroll taxes paid by the top decile of taxpayers (Goldman and Woolard, 2020). The official unemployment rate of 32.9% in the first quarter of 2024 (StatsSA, 2024:22) also explains the limited income tax base. During recent debates about the feasibility or desirability of higher tax rates or additional taxes such as a wealth tax, irrespective of whether for

redistribution or fiscal consolidation purposes, strong evidence emerged of the limitations (see, for example, Burger and Calitz, 2020:15-16).

On the basis of comparative data, Burger and Calitz, 2020:15-16) state as follows: "*Given South Africa's relatively high revenue burden compared to other Emerging Market economies, there is little scope for South Africa to increase tax rates in future if it is to remain competitive with other Emerging Markets. Doing so will serve as a disincentive for individuals and companies to earn income and be taxed in South Africa*."

Thus, the scope for tax increases to contribute to fiscal consolidation seems small.

3.2 Should we decrease taxes?

This is a question about the impact of tax reduction on economic growth. Is South Africa on the wrong side of the Laffer Curve? In other words, is a reduction in tax rates likely to generate more revenue for the government because lower taxes will incentivise higher productivity and, therefore, higher economic growth?

The literature is ambiguous regarding total tax revenue and direct taxes such as individual or corporate income tax.[27] The international trend regarding corporate tax is downward, as has already been done in South Africa for competitive purposes. A dual tax regime (such as in Scandinavian countries) would enable a high marginal tax on labour income and a low tax on capital income to counter the international mobility of capital. The imminent minimum corporate tax of 15% will plug cross-border tax leakages.

If a tax reduction is revenue neutral, i.e. accompanied by an equal reduction in government expenditure, real economic growth is likely to increase – especially if government consumption expenditure is reduced. For South Africa, Koch et al. (2005) examined the relationship between total taxation, the mix of taxation and economic growth. [28] They found that decreased tax burdens are strongly associated with increased economic growth potential. They also found that contrary to most theoretical research, decreased indirect taxation relative to direct taxation strongly correlates with increased economic growth potential.

Given that economic growth is not dependant on one policy measure alone, a tax reduction is far more likely to be credible and impact positively on growth if it occurs as part and parcel of a comprehensive, non-partisan reform strategy that deals with the removal of various growth constraints, such as market regulations that distort allocative efficiency, crime, energy disruptions and associated cost.

3.3 Can we spend ourselves into sustainability?

With reference to the fiscal sustainability rule of thumb, as discussed in Section 2.3, this is a question about whether higher government expenditure can achieve one or more of a few things. They are a reduced real rate of interest (unlikely, given the inflationary effect), a significant improvement in the primary balance (also unlikely, given the non-interest expenditure increases implied by the question and wage and social dividend pressures that have already resulted in high government expenditure-to-GDP ratios); or a higher real economic growth rate (unlikely given empirical evidence of a Laffer effect – see next paragraph).

Using national and provincial government expenditure, Burger and Calitz (2020) estimated a Markov-

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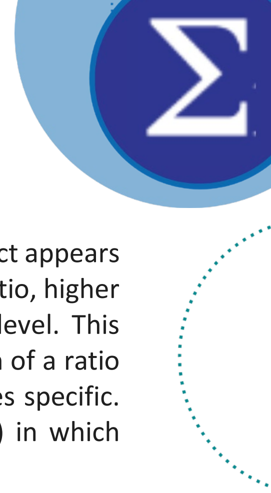
[27] Gechert and Heimberger (2022) undertook a quantitative survey of the existing econometric literature concerning the impact of corporate taxation on economic growth, using a data base of 176 countries. They were unable to reject the hypothesis that the effect of corporate taxes on growth is zero.

[28] They used tax and economic data from 1960 to 2002 and a two-stage modelling technique to control for unobservable business cycle variables.



switching model to determine so-called regime breaks regarding fiscal sustainability. They dated 2008 as the year in which sustainability was lost. This coincided more or less with the start of the GFC and the first term of former President Zuma. Further, it was calculated that a Laffer-kind effect appears at an expenditure-to-GDP ratio of 29% (Burger and Calitz, 2020:7-8). Above that 'tipping-point' ratio, higher expenditure-to-GDP ratios[29] negatively impacted economic growth, suggesting 29% as an optimal level. This ratio was exceeded in each of the four recent budgets from 2019/20 to 2022/23. A continuation of a ratio below 29% (as in 2023/24) implies a boost to economic growth. The exact number is data-series specific. The general point, however, is that there is a certain expenditure-to-GDP ratio below (above) in which economic growth is increased (decreased).

However, what applies to aggregate spending does not apply to investment spending. The investment constraint Hausmann (2008) identified as a significant growth constraint dates back to the apartheid years. The gross fixed public-sector investment as a percentage of GDP fell from 16.5% in 1976 to 4.8% in 1993. There was a higher ratio of 5.6% in 1998, but later (in 2021), a 60-year low of 3.6% was recorded shortly after the Covid-19 pandemic. Appendix 2 (row 3) shows a similar downward trend in general government investment, which dropped to 2.3% in 2021. This was the result, amongst other things, of the crowding out by non-investment spending on account of expenditure limits set in 2012. Lately, the surge in interest cost has crowded out consumption expenditure (that is, the rendering of recurrent government services). The lack of capacity to undertake capital spending projects was another major constraint, especially at subnational government levels, where unspent allocations for such projects have featured prominently among the consolidation-related cutbacks in recent years. So, a further increase in government expenditure will not be good for growth without turning around the long-term secular decline in the public investment-to-GDP ratio.

But an even broader trend deserves mentioning. Total resource mobilisation of the public sector (Appendix 2, Row 9) consists of resource use plus resource transfers. Resource mobilisation as a percentage of GDP increased by about 10 percentage points since the early 1990s when the average for 1990-1994 amounted to 32.6%. Covid-induced expenditures pushed this ratio to a peak of 43.7% in 2020 (Row 9, third last column), which was also because GDP (the denominator in the ratio) had dropped substantially in 2020.

In 2020, transfer payments (Appendix 2, Rows 8 and 9 together) amounted to 19.1% of GDP, 87.3% more than the average of 2000-2009 and 56.6% above the average of 2010-2019. The great recession and COVID-19 were important causes, but the increase in basic allowances to large sections of the population is likely to be permanent or to underpin the widely discussed basic income grant, should that materialise. There is no denying the serious plight of the poor and the government's responsibility in alleviating poverty. If high inclusive growth is not achieved, fiscal sustainability will not be possible in the current state of affairs regarding government tax and expenditure.

The acid test for a sustainable reduction in income inequality will be the improvement of the primary (market-determined) Gini coefficient. Van der Berg (2009:17) calculated that fiscal redistribution reduced the primary Gini coefficient from 0.69 to 0.47. Yet, as Inchauste, et al. (2015: 41) demonstrated some years later with more recent inequality and Gini calculations, South Africa's secondary Gini (that is, the market Gini plus net fiscal redistribution) was still higher than Brazil's primary (market) Gini, that is, *before* fiscal redistribution.

Therefore, higher government expenditure-to-GDP ratios will worsen fiscal sustainability and not improve the primary Gini. This is in line with Okwuokei (2014:128-129), who argues that expenditure-based adjustments, especially those focused on current expenditure, were more successful in achieving fiscal consolidation and that the composition of the adjustment determined the effects of fiscal consolidation on

[29] See footnote 2 for a description of the expenditure data used.

growth.

3.4 Can we grow ourselves into sustainability?

It is widely acknowledged that South Africa urgently needs economic growth. The country's GDP per capita has been on a long-term downward trend. As Table 6 illustrates, South Africa's growth performance lags significantly behind other emerging markets.

Economic growth affects fiscal sustainability through three primary channels:

1. **Increasing the GDP denominator in the debt-to-GDP ratio:** Higher GDP reduces the relative size of debt, improving debt sustainability metrics.
2. **Raising tax revenue:** Growth expands the tax base, enabling higher tax collections without increasing rates.
3. **Easing austerity trade-offs:** When spending is reduced as a percentage of GDP, economic growth allows for absolute spending levels to increase, mitigating the social and economic impacts of austerity.t

Thus, the critical question is not whether South Africa should pursue growth — the need for growth is clear — but whether growth alone can lead to long-term fiscal sustainability.

Views on South Africa's growth potential may differ. Ultimately, the country can realise its growth potential by enhancing its global competitiveness and addressing key growth factors. In particular, **improving factor productivity** and **resolving related structural constraints** are essential to unlocking sustainable growth.

It is essential to recognise that while growth can improve South Africa's fiscal position, the country's fiscal position — shaped by past policy decisions — has also constrained growth by acting as a structural barrier. Sachs (2021:7) attributes South Africa's weak growth performance since 2008, in part, to the persistence of an increasingly unsustainable fiscal strategy.

Although external shocks like the Global Financial Crisis (GFC) and the COVID-19 pandemic have contributed to poor economic performance, other emerging markets that faced similar challenges (see Table 6) have achieved higher growth rates.

Table 6: Average annual real growth of the sample countries, 2010-2022

Argentina	Botswana*	Brazil	Chile*	China*	Egypt*	Ghana*	Hungary
1.5	4.3	1.5	3.1	7.0	4.0	5.8	2.7
India*	Kenya	Malaysia*	Mauritius*	Mexico*	Nigeria	Peru*	
5.9	4.8	4.6	2.7	1.9	3.3	3.9	
Poland*	Russia	Rwanda	S-Africa	Thailand*	Türkiye*	Uganda	
3.6	1.7	6.7	1.4	2.6	6.3	5.1	

Note: Countries with an asterisk (*) recorded higher investment-to-GDP ratios than South Africa as well.
Source: IMF World Economic Outlook (2024), April.

Since the introduction of GEAR, multiple growth-oriented strategies and plans have been proposed, including:

- **ASGISA** (Accelerated and Shared Growth Initiative – South Africa, 2006),
- The **Hausmann Report** (2008),
- The **New Growth Path** (2010),
- The **National Development Plan 2030** (2011), and
- **National Treasury's Strategic Plan** (2020).

Despite these initiatives, growth and employment outcomes have been underwhelming. This raises a critical question: **Were these plans effectively implemented?** If they were, it could be argued that outcomes might have been even worse without them. However, debating past counterfactuals is of limited practical value. The focus must now be on identifying the best path forward to achieve South Africa's growth potential and ensuring fiscal discipline along the way.

To this end, **coordinated, aligned, and well-implemented growth strategies** are essential. Contradictory or poorly executed plans will only hinder progress.

In addition to the widely discussed logistics and electricity challenges — which still require urgent attention — I propose focusing on three additional critical growth factors: **the economy's structure**, **levels of savings (or dissavings) and investment and the efficiency of the latter**, and **institutional quality**.

Concerning the diagnosis of premature deindustrialisation in developing countries (Rodrik, 2016) and the secular decline in the contribution of manufacturing to value-added and job creation, the strategic question is whether South Africa's deindustrialisation should or can be turned around. The alternative is to rely more on primary and tertiary industries. From the reading of the literature, one of the advantages of a more prolonged industrial development phase is the sector's proven ability to absorb large numbers of unskilled workers. The knowledge economy, artificial intelligence, and environmental concerns open up net growth opportunities, provided the resources and resource development requirements are appropriately met. Whatever the chosen future direction, the policy package (including fiscal policy, especially the micro dimensions) must be adjusted accordingly.

The growth literature and country experience show a high correlation between saving, investment and economic growth. For example, the Spence Commission (2008) identified high savings and investment rates as one of the five striking resemblances of the 13 countries that experienced real economic growth of at least 7% per annum for a 25-year period between 1960 and 2005. Botswana was the only African country on the list.

It has already been pointed out that South Africa's public and private investment as a percentage of GDP has declined since the mid-1970s. Gross fixed investment averaged 14.6% during 2018-2023, below various peer countries and far below high-growth economies such as China (44%), India, Malaysia, Botswana, Thailand and Turkey – all with ratios above 25%. In recent years, the public-sector investment-to-GDP ratio in South Africa amounted to about 4%. As discussed earlier, this worrisome feature of the SA economy reflects a critical constraint to higher growth and fiscal capacity.

Table 7: Averages of various macroeconomic variables of SA, selected periods

Period	Gross capital formation (investment) as % of GDP	Gross saving as % of GDP	Net general government saving as % of GDP	Real economic growth (%)	Net capital inflow as % of GDP
1984-1993	18.4	19.4	-3.6	1.7	-0.9
1994-1999	15.7	15.6	-4.0	2.7	1.5
2000-2007	15.6	14.7	-0.5	4.3	2.7
2008-2017	18.3	15.0	-1.5	1.7	4.1
2018-2022	14.5	14.5	-4.2	0.5	0.4

Source: SARB (n.d.), with author's calculations

Government dissaving, that is, the extent to which loans are used to finance non-capital expenditure, constitutes an important dimension of the relatively low savings rate in South Africa (see Table 7). The fourth column of Table 7 shows that general government *dis*saving was experienced in all the periods.

Importantly, sought-after foreign investment follows rather than leads domestic investment. Therefore, investing in infrastructure and reducing government dissaving is critical in any future growth scenario. Progress should be monitored and publicly reported as identifiable components of the official investment and savings data of StatsSA and the SARB.

In economic growth theory, the role of institutions (in the institutional economics sense of the word) is widely recognised (see Appendix 3). This includes institutional measures mentioned in Section 2, but some overarching perspective is needed. The international index of the quality of institutions[30] provides such a picture in the form of percentile rankings by country (best = 100; worst = 0). The index shows that for South Africa (World Bank, 2024) there was deterioration since 1996 in each of the six components, some quite significant.[31]

Corruption, government effectiveness and regulatory quality are all related to government revenue and expenditure, that is, fiscal policy's sectoral and micro dimensions. These factors require high-quality management and leadership to improve efficiency in service delivery, as underpinned by appropriate performance contracts and their enforcement. Efficiency improvements are crucial for South Africa to be a competitive destination for foreign investment and do not necessarily require more money.

While growth could certainly help move South Africa toward fiscal sustainability, it will not come easily or quickly. A key mistake of Phase 3 fiscal policy was persisting with expectations of an imminent return to growth. Repeating this mistake now would be a tragedy.

3.5 What is the role of monetary policy and its coordination with fiscal policy?

It is important to note that fiscal and monetary policy are not independent spaces, with the decisions in the one affecting the decisions of the other. Rising fiscal deficits, debt, and above-inflation administrative price increases arguably burdened inflation targeting.[32] In addition, unconventional monetary policies such as quantitative easing have blurred the dividing line between monetary and fiscal policy, adding weight to the need for more coordination. Loewald, et al. (2020:24) argue for a leading role for fiscal policy: "… *to get more out of policy coordination, fiscal policy should move first, reducing risk premia and inflation expectations, dropping the neutral real rate, and allowing monetary policy to respond to weak growth. This improved coordination should depreciate the real exchange rate, reducing the need for external financing and improve macroeconomic stability.*"[33]

Regarding the role of monetary policy in addressing structural issues, Sachs (2021:46) claims that: "… *the SARB cannot resolve the structural imbalances in South Africa's public finances. South Africa is a small,*

[30] It needs to be noted that these indices are calculated by the World Bank and have no greater status than that.

[31] The changes for South Africa were as follows:

- control of corruption (from 76.3 in 1996 to 58.7 in 2022, a reduction of 41.3% over the entire period);
- government effectiveness (83.1 to 48.1, reduction of 42.1%);
- political stability and absence of violence/terrorism (32.4 to 19.8, reduction of 38.9%);
- regulatory quality (from 66.3 to 44.3, reduction of 33.1%);
- rule of law (from 55.3 to 54.2, reduction of 1.9%); and
- voice and accountability (from 73.0 to 68.6, reduction of 6%).

[32] Earlier (Section 3.2.2) it was mentioned that the macroeconomic goals for fiscal policy in budget speeches did not always attribute direct fiscal action to combating inflation. This may be viewed as a lack of coordination with monetary policy. The growing concern about lost fiscal sustainability and the potential inflationary and growth inhibiting implications, began to change this.

[33] I interpret this as a flexible approach to inflation targeting rather than an advocacy of nominal GDP targeting.

vulnerable, fiscally unsustainable economy on the periphery of global capitalism with five years of declining per capita output behind it, and an uncertain path ahead. It is a price-taker on the value of its sovereign liabilities, including its money and government debt. An attempt to resolve the fiscal imbalance by, for instance, monetising the deficit would invite financial disorder, worsening both the current crisis and South Africa's future growth prospects." The absence of indicating price stability as a direct fiscal goal in budget speeches is a case in point (see Section 2.2.1).

3.6 Is a fiscal anchor the silver bullet?

Recent experiences have resulted in scepticism about the effectiveness of fiscal rules as an anchor. Siebrits and Calitz (2023) note "that the popularity of fiscal rules belies an uneven record and doubts about their efficacy." They warn against unrealistic expectations about the impact that rules-based fiscal policymaking might have. A strengthened regime of transparency-based discretion may be an alternative mechanism to anchor fiscal expectations in the South African context. They (2023:3) refer specifically to the paper by Blanchard et al. (2021) about fiscal governance in the European Union (EU), in which a distinction is drawn between fiscal rules and fiscal standards. Avoidance of an excessive public debt burden would be a pure fiscal standard. A legislative requirement that the debt-to-GDP ratio should not exceed 60% would be a rule. Blanchard et al. (2021:215-216) argue that political and economic uncertainty and the complexity of debt sustainability assessment make fiscal rules inadequate tools for simultaneously preventing excessive debt accumulation and preserving sufficient fiscal space for countercyclical stabilisation policy. They, therefore, propose a shift from rules to standards in fiscal policymaking in the EU, adding that successful standards-based fiscal policymaking also requires effective adjudication and enforcement processes. However, standards-based fiscal policy-making frameworks remain rare, with New Zealand as a notable exception (Blanchard et al. 2021: 216–17).

On the other hand, a more recent survey of empirical evidence (Brändle & Eisener, 2024) found that fiscal rules are associated with improved fiscal performance in various forms. Okwuokei (2014:112) notes that transparency, flexibility, commitment and credible punishment for noncompliance are key requirements for the effectiveness of fiscal rules. He opines that fiscal rules create incentives to artificially achieve targets but adds that independent fiscal councils and fiscal responsibility laws were also adopted.

What has been the South African experience with fiscal frameworks (Calitz, et al. 2023: 448-450) and the recent official thinking about this? Since 1994, fiscal authorities have not committed themselves to numerical fiscal rules, which are only recognised as such when enshrined in legislation. The fiscal approach was discretionary, with medium-term expenditure planning emphasising enhanced transparency. The last time fully-fledged numerical fiscal rules were used was in 1976 when the dual-budget system (the so-called golden rule of fiscal policy) was abolished, a rule that had been used since 1910.[34]

From 1985 until the mid-1990s, fiscal policy in South Africa was guided by a 3%-of-GDP deficit guideline. This guideline had no theoretical basis and proved ineffective when the budget deficit rose sharply during the early 1990s. In 1995, the post-apartheid government embarked on a very successful stepwise reduction in the deficit-to-GDP ratio to 3%.[35] The Growth, Employment and Redistribution (GEAR) policy, implemented in

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[34] Current spending was to be financed from tax and other current revenues in the revenue account and capital spending from loans (and the surplus on the Revenue Account) via the Loan Account. The Revenue Account was not allowed to run a deficit.

[35] This is described by Okuwuokei (2014) as a South African period of fiscal consolidation (1993-2001). His paper also describes consolidation periods in Brazil (1999–2003), Chile (1990–2000), Russia (1999–2002) and Nigeria (1994–2000). Baharumshah, et al. (2017: 111) explore the Malaysian experience with fiscal sustainability.

1996, contained a 3% deficit and 25% revenue target.[36]

Apart from a central bank borrowing rule and constitutional restrictions in the intergovernmental fiscal system, there were no permanent restrictions on fiscal policymaking during the adjustment. More recently, the fiscal authorities introduced nominal expenditure ceilings in 2012. However, the ceilings lacked a legal basis and enforcement mechanisms. They initially worked well from an accounting point of view, resulting in a sharp reduction in spending growth relative to the previous decade (NT, Various years b - 2015:117; NT, Various years b - 2016:32) and with some success in stemming the increase in national government consumption expenditure as a percentage of GDP.[37] Yet this achievement did not prevent the upward trend in the government expenditure-to-GDP ratio further down the road, large budget deficits and persistent growth in the public debt-to-GDP ratio. The ceilings were probably too high (too lenient) to compensate for the effects of poor GDP growth on government revenue, with persistent increases in debt-to-GDP ratios as a result. The fiscal state of affairs led NT (Various years b – 2024:25) to state that consultation on a legislated fiscal anchor was due in the year ahead.[38]

Following the outcome of the May 2024 general election, what is relevant for South Africa is that the literature suggests a coalition government is much less likely to succeed than a single party.[39] By the looks of it, South Africa will not find it easy to achieve successful fiscal consolidation. This will require resolute political leadership, an imperative irrespective of the type of fiscal framework.

[36] Although not a formal fiscal rule, the GEAR policy's fiscal targets can be seen as temporary fiscal targets/rules, implemented with the specific objective of re-establishing fiscal discipline.

[37] This ratio had increased from 20.8% in 2003 to 26.2% in 2012. It then appears to have been under better control, although still increasing somewhat. The average for 2013-2019 (the year before Covid-19), for example, was 27.1%.

[38] For an outline of the feasibility and nature of such anchors, see Siebrits and Calitz (2023).

[39] For an overview of literature findings on different consolidation types, trends and results, see Balasundharam, et al. (2023:14-15).

4. Summary and policy implications for the future

A few matters needing further attention, investigation, analysis, and research surface in this paper.

1. Without precise analysis, direction, monitoring and feedback, policy gets a shotgun character. NT should keep a record of major fiscal policies and their implementation results to be publicly accessible.

2. Scattered budget information of the jobs created by individual government programmes or created by policies is not very helpful. Job creation and employment contributions by other government programmes should be presented in the context of StatsSA's official employment figures. A comprehensive assessment of the employment impact of government programmes in this broader context, and taking the opportunity costs into account as well, will be possible.

3. The same applies to occasional information of capital spending by general government entities and SOEs. Public investment should be presented in terms of official gross and net investment data.

4. A study of the best ways to attract foreign investment and bolster domestic savings and policy implications in light of the country's present credit rating and the changing global political and financial environment will inform credible decisions in the relevant policy fields.

5. A listing, quantification and regular updating of the net fiscal implications of tax base broadening (i.e. after accounting for base narrowing measures) will provide an authoritative picture of the state of affairs. A budget for tax incentives, as part of the budgets of government departments, could be a way of capping and prioritising tax expenditures in the budget process.

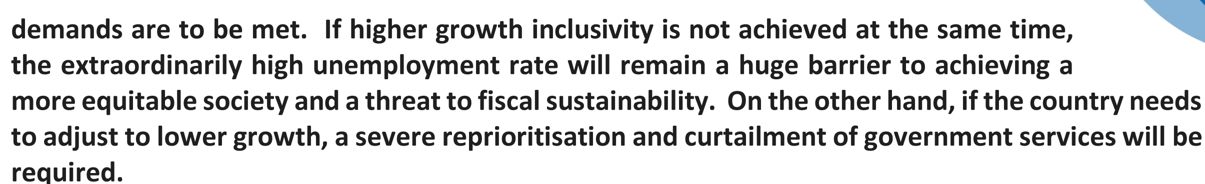
6. Greater clarity will be obtained about the contribution of fiscal policy to price stability from an investigation into the inflationary impact and the policy implications of administrative prices on goods, services and non-factor services, as set by national, provincial and local government and their SOEs and regulatory entities.

7. Research into the impact on economic growth, employment, poverty and inequality of fiscal and other economic policies remains important. This is especially the case as new research methods and mega data sets that allow comparative analysis may generate new results or robust confirmation (or otherwise) of existing findings. In the process, the merits or shortcomings of the various economic strategies during the thirty years may be studied scientifically, and lessons from that will inform future policies.

8. Any choice of fiscal anchors should be preceded by a systematic and comparable analysis and outline of the comparative advantage of each likely anchor concerning appropriate considerations such as data requirements, credibility and availability, complexity, transparency, feasibility, socio-political dynamics, loci of responsibility and accountability; and penalties in case of noncompliance.

The history of fiscal policy in South Africa from 1994 to 2004 and other countries' experience with fiscal policy and consolidation, in particular, suggest some future policy considerations.

1. South Africa's fiscal policy was sustainable until 2008 and then then it was lost. The fiscal scope to deal with the unsustainability turned out to be comparatively less than in many peer countries. Low economic growth, high unemployment and poverty worsened the fiscal dilemma. It takes longer to regain fiscal sustainability than to lose it. Recovering and maintaining sustainability have clear policy implications. **Higher economic growth must be achieved if the current government expenditure**



demands are to be met. If higher growth inclusivity is not achieved at the same time, the extraordinarily high unemployment rate will remain a huge barrier to achieving a more equitable society and a threat to fiscal sustainability. On the other hand, if the country needs to adjust to lower growth, a severe reprioritisation and curtailment of government services will be required.

2. The scope for a higher tax burden as an instrument of fiscal consolidation and redistribution is limited. Hence, re-establishing the sustainability of fiscal policy will require expenditure cuts and measures to stimulate economic growth, which suggests a comprehensive policy package far beyond macro and micro fiscal policies. **If higher tax revenue is to be mobilised, it should be via the reduction of tax gaps and improved tax administration to curb tax evasion and unintended tax avoidance rather than increased tax rates or new taxes.**

3. Government expenditure as a percentage of GDP is close to or possibly even above its optimal level or 'tipping point', suggesting that lower rather than higher ratios may impact positively on economic growth**. This may require another major restructuring of the type of services the government can afford and a commensurate reprioritisation of budget allocations, somewhat akin in scale and substance to the reprioritisation in the second half of the 1990s (i.e. Phase 1).**

4. Future progress with public infrastructure investment and reducing **general government dissaving should be carefully monitored and publicly reported as identifiable components of the official investment and savings data of StatsSA and the SARB.** Social and financial cost-benefit analyses or cost-effective studies should be a necessary input in decisions on capital projects.

5. Relying excessively on a **high primary surplus** in pursuing fiscal consolidation **may not be the only choice**, especially if public investment has been crowded out. By crowding in public investment, the fiscal balance sheet effect might be that net indebtedness could be achieved with relatively higher debt *and* asset levels than were experienced in Phase 2.

6. Over the past 10-15 years, the fiscal strategy did not adjust to lower growth. With off-budget support to state-owned enterprises, national government debt showed an uninterrupted upward trend. **Higher debt-to-GDP ratios propagated by modern monetary theorists will not stimulate economic growth and further reduce chances of regaining an investment-grade credit rating and restoring South Africa's attraction in a competitive world as a reliable destination for foreign direct investment.**

7. To eliminate government dissaving, a cap on current expenditure may have to be considered as a fiscal anchor. This would ensure that borrowing is eventually only undertaken to finance capital expenditure, such as **a return to the golden rule of the 1960s. This would require a clear and unambiguous ex-ante definition of capital expenditure and strong control of the implementation of the rule.**

8. Fiscal anchors may play a role as a commitment device, signalling to markets and other roleplayers the government's intention to regain and maintain fiscal sustainability. But this will not be sufficient. **In the final analysis, fiscal discipline depends on an umbilical cord between the President and the Finance Minister, which should not be severed by political faction fighting – neither within a majority party nor between parties in a government of national unity.** While government departments, provinces, and local authorities want more resources, the Finance Minister is the role player who is charged with maintaining fiscal discipline and declining requests. The Finance Minister can only do that effectively with the support of the President.

The US president Hoover is remembered for a somewhat cynical quote: “Blessed are the young, for they shall inherit the national debt.” Hopefully, South Africans can replace this with another saying: “Blessed are the young, for they shall inherit happiness and prosperity”. The role of quality education is critical in this regard. However, we need to start immediately and not confuse differentiation with discrimination.

Appendix 1: Important fiscal institutions established at the advent of democracy (Phase 1)

South African Revenue Service (SARS)	Established in 1997 as a collector of tax, a controller of border traffic and a strong force in fiscal sustainability
Public Finance and Management Act (PFMA)	The PFMA aimed, and still aims, to enhance fiscal accountability and introduced, among other things, the Medium-Term Expenditure Framework (MTEF) and the annual Medium-term Budget Policy Statement (MTBS) presented to parliament every October.
Financial and Fiscal Commission (FFC)	The FFC is mandated to make recommendations to parliament, provincial legislatures, organised local government, and other state organs on financial and fiscal matters as envisaged in the Constitution and other national legislation.
Budget Council	The council functions as a cooperative decision-making body consisting of the nine MECs of Finance, the Minister and Deputy Minister of Finance, senior officials from the National Treasury (formerly the Departments of Finance and State Expenditure), and the Provincial Treasuries. The Budget Council recommends to the Cabinet the shares that each province should receive.
Auditor General	The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution (SAI) of South Africa, it strengthens our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.
National Economic Development and Labour Council (Nedlac)	Plays a high-level role in forging partnerships between key economic stakeholders, namely government, business, labour and civil society, and negotiating policy agreements where appropriate.

The integrity of the former Department of Finance sections, namely Inland Revenue and Customs and Excise, was highly enhanced with their transformation into and the establishment of the ***South African Revenue Service*** **(SARS)** in 1997[40]. This enabled their functions to be developed as a critical autonomous unit of national service – in other words, as much more than merely a collector of tax and controller of border traffic. SARS became a strong force in fiscal sustainability. Unfortunately, SARS itself became a prime victim of state capture. It has taken hard work and years to repair the damage, which is not yet finished.

The ***Public Finance and Management Act*** **(PFMA)** (Department of Finance, 1999) legislated various fiscal requirements and procedures. Two salient elements were a multiyear process of fiscal planning, which had already begun in 1997 (Department of Finance, 1997a:8) and the presentation of the annual budget in a medium-term economic and fiscal context. The PFMA aimed, and still seeks, to enhance fiscal accountability and introduced, among other things, the Medium-Term Expenditure Framework (MTEF) and the annual Medium-term Budget Policy Statement (MTBS) presented to parliament every October. The 1998/99 Budget was the first to be presented in a multiyear context, including an MTEF as the operational plan by which

[40] Established in terms of the South African Revenue Service Act 34 of 1997 (South African Government, 1997).

substance was given to the government's reconstruction and development endeavours. Its most important goal was to strengthen political decision-making in the budget process (Department of Finance, 1998a:3). South Africa has gained international recognition for budgetary transparency: In 2023, the country was ranked fourth highest (after Georgia, New Zealand and Sweden) of 125 countries for transparency in national budgets (International Budget Partnership, 2023), having been ranked even higher previously, namely second in 2012 and third in 2015.

Establishing the ***Financial and Fiscal Commission*** **(FFC)** heralded a new way of dealing with intergovernmental finance. They developed a revenue-sharing formula whereby the nationally mobilised government revenue, after subtracting interest on public debt and the contingency reserve – the so-called top slice[41]- was divided between national, provincial and local government based on norms and affordable service delivery standards and considering backlogs and institutional capacity. Their annual reports were to advise the Finance Minister, but their advice was not necessarily precisely reflected in actual budgetary allocations.

A ***Budget Council*** was also formed as a cooperative decision-making body consisting of the nine MECs of Finance, the Minister and Deputy Minister of Finance, senior officials from the National Treasury (formerly the Departments of Finance and State Expenditure), and the Provincial Treasuries. The FFC attends as an observer. The Budget Council recommends to the Cabinet the shares each province should receive after considering national priorities and the FFC proposals. From time to time, subnational discretion over equitable shares was restricted by conditional grants (see, for example, in support of health services, Department of Finance a - 1999:8). This approach continued in future years in various types of subnational activity.

The constitutionally independent ***Auditor General*** became a powerful watchdog of accountability, exposing poor financial management and performance and fraudulent behaviour in all national, provincial, and local governments, state-owned enterprises, and other public entities.

In line with constitutional provisions, *the borrowing powers of provinces* were legislated in the ***Borrowing Powers of Provincial Governments Act, no 48 Of 1996***. These powers were never permitted: a saving grace with regard to malfunctioning provincial governments but a probable stumbling block for well-functioning administrations and their ability to finance infrastructural developments. Along with being unable to borrow, provinces were also not allowed to implement some of their constitutional revenue sources, particularly the fuel levy. These limitations reflected the low enthusiasm for the federal components of the country's constitution.[42]

After the Economic Advisory Council of the State President was abolished, the ***National Economic Development and Labour Council (Nedlac)*** was formed to play a high-level role in forging partnerships between key stakeholders in the economy, namely government, business, labour and civil society, and in negotiating policy agreements where appropriate. In later years, presidential economic advisory bodies resurfaced.

[41] During the first few years and until it was closed, the RDP funds were also subtracted.

[42] Calitz and Essop (2013) argued that, in reality, South Africa experienced fiscal centralisation,

Appendix 2. The average size of the South African public sector by different indicators, selected periods (current prices as % of GDP)

Row and Measure		1960-69	1970-79	1980-89	1990-94	1995-99	2000-09	‘10-19	‘20	‘21	‘22	‘23
1	Taxes (direct and indirect) (national government)	13.1	16.2	19.7	21.3	22.0	23.1	24.9	26.5	26.5	27.0	26.6
2	General government (GG) consumption	9.4	11.8	15.5	17.9	17.1	16.7	20.2	20.6	19.2	19.0	19.3
3	GG investment	7.2	9.8	7.1	4.2	2.9	2.7	3.2	2.4	2.3	2.4	2.6
4	State-owned enterprises (SOEs) investment	1.4	3.4	3.4	1.9	1.8	1.9	2.8	1.5	1.4	1.4	1.5
5	Public sector investment (3)+(4)	8.6	13.2	10.5	6.1	4.7	4.6	6.0	3.9	3.6	3.8	4.1
6	Resource use by GG and SOEs (1)+(5)	18.1	25.0	26.0	24.0	21.8	21.5	26.2	24.5	22.9	22.8	23.4
7	Subsidies, grants and other transfer payments by GG	2.7	3.3	4.2	5.1	5.4	6.8	8.6	13.8	12.2	11.0	12.0
8	Interest payments by GG	0.7	1.3	3.0	4.0	5.4	3.4	3.6	5.3	5.6	6.5	6.7
9	Total public resource mobilisation (6)+(7)+(8)	21.4	29.6	33.1	33.1	32.6	31.4	38.4	43.7	40.6	40.3	42.2

Note: Due to rounding, totals may not add up.
Source: SARB electronic data

Appendix 3: Changing International Views of the Role of Government and Fiscal Policy in Economies and the Nature of the South African Approach

Over the past hundred years, the role of government in the economy has oscillated in most countries between the **individualistic** and the **collectivist** view of the state. The former is associated relatively strongly with free-market thinking and individual welfare, the latter with socialist thinking and social welfare. The political-economic systems of both revealed their strengths *and* weaknesses over the years. In practice, how governments across the globe fulfilled their role reveals a continuous pendulum swing in search of the ideal balance between these two approaches, which are often characterised (and crucified!) by their polar extremes.

Waxing and waning market failure and government failure continue to prevail. Whatever the role in any country, the World Development Report's (WDR) (World Bank, 1997:3) clarion call is as relevant 27 years later: "For human welfare to be advanced, the state's capability – defined as the ability to undertake and promote collective actions efficiently – must be increased."[43] The Spence Commission (2008:21)[44] resonate with this: a capable government was one of the features found to characterise all of the 13 countries in the world that managed to grow at an average annual real economic growth rate of at least 7% for at least 25 years between 1960 and 2005.

Five of these countries are included in the sample of emerging market economies with which South Africa's performance is compared in this paper: Botswana, Brazil, China, Malaysia and Thailand. This immediately brings into focus another view of government, namely the **developmental** state view[45]. The ANC government propagates this model, although the 2022 state-of-the-nation address by President Ramaphosa gave the impression that some rethinking was taking place. Growth policies associated with this view remain controversial in South Africa.[46]

Notwithstanding, but not unrelated, the government's role is the type of monetary and fiscal policy. The views on fiscal policy have also changed substantially over time.[47] After the Second World War, fiscal policy evolved from its initial micro nature to an important macro policy instrument. Shortcomings in the way in which Keynesian economics was implemented – in particular, the failure to reduce debt financing countercyclically during economic upswings, made way for the advance and dominance of **monetary and neoclassical policies** during the last quarter of the 1900s and up to the global financial crises off 2007-08. A partial comeback of Keynesian fiscal activism followed.

High budget deficits and government debt have historically led to the so-called **expansionary fiscal contraction**[48] **(EFC) hypothesis**. The argument is that, under certain circumstances, a significant reduction in government spending (such as austerity measures) that changes future expectations about taxes and

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[43] The WDR report also states the following (page 2), which may just as well be said today: "The clamor for greater government effectiveness has reached crisis proportions in many developing countries where the state has failed to deliver even such fundamental public goods as property rights, roads, and basic health and education."

[44] The then South African Finance Minister Trevor Manuel was one of the commissioners.

[45] For a description of the developmental state, see Leftwich (1995:401).

[46] For an assessment of its applicability to South Africa, see Burger (2014).

[47] For a description of these different approaches and their role in South Africa, see Calitz, et al. (2023: 414-450).

[48] Coined as such by Giavazzi and Pagano (1990:83). Briotti (2005:22) concludes a survey on fiscal consolidation by stating that, in order to derive the expansionary effects of a contractionary policy, a number of assumptions are crucial to the specification of the consumption. One if them is that fiscal consolidation is only likely to produce a change in peoples' expectations of future fiscal policies and therefore future expected income if the consolidation is unexpected.

government spending will expand private consumption, resulting in overall economic expansion.[49] This is somewhat counter-intuitive to the view that the government expenditure multiplier predicts an increase in aggregate expenditure and output on account of an increase in government expenditure. Empirical evidence has shown that there are times when and countries within which the expenditure multiplier has been less than one. South Africa is one such example[50].

Other prominent views on fiscal policy are the **public choice school** (which canvasses for constitutional fiscal limits to counter the claimed overexpansion bias of government, of which a balanced budget is an extreme version) (Calitz, et al., 2023:423) and the **structural approach**. Ingredients of the latter are: "keeping the public debt and the burden of servicing it at a sustainable level by avoiding high budget deficits or reducing it to acceptable levels …; keeping the overall tax burden at a level that does not seriously prejudice incentives to work, save and invest …; and keeping government spending in check to avoid crowding-out of private activity, inflationary financing, and the cost-push and disincentive effects of an excessive tax burden" (Calitz, et al., 2023:424-425).

Fiscal policy frameworks[51] refer to all the institutions that structure fiscal policy processes, within which the debate on **fiscal rules (fiscal anchors) versus fiscal discretion** belongs. This is linked to the monetary approach that propagates fiscal rules as an equivalent institution to the inflation-type monetary rule associated with the independence of central banks and inflation targeting. The 2024 Budget Review (NT, Various years b - 2024: 32) committed the government to a binding fiscal rule that will be introduced over the medium term to anchor sustainable public finances.

More recently, **modern monetary theory (MMT)**[52] argues that governments can and should create money to fund public programs and social spending, increasing already high public debt further (in South Africa, for instance!) and even deliberately monetising public debt with rising inflation risks. This approach is reminiscent of the failure of macroeconomic populism (resulting in hyperinflation) in Latin America during the late 1980s and early 1900s and has remained non-mainstream.

In Musgravian[53] terms, the above predominantly macro dimension of fiscal policy, that is, its macroeconomic

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[49] This idea was also promoted by Alesina and Ardanga (2013:65). The expansionary fiscal contraction hypothesis does not, however, appear to have attracted much traction.

[50] The National Treasury's internal estimates confirm that the fiscal multiplier is below one, meaning higher government spending has not been contributing to higher economic growth (National Treasury, Various years b - 2024:28). This corresponds with Kemp (2020), Havemann and Hollander (2022) and Du Rand et. al (2023:16). The latter's estimated multipliers "… suggest that resources spent through government decision-making processes in South Africa are net negative on both individual components of GDP and on the aggregate." Mbaleki's (2024:165), employing an ARDL model to study fiscal expenditure multipliers in South Africa and using disaggregated government expenditure components, found the expenditure multipliers to be positive but smaller (less than one) multipliers for all the disaggregated expenditure variables in the long run, with that of the public sector wage bill to be the lowest. Janse van Rensburg et al.'s (2022) modelling "… result suggests that the fiscal multiplier declined from 1.5 in 2010 to around zero in 2019 as the debt levels became progressively more unsustainable and large tax increases muted the aggregate demand effects from higher government expenditure."

[51] See Siebrits & Calitz (2023) for a discussion of fiscal anchors, the latest variation on the theme of fiscal frameworks.

[52] Sachs (2021:41), referencing Aboobaker & Ugurlu (2020), and Epstein (2020), observes that (f)unctional finance" or modern monetary theory "might have merit in the USA, Europe and Japan, but its logic has been strongly questioned outside the central core of the world economy. One element of this criticism relates to the differentiated position of sovereigns in the global monetary system." He "As Epstein (2020) points out, advocates of MMT characteristically neglect to specify institutional conditions and political-economy assumptions underlying their proposals." (Sachs, 2023:44 – fn 21)

[53] Musgrave (1959: 3-27) famously distinguish between the distribution, allocation and stabilisation branches of government.

stabilisation function, has to be complemented with the symbiotic micro dimensions of allocation and distribution, although the associated income inequality of the latter is sometimes regarded as a macro form of market failure. A comprehensive overview of fiscal policy therefore requires an overview of these as well.

In essence, the case for public goods derives from the neoclassical notion of market-failure to achieve allocative efficiency, with government failure as a corollary to an extent. Redistribution is based on notions such as the ability to pay (justifying progressive tax systems) and basic needs (justifying certain public goods and services). Government interventions that are not clearly thought through or are excessive, run the risk of increasing allocative inefficiency, rather than operating only in cases or at levels where market failure justifies it. A comprehensive discussion of fiscal policy therefore requires an overview of these as well but is not pursued here.54

[54] Micro fiscal policy bases the case for public goods on the neoclassical notion of market-failure, which justifies a role for government to achieve allocative efficiency. To a certain extent Government failure presents an obstacle to be dealt with in its own right. Redistribution is based on notions such as the ability to pay ((justifying progressive tax systems) and basic needs (justifying certain public goods and services). Government interventions that are not clearly thought through or are excessive, run the risk of increasing allocative inefficiency, rather than operating only in cases or at levels where market failure justifies it. The above quote from the 1997 World Development Report is appropriate in this regard.

Appendix 4. Macroeconomic and Fiscal Policy Priorities in Budget Speeches, 1994 – 2024

Phase	Year presented	Minister of Finance	(Inclusive) Econ. Growth (and development)	Job creation	Price stability*	Balance of payments	Equity (Income distribution)	Poverty	Fiscal sustainability (consolidation)
1	1994	Keys	-	-	-	-	-	-	✔
	1995	Liebenberg	1	-	-	-	-	-	-
	1996	Liebenberg	-	-	-	-	-	-	-
	1997	Manuel	✓	✓	✓	-	✓	-	-
	1998	Manuel	✓	✓	✓	✓	-	-	-
	1999	Manuel	✓	✓	-	✓	✓	✓	✓
2	2000	Manuel	✓	-	-	-	✓	✓	-
	2001	Manuel	✓	✓	-	-	✓	✓	-
	2002	Manuel	✓	-	-	-	✓	✓	-
	2003	Manuel	✓	-	✓	-	✓	✓	-
	2004	Manuel	✓	✓	-	-		✓	-
	2005	Manuel	✓	✓	-	-	✓	✓	-
	2006	Manuel	✓	-	-	-	✓	✓	-
	2007	Manuel	✓	-	-	-	✓	✓	-
	2008	Manuel	✓	✓	✓	✓	-	✓	-
3	2009	Manuel	✓	✓	✓	-	-	✓	✓
	2010	Gordhan	✓	1	-	-	1	-	✓
	2011	Gordhan	1	1	-	-	1	✓	-
	2012	Gordhan	1	1	-	-	1	1	-
	2013	Gordhan	✓	✓	-	-	✓	✓	✓
	2014	Gordhan	1	2	-	-	1,2	2	-
	2015	Nene	2	1	3	3	-	-	-
	2016	Gordhan	✓	✓	-	-	✓	✓	✓
	2017	Gordhan	✓	-	-	-	-	-	1
	2018	Gigaba	✓	-	-	-	-	✓	✓
	2019	Mboweni	1	1	-		✓	2	-
	2020	Mboweni	2	-	-	-	-	-	1
4	2021	Mboweni	-	-	-	-	-	-	✓
	2022	Godongwana	1	-	-	-	-	-	✓
	2023	Godongwana	1	-	-	-	2	-	-
	2024	Godongwana	1	-	-	-	2	-	1
Number of times			**28**	**16**	**6**	**4**	**18**	**18**	**12**

Source: Annual Budget Speeches

Notes: Numbers indicate rankings/priorities, if evident; ✓ indicates identification as important

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