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The Politics of Budget Decision-Making in South Africa

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Abstract and Lay Summary

This thesis examines the deep structure of South Africa's legislative budget decision-making process, in an attempt to understand how political and budgeting institutions coexist to shape the behaviour of actors and influence the country's budget decisions. Although literature on public budgeting and budget institutions is extensive, the vantage point of African countries is limited. Given the fact that Western budgeting systems not only inform public budgeting literature, but also the budget reforms of many developing countries, surprisingly little empirical work exists on the varied impacts of formal decision-making rules on operations, patterns, and outcomes of government budgeting in the African context.

Drawing from the literature on the political economy of budgeting and analytical approaches from new institutionalism, this case study provides richness and in-depth insight into the political dynamics influencing budget decision-making in South Africa. It explores the nexus between formal and informal, political and budget institutions, and their combined impact on shaping actors' behaviour in the budget process and influencing budget decisions. The study uses in-depth elite interviews, non-participant observation, and document analysis to explore the limits of formal rules and institutional arrangements intended to improve budget decision-making, power relationships, and budget outcomes when contending with political incentives embedded within disciplined, single-dominant-party rule.

This study finds that, notwithstanding the enactment of budget legislation and reforms to improve the legislative budget process, their impact on balancing institutional power in decision-making, minimising undue influence on public resources and promoting "rational" budgeting is limited. Specifically, the study reveals how despite constitutional status, supported by auxiliary legislation for the budget process, the South African Parliament's de facto budgetary power is markedly inferior to what is stipulated by its formally conferred powers. The assumption that legislative and formal procedural rules would also have eventually modified the underlying executive-legislative relationship in the budget process is also invalidated.

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List of acronyms and abbreviations

ACDP	African Christian Democratic Party
AEB	Afrikaner Eenheidsbeweging
ANC	African National Congress
AGANG	Agang South Africa
AIC	African Independent Congress
APC	African People's Convention
ATM	African Transformation Movement
AZAPO	Azanian People's Organisation
CABRI	Collaborative Africa Budget Reform Initiative
CLPR	Closed-List Proportional Representation
COPE	Congress of the People
COSATU	Congress of South African Trade Unions
DA	Democratic Alliance
DP	Democratic Party
EFF	Economic Freedom Fighters
FFC	Financial and Fiscal Commission
FF+	Vryheidsfront Plus / Freedom Front Plus
GOOD	Good Party
ID	Independent Democrats
IFP	Inkatha Freedom Party
MEC	Member of the Executive Council
MF	Minority Front
MINCOMBUD	Ministers' Committee on the Budget
MP	Member of Parliament
MTEC	Ministers' Committee on the Budget Technical Committee
MTEF	Medium Term Expenditure Framework
MTBPS	Medium Term Budget Policy Statement
NCOP	National Council of Provinces
NEC	National Executive Council

NFP	National Freedom Party
NNP	New National Party
NWC	National Working Committee
OECD	Organisation for Economic Co-operation and Development
PAC	Pan Africanist Congress of Azania
PFM	Public Finance Management
PFMA	Public Finance Management Act
PBO	Parliamentary Budget Office
PR	Proportional Representation
TCF	Technical Committee on Finance
UCDP	United Christian Democratic Party
UDM	United Democratic Movement

Chapter 1

Introduction

Reform has little justification unless it results in different kinds of decisions and, when and if this has been accomplished, the play of political forces has necessarily been altered – Aaron Wildavsky (1961)

Budgeting is at the core of governance, and changes in the means by which budgetary decisions are made can indicate significant changes in how government operates – Robert D. Lee, Jr. (1991)

The public budgeting process can be a powerful vantage point from which to gain a better understanding of the influences on public policymaking (Wildavsky, 1961; 1992). Many of the negotiations that relate to other policymaking spheres – such as education, health, trade policy, and infrastructure development – end up being played out in the budget arena. By Acosta and de Renzio’s description (2008, p. 8), “the budget process is, in essence, a political mechanism by which state actors decide on relevant ways to effectively extract and reallocate resources from society”. Budgets quantify collective political decisions that are made in response to available information, decision makers’ preferences, and the institutions that influence how decisions are made (Jones et al., 2009). As one of governments’ central activities and tools of public policymaking, budgeting is the process of rationing the resources that reflect what government does and intends to do (Gibran and Sekwat, 2009; Schick, 1998; White, 1994; Wildavsky, 1961). Budgeting, therefore, is the most important function in government – without which, there would be no public goods and services, or government (Khan, 2019).

In the aim of better understanding why governments budget the way they do, decisions about the allocation of resources cannot be understood without understanding the politics of the process (Chohan, 2018; Rubin, 2019; Scartascini and Stein, 2009; von Hagen and Harden, 2019; Wehner, 2006; Wildavsky, 1988; 1992). In line with Harold Laswell’s (1936) famous definition of politics – who gets what, when, and how – political scientists place the budgetary process at the heart of politics. Since politics is also considered a process of decision-making which takes place in communities or systems, and is applicable to those who belong to these communities irrespective of whether or not they participated in or agreed to decisions (Blondel,

2008), politics matters for the budget decision-making process. Similarly, the institutional setting where budgeting takes place has a significant impact on the “rules of the budget game”, and has significant explanatory power of budget actors’ choices, interaction, authority, and decisions – all of which impact fiscal outcomes.

The importance of understanding how political and other institutions influence government budget decisions has received increasing scholarly attention over the past few decades, following escalating budget deficits that cannot be explained by economic and technical factors alone (Filc and Scartascini, 2007; Gaspar et al., 2017; Poterba and von Hagen, 1999; Schick, 1998). However, the academic attention to economic and political influences on the budget is not inclusive. Existing theoretical models and empirical evidence of factors that affect budget outcomes are biased towards cross-country quantitative measures of institutions and their impact on budget outcomes – which misses important in-depth qualitative causal explanations. Furthermore, the current literature is also limited in its application to African countries, whose unique political contexts require more than analysis of formal institutions to explain the political behaviour and decisions that influence budget outcomes.

1.1. Background: the study of public budgeting

The study of public budgeting has taken many forms in scholarly works, and the literature is extensive. One view suggests that budgeting is an economic process that seeks to equalise the marginal utility of resources (Lewis, 1952). It can also be argued that public budgeting is a political process because it reflects political priorities, the distribution of power among actors with vested interests, and the outcome of bargaining for limited resources (Covaleski and Dirsmith, 1988; Idris et al., 2021; Norton and Elson, 2002; Sicilia and Steccolini, 2017; Wildavsky, 1992), and because the problems that governments try to deal with in the budget process are complicated by the considerable dependence on indiscernible political judgement (Jones et al., 2014; True, 2000; Wildavsky, 1992). The multiple influences and functions of a public budget can also render it a social process (Rubin, 1990; Schick, 1988). Since the budget also reflects which preferences prevail among many competing demands, it also functions as an over-arching framework of governance and specific policy choices (Ajam, 2009).

It has become axiomatic that public budgeting is a political process, rather than a purely technical one (Chohan, 2018; Covaleski et al., 2006; Rubin, 2019; Santiso, 2009; Wildavsky, 1992). Understanding the politics of the budget necessarily involves examining the formal and informal rules governing budget decision-making, the actors who have different priorities and

different levels of power to influence decisions, and the interaction between actors, institutional rules, and political incentives (Filc and Scartascini, 2007; Gaspar et al, 2017; Gibran and Sekwat, 2009; Jones, 2017; Rubin, 2006; 2019; Santiso, 2015; Scartascini and Stein, 2009; von Hagen, 2008; Wildavsky, 1961). Actors involved in the budget decision-making process become a focus of analysis, as they have to articulate both economic and political values to make budget decisions within a politically charged environment of competing demands, incentives, and constraints (Fourie, 2015).

Much of the early classics of public budgeting literature focused on determining normative theories of budgetary behaviour and predictive models of actors' behaviour and budget outcomes (Covaleski et al., 2006; Davis et al., 1966; Kenno et al., 2018; Key, 1940; Rubin, 1990; Wildavsky, 1961; 1964). Despite the initial prevalence of normative public budgeting theories, many fell out of favour owing to a lack of institutional content and an insufficient focus on people, variable political environments, and the multiple rationalities interacting in different political contexts (Gibran and Sekwat, 2009; Jones, 2017; Kelly, 2003; Rubin, 2019; White, 1994). Fortunately, some theoretical advancements have been made in public budgeting scholarship towards exploring the varieties of budgetary politics. A growing body of literature and research points to the need to deepen understanding of the design of political and budget institutions, and their effects on budget outcomes and public policy – which has become an expanding field of research in both economics and political science (Gaspar et al., 2017; Hallerberg et al., 2009; Kenno et al., 2018; Wehner, 2010).

However, most of the current understanding and literature on public budgeting is predominantly based on Western developed nations, whose practices are used to infer causes and theorise about the operation, patterns, and outcomes of government budgeting processes. Western budgeting systems not only inform public budgeting literature, but they also inform the budget practices and reforms of many developing countries – which have very different geographical, historical, and political contexts (Lexis, et al., 2021; Opalo, 2022; Peterson, 2011; Schick, 1998). While the literature does recognise the inherently political nature of budgeting, it does not sufficiently consider the implications of political and institutional variation for the practice of budgeting in developing African countries (Andrews 2013; Krause, 2013). Wider geographic focus is needed to the growing research agenda on the role of legislatures in budget decision-making, which can, over time, provide more nuanced recognition of patterns and trends in legislative budgeting (Wehner, 2014). Encouragingly, a growing body of literature on budget institutions, actors, and fiscal performance has emerged

from cases in Latin America (Filc and Scartascini, 2007; Guess and Savage, 2021; Hallerberg et al., 2009; Scartascini and Stein, 2009; Santiso, 2008a; Santiso and Varea, 2013), which currently provides the most insights into the political economy of the budget process in the context of developing countries. Despite a broad level of uniformity across the world on the formal outline of budgets, budget decision-making processes also reflect constitutional, political and cultural differences.

This distinction between developed and developing countries is more acute in the context of African democracies, where the characterisation of political institutions can vary significantly from their Western counterparts. While it is common knowledge that effective government budgeting systems of developed countries differ fundamentally from those of developing countries (Schick, 1998), the state of fiscal governance and “rational budgeting” in African nations is worse on average than in other developing countries (CABRI, 2008; Gollwitzer, 2010; Haruna, 2016; Opalo, 2022). Some marked distinctions in many African countries are that power is more personalised and informal; political environments are further complicated by democratic transitions, liberation movement ideologies, ethnic and identity politics, legacies of colonialism and warfare; and that formal structures of power may have little to do with actual social and political relations (Anderson and Cheeseman, 2013; Bolt et al., 2022; Bratton, 2007; Chabal, 2009; Cheeseman, 2018; Dorman, 2018; Haruna, 2016; Vyas-Doorgapersad, 2016).

On a definitional note, use of the term institutions throughout this thesis refers to the set of formal and informal rules, procedures, and conventions that shape individuals’ behaviour and interactions (Campbell, 2021; Hall and Taylor, 1996; Helmke and Levitsky, 2004; March and Olsen, 1989; North, 1991).

1.1.1. The South African context

South Africa is a stable multi-party democracy with a bicameral parliamentary system. Following the new democratic order that came into power after the 1994 general elections, a new Constitution of the Republic of South Africa was adopted in May 1996. The Constitution establishes a sovereign democratic state where governance is effected through three key interdependent components: Parliament, the executive, and the judiciary. There are three spheres of the unitary but decentralised government: national, provincial (nine provinces each with their own legislatures) and local (278 municipalities). While numerous political parties

participate in the country's free and fair elections¹ and there are 14 political parties represented in the sixth democratic Parliament, a single party, the African National Congress (ANC), has been in power since 1994.

Since democratic transition in 1994, South Africa has implemented a series of budget reforms to balance institutional power in decision-making, minimise undue influence on the public purse, promote "rational" budgeting that meets political priorities, and improve service delivery and the effectiveness of public expenditure (Ajam, 2016; Cole et al., 2016; Fourie, 2015; Mkhize and Ajam, 2006; Verwey, 2009). Unlike in many other African countries, these were not international donor-led reforms, but instead were driven by internal demand from the government with input and lessons from practice in developed countries. Another difference between South Africa and many other African countries is that external development assistance does not represent a sizeable share of its budget. Major reforms include the adoption of a three-year Medium Term Expenditure Framework (MTEF) in 1998 and the enactment of the Intergovernmental Fiscal Relations Act (1997), the Public Finance Management Act (1999), Municipal Finance Management Act (2003), and the Money Bills Amendment Procedure and Related Matters Act (2009). These reforms have contributed significantly to South Africa's position as one of the regional leaders in strong budget practices and public financial management systems (The World Bank, 2013; Wehner, 2010).

However, despite a significantly improved budgeting and public finance management system over the last two decades (Ajam, 2009; Krafchik and Shapiro, 2000), there is increasing evidence of the South African government's inability to effectively and efficiently implement the budget, approval of irrational and unconstitutional funding decisions, special interests being pursued at the expense of public resources, and Parliament failing to hold the executive to account and represent the interests of citizens in the budget process (Ajam, 2019; de Vos 2021b; Pienaar et al., 2021; Southall, 2016; Wildeman and Jogo, 2012). South Africa's 25-year democracy is faced with scepticism and distrust of government's use of public resources, persistent perceptions of pervasive political patronage and lack of accountability, weakening of institutions, political interference in state-owned companies, evidence of wasteful public expenditure and corruption, and an overall decline in public confidence in the government (Abedian, 2012; Centre for Development Enterprise, 2016; Levy et al., 2021; Purfield, 2016;

¹ A total of 48 political parties successfully registered to contest the 2019 general elections (Electoral Commission of South Africa, 2019)

Snodgrass, 2017). There is also growing commentary challenging the conception that the legislative budgetary power specified in law reflect actual budget authority that is exercised in practice (Ajam, 2020; Muller, no date; Pauw, 2011; Siebrits, 2017; Wehner, 2010).

Public finances are increasingly under pressure and fiscal sustainability continues to be a challenge. With many arguing that, at present, South Africa's public finances are in their worst state since the first democratic elections in 1994 (Muller, 2019; Rossouw and Joubert, 2022; Southall, 2016), South Africa's budget reforms have not yet translated into balanced decision-making power, meaningful improvements to service delivery, and value for money is not as high as expected (Cole et al., 2016). Government efficiency remains poor, corruption is endemic, public services are inadequate, and the link between best-practice budgeting and economic growth and development remains elusive (Levy et al., 2021; Republic of South Africa, 2014; Sachs, 2020; van der Waldt and Vyas-Doorgapersad, 2016). Furthermore, in recent years, the budget allocation process has become a major platform where the delicate balance of power between key political and executive actors has been contested (Ajam, 2019; Butler, 2009; National Planning Commission, 2011; Pearson et al., 2015).

1.2. Problem statement

Existing public budgeting literature is weak in its exploration of political institutions and power relations in the budget systems of African countries, showing insufficient understanding of its electoral rules, internal political dynamics, incentives and constraints faced by decision-makers, social and political relationships, and the actual balance of power between executive and legislative budget actors (Andrews, 2013; Gollwitzer, 2010; Krause, 2013; Opalo, 2021). While conceptually rich, a lot of the existing public budgeting literature fails to provide direct inferences for better understanding how budget processes actually work in varied settings, and does not offer a closer connection between theory and practice (Scartascini and Stein, 2009; Wehner and de Renzio, 2013) – more so in the context of African political settings. Many of the propositions about the explanatory power of formal laws and procedures on political behaviour also do not hold up under scrutiny. Budgeting approaches and processes in African nations are very sensitive to, and dependent upon, contexts that have been moulded by unique historical experiences, tensions with colonial legacies, and fusions of ethnic identities with political and government systems (Bolt et al., 2022; Haruna, 2016; van der Waldt and Vyas-

Doorgapersad, 2016). Much of the public budgeting literature therefore has limited applicability to developing country contexts – particularly African nations.

If theoretical advancements in public budgeting are to remain globally relevant, it is important that research recognises variations in political and economic environments such as those of African countries where, for instance, informality not only coexists with formal democratic institutions, but is also prominent in the budget and policymaking arena (Bratton, 2007; Helmke and Levitsky, 2006; Schick, 1998). As suggested by von Hagen and Harden (2019), an appropriate choice of a budget process depends on the political environment. Local political settings should therefore be analysed in terms of their consequences for budget institutions, actors' behaviour, and decision-making. Since the political nature of budgeting has become a precept in public budgeting scholarship and “because budget rules and political variables are often highly correlated” (Poterba and von Hagen, 1999, p. 12), wider and more varied descriptions of the political institutions and political behaviour are required in the literature. More crucially, the fiscally unsustainable path that many African countries continue to face is in spite of the reforms adopted to improve budgeting practices and fiscal management (Haruna, 2016).

In the case of South African literature, there is little analytical attention towards understanding the interface between political and budget institutions, how this interface has changed over time, and its impact on budget decisions and the state of public finances. Academic literature on budgeting in South Africa is dominated by historical and descriptive narratives of budget reforms and public financial management systems, technical analysis of budget and expenditure data, and quantitative modelling of fiscal indicators. Extensive coverage of the legislative and technical reforms suggested as solutions for more “rational” budget decision-making that have been implemented in South Africa since democracy have not been matched with corresponding analysis of the institutions and politics that affect budgeting. There are notable exceptions that have discussed formal budget institutions, parliamentary effectiveness in the budget process, and changes to the political environment affecting public finances (Ajam, 2021; CABRI, 2017; Krafchik and Wehner, 1998; Muller, 2017a; Wehner, 2010). These studies, however, are descriptive and narrative accounts of the budget process; they lack an empirical focus on how actors respond to a set of formal and informal constraints from political and budget institutions. An institutionalist turn in South African literature on public budgeting will therefore address this gap.

Additionally, contemporary budgeting in South Africa presents a unique case for analysing the country's internationally recognised budget reforms in a political environment that, over the last 25 years, has been described both as a post-colonial democratic success and also as neo-patrimonial, corrupt, and vulnerable to patronage demands and personalisation of power (Beresford, 2015; Levy et al., 2021; Lodge, 2014; Naidoo, 2018; The World Bank, 2013).

1.3. Aim

This research aims to explore and understand the interaction between South Africa's political and budgeting institutions, and how these coexist to shape the behaviour of actors determining the country's allocation of resources. Predicated on the understanding that public budgeting is not only a language of numbers, but also one of power and consensus that facilitates competing interests and potential conflict (Covaleski and Dirsmith, 1988; Covaleski et al., 2006; Saliterer et al., 2018; Sicilia and Steccolini, 2017; Wehner, 2006), this study will explore the deep structure of South Africa's legislative budget decision-making process. Such an improved understanding of South Africa's experience is important. On the one hand the country leads the African continent and other parts of the developing world with its reformed budgeting practices in line with many developed nations. On the other hand, South Africa faces increasing threats to the credibility of its legally established institutions due to political interference, ineffective accountability mechanisms, and a growing influence of informal and irrational factors on budget choices – which have contributed to poor fiscal performance over the past two decades.

This study takes the view of the budget decision-making process as the centre and focus of budgetary politics, and is therefore concerned with the politics of process. Included for examination within this vantage point are: the budget process as a means of achieving or denying a balance of power between the executive and legislative branches of government, the executive-legislative struggle over budgetary power through the budget process, the role of the public in budget decisions, the extent of transparency in the budget process, the motives of actors who design or try to change the budget process to favour their policy preferences, and the ability of individuals or interest groups to influence budget decisions (Rubin, 2019).

This thesis will demonstrate that informal political factors are essential components of any adequate understanding of behaviour and decisions in public budgeting, despite the existence of effective formal institutions. With actors and the institutions within which they operate as the central units of analysis, the study also examines inadequacies in South Africa's legislative

budget process design to improve fiscal outcomes, and provides explanation for the discrepancies between formal institutional arrangements for legislative budget decision-making and the way things actually get done in practice. Understanding this context of the budget decision-making process provides insights into the role of institutional explanations of South Africa's budget outcomes and fiscal performance.

The research is guided by the following questions:

1. How do the dynamics between South Africa's political and budget institutions interact to influence actors' behaviour and decisions?
2. How do formal and informal institutions interact in the legislative budget process, and to what extent do they both confer legitimacy to budget decisions?
3. Under what conditions do formal and informal rules and processes shift the balance of power in budget decision-making?

Implicit within this study's institutionalist approach is a political economy framework, which emphasises the importance of political factors in explaining and interpreting economic phenomena – such as fiscal performance, in this case. As Andreas et al. (2021) and Dequech (2021) explain, political economy is concerned with the relationship between the economy and the policy. It focuses on structural and other institutional features of a country or region, and how these interact with local economics and politics. An advantage of a political economy lens is that it provides better prospects to improve diagnosis of the problems in public budgeting systems in diverse contexts, to better identify why reforms fail to achieve their intended impact, and to design more appropriate institutional solutions that can lead to real improvements in public finance governance (Acosta and de Renzio, 2008; Hallerberg et al, 2009; Wehner and de Renzio, 2013). “Adequately understanding the political economy of the budget process is critical to grasp the institutional determinants of fiscal performance and the political incentives of fiscal policy” (Santiso, 2005, p. 11).

1.4. Limitations

This study does not exhaustively explore South Africa's entire budget decision-making process. It focuses on one of the four phases of the budget process – the legislative phase, also referred to as the approval phase. The main actors involved in this phase are MPs, senior Treasury officials, non-government actors that are legally mandated to participate in this phase (such as the Parliamentary Budget Office, and the Financial and Fiscal Commission), and

members of the public. This means that other actors involved in the drafting, execution, and audit phase of the budget process are excluded from this study. This is not to discount the importance and influence of other actors in budget decision-making, but rather that the study is interested specifically in the political dynamics of budget decision-making, which manifest most prominently in the legislative phase.

The drafting phase is the only other part of the budget process, other than the legislative phase, that contributes to decision-making on allocation choices before the budget is implemented. Included in the drafting phase are a substantial number of junior and senior officials in the national and provincial treasuries, government departments and agencies, and select Ministers and Members of the Executive Council (MECs). Members of Cabinet also participate in the drafting phase to approve the final fiscal framework, division of revenue, and budget proposals to be tabled in Parliament (South African National Treasury, 2020). The majority of interactions in this phase of the process are technical and involve negotiations on incremental annual changes to itemised budgets of government departments and state agencies. The broader policy priorities of government that the budget is expected to respond to are also discussed in drafting phase. Where larger than usual or controversial funding decisions are involved, these are discussed in forums that do not permit access to external stakeholders. By contrast, the legislative phase of budget decision-making is legally required to conduct its business in a transparent manner that is accessible to the public to not only observe, but also participate in and influence decisions. This legal requirement for openness makes all the content of the budget, as well as access to key political decision-makers, more easily accessible than those involved only in the drafting phase of the budget process.

In contrast to the drafting phase of South Africa's budget process, most of the actors in the legislative phase are more directly affected by political institutions, which impose a set of incentives and constraints in addition to budget institutions. The executive-legislative relationship is also better examined with legislative budget actors because their relative authority and interaction in the budget process is explicitly specified in the most supreme law of the nation – the Constitution. How actors respond to formal and informal, political, and budget institutions is therefore best investigated in the legislative rather than the drafting phase of the budget process.

This study also has methodological limitations. Some practical elements of fieldwork were impacted by the Covid-19 pandemic and the subsequent travel restrictions, closure of

workplaces, and social distancing regulations that were put into effect worldwide. This meant that I could not travel to South Africa to conduct face-to-face interviews with the study's participants, and spending time in the parliamentary buildings to attend committee meetings as an observer was not possible. Instead, all interviews were conducted using online video technology. The Parliament of the Republic of South Africa held all committee meetings on virtual platforms during the pandemic and allowed observers virtual attendance of the meetings and hearings. Where this was not possible, videos of entire committee meeting proceedings were uploaded online within 24 hours of the meetings having taken place. Therefore, while interviews with legislative budget actors and observation of parliamentary committee meetings was still accomplished, the lack of physical co-presence with actors in their natural setting restricted the opportunities to build trust and rapport that digital communication technology cannot replicate.

1.5. Contribution

First, the study contributes to emerging institutionalist perspectives on the politics of government budget processes. The experience of South Africa is used to explore the nexus of formal and informal, political and budget institutions on shaping actors' behaviour and budget decisions. Although dealing with issues of budgetary power, effective institutions, and control of public finances – very similar to those faced by many other countries, the local context of South Africa's politics provides important empirical evidence to understanding the diversity of their impact. The study goes beyond theoretical knowledge of the relationship between institutions, actors' behaviour, decisions, and fiscal performance – which much of the literature on fiscal policy and fiscal behaviour relies on (Wehner, 2010) – to provide richness and in-depth insight into the dynamics influencing budget decision-making. This study's qualitative focus not only clarifies the exact causal mechanisms that quantitative indices propose, but also has the potential to contribute to the construction of more representative cross-national quantitative measures. Meaning, aspects of South Africa's political–historical context could inform new standardised variables or factors in quantitative comparative research if other studies find similar effects over time.

Second, the case of South Africa's legislative budget decision-making process will give insight into the distinctness of political environments in post-liberation African contexts, and its implications for understanding how and why these governments budget the way they do. In the emerging body of research that focuses on budgetary politics in developing countries, very few

African nations have received scholarly attention. South Africa's formal institutional arrangements for legislative budget decision-making reflect the principles of good governance and rational budgeting practices of developed countries. But their impact on actors, budget decisions, and fiscal performance do not demonstrate the same effect. While there is a growing number of African countries included in cross-country comparative studies on the strength of budget institutions (such as studies by CABRI, 2017; Gollwitzer, 2010, Kim, 2019; and Wehner, 2006), these use quantitative measures of formal institutions and miss the important role of informal institutions and other casual mechanisms that cannot be numerically quantified.

Third, as many developing countries continue to adopt the advanced budgeting systems and practices used in developed economies (Hepworth, 2015; Opalo, 2021), insights from African nations can enrich current public budgeting literature while expanding understanding of developing country contexts. Practice in Western industrialised economies is not only used to develop and contribute to theory, but it is also used to inform public management practice, budgeting, and policy reforms in developing and emerging market countries (Andrews, 2013; Krause, 2013; Schick, 1998). Findings from this study can inform current budget reform debates of many African countries intending to pursue the same reforms that South Africa has been using for many years, contributing to more realistic and useful reform designs. Although the study is a single case of South Africa, it is reasonable to expect that lessons that will be drawn from the study's findings would be transferable to other developing countries with similar democratic and government systems. There are also some important lessons for South Africa itself. The study's findings can also provide useful insight for improvements to future iterations of reforms to its budget decision-making structures.

Finally, this study contributes to practical knowledge and the interests of budgeting practitioners and policymakers, in line with many policy studies where the necessity for academics to engage more directly with policymakers and practitioners' concerns is increasing (Cairney and Oliver, 2020). A critical element in the study of public policymaking, particularly public budgeting, is theoretical fit to practice. Public finance and budgeting research, according to Espinosa et al. (2021), is purposely intended to develop innovations that enhance the efficient, effective, and equitable provision of public goods and services, with growing interest in behavioural insight giving the perspectives of individual actors. As Mohrman et al. (2011, p. 10) point out, "it is in the self-interest of practitioners and researchers to close the relevance gap, because each will then be better able to accomplish their purposes".

With public budgeting being an applied science, the theoretical developments and explanatory models in budgeting research are influenced to a large extent by practitioner concerns (Covaleski et al., 2003; Kenno et al., 2018). Practitioners and policymakers seek confirmation and input from theory, and theory is expected to find fit in practical application. Insights into, and an understanding of, how actors process information, form preferences, and make decisions will lead to better budgetary governance (Espinoza et al., 2021). As Bendor (2015) and Helpap (2017) contend, applied theories should have design implications otherwise they are not useful. One major criticism for example, is that many years of budgeting norms that governments have developed have proven incompatible with political value (Krause, 2013; Opalo, 2021; Rubin, 1990). Rubin explains the importance of accurately describing the relationship between budget theory and budgeting practice, as the normative budgeting theories to date have left practitioners unable to “see the phenomena in plain view to theorize about their meaning” (p. 187).

1.6. Structure of the thesis

Following this introductory chapter, Chapter 2 of this thesis describes the key milestones in the evolution of South Africa’s budget decision-making process since democratic transition in 1994. It details the reforms implemented to modernise public financial management (PFM) and create an inclusive and democratic budget decision-making process – in line with principles of the 1996 Constitution of the Republic of South Africa. The historical and political context for these reforms are also explained, as they set provide a basis for understanding why decision-making processes were designed the way they were. Since this study focuses on the legislative budget process, the key actors involved in this phase of the process are also discussed in relation to their functions, powers, and interaction.

Chapter 3 provides an overview of the extensive public budgeting literature and the elusive search for a unified, normative theory of public budgeting. The chapter examines the interdisciplinary contributions to the many functions of budgets, ranging from economics and organisation studies to sociology and political science. It finds that, despite extensive scholarly work in the early to mid-20th century, which provoked widespread and in-depth debate, many of the classic public budgeting theories are disputed and lack contemporary relevance to the study and practice of budgeting. Following review of these key budgeting literatures, the chapter then introduces emerging literature on the politics of public budgeting and its focus on

institutions and actors. The chapter also discusses the nuances of a South African context within the broader depictions of public budgeting and institutions in Africa.

In Chapter 4, the theoretical considerations for how legislative budget actors interact with formal and informal institutions are discussed. An overview of the key concepts and propositions of new institutionalism are considered with the intent of justifying an institutional analysis approach to the study of government budgeting. Much like public budgeting, the literature on new institutionalism is extensive and highly debatable, and the search for a unified consensus on its use and usefulness is beyond the scope of the chapter and of this thesis. Instead, the chapter limits the review of new institutionalism literature to how institutions are a central component of political life, why they matter, and the utility of an institutionalist approach to understanding the incentives and constraints that shape actors' behaviour. Description of an institutionalist theoretical framework sets the scene for subsequent empirical chapters, which analyse how South African legislative budget actors interact with political and budget institutions.

The research methodology is presented in Chapter 5. This covers research design, methods, and data. The chapter motivates the relevance of case study research, it explains the use of data triangulation – semi-structured elite interviews, non-participant observation, and document analysis – to improve depth and enhance the study's findings, and it provides a detailed account of how data was collected and analysed.

In Chapter 6, South Africa's experience with legislative budget reform and the aspirations of greater parliamentary authority in the budget process is explored. Formal institutional arrangements and other informal incentives and constraints on actors' behaviour are discussed in relation to how these shape the nature of budget decision-making, interaction, and power relations among actors. The pervasive influence of South Africa's political dynamics on all structures, norms, shared expectations, values, conventions, and relationships in public policymaking is illustrated from the vantage point of the legislative budget process. Chapter 7 goes on to expand on the findings from Chapter 6, challenging some of the key propositions from new institutionalism literature about the influence of budget institutions on actors' behaviour, budget outcomes, and fiscal performance.

In Chapter 8, the thesis concludes with a summary of findings, theoretical and policy implications. The chapter also discusses the implications for practitioners working on

strengthening budget practices and implementing reforms similar to those of South Africa. It then goes on to discuss areas for further research in the public budgeting agenda.

Chapter 2

South Africa's budget decision-making process

Governance in South Africa before 1994 was characterised by policies of segregation, which resulted in public budgeting practices that prioritised and protected the interests of privileged groups in society (Keita, 2014). Put simply, the white minority government used political power to maintain and enhance its economic, cultural, and social interests. This created a legacy of acute economic and social disparities in South Africa; a legacy that the country is still working to overcome today (Abedian, 2012; Levy et al., 2021; von Holdt, 2010).

In 1994, the new South African government inherited a highly fragmented budgeting system. The design of public policies and the allocation of resources were racially distorted and biased to benefit only white South Africans (Hogan, 1996). The previous budgeting system was plagued with deeply entrenched inefficiencies; these included weak aggregate fiscal discipline and fiscal governance, poor expenditure controls and rapidly rising national debt, inadequate oversight mechanisms, inaccessible and poor quality budget documents for use in the budget process and for accountability purposes, a highly secretive and centralised budget process, a highly centralised but racially divided intergovernmental fiscal system, and a minimal role for Parliament in budget decision-making and oversight (Ajam, 2009; Ajam and Aron, 2007; Cole et al., 2016; Fölscher, 2007; Lefko-Everett et al., 2009; Pearson et al., 2015). The lack of useful public finance information and mechanisms to evaluate the link between expenditure and policy rendered the entire budget process unaccountable.

A number of institutional reforms were necessary to completely overhaul the apartheid system and its policies in order to correct past discrimination, modernise the South African society towards democracy and racial integration, and effect the policy objectives of the new democratic government (Hogan, 1996; Verwey, 2009). The new democratic government inherited extreme inequalities (between formerly white and black areas) in respect of access to basic and quality services, physical infrastructure (Ajam, 2016), as well as a highly politicised bureaucracy that served strictly as an instrument to further white interests and maintain control over the country's black population (Schrire, 1986). The new government's challenge was to undo discriminatory, indistinct administrative structures and processes, and the structural rigidities of the apartheid era, and to realign political and economic power to benefit all South Africans (Fölscher and Cole, 2006; Levy et al., 2021; Naidoo, 2015). One of the most

significant of these institutional reforms was the budgeting system, alongside reform of the electoral system – the details of which are discussed in Chapter 6.

The new government prioritised the creation of a racially integrated and decentralised fiscal system that would help address poverty and inequality and ensure an expanded access to public services of a similar standard to all South Africans, particularly the country’s black majority – and doing so without drastically increasing fiscal resources through higher taxes or borrowing (Cole et al., 2016; Purfield, 2016). During this time of transition, a comprehensive reform of the budget process was considered “a powerful instrument of change” (Hogan, 1996, p. 422), as a new budgeting system would need to incorporate institutional and political administrative procedures to determine how public resources would be allocated (Mkhize and Ajam, 2006). This made the budget and public sector financial management central to political, economic, and administrative governance (Fourie, 2015).

2.1. Reform process following democratic transition

The transformation of South Africa’s public financial management (PFM) system commenced shortly after 1994, when the new democratic government fully used the above-mentioned reform space it had to design and implement comprehensive and extensive budget reforms that would considerably open up the budget decision-making process (Cole et al., 2016). Using the explanation of Allen et al. (2013, p. 2), “PFM is concerned with the laws, organizations, systems and procedures available to governments wanting to secure and use resources effectively, efficiently and transparently”.

It is important to note that South Africa’s commitment to change during this time was driven by strong political ownership of reforms at all levels of the African National Congress (ANC), something which proved important to the successful implementation of the PFM reforms. There was political will to reform the entire budgeting system (CABRI, 2018) – supported by a strong relationship between the President, Thabo Mbeki, and the Minister of Finance, Trevor Manuel, at the time (Ajam, 2016). Hogan (1996) describes National Treasury’s role during the transformation process as indispensable, as it assisted in ensuring that financial powers correctly followed shifts in function, in establishing financial relations with new provincial authorities, and in strengthening existing financial capacity in the provincial sphere of government.

Implementing a new intergovernmental fiscal framework as a new Minister of Finance in April 1996, Trevor Manuel (and the National Treasury) prioritised three overarching objectives: modernising the budgeting system, introducing multi-year budgeting, and making budgeting a more participatory process where the outcome would be more broadly accepted (Cole et al., 2016). The objective of reforming the intergovernmental framework was to devolve more fiscal responsibility in order to promote a democratic and racially integrated society – although a level of central control was still upheld to preserve macroeconomic and financial stability (Purfield, 2016). These reforms, and their enabling legislation, are discussed in detail later in this chapter. The improved budgeting and public financial management that resulted were driven by rapid changes in the structure and management of the budget, and equally rapid changes in economic and fiscal policies (Fölscher, 2007b).

Also important to highlight regarding the series of legislative and other reforms to budgeting and PFM in the 1990s is how much of it was influenced by South Africa's increasing exposure to international practice and expertise (Ajam, 2016; CABRI, 2018; Fölscher et al., 2000). "For instance, the National Treasury subjected all local work on the intergovernmental system to international peer review" (Alam et al., 2016, p. 217). International influence notwithstanding, the reform path was uniquely South African (Cole et al., 2016).

Today, South Africa's budgeting and PFM system is leading international standards in aspects of governance and accountability, as measured by oversight, transparency, and participation. Among 117 countries assessed by the International Budget Partnership's 2019 Open Budget Survey, South Africa is ranked joint first with New Zealand with a score of 89 out of 100 – substantially higher than the global average score of 42, and performing better than countries such as United States, Germany, Australia, and the United Kingdom. The Open Budget Survey is the world's only independent comparative practice-based measure of governance and accountability (International Budget Partnership, no date). Since the inception of this international index ranking in 2006, South Africa has consistently ranked in the top four in the open budget surveys conducted every two years. South Africa's achievements in budget reforms is often held up as a model in Africa and further reinforces the unique leadership role that the country plays in the region (Wildeman and Jogo, 2012).

2.1.1. Budget legislation and frameworks

In the first few years of South Africa's democracy, an intense process of very significant legislative reform began (Manuel, 2016). A comprehensive legal framework for the budget was developed, supported by regulations, frameworks and conventions that govern budget preparation, adoption, and reporting. Unlike those of many other countries, South Africa's Constitution addresses public financial management in extensive detail. Among the OECD group of countries for instance, it is uncommon for countries with Westminster-style systems of government to systematically express budget principles in law (OECD, 2004).

In what Ajam (2016) calls the fiscal constitution, Chapter 13 of the Constitution explicitly states the objectives of South Africa's fiscal system, the principles of good fiscal governance, and the types of fiscal institutions that should be established to support transparency and accountability. The executive has exclusive power to introduce the budget and other money Bills, while Parliament has the responsibility of passing budgets into law and the power to amend budgets proposed by the executive. The Constitution and other legislation governing the budget and the PFM system are shown in Table 2.1.

The Constitution

The new Constitution of the Republic of South Africa, No. 108 of 1996 (hereafter 'the Constitution') generated conditions conducive to a high degree of change, including the country's fiscal structures (Purfield, 2016). The Constitution entrenched ideas of good fiscal governance and precipitated a series of reforms, legislation, and a budgeting framework that promotes transparency, accountability, and effective financial management (Ajam and Aron, 2007; Fourie, 2015). It also emphasises the establishment of institutions, legislation, and rules for a functional budgetary process (Ajam, 2016; Fölscher and Cole, 2006). The Constitution thus provides the institutional framework for South Africa's budget reforms (Fölscher, 2007b).

Considered an important driver and enabler of South Africa's PFM reform, the Constitution gives extensive direction on the type of fiscal institutions that should support decentralised and democratic accountability, by clearly prescribing the need for transparency and accountability in the budgeting systems in all spheres of government, through the separation of powers of the executive and Parliament, and an empowered legislature to exercise more oversight over the budget process – amongst other things (Ajam, 2016; Fölscher, 2007; Fourie, 2005; 2015). The Constitution also introduced new role-players into the budget process who previously were not

consulted or given a voice in decision-making (Hogan, 1996). All of these elements are discussed under the relevant sections later in the chapter.

The Constitution also includes a Bill of Rights, which Ajam and Aron (2007), Fölscher and Cole (2006), and Purfield (2016) emphasise has implications for the allocation of available resources between the spheres and functions of government. Chapter 2 of the Constitution concerns the Bill of Rights, which safeguards the rights of all people in South Africa, and requires all parts of the state (the legislature, executive, and judiciary) to respect, promote, protect, and fulfil those rights. The Bill of Rights is something which de Vos (2021b) points out has constitutional obligations that the state must honour within available resources in its budget. Matthews and McLaren (2016) and Pienaar et al. (2021) also point out government's obligation to ensure that the realisation of socioeconomic rights, which are protected by the Constitution, are translated into national legislation and the budget.

The Public Finance Management Act

Another important piece of legislation is the Public Finance Management Act, No. 1 of 1999 (hereafter 'PFMA'). The PFMA is the national framework legislation that gives operational substance to sections 215 and 216 of the Constitution – dealing with budgets and budgeting processes in all three spheres of government, and Treasury control (Ajam and Fourie, 2014). Section 215 of the Constitution requires national legislation that prescribes the form of national, provincial, and municipal budgets, when these budgets must be tabled, and what the budgets must contain as a minimum. Section 216 of the Constitution requires the establishment of a National Treasury and national legislation that prescribes measures for transparency and expenditure control in each sphere of government. It also directs the established National Treasury to enforce compliance with generally recognised accounting practice, uniform expenditure classifications, and uniform Treasury norms and standards. The PFMA introduced these budgeting measures, while also moving beyond compliance and control of public funds, to promoting efficient use and management of public resources, focusing on outputs and outcomes of government spending (Mkhize and Ajam, 2006).

The PFMA repealed ten Exchequer Acts that previously governed public financial management, Acts which focused more on inputs and cash and expenditure micro-control than managing funds for improving service delivery (Mkhize and Ajam, 2006; Wehner, 2009; Wildeman and Jogo, 2012). First effected in April 2000, the PFMA also fundamentally altered the overall reporting and budget information environment in the public service; emphasising

performance, it generated more financial and non-financial information that is made available to Parliament and to the public (Fölscher, 2007b). Integral to the process of budget reform, the PFMA established a new system of fiscal management that would radically break from the past regime of opacity, hierarchical management systems, poor information, and weak accountability (Pearson et al., 2015). It created new norms of accountability and recast the National Treasury's relationship with the nine provinces and the relationship with Parliament (Manuel, 2016).

Both the Constitution and the PFMA are the legal frameworks that define the institutional and political administrative procedures for South Africa's budget systems and decision-making process (Mkhize and Ajam, 2006). In Fölscher and Cole's (2006) view, the Constitution and the reforms introduced by the PFMA have contributed to a more stable public finance environment, enabled greater political involvement and oversight of the budget, and improved transparency with respect to revenue and expenditure information. After the Constitution, the PFMA is considered the most important piece of legislation governing South Africa's budget process and fiscal policy, often cited as a milestone in public financial management and a model for other countries seeking to modernise public financial management systems (Khagram et al., 2013; Tsheletsane and Fourie, 2014).

The Money Bills Amendment Procedure and Related Matters Act

Section 77(3) of the Constitution² states: "An Act of Parliament must provide for a procedure to amend money Bills before Parliament". In theory, the extent of legislative budget authority is a deeply normative choice that reflects a particular balance of power (Wehner and de Renzio, 2013). Over 12 years after this Constitutional provision was written in 1996, the Money Bills Amendment Procedure and Related Matters Act, No. 9 of 2009 (hereafter 'Money Bills Amendment Act') was passed. The Money Bills Amendment Act prescribes very detailed procedures and timelines for the Minister of Finance and Parliament to undertake every year before the national budget can be adopted; procedures that have been described by budget actors as onerous and time-consuming, and which constrain legislators from fully exploiting their formal powers to influence the budget (Pauw, 2011; Siebrits, 2017; Wehner, 2010).

Although considered a key indicator for the potential of legislatures to impact the budget, formal amendment powers do not guarantee that legislatures will amend the executive's budget

² Constitution of the Republic of South Africa, Act No. 108 of 1996, as amended by the Constitution of the Republic of South Africa Second Amendment Act, Act No. 61 of 2001.

– particularly where government has a large majority in Parliament (Fölscher, 2006; Schiavo-Campo, 2007; Wehner, 2010). Despite this, formal legislative budget amendment powers are still important because even a small amendment can signal to the executive that it needs to take legislative scrutiny seriously (OECD, 2019).

In Wildeman and Jogo's (2012) view, the Money Bills Amendment Act has made an important contribution to the improved implementation of South Africa's PFMA by strengthening Parliament's engagement with strategic and budgetary documentation, forcing politicians to consider a set of fiscal principles and service delivery implications when proposing amendments. While in theory the Money Bills Amendment Act achieves a democratic goal of putting public money in the hands of the legislature, and enhances Parliament's powers in the budgeting process, a number of practical constraints have limited its impact (Muller, 2017a; Pauw, 2011; Siebrits, 2017; Verwey, 2009; Wehner, 2010). Details of a failed first attempt at passing the Act in 1997, the sequence of events leading up to its enactment in 2009, and the factors limiting its impact on South Africa's budget policy and budget decision-making are all discussed at length in Chapter 6. The establishment of a Parliamentary Budget Office (PBO), an explicit requirement of the Money Bills Amendment Act, is also a significant development in South Africa's budget process. The process towards this office's establishment, its functions, effectiveness, and other issues within budget decision-making are also discussed in Chapter 6.

Table 2. 1. Summary of selected legislation on budgeting and the budget process

Legislation	Key provisions for budget process
<p>Constitution of the Republic of South Africa (1996) (Chapter 13)</p>	<ul style="list-style-type: none"> • Details structure of the state, expenditure, and revenue assignment • Requires all moneys received by national government to be paid into a National Revenue Fund, which can only be withdrawn by an Act of Parliament • Details the budget legislation and Acts of Parliament required for budgets and budgetary processes • Requires establishment of a National Treasury • Calls for national, provincial, and municipal budgets and budgetary processes to promote transparency, accountability and effective financial management of economy, debt, and the public sector • Requires an Act of Parliament to provide for equitable division of revenue among national, provincial, and local spheres of government • Sets out the principles to take into account in the division of revenue (e.g., national interest, economic disparities within and among provinces, fiscal capacity and efficiency of the provinces and municipalities) • Requires establishment of an independent Financial and Fiscal Commission
<p>Intergovernmental Fiscal Relations Act (1997)</p>	<ul style="list-style-type: none"> • Promotes co-operation between national, provincial, and local spheres of government on fiscal, budgetary, and financial matters • Prescribes process for determining an equitable sharing and allocation of nationally raised revenue • Establishes a Budget Council (Minister of Finance and members of the Executive Council for Finance) and sets out its functions, and a Local Government Budget Forum (Budget Council plus five representatives nominated by the national organisation and one representative nominated by each provincial organisation) and its functions • Sets out process for sharing nationally raised revenue among national, provincial, and local spheres of government • Requires consultation with the Financial and Fiscal Commission before the Division of Revenue Bill is tabled
<p>Public Finance Management Act (1999)</p>	<ul style="list-style-type: none"> • Regulates financial management in the public sector • Requires Parliament and each provincial legislature to appropriate money for each financial year • Provides for the responsibilities of persons entrusted with financial management in national and provincial government, including accounting officers and other officials of departments, public entities, and constitutional institutions

	<ul style="list-style-type: none"> • Ensures all effective an efficient management of all revenue, expenditure, and liabilities • Articulates restrictions on borrowing money or issuing guarantees, indemnity, security, or other commitments that binds or may bind that institution or the Revenue Fund to any future financial commitment • Articulates functions and powers of the National Treasury and provincial treasuries
Municipal Finance Management Act (2003)	<ul style="list-style-type: none"> • Establishes Treasury norms and standards for the local sphere of government • Regulates the management of municipalities financial affairs and other institutions in the local sphere of government • Articulates financial responsibilities of mayors and municipal officers • Establishes different types of municipalities (metros, districts and local) and the division of powers and functions between local and district municipalities
Money Bills Amendment Procedure and Related Matters Act (2009)	<ul style="list-style-type: none"> • Establishes Committee on Finance and Appropriations in each House of Parliament, and outlines their functions • Provides procedures for Parliament to pass or amend money Bills, including the fiscal framework and revenue proposals • Provides procedures for Parliamentary committees prior to introduction of the national budget <ul style="list-style-type: none"> ○ Portfolio committees in the National Assembly must annually assess performance of each national department with reference to medium-term expenditure estimates, strategic priorities, measurable objectives, expenditure report published by National Treasury, financial statements, annual report, reports of Standing Committee on Public Accounts and other information before Parliament ○ Portfolio committees in the National Assembly must table a budget review and recommendation report for each department (assessing service delivery performance, effectiveness, and efficacy of department’s use of resources) in the National Assembly after adoption of Appropriation Bill and before adoption of reports on the Medium-Term Budget Policy Statement • Requires Minister of Finance to table national annual budget at the same time as the Appropriation Bill and Division of Revenue Bill, including all the details that must be included in the national budget • Requires finance and appropriations committees to conduct public hearings on fiscal framework and revenue proposals, Division of Revenue Bill, Appropriation Bill and proposed amendments • Establishes a Parliamentary Budget Office and describes its core functions

Source: All the aforementioned legislation

The Medium-Term Expenditure Framework

The introduction of a medium-term perspective is considered one of the most important institutional reforms of the budgetary process over the last decade (Robinson, 2016; The World Bank, 2012). “Medium-term expenditure frameworks (MTEFs) constitute an approach to budgeting and public financial management (PFM) that addresses well-known shortcomings of annual budgeting, including short-sightedness, conservatism, and parochialism” (Wildavsky, 1986, cited in The World Bank, 2013, p. 7). Aligning the annual budget with future expenditure commitments is one of the original intents of MTEFs, achieved by limiting budgets to expenditure targets or ceilings in each year over the next several years (Schiavo-Campo, 2017; Schick, 2019).

According to Filc and Scartascini (2007), specifying medium-term targets and economic expectations on which future budgets are based is how multi-year budgeting frameworks add discipline and credibility to the budget process. MTEFs can underpin fiscal discipline, harmonise public expenditure with policy priorities, signal policy direction and provide assurances about resource demand and availability over a multi-year horizon, and they can facilitate planning and resourcing of multi-year policies (OECD, 2019). By specifying an aggregate resource constraint, MTEFs can contain imprudence, inertia, and overspending in budgeting, while also increasing transparency, enhancing time-consistency, and helping to lessen the common-pool problems of budgeting (Sherwood, 2015). However, as Raudla et al (2022) point out, political incentives as well as prevailing administrative and political culture and traditions can still undermine the functioning of MTEFs as binding instruments.

A three-year MTEF budgeting framework was introduced in South Africa in 1997, and the first national budget with three-year MTEF departmental estimates was published in February 1998 (CABRI, 2018). Unlike many other African countries, this important reform in South Africa was not driven by international donors as a means of securing external assistance with resources to support domestic development programmes (The World Bank, 2013). Instead, adopting the MTEF was an initiative of the post-apartheid South African government committed to significant change in public administration and public budgeting reform. These reforms were also informed by international practice and advice from other governments and international multi-lateral agencies such as the World Bank, the European Commission, and the International Monetary Fund (Ajam, 2016; Alam et al., 2016; CABRI, 2018; Sachs, cited in Segatti and Pons-Vignon, 2013).

The 1998 budget was the first in a series of budget reforms intended to introduce a more rational approach to resource allocation and to improve the link between government's policy and funding choices and the delivery of services (Robinson, 2002). The publications of three-year budget projections also included information on policy priorities, and programme outputs, outcomes, and financial performance – more information than just input-based resource requirements (Cole et al., 2016). Pearson et al. (2015) comment on how the MTEF kick-started South Africa's budget reform process, which, along with the 1998 White Paper on Budget Reform, led to the passing of the PFMA in 1999. The Medium-Term Budget Policy Statement (MTBPS) – a government policy document that sets out the economic context and policy framework for the upcoming budget, provides an update on the National Treasury's economic forecasts, adjusts the budgets of government department, and makes emergency changes to spending – was also a new document that emerged from the budget reform process of 1997/98 (Fölscher, 2007b; South African Government, 2021).

Fölscher (2007b) describes the MTEF as operating at the centre of comprehensive South African budget reforms, and it frames all policy discussions, since it is as much about the structures, institutions, and rules of the budget process as it is about the three-year budget plans that result. In a concerted move away from incremental budgeting, the MTEF created a link between planning and budgeting, and increased the output orientation of the budget (The World Bank, 2013). Key aspects of what the MTEF achieved for South Africa can be summarised as: integrating the intergovernmental system and the annual budget process, establishing a credible budget process and budgeting institutions, establishing credible budgetary rules for decision-making, reforming the classification system and chart of account, and strengthening the link between policy and planning. Ultimately, the MTEF manages to coordinate policy decisions and policy trade-offs made by bureaucrats in different spheres of government that are finally decided on by political principals (Fölscher and Cole, 2006).

Adopting MTEF budgeting created a budget process that a range of participants and stakeholders find credible and predictable; it has brought stability to budgeting and required government departments and other spending agencies to consider their operations and financing requirements over a period longer than the coming year (Verwey, 2009). In the years that followed its introduction, aggregate fiscal discipline was achieved, overall budget credibility improved markedly, and improvements in public financial management were realised (Fölscher, 2007b; Wildeman and Jogo, 2012). The MTEF, using prudent assumptions, brought an unprecedented degree of predictability to revenue-sharing and budget allocations,

and has remained largely successful and credible. Despite some challenges imposed by external pressures on revenue forecasts and macro-fiscal modelling, for example, stabilisation mechanisms are used to move the impact of shock on expenditures to the outer years of the three-year MTEF period (revising down the medium-term estimates and not the current), to avoid significant cuts to allocations (Purfield, 2016).

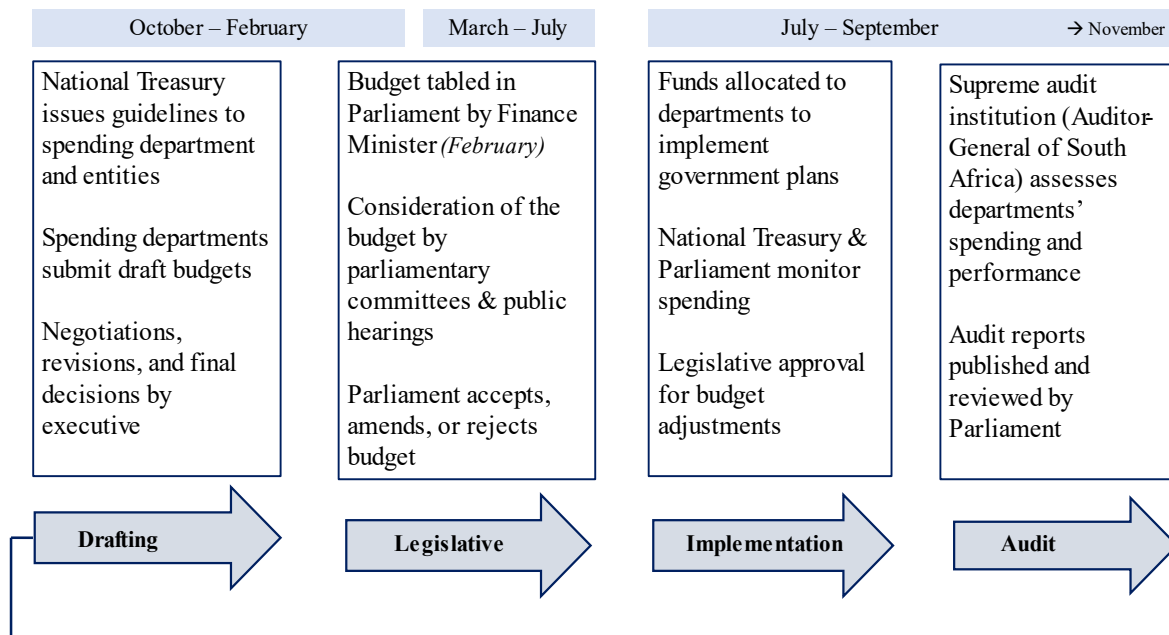
The successes of the MTEF as well as other reforms to South Africa's budget and budgeting system, under the leadership and high technical capacity of the National Treasury (The World Bank, 2013), have resulted in an impressive track record in budget management that has earned South Africa praise from independent budget analysts and organisations such as the International Monetary Fund (Wehner, 2010).

2.2. Contemporary budgeting in South Africa

Legislation and innovations to South Africa's budget systems and structures transformed the once purely technical and administrative budget process into one with stronger political oversight and greater opportunity to engage with and influence public spending (Ajam, 2016; Fölscher and Cole, 2006). The South African National Treasury (2019) defines the budget as a "key statement of policy of the government and the process through which choices have to be made about competing priorities". The said process consists of four phases, each involving actors with different roles – in line with international practice (see Figure 2.1).

This process is typically characterised by a planning or formulation phase that involves the drafting of the budget by the executive, a legislative approval stage that includes the process of Parliamentary approval or amendments to the budget proposal, an implementation stage covering the fiscal year to which the budget law applies, and an ex-post accountability stage that involves a review of the final budget documents by auditors or a similar independent institution (von Hagen, 2007).

Figure 2. 1. Phases of the national budget process



Source: Author's adaptation from South African National Treasury, and the South African Parliament

2.2.1. Budget decision-making process towards legislative approval

The budget process typically begins with the identification of national policy priorities by the Cabinet. An important event in supporting this is the Cabinet's periodic strategic planning, known as a 'Lekgotla', at which policy priorities, budget policy, planning, and implementation considerations are discussed (Fölscher and Cole, 2006; Fölscher, 2007). The national Cabinet makes all the final decisions on a set of medium-term policy and spending priorities, including the macro and fiscal framework, division of revenue, approval of the MTBPS, and changes to the medium-term allocations to national votes and provincial governments. These priorities are expressed in a spending priorities memorandum, which provides a basis for departmental planning and budgeting. A budget plan is then compiled by the executive, via the National Treasury.

There is then a series of engagements between spending departments, the National Treasury and provincial treasuries to discuss major policy considerations, departments' past performance, spending plans and pressures, available funding, and the division of revenue amongst the three spheres of government. The key technical structures for these engagements are called the Ministers' Committee on the Budget Technical Committee (MTEC), and the Technical Committee on Finance (TCF). MTEC is a committee of senior officials from the

National Treasury, and the Departments of Cooperative Governance, Public Service and Administration, and Planning, Monitoring and Evaluation. This committee makes recommendations to the Ministers' Committee on the Budget (MINCOMBUD) regarding budget allocations in the MTEF. The TCF, a committee of the heads of all provincial treasuries, considers intergovernmental finances and the Division of Revenue and makes recommendations to the Budget Council, Budget Forum, and the MTEC (South African National Treasury, 2020).

The Budget Council, a structure through which senior political leadership of all spheres of government are empowered to make policy decisions (Hogan, 1996), is a body in which the national government and the provincial governments consult on any fiscal, budgetary, or financial matter affecting the provincial sphere of government. It consists of the Minister of Finance – who is the Chairperson of the Council – and the Members of the Executive Council (MEC) for Finance of each of the nine provinces. The Budget Forum affords the same opportunity for national government and provincial governments to consult on any fiscal, budgetary, or financial matter affecting the local sphere of government, but it also includes organised local government. The Forum is constituted by the Minister of Finance (who is also the chairperson), the MEC for Finance of each province, five representatives of the South African Local Government Association (SALGA) at national level, and one representative of SALGA from each province (South African National Treasury, 2020).

The recommendations of the Financial and Fiscal Commission (FFC) on the division of revenue between the three spheres of government are also submitted to the Budget Council. Section 220 of the Constitution establishes an independent FFC, whose mandate is to make recommendations and provide advice to Parliament and organs of state in the national, provincial, and local spheres of government on financial and fiscal matters (Financial and Fiscal Commission Act, 1997). As part of the annual budget decision-making process, the FFC is legally required to provide recommendations for that financial year on an equitable division of revenue raised nationally among the three spheres of government, the determination of each province's equitable share of that revenue, and any other allocations to provinces and local government from the national government's share of revenue, as well as any conditions on which the allocations should be made (Intergovernmental Fiscal Relations Act, 1997).

Political input at the beginning of the budget process is also facilitated through the MINCOMBUD, a formal sub-committee of Cabinet and another critical vehicle through which

overall political oversight of the budget process is realised (Fölscher and Cole, 2006). The MINCOMBUD is chaired by the Minister of Finance and constitutes members of Cabinet appointed by the President, who are recommended by the Minister of Finance. The committee considers key policy and budgetary issues that pertain to the budget process before they are tabled in Cabinet (South African National Treasury, 2019). The function of this committee is to consider expenditure allocation matters, economic assumptions underpinning the budget, fiscal policy objectives and tax proposals, before advising Cabinet on budget allocations to be included in the national budget, MTEF and the division of revenue framework. MINCOMBUD meetings are also attended by selected non-political office bearers; the Directors-General of the National Treasury, the Presidency, and the Departments of Planning, Monitoring and Evaluation, and Cooperative Governance (South African National Treasury, 2020).

Following all technical inputs and political recommendations, Cabinet approves medium-term priorities and budget allocations, and government departments are then informed of their allocations. Departments prepare the budget submissions based on specific guidelines and budget formats issued by the National Treasury and provincial treasuries, which will be evaluated, and subsequent engagements may be held. Engagements on budget submissions are typically in MTEC and TCF meetings, as well as other technical and bilateral meetings between treasuries and senior government officials. The outcome of all these engagements is a final set of recommendations to be tabled in the national budget by the Minister of Finance. It is important to highlight that Cabinet approval is required before proposals on the fiscal framework and budget allocations are tabled in Parliament. As Manuel (2016) expresses it, the budget is effectively a statement of a Cabinet collective decision.

This transparent budget process, designed to also include an important role for political input into final allocation decisions (Manuel, 2016; Wildeman and Jogo, 2012), constitutes a system of medium-term strategic planning for resource allocation, uniform budget guidelines and formats, and provision of good technical support on the financial implications of policy priorities designed to reduce what Fölscher and Cole (2006, p. 15) call the “potential of accessing funding ‘through the political back door’ or through in-year budgeting games”.

Table 2. 2. Actors in the budget process towards legislative approval

Executive: Technical	Executive: Political	Required by the Constitution and the Intergovernmental Fiscal Relations Act
Ministers' Committee on the Budget Technical Committee (MTEC) National Treasury & provincial treasuries Government departments & public entities	Ministers' Committee on the Budget (MINCOMBUD) Cabinet and Extended Cabinet	Financial and Fiscal Commission Budget Council: provincial governments Budget Forum: organised local government Various intergovernmental forums at the political and technical level

Source: South African National Treasury (2019)

The national and provincial budgets are tabled in February and March, respectively. It is often the national budget speech in February, however, that is one of Parliament's biggest annual events, attracting considerable fanfare, national excitement and media attention (Muller, 2017a). With the budget speech delivered by the Minister of Finance, the National Treasury publishes the following supporting documents: (i) Budget Review, (ii) Budget Highlights, (iii) Estimates of National Expenditure, (iv) Appropriation Bill, (v) Division of Revenue Bill, (vi) Tax Pocket Guide, and (vii) People's Guide (available in seven languages). Detailed budget data informing these documents are also made publicly available for downloading in Microsoft Excel format, as well as an interactive online Budget Dashboard that graphically summarises the individual elements of the budget.

The budget tabled by the Minister of Finance only has legal standing once Parliament has followed a particular process to approve it and pass budget legislation (Muller, 2017a). This process constitutes the second phase of the budget, referred to as the legislative or approval phase of the budget process. It is this legislative phase of the budget, and the bargaining process between the executive and the legislature, that is the focus of this thesis. Only a brief overview of the second phase of the budget is in the section that follows, as more detail on the activities of the legislative budget process is discussed in chapters 6 and 7.

The main components of the budget that get approved in the legislative phase of the budget process are the fiscal framework and revenue proposals, Division of Revenue Bill (including adjustments), and the Appropriation Bill (including adjustments). The fiscal framework provides estimates of aggregate revenue, expenditure, and borrowing, debt servicing costs and the contingency reserves for the coming fiscal year. The Division of Revenue Bill provides for

the equitable division of nationally raised revenue among the national, provincial, and local levels of government for the financial year, and determines each province's equitable share and allocations to provinces, local government, and municipalities from the national government's equitable shares. The Appropriations Bill allows for the appropriation of money from the National Revenue Fund for the requirements of the state for the financial year.

No more than 16 days after the Minister of Finance has tabled the budget, finance committees of the two Houses of Parliament (National Assembly and the National Council of Provinces) must consider the fiscal framework and revenue proposals, hold meetings and public hearings, then submit a report to the relevant House indicating whether they approve or propose amendments to the fiscal framework and revenue proposals. Public hearings are discussed later in the chapter. The Division of Revenue Bill must be passed no later than 35 days after the adoption of the fiscal framework by Parliament, following public hearings held by the appropriations committees. Within four months of the start of the financial year³, Parliament must approve the Appropriation Bill.

2.3. Key actors in the legislative budget process

Political demands are an important feature of budget reform; redistribution of budget power and changes to decision-making processes are made to give certain actors greater influence in making budget decisions (Schick, 2019). A combination of legislation, institutions, and informal rules influence the distribution of budget power by determining the roles and prerogatives of the actors that participate in budget negotiations as well as regulating relations among various actors in the budget process (Filc and Scartascini, 2007). In South Africa, these roles and the distribution of budgetary power is provided for in the Constitution and other budget legislation. Chapters 6 and 7 of this thesis provide more discussion on *de facto* budgetary power and the ways in which legislation and other budget institutions structure and affect executive-legislative relations, particularly between the South African Parliament, Cabinet, and the National Treasury.

2.3.1. National Treasury

In addition to setting out the principles of general financial matters and fiscal governance, Chapter 13, section 216(1) of the Constitution also requires that: “National legislation must

³ Financial year runs from 1 April – 31 March

establish a National Treasury and prescribe measures to ensure both transparency and expenditure control in each sphere of government”. A significant aspect of its extensive role is that the National Treasury is the only government department specifically mentioned in the Constitution – apart from the Presidency (Pearson et al., 2016; Segatti and Pons-Vignon, 2013). Additionally, section 73(2) of the Constitution restricts the responsibility of introducing money Bills in the National Assembly to the Minister of Finance, which Pauw (2011, p. 59) interprets as, “the Minister of Finance is the only member of Parliament who is trusted with money Bills”. This specificity in the highest law in the country is something that can be viewed as confirmation of the importance of the National Treasury in South Africa’s democratic fiscal landscape (Pearson et al., 2015).

The legislative mandate of the National Treasury is also provided in Chapter 2 of the PFMA. Provisions in the chapter include the functions and powers of a National Treasury to promote the national government’s fiscal policy framework and the co-ordination of macroeconomic policy; manage the budget preparation process; coordinate intergovernmental financial and fiscal relations; exercise control over the implementation of the annual national budget (including any adjustments); facilitate the implementation of the annual Division of Revenue Act; monitor the implementation of provincial budgets; promote and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities of departments, public entities and constitutional institutions; and perform the other functions assigned to the National Treasury in terms of the PFMA.

Fölscher and Cole (2006) summarise the responsibilities of the National Treasury as: coordinating national and provincial budget processes, managing budget implementation, enforcing revenue, asset and liability management, managing revenue funds, developing the macroeconomic and fiscal framework, coordinating intergovernmental relations, and determining the banking and cash management framework. There is also a supervisory role that the National Treasury plays over subnational provincial treasuries by monitoring not only their aggregate revenues and expenditures, but also whether provincial and local governments are achieving value for money and minimising unproductive expenditure and corruption (Ajam and Fourie, 2014). The National Treasury also recognises the importance of its continued support for the optimal allocation and utilisation of resources in all spheres of government to reduce poverty and vulnerability among South Africa’s most marginalised (South African National Treasury, no date).

The National Treasury was created from the unification of two distinct departments in 1999; a Department of Finance that dealt with macroeconomic and fiscal issues, and an independent Department of Expenditure that dealt with state expenditure (CABRI, 2018; Manuel, 2016). Hogan (1996) reflects on the early years of democratic transition and how the Treasury that the new government inherited – which Ajam (2016, p. 357) refers to as “the cooperative old guard in the Departments of State Expenditure and Finance” – and describes the National Treasury as very familiar with the complex machinery of the apartheid government and was well prepared to deal with change. It took a few years to build a new single organisation that focused on public spending as well as macroeconomic support, asset and liability management, intergovernmental fiscal relations, tax policy, and public procurement – and with the requisite skill set to competently carry out these functions (Manuel, 2016).

In the establishment of the new organisation, a concerted effort was made to build strong capacity by hiring very skilled local professionals who could work in the private sector, bringing in advisors seconded from the United Kingdom and the United States treasuries, drawing on ANC members from outside government and from development banks, as well as keeping many individuals from the pre-1994 apartheid era who demonstrated commitment to the country’s new vision (Ajam, 2016; CABRI, 2018; Manuel, 2016). Crucial to this undertaking was the full support that Trevor Manuel, the Finance Minister at the time, received from the president and the Cabinet (Cole et al., 2016).

Today, the National Treasury is relatively sophisticated and successful by both African and local standards; it is distinctive from broader South African public administration with respect to its comprehensive and immense financial control, and its exceptionally high levels of professionalism and organisational capacity (Segatti and Pons-Vignon, 2013). The successful process of budget reform, particularly the effective implementation of the PFMA, is something that Wildeman and Jogo (2012) attribute to the high-quality staff in the National Treasury. In Pearson et al.’s (2016) view, the National Treasury is considered by many as an exceptional organisation in South Africa’s governance landscape that stands “head and shoulders” above other government departments.

2.3.2. Parliament of the Republic of South Africa

According to Kotzé (1996), the new South African Parliament is one of the most important products of the negotiated transition from an authoritarian to a democratic state. “As

democratisation progresses from a transitional phase to one of consolidation, the country's legislature becomes a “central site”, integral to the process” (Kotzé, 2001, p. 21). The South African Parliament is made up of two Houses, the National Assembly and the National Council of Provinces (NCOP). Each has its distinct functions, but there are many instances of the two Houses conducting joint business together. The National Assembly (Lower House) is responsible for making and passing laws, choosing the President, overseeing the actions of the executive, and providing a national forum to publicly debate issues. The NCOP (Upper House) must ensure that provincial interests are taken into account in the national sphere of government, by being the forum where issues affecting provinces are debated publicly and by taking part in the process of making and passing laws. The Parliament recognises one of its most important roles as that of approving the government's budget for providing services to the people of South Africa and ensuring that public funds are spent on improving the quality of life of all South Africans (Parliament of the Republic of South Africa, no date).

According to Fölscher (2006), an effective legislature is critical for a properly functioning PFM system, necessitating serious attention to institutional design for Parliament's engagement with the budget. Sections 55(1) and 144(1) of the Constitution gives the National Assembly and NCOP the power to consider, pass, amend or reject any legislation prepared by the executive – including money Bills (budget legislation). Sections 55(2) and 144(2) empower both the National Assembly and provincial legislatures to hold the executive to account and to scrutinise and oversee implementation of legislation. Both national and provincial legislatures are, therefore, given the authority to engage with budget policy and oversee the implementation of budgets. The Money Bills Amendment Act provides the procedures for Parliament to amend tabled money Bills, while also stipulating the powers and functions of finance and appropriations committees in the budget process. The PFMA empowers Parliament to strengthen its oversight over spending, as it requires government departments to publish monthly expenditure reports, which the National Treasury provides to the Standing Committee on Appropriations (Manuel, 2016; National Treasury, 2021).

Finance and appropriations committees

Parliamentary committees are considered the “engine room” of the legislature (OECD, 2019). The new committee system of South Africa's first democratic Parliament allows Parliament to debate issues in more detail than in plenary sessions, enables MPs to develop expertise and in-depth knowledge of their specific committee's area of work, and provides an environment for

Parliament to hear evidence and collect information related to specific areas of work – among other things (Parliament of the Republic of South Africa, no date). Section 4 of the Money Bills Amendment Act requires that each House of Parliament establish a committee on finance and a committee on appropriations.

The legislative phase of South Africa’s budget process relies on finance and appropriations committees to coordinate budget proposals, analytical information, and other inputs – including amendment proposals (Purfield, 2016). Capable and effective committees enable the legislature to develop its expertise on budget and public finance matters, to play a greater role in budget decision-making as well influence committees’ ability to amend the executive’s budget proposals (Krafchik and Wehner, 1998; Schiavo-Campo, 2007).

The functions of finance committees include considering and reporting on the national macro-economic and fiscal policy, amendments to the fiscal framework, revised fiscal framework and revenue proposals, revenue Bills, and actual revenue published by the National Treasury, and any other related matter as contained in the Money Bills Amendment Act. In its legacy report of the fifth Parliament (May 2014 – March 2019), the finance committee in the National Assembly emphasised its work on processing the fiscal framework, tax and budget legislation, Bills regulating the financial sector, as well as its oversight work on financial and non-financial performance of government departments. Many of the challenges the committee describes relate to a huge legislative load and insufficient time to consider all the Bills before it while also effectively carrying out its oversight responsibilities (Parliamentary Monitoring Group, 2019a).

Appropriations committees are responsible for considering and reporting on spending issues, the Appropriation Bill, amendments to the Division of Revenue Bill, supplementary Bills, and the Adjustment Appropriations Bill, recommendations of the Financial and Fiscal Commission – including those referred to in the Intergovernmental Fiscal Relations Act, reports on actual in-year expenditure published by the National Treasury, and any other related matter.

In its legacy report of the fifth Parliament, the appropriations committee in the National Assembly describes some of the key objectives informing its work as influencing budget policy decisions, strengthening oversight over budget performance of departments through proactive oversight and enhanced quarterly expenditure performance assessment, enhancing and promoting best practice in key spending controls, facilitating public participation in the government’s budget processes, and ensuring value for money (Parliamentary Monitoring

Group, 2019b). The appropriations committee in the NCOP reflected on its work during the fifth Parliament as mostly processing money Bills, and focusing on the spending and performance of conditional grants (funding transferred to provinces and municipalities for the purpose of achieving particular national government policy objectives). The appropriations committees in both Houses identified the very tight time constraints with which to process money Bills and the need for more training and capacitation of members as challenges to their work.

2.3.3. Other budget actors

The South African Constitution embeds public participation as an essential component of democracy, and makes public participation a key requirement of government decision-making and oversight for both the legislature and the executive (Action 24, 2018). Democratic transformation included establishing an open and participatory legislative process, and creating what is referred to as the “People’s Parliament” – linked to the ideals of participatory democracy (Hasson, 2010; Jahed, 2020). As Henrico (2020) summarises, South Africa’s Constitution gives due recognition to participatory democracy, as it obliges Parliament to ensure public involvement as a pre-condition to its law-making process. Involving ordinary people in policy, decision-making, and oversight of implementation is extremely important to the advancement of democracy and good governance (Action 24, 2018; Doyle, 2017; Matebese-Notshulwana and Lebakeng, 2020; van der Westhuizen, 2014).

In the budget process, this means opening up government’s fiscal framework, revenue proposals, all budget allocations, and the division of revenue to scrutiny by the public. Effective public participation in the budget process has the potential to increase the alignment between budget allocations and taxpayers’ priorities, enhance external scrutiny of the budget, and reinforce societal accountability for public resources (Opalo, 2022; Santiso, 2005).

As part of its democratic transition in 1994, South Africa committed to a more participatory approach to governance that includes a consultative national budget process where citizens are encouraged to participate in budget decision-making (Verwey, 2009). Friedman (2013, p. 55) refers to a “reformist zeal of the first generation of officials serving a new democracy” that contributed to government’s interest in budget transparency at the advent of democracy. This openness of government affairs to the general public is entrenched in the law. Sections 59, 72, and 112 of the Constitution require both Houses of Parliament and provincial legislatures to

facilitate public involvement in their legislative processes and to conduct their business in an open manner. Section 195 of the Constitution further demands that when matters of public administration are considered, people's needs must be responded to, and the public must be encouraged to participate in decision-making (Lefko-Everett, 2009; Parliament of the Republic of South Africa, 2019). Also, the Money Bills Amendment Act requires finance and appropriations committees to conduct public hearings on the fiscal framework and revenue proposals, and on all money Bills and proposed amendments.

While there are several structures and mechanisms for supporting the public's involvement in the legislature – such as visiting constituency offices, the use of petitions, attending committee meetings and plenary sittings, and information and outreach practices (Action 24, 2018) – most commonly used for the budget decision-making process are submissions (oral and written representations) and public hearings. Once the budget and the MTBPS are tabled by the Minister of Finance, the public are invited to make inputs and participate in public hearings before the finance and appropriations committees approves, amends, or rejects the budget – which must all be done within timelines specified in the Money Bills Amendment Act.

Between 1999 and 2020, public participants that provided the greatest number of submissions to finance committees – oral and written – are the Financial and Fiscal Commission (FFC), Federation of Unions of South Africa (FEDUSA), the Congress of South African Trade Unions (COSATU), and Business Unity South Africa (BUSA)⁴. Participants that have made the most submissions to appropriations committees are the FFC, the South African Local Government Association (SALGA), the Human Sciences Research Council (HSRC), and the Public Service Commission (PSC).

⁴ FEDUSA and COSATU are trade union federations. BUSA is a representative organisation for business interests in South Africa. SALGA is an autonomous association of all 257 South African local governments. HSRC is a statutory research institute in the social sciences and humanities on the African continent. PSC is an independent institution, established and mandated by the Constitution to oversee public administration and its custodial responsibility for good governance.

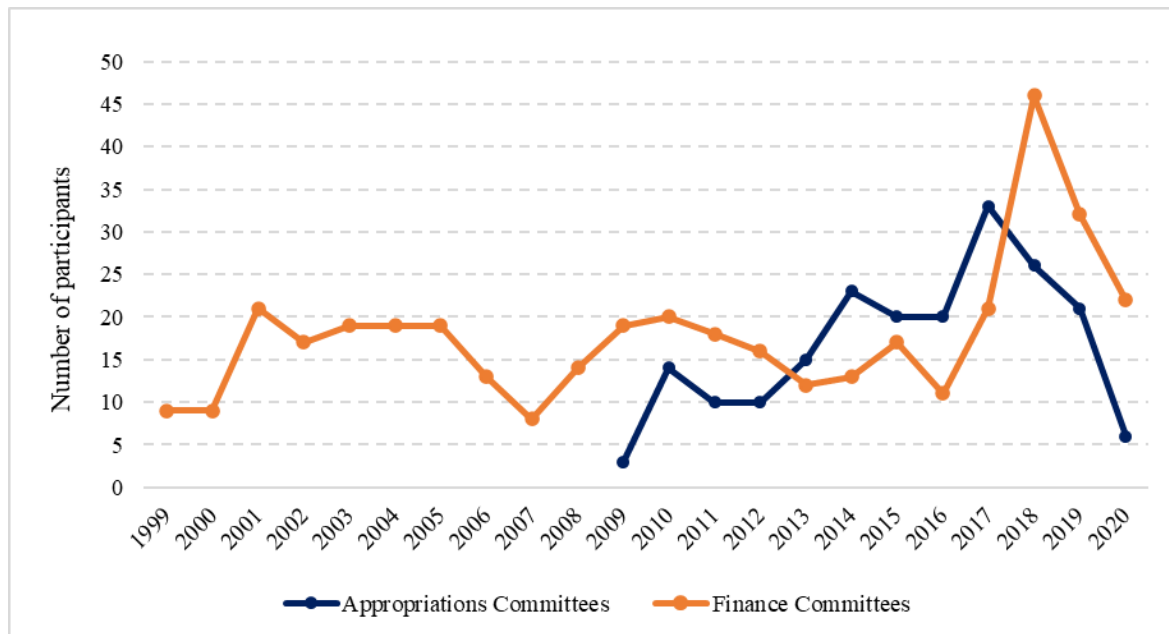
Table 2. 3. Number of submissions made to public hearings on the budget, per public participant category (1999-2020)

Participants	Number of submissions
State advisory institutions*	135
Non-profit organisations	75
Trade unions	68
Public entities/State Owned Companies	48
Business/Trade associations	44
Banks/Financial Services Groups	40
Research institutions	34
Higher Education Institutions	33
Professional bodies	31
Individuals	23
Private companies	18
Government departments	15
Other	13
Community organisations	9
Political parties	4
Social/Political/Activist movements	3
Accounting and Audit firms	2
Law firms	1
Total	596

**Includes the Financial and Fiscal Commission, and the Parliamentary Budget Office
Source: Author's calibration from Parliamentary Monitoring Group information*

The high number of participants notwithstanding, and despite being a world leader in the provision of budget information (Cole et al., 2016), public participation in South Africa's budget process has major practical shortcomings. It has become customary for Ministers of Finance to ask for public input prior to the annual budget speech – a practice that was first introduced by the former Minister of Finance, Trevor Manuel. However, as Muller (2017a) points out, there is very little scope for the Minister of Finance to accommodate suggestions before tabling the budget, as it is formally only through the legislative budget process that the public gets the opportunity to make inputs into the budget. The timeframes for committees to scrutinise budget proposals and consider inputs from the public are very limited for any changes to be made from the input (Kabingsesi, 2021; Muller, 2017a). Finance committees' decisions on the fiscal framework must be tabled within 16 days of the tabling of the budget, and appropriations committees have 35 days to pass the Division of Revenue Bill after the fiscal framework has been adopted. For the Appropriation Bill, the duration from tabling to approval is four months. Further details about the constraints of the budget calendar on the work of finance and appropriations committees are discussed in Chapter 6.

Figure 2. 2. Number of public participants in the legislative budget process



Notes: The Appropriations Committee was established in 2009. The data are participants in budget related committee meetings only (fiscal framework, MTBPS, Division of Revenue and adjustments, Appropriation Bill and adjustments).

Source: Author’s calibration from Parliamentary Monitoring Group information

The effectiveness of transparency, availability of budget information, and public participation in budget decision-making remains doubtful. Although the National Treasury does publish extensive data on how public money is allocated and spent, it is typically researchers, journalists, or organisations with teams of economic analysts who make use of budget information – excluding the broader public who have to rely on what the media puts out (Khagram et al., 2013; Sikhakhane, 2020). Parliament and the media are the immediate targets of budget information in the hope that they will ensure a better-informed public (Barberson, cited in Friedman, 2013). Despite the existence of an engaged and vocal post-apartheid civil society in South Africa, they are not diverse and do not comprise the majority of citizens due to a lack of resources to participate in the interest group associations that engage with government and the budget (Friedman, 2013).

Furthermore, the timing of public participation that Muller (2017a) highlights is limited to the legislative phase of the budget process, makes it highly unlikely for any inputs from the public being incorporated into allocation decisions. Discussed in Chapter 6 are the time constraints of the legislative budget process that make it extremely difficult for any changes to be made to budget proposals – among other reasons. However, it is only during the legislative phase of the budget that public inputs are considered. This suggests that the public’s inputs cannot be

incorporated into the budget, no matter how meaningful they are, simply on the basis of the impractical timeframes available to MPs to consider, deliberate, and negotiate new items or any other changes to the budget.

Public participation does not end with simply providing an opportunity and platform for people to express their views. To be effective, inputs received from the public should find expression in parliamentary processes and lead to concrete action (Jahed, 2020; Parliament of the Republic of South Africa, 2009). However, van der Westhuizen (2014, p. 100) describes parliamentary public hearings on Bills as “MPs merely going through the usual motions before giving effect to what their political masters in the executive and Luthuli House⁵ have ordered”. The South African Parliament has never, to date, made any amendments to the budget following inputs received from the public participation process. This therefore leaves Pillay et al. (2021) to conclude that the public participation process in budget decision-making is a compliance exercise that is neither meaningful nor effective – and the “overall democratic arrangement for the public to influence the national budget a farce”.

⁵ African National Congress (ANC) Headquarters, in Johannesburg

Chapter 3

Theoretical approaches to budget decision-making

This chapter reviews some of the seminal public budgeting literature, including the theories and models that attempt to explain and predict patterns of decision-making of budget actors and budget decision outcomes. Following a brief overview of the interest in budgeting from multiple academic fields, the chapter examines the most prevalent theoretical perspectives that have had the most significant influence on budgeting, public policy, and broader decision-making debate and literature. The relative strengths and weaknesses of formerly influential budgeting theories and models of political behaviour will be reviewed, pointing out theoretical and practical concerns of these classic pieces of budgeting literature. The chapter then discusses potentially relevant aspects of budget theories that were previously prominent and influential, while also illustrating the need for alternative theoretical frameworks that shift away from traditional normative approaches to more descriptive and explanatory ones that can shed light on political behaviour and budget decision-making in different contexts.

The literature on public budgeting is wide-ranging. According to Premchand (1983) and Sicilia and Steccolini (2017), the development of research and writing on budgeting over the years has been interdisciplinary, with diverse contributions from economic theories, management approaches, accounting principles, political systems, and the conduct of public administration. Preparing a budget to meet predetermined objectives is linked to a planning function; managing ongoing activities and controlling spending are also functions that a budget system serves (Schick, 1966). The many functions of the budget mean that interest in its operations and in establishing a normative theory are far-reaching.

Budgets serve different purposes: an economic function (defining the distribution of resources and wealth), an external accountability function (holding public organisations accountable to the public), a managerial function (holding managers accountable for the achievement of results and use of public resources), and a political function – since budgets reflect stakeholders' preferences and allocation of power among actors (Anessi-Pessina et al., 2016; Mussari, 2022; Sicilia and Steccolini, 2017). As Caiden (2010, p. 204) points out, “the shape of contemporary budgeting derives from the interactions of past policies, the changing roles of participants, the influence of theories of public management, political and economic ideologies, and pragmatic reactions to the societal environment”.

Approaches to the study of budgeting range from the management and accounting field, where the focus is financial management, budget execution, control, management, planning, and finding optimal budgeting systems, to the economics and political science fields – concerned with optimal forms of resource allocation, application of micro-economic models to public decision-making, political behaviour, decision rules, and political processes (Caiden, 1985; Mitchell and Thurmaier, 2012; Mussari, 2022). Public administration scholars have for decades searched for a single best way to perform budgeting and other administrative activities, while political science is concerned with the ‘correct’ rules and process that will ensure the budget allocations will also be ‘correct’ (Schick, 1988). Political scientists’ interest in the budget lies in its function to reflect the compromise and outcome of long decision-making processes, and in the budgetary processes that reveal procedural rules, power roles, and executive-legislative relations in political systems (Saliterer et al., 2018; Wildavsky, 1964).

In organisation theory literature, budgeting plays a critical role in simplifying decision-making in large and complex organisations (Covaleski et al., 2006). Cyert and March (1963) define budgets as both the substance and result of political bargaining processes that are useful for legitimising and maintaining systems of power and control within organisations. Budgeting serves as an important organisational tool, influencing the ability of organisations to shift resources from one use to another, while also serving as a formal structural control mechanism in support of rational decision-making processes (Covaleski et al., 2013). Similarly, in accounting and management studies, budgets are not only considered a central part of organisational planning and control systems, but also a form of management control over the activities of budgetees (Covaleski and Dirsmith, 1983). As Irvine (1983, p. 25) explains, “basically, a budget system enables management to more effectively plan, coordinate, control, and evaluate the activities of the business”. Beyond the function of control within organisations, however, budgets are also used to establish and maintain power relations (Wildavsky, 1964; 1975).

The budget process acts as an arena of political confrontation for the competing interests and motivations of different actors, where the budget is considered a political instrument (Wildavsky, 1978) that is used to reflect the distribution of power (Norton and Elson, 2002) while also representing vested interest in the political process (Covaleski and Dirsmith, 1988). The budget, therefore, can provide insights into not just economic and social processes, but political processes as well (Sicilia and Steccolini, 2017).

3.1. On the lack of a universal budget theory

Theories of public budgeting developed in the early 20th century when critical examination of the government budget as a major component of decision-making was initiated (Jones, 2017). In his leading essay in 1940, *The Lack of a Budgetary Theory*, American political scientist, V.O. Key (1940, p. 1138) asked the fundamental question that has shaped the theorising and research on public budgeting to date: “On what basis shall it be decided to allocate x dollars to activity A instead of activity B?”. In the paper, Key (1940) laments the lack of comprehensive analysis of the working assumptions of actors who are central to resource allocation decision-making. His criticism centres on the fact that public finance experts at the time were concerned solely with taxes and expenditure as budgeting issues.

Key (1940) advocates comprehensive analyses of budget processes, suggesting that perspectives from both economics and political science are useful in addressing questions about the role of the legislature in the budget, the influence of economic, political, and other forces involved in the making of budget, and the factors that govern the decisions of budget officials. Key’s (1940) fundamental budgeting question, considered the foundation for budget theory (Meyers, 1996; Mitchell and Thurmaier, 2012), remains inadequately addressed, since, to date, there remains a lack of a good budget theory (Covaleski et al., 2006; Gibran and Sekwat, 2009; Jones et al., 2014; Kenno et al., 2018; Neuby, 1997).

The prominent work of Aaron Wildavsky (1961) extends the budgeting question raised by Key (1940), by asking how and why budget decisions are made. Wildavsky criticised Key for not extending his work to also pose questions about the implications of his budgeting question; implications that address the “if so, who” and “by how much” questions. Central to Wildavsky’s (1961; 1964) argument is an emphasis on understanding the existential situation in which budget actors engage. Rather than proceeding from a normative basis that seeks to pronounce how governments should budget, Aaron Wildavsky focused on explaining how the budgetary process actually works. He was resolute that such analyses be undertaken within the context of a political, and not a technical, budgeting system (Wildavsky, 1961; 1992). He contends that because the budget is completely linked to the political system, any reforms to budgetary processes must include significant changes to the political process. One of Wildavsky’s (1961), biggest arguments is that obtaining a better understanding of budgetary processes and outcomes relies on understanding the power relationships amongst budget actors.

V.O. Key and Aaron Wildavsky became two of the most revered contributors to public budgeting literature. Their collected works emphasised: that budgeting is inherently political; the need for a better understanding of the influences of budget decisions required from multiple theoretical viewpoints; and that the advancement of an explanatory budget theory requires better understanding of the working assumptions, relationships, and behaviours of principal budget actors. Such a theory, according to Rubin (1990), is necessary to encourage budgeters to theorise about trends and causation in budget decision-making.

Public budgeting has a long history of theoretical developments and explanatory models that have extended beyond any single disciplinary boundary, making it unsurprising that no single comprehensive budgeting theory exists (Kenno et al., 2018). According to Bacharach (1989), a theory should describe relationships in the real world within a framework of beliefs about how such a world works. It should not only describe such relationships, but also explain and predict them. Theories seek to provide logical explanation for observation patterns, make sense of observed patterns, and shape research efforts (Babbie, 2016). What Easton (1953) emphasises about the development of theory is that, while improving the reliability of attained knowledge, theories should seek to identify the major variables significant for an understanding of political life and to show their most important relations. A theory of budgeting should therefore answer ontological questions about the nature of public budgeting; explaining how and why governments budget the way they do, and providing guidance towards predicting budgetary outcomes (Gibran and Sekwat, 2009).

Although boundaries are necessary for demarcating problems and focusing analysis on appropriate relationships in any study of social phenomenon (Caiden, 1985), the disciplinary boundaries that academics act within can rarely be used to understand real-world policy problems that have economic, political, social, and psychological dimensions (Pierre, 2006). Budgeting theorists and scholars have conceded that searching for a grand theory may be a futile exercise – an impossibility (Wildavsky, 1964). Instead, various theoretical perspectives should be employed to describe different aspects of budgeting.

3.2. Theoretical perspectives on public budgeting

One viewpoint from economics suggests that budgeting is an economic process that collects and distributes resources while seeking to equalise the marginal utility of resources (Lewis, 1952). Studies of budgeting from an economics perspective typically examine the effects of economic incentives on budgeting behaviour, usually involving assumptions of rationality and

utility maximisation (Kenno et al., 2018). This perspective reduces budget decision-making and analysis to optimisation, and to the comparison of relative merit and efficiency. The basic principle from the economic school of thought, as summarised by Lewis (1952), is that the return on all expenditure must be worth its cost in terms of foregone alternatives.

Public budgeting is also considered a political process because it reflects political priorities, bargaining, policy issues, the allocation of power, and the creation and maintenance of power relationships (Covaleski and Dirsmith, 1986; Jones et al., 2009; Norton and Elson, 2002; Santiso, 2009; Sicilia and Steccolini, 2017), and because the problems that governments try to deal with in the budget process depend to a large degree on elusive political judgement (Ajam, 2009; Wildavsky, 1992). The complexity and uncertainty of deciding who gets what, when and how, are all ultimately determined by political preferences (Wildavsky, 1964). This makes the budget a process that is both impacted by, and has implications for, politics (Rubin, 2019). While economics and political science are the two social sciences that are most “intimately connected with the study of public policy” (Jones, 2017, p. 64), other theoretical perspectives that have had noteworthy and extensive impact on public budgeting research are psychology and sociology (Covaleski et al., 2006; Kenno et al., 2018).

Economics-based perspectives assume comprehensive rationality and optimality in budget decisions. The conception of individual rationality suggests that people will always maximise their expected utilities in formally predictable ways (Green and Shapiro, 1994). Psychology-based budget decision-making research focuses on individuals and assumes boundedly, not completely, rational behaviour. Developed by American economist and political scientist, Herbert A. Simon (1979; 1997; 2000), the concept of bounded rationality argues that although decision makers are goal-oriented and seek to maximise outcomes, they are unable to do so due to their limited cognitive abilities. Actual human behaviour falls short of complete rationality due to insufficient knowledge of the consequences that will follow each choice, and imperfect anticipation of all possible alternatives (Simon, 1976).

Therefore, individuals opt to “satisfice” instead of maximise, based on the limited information and limited cognitive ability to identify and consider all the outcome probabilities of their decisions. Within the sociology paradigm, emphasis is placed on how formal organisational structures, rules, and routines shape behaviour. Also assuming boundedly rational actors, sociology-based budgeting research argues that organisational structures and routines can

establish power relations. Under this paradigm, institutional theory dominates in analyses of the influence of politics and power in organisational decision-making processes.

Table 3. 1. Summary of social science theoretical perspectives on public budgeting

	Economics	Psychology	Sociology
Key assumptions	Rationality, Maximisation, Self-interested actors	Boundedly rational (limited cognitive ability, incomplete information)	Boundedly rational actors
Dominant theoretical frameworks	Agency theory (principal-agent relationship)	Goal-setting theory	Contingency theory, Neo-institutional theory
Budgeting claims	Policymakers seek optimality in budget choices	Budgets motivate effort and performance	Budgets used as forms of control and power
Units of analyses	Agency/Organisations	Individuals	Organisations (interorganisational relationships)
Dominant methods	Experiments, Surveys, Analytical modelling	Experiments, Surveys	Field/Case studies, Surveys

Source: Author's adaption from Covaleski et al. (2006), and Kenno et al. (2018)

Economic theory explains behaviour within markets, and political and sociological theory explains behaviour within hierarchies (Ostrom, 2007). Within political science, behavioural studies focus on the cognitive and emotional aspects of individuals, and institutional studies focus on the governing arrangements that incentivise decision-makers (Jones, 2017).

The explanations from multiple perspectives notwithstanding, it has become widely accepted that “the world of the public budgeter is a political one” (Caiden, 1985, p. 497) where budgeting is principally a political exercise (Premchand, 1983), that “budgeting is a reflection of politics” (Rubin, 2014, p. 26), and that “perhaps the ‘study of budgeting’ is just another expression for the ‘study of politics’ ” (Wildavsky, 1992, p. 598). The bond between budgeting and politics renders the budget an instrument for decision-making on the control of resources, for managing competing values and interests, and a tool for facilitating political processes (Covaleski et al., 2006; Wildavsky, 1975). Since resource allocation is at the heart of the political process, it therefore follows that a better understanding of why governments budget the way they do requires examination of the ways in which the distribution of power within budget processes affects the distribution of public resources. As Gibran and Sekwat (2009) argue, any theory of budgeting requires understanding of budgetary institutions, the behaviour of individual actors, their environment, and how they interact within a political system.

3.2.1. Rational choice

Theoretical and analytical perspectives from the economics paradigm rest on the assumption of rationality, optimisation, and self-interested actors. The rational choice perspective suggests that the behaviour of bureaucrats, politicians and citizens can be consolidated into and explained by the economics analogy of self-interested producers and consumers who seek to maximise profit and utility (Buchanan and Tullock, 1962; Jones et al., 2006). Rational choice theorists assume that all phenomena can be reduced to utility maximising behaviour, and that this behaviour can be of individuals or collective entities such as bureaucrats, organisations, and politicians (Green and Thompson, 2002). These assumptions allow researchers to model actors' budgetary behaviour (Cope, 2000). Models of political processes, like budget decision-making, are therefore judged as rational if the behaviour of actors is in pursuit of self-interested goals (Hindmoor, 2006a).

In the budgeting and policy-making process, rational choice theory hypothesises that after comprehensively analysing available alternatives, decision makers seek optimality in policy solutions and will always select the option that maximises expected utility (Jones et al., 2006; Pierre, 2006). Rational choice theory models complex political dynamics by making a few assumptions about individual behaviour – specifically, that: decision makers have ordered preferences, all decisions are reduced to self-interest and utility maximisation, and decision makers act under complete certainty of the consequences or policy outcomes of their choices (Jones et al., 2006). Aggregate budgetary outcomes can therefore be understood by explaining the ordered preferences of all individual budget actors – who are self-interested utility maximisers. Under rational choice theory, political processes like public budgeting are conceptualised as “a calculative enterprise” (Peters, 1992, p. 172), which provide theoretically parsimonious and precise models that could deliver high levels of generalisability and replicability (Frederickson et al., 2012).

In his seminal article, V.O. Key (1940) had already criticised the inability of economic theory to singularly explain how and why governments budget the way they do. Despite this, the adoption of the neoclassical economic paradigm in the public management field thrived during the early 1900s. American economist William Niskanen, who was one of the leading contributors to behavioural studies of politicians and government officials in the 1900s, popularised the economic theory of the bureaucrat, and developed the ‘budget maximising model’ (cited in Cope, 2000). Niskanen (1975) argues that bureaucrats pursue individual

interests and act to maximise utility by increasing their budgets, and that legislators exhibit vote maximising behaviour.

Fundamentally, Niskanen's budget maximising model attempts to explain the collective decision-making process in bureaucracies from an economics perspective (Simandan, 2009), arguing that the behaviour and incentives of bureaucrats in the public sector is the same as that of private firms. Although Niskanen's model was later widely criticised, it established a base for numerous academic contributions exploring the utility function of bureaucrats, and addressing the central question of what bureaucrats seek to maximise (Blais and Dion, 1990). As summarised by Cope (2000) and Hindmoor (2006b), the budget maximising model presented a rational choice model of bureaucratic behaviour.

Agreeing that self-interested bureaucrats are rational utility maximisers, Downs (1957) maintains a similar approach to that of Niskanen (1975; 1991) but contends that bureaucrats cannot all be considered to have the same utility function because some are motivated by rewards other than budgetary increases. For example, individual bureaucrats may reveal only complimentary information to their superiors as a means to advance and maximise their careers (Tullock, 1965); they may also act to maximise other things such as power, prestige, and income (Downs, 1966).

Notwithstanding the prominence of Niskanen's (cited in Hindmoor, 2006b) thesis in the public management field – especially the formulation of a behavioural theory of bureaucracy (Carnis, 2009), his work was subject to continual criticism – particularly his assertion that budget maximisation is the principal motive of the whole bureaucracy (Blais and Dion, 1990). In his review of William Niskanen's book, *Bureaucracy and Representative Government*, Thompson (1973) criticises the use of subjective observational judgements to develop a behavioural theory of bureaucracy. According to Thompson, the budget maximising model contains generalisations about bureaucrats, assumptions that have not been tested, and it simplifies the complexities in bureaucratic behaviour and decision-making.

Other contestations to the budget maximising model have included the claim that the interests of bureaucrats are not homogeneous, and the massive machinery of government consists of several heterogeneous groups of people and interests (Premchand, 1983). Bureaucrats are primarily concerned with the intrinsic character of their work contributing to the bureau (Dunleavy, 1985), maintaining the bureau's status quo, and maintaining managerial discretion in their work (Migué and Bélanger, 1974). Cope (2000) rejects the budget maximising model

entirely, arguing that it is based on a loosely generalised explanation that all bureaucrats act to maximise their utility and a belief that individuals are self-interested. Ultimately, in a reflection on his original thesis, Niskanen himself later acknowledged the critiques to his model, and concedes that his prior assumptions that bureaucrats act solely to maximise their budgets should be dropped (Niskanen, 1991).

Although widely discussed in literature, the rational choice approach to the study of politics and public budgeting is subject to numerous empirical and normative critiques. In their review of classical rational choice literature, Green and Shapiro (1994) interrogate the assumptions shared by rational choice theorists: maximisation of utility and expected value, ordered preferences, individual action representing collective outcomes, and homogeneity in people's preferences and decisions over time. Green and Shapiro conclude the fundamental weaknesses of rational choice theory is the failure of its hypotheses in surviving empirical scrutiny in a variety of political settings, and its inability to explain the role of political influence in decision-making.

A major limitation of analytical models purported in this theoretical paradigm is that economic models fail to accommodate political inertia, and they also fail to conceptualise and explain behaviour that is guided by non-rational consideration (Pierre, 2006). Rational choice theory focuses too much effort on model-building rather than on observing how people actually do behave, reason, and make decisions (Hindmoor, 2006a).

Assumptions of rationality distort the complexity of individual behaviour and organisational decision-making, and do not provide a useful framework for empirical behavioural analysis (Pierre, 2006). Political actors are not omniscient calculators of optimal policy and budget choices (Lupia et al., 2000). Human unpredictability, and the complexity and subtlety of political actors' decision-making presents a constant challenge to the explanatory power of any rational choice theory – reducing its assumptions to what Lindblom (1959), Lane (2021), Peters (1992), and Wildavsky (1964) conclude as impractical and utopian.

3.2.2. Incrementalism

An alternative view, which emphasises the failure of any comprehensive-rational approach to decision-making, is incrementalism. In 1959, American political scientist, Charles E. Lindblom popularised the concept of “muddling through” in the policy-making process, in a paper that rejects any rational approach to decision-making due to the complexity of policy problems and

the limited cognitive capabilities of decision makers. Lindblom's central argument was that, due to the impracticality of considering all possible options and consequences, the policy decision-making process seeks what is satisfactory rather than what is optimal.

In his incremental decision-making argument, Lindblom (1959) emphasises the standard operating procedures that organisations – particularly bureaucracies – rely on for guiding decision-making. Lindblom highlights this as another critical factor for why policy decisions seldom deviate far from the status quo. The routines and standard operating procedures that policy and budget actors rely on mean that decisions are often only marginal changes from a pre-established base or status quo. Ryu (2017) expands on Lindblom's argument, specifying that the political, fiscal, and legal constraints faced more typically in the public sector also limit decision makers' information processing abilities. Ryu makes a similar point to Wildavsky (1961; 1964; 1992), highlighting the influence that institutions and institutional positions have of budget actors' interests and strategies in the budget process.

Budgetary incrementalism characterises the annually repeated process of government budgeting where only the increments from the previous years' budgets are examined and approved – minimising potential conflict that large budget changes may bring about (Meyers, 1996; Wildavsky, 1964). The incrementalist approach creates stability and predictability by reducing budget decision-making to two decision heuristics: a base (the previous year's budget) and a marginal and predictable adjustment from the base. It suggests that budget decisions are based on looking backward in order to determine future appropriations, narrowing the focus to only marginal amendments required every year (Kelly, 2005; White, 1994; Wildavsky, 1973; 1978).

Considered the most influential scholar of the political function of budgeting and public finance, American political scientist Aaron Wildavsky's (1961; 1964; 1992) theory emphasises the political aspects of budgeting. Because the budget process is political, budgets are necessarily incremental – not comprehensive (Wildavsky, 1964). Wildavsky (1961; 1964) demonstrates the appeal of incremental budgeting to policymakers, as the repetitive nature of budgeting and sequential allocation decisions requires simplicity.

Advancing incrementalism theory to statistical modelling, Davis et al. (1966) used federal American government appropriation data between 1946 and 1963 to illustrate that amendments to budget outcomes data, expressed as percentage changes in the budget base, remain stable over time. Davis et al.'s (1966) model showed that decision makers always start with the

previous year's budget as a baseline and only make minor amendments to allocation. Only significant world events considered "random shocks" to an otherwise stable system, would disturb predictable annual increments in budgets (Davis et al., 1966). The model suggests that a fixed percentage change in budget allocations serves as useful decision rule to govern budgeting since budget decision-making faces the complexity of competing demands and multiple actors across different institutions. This statistical expression of the budget process provided predictability and stability, minimised legislatures' decision-making costs, and simplified resource allocation based on simple and stable decision rules (Peters, 2001).

Similar to its application to budgeting outcomes, incremental decision-making theory argues that decisions of policy makers are not purposeful choices toward the achievement of future goals, but instead represent small moves away from problems that seek a fair share or outcome for all parties involved (Hardaker et al., 2009).

Stability and predictability is favoured by incrementalists, who, according to Peters (1989), consider incrementalism to be a normative theory that moderates the decision-making load of policymakers. It also reduces the risk of making large and irreversible deviations from the status quo. Describing it as the most logical view of public budgeting, Kamlet and Mowery (1980) conclude that incrementalism is mirrored in the fact that, because societal demands do not change drastically from one year to another, resource allocations towards policy priorities cannot vary significantly on an annual basis. According to Meyers (1996), the practicality of making only small incremental changes is largely what contributed to the relevance and longevity of budgetary incrementalism throughout the 19th and 20th centuries. In addition to its simplicity and pragmatism, another appeal of incrementalism lies in what Breunig and Koski (2012) describe as its intuitiveness. Reflecting the longevity of incrementalism in public policy scholarship, Breunig and Koski explain how it is only logical that predictions of future decisions would be very similar to previous ones because in reality, many policy decisions are very similar to previous ones.

Notwithstanding its intuitive appeal for stable and consensual budget bargaining, incremental budget decision-making theory had many detractors. Incrementalism assumes that actors have no control or command over their decision-making environment (Etzioni, 1967), it accepts a passive approach to decision-making that assumes actors make simple decisions about complex problems and competing demands (Meyers, 1994), and it is dependent on a growing budget

base and does not consider periods of budget cutbacks – failing to analyse redistribution of a budget base that does not increase (Schick, 1983).

Wanat (1974) argues that, notwithstanding its intuitive appeal, the weakness of incrementalism is the lack of rigour in its academic and scientific explanations. Bozeman and Straussman (1982), and LeLoup (1978) extend this argument by highlighting the failure of the theory to apply equally to negative values (in periods of shrinkage) as it does to positive values (in periods of growth). Bailey and O'Connor (1975) and Berry (1990) criticise the loosely defined incremental budgeting model, arguing that research findings that supported incrementalism are not based on uniform assumptions, units of analysis, variables, or methodologies. True (2000), criticising the theory's applicability, comments on the lack of its explanatory power of politics, government institutions and policy making – which are central to budget decision-making processes. In his later work, Wildavsky (1988; 1992) addresses some of these criticisms of budgetary incrementalism, and acknowledges that not all change is incremental, and that budgets and budgeting do change as environment of budgetary politics changes. Effectively, Wildavsky abandons his theory in line with arguments by Bozeman and Straussman (1982) about its limited applicability to changing budget environments such as periods of declining budgets. Other conditions under which incrementalism did not hold, and to which Wildavsky gradually conceded, include how budgeting is both top-down and bottom-up, and that variable political and economic environments make budgeting more complex and less patterned (Rubin, 1989).

The weak problem-solving power of incrementalism, according to Bendor (2015) and Pal (2011), is not helpful to practitioners, as it characterises contemporary public budgeting strategies poorly and it has not further advanced theoretical understanding of contemporary budgeting issues. And much like most of the prominent studies on public budgeting and budgetary politics in general, the theory of incrementalism is based on the American context – presenting a significant limitation to its comparative capability (Wehner, 2007). While Jones et al. (2014) contend that incrementalism remains insufficient as a comprehensive public budgeting theory, they do not wholly falsify incrementalism as a theory of budgeting. Instead, like LeLoup (1978) and True (2000), Jones et al. (2014) call for a more complete general theory of budgeting that applies to all possible fiscal conditions and integrates the critical variable of politics.

In the final analysis, despite numerous dissenters, the theory of incrementalism has been reaffirmed as an important contributor to budget theory and classic budgeting literature (Bendor, 2015; Green and Thompson, 2002; Mitchell and Thurmaier, 2010). Discussion of the theory of incrementalism is warranted due its pervasiveness in the public budgeting literature, the milestone in budgeting theory it represents (Green and Thompson, 2002), and the theoretical and empirical debates it incited. As Neuby (1997, p. 134) states, “no agreement has been reached about the proper role of incrementalism, but it remains the dominant budgeting method enjoying the most, sometimes heated, debate”. The incrementalism debate, from both theoretical and practical arguments, raises interesting questions about whether annual allocations made in public budgeting processes can be anything other than incremental. Notwithstanding some shortcomings and valid criticisms of incrementalism as a public budgeting theory, none of the suggested alternatives have been sufficiently better to completely reject its influence (Jones and Baumgartner, 2005; Flink, 2017).

The longevity of incrementalism can also be attributed largely to what Rubin (2014) evaluates as the consequence of the relative paucity of budget theory since the contributions of Aaron Wildavsky. The complexity of government budgeting has also meant that many budgeting systems revert to incrementalism, as it best describes the actual practice of government decision-making (Fölscher, 2007). Incrementalism theory, however, does not and cannot not explain why governments budget the way they do. Its relevance to modern public management and contemporary budgeting scholarship is limited and cannot serve as a basis for developing a line of theoretical or empirical inquiry (Weiss and Woodhouse, 1992). “Incrementalism, which was intended not only as a normative theory but also as a descriptive theory, was dominant and in many ways inadequate” (Rubin, 1990, p. 185); it has been discredited over time (Rubin, 2014); and it is more a metaphor than a behavioural model (Green and Thompson, 2002). The axiom that budgeting is necessarily incremental (White, 1994; Wildavsky, 1961) has not contributed to theoretical advancement that can fully address the ontological questions of public budgeting.

Both rational choice and incrementalism theories have had significant impact on debates and attempts at explaining and predicting the behaviours of actors in the public budgeting process. The reviewed literatures on public budgeting, which are skewed toward the experiences of Western democracies – mostly the United States – reveal how debates from economics and politics are singularly only partially relevant in their theoretical arguments and empirical

soundness. A theory of public budgeting is thus necessarily interdisciplinary (Frederickson et al., 2012; Key, 1940; Rubin, 1990).

Any theory of budgeting requires understanding budgetary institutions, the behaviour of individual actors, their environment, and how they interact within a budgeting system (Gibran and Sekwat, 2009; Natchez and Bupp, 1973). A focus on the behaviour of individual budget actors is essential to advancing existing knowledge of budgeting (Thurmaier, 1995). The classic theorists of public budgeting expressed the same view. The seminal contributions of V.O. Key (1940), Charles Lindblom (1959), and Aaron Wildavsky (1961; 1964) propose that the most valuable explanations of why governments budget the way they do require comprehensive analysis of the working assumptions of budget actors within a political system.

With public budgeting being an applied science, the theoretical developments and explanatory models in budgeting research are influenced to a large extent by practitioner concerns (Covaleski et al., 2006). Practitioners and policymakers seek confirmation and input from theory, and theory is expected to find fit in practical application. Applied theories should have design implications, otherwise they are not useful (Bendor, 2015). Rubin (1990, p. 187) elaborates on the importance of accurately describing the relationship between budget theory and budgeting practice, as the normative budgeting theories to date have left practitioners unable to “see the phenomena in plain view to theorize about their meaning”.

3.3. Relevance of classic budgeting theory to contemporary budgeting

Despite several decades of research where various budgeting theories and explanatory models have been proposed, public budgeting has no established theoretical orthodoxy. Several of these theories are normative, they do not offer empirical theory of budgeting, and are often an incomplete explanation of the complex phenomenon of public budgeting. Neuby (1997) laments how budgeting is lacking theoretical guidance despite being an integral part of political science and public administration – fields of study which are abundant with theories in nearly every subfield. However, as Premchand (1983, p. 40) reflected over three decades ago, “although it is quite unlikely that reference to academic theories and writings will be made in the day-to-day administration of budgeting, it is helpful to have an understanding of their basic content to gain a better appreciation of the whole art of budgeting”.

Some aspects from previously prominent theories, discussed earlier in the chapter, are relevant to modern budget decision-making processes. Notwithstanding its diminished intellectual

lustre over the years (Bendor, 2015), some elements of incrementalism, in its descriptive sense, persist. The base year in every budget is typically the previous years' allocation, which changes only marginally in subsequent years. Exceptional cases are where there are major policy shifts or other policy shocks that result in a larger than usual change in amounts allocated. Budgeting is still mostly incremental; "the central concepts of base, increment, aids to calculations, fair share, equal sacrifice, and shift points remain as powerful explanatory variables of budgetary behaviour" (Good, 2011, p. 50). Governments produce budgets every year while coping with multiple demands, decisions, and large sums of money that underly every budget. Incrementalism remains the approach that budget practitioners use as the functional foundation for understanding public budgeting (Breunig and Koski, 2012).

Public policy is also made at the margins – determined by bargaining and negotiation (Lindblom, 1959; Wildavsky, 1961). Administrators rarely depart from what they are already doing, as only marginal changes can be made within established operations of government (Natchez and Bupp, 1973). The simple decision-rules that incrementalism employs are still favoured when dealing with the complexities of public policy priorities and resource allocation, as they create a stable decision-making environment and engender stable mutual expectations (Good, 2011; Kelly, 2000; White, 1994).

Despite the fact that rational choice theory and models have proven impractical (Lindblom, 1959; Lupia et al., 2000; Peters, 1992; Pierre, 2006; Wildavsky, 1964), one form of rational choice, bounded rationality, has some relevance in modern government budgeting and its decision-making processes. As part of his work on building a theory of human behaviour, Herbert A. Simon's (1976; 1979; 1997) concept of bounded rationality provides a realistic representation of human decision processes by emphasising how people find solutions that are adequate rather than optimal, since they possess neither perfect knowledge nor the ability to accumulate it. The degree of complexity in public policy and budget decision-making exceeds decision-makers' cognitive abilities. Faced with this degree of complexity, actors therefore use decision heuristics or aids to calculation to make sense of difficult problems (Kahneman and Tversky, 2000).

Bounded rationality is applied widely to public policy and public administration studies due to its orientation towards understanding individual behaviour and the processes of decision-making (Jones et al., 2006; Dhimi and Sunstein, 2022). Since heuristic decision-making and attention shifting is ubiquitous in budgeting, bounded rationality also allows for examination

of the development of existing formal rules and informal norms, how the environment (including institutions) produces positive and negative incentives, and how actors respond to them when making decisions (Shannon et al., 2019).

As Covaleski et al. (2006) concluded, a more complete understanding of budgeting requires multiple theoretical perspectives. Such research, although useful, neglects the political dynamics and behaviours of budget actors. Since budgeting fashions and re-fashions itself to reflect the political environment (Kelly, 2003; Rubin, 2019; White, 1994), there has been a necessary shift in focus and advances in the literature from budgeting formats and outcomes to budgetary processes, actors' behaviour, politics, institutions, and decision-making. As Schick (cited in Caiden, 2010) characterises it, budgeting is about people, policies, and politics.

3.4. New direction: budgetary politics, institutions, and power

A collection of public budgeting studies has emerged that is more relevant to modern and developing country contexts, and is concerned with the political economy of public finance. It focuses on the association between political institutions, budget outcomes and fiscal performance. Essentially, this new line of inquiry posits that budget outcomes and fiscal performance depend on political institutions – which are also important to understand, since they affect budget negotiating and decision-making processes as well as the constraints and incentives of the actors that participate in the budget process (Filc and Scartascini, 2007; Gaspar et al., 2017; Hallerberg et al., 2009; Santiso, 2015; Scartascini and Stein, 2009; von Hagen, 2008; Wehner, 2010).

Approaches to the political economy of budgeting are dominated by comparative studies with a quantitative orientation that focus on budget and indicators of fiscal discipline, rather than on budget processes. von Hagen and Harden (2019) for example, focus on institutional rules that govern budgeting, and examine correlations between countries with more centralised budget decision-making and fiscal discipline (lower budget deficits and lower debt). This analysis is limited to formal rules and practices, and their cross-country comparison is only of European countries. Focusing on the effects of constitutional arrangements (systems of government such as presidential versus parliamentary), Persson et al. (2004) find that presidentialism and plurality-rule electoral systems are correlated with lower central government expenditure.

Wehner (2007) undertakes a comparative study of the budgetary powers of parliaments and the hypothesised influence of these powers on fiscal outcomes. His analysis creates an index that

quantifies and ranks the extent to which countries' legislatures have control of budget decisions, and compares this with budget deficits. However, this analysis is limited to formal institutions and formal budget decision-making power, which Wehner uses to further predict fiscal outcomes. These studies, although useful, fail to consider informal institutions, and the diversity and contextual conditions of political settings outside of developed countries. They also miss a lot of the procedural subtleties and nuances that cannot be quantified into a uniform numeric format.

The limitation of these studies is their dependence on quantitative indices to infer the extent and effect of budget decision-making power, about which Jones (2017), in his review of seminal budgeting literature and search for contemporary theoretical advancements, surmises, "budget theory has relied too heavily on budgetary data and not enough on process observation" (p. 68). Such research, although useful, interprets only the rules and practices that are formally documented and in their comparative nature. This approach is based on rational, positivist logic which assumes that resources are allocated according to efficiency or merit, and its analysis neglects the political dynamics and behaviours of budget actors. The normative assertions rely on formal institutions and rules as a guide for shaping and predicting behaviour (Helmke and Levitsky, 2004).

Also falling under the political economy of budget processes research agenda is a focus on budget actors and their incentives, power relations among actors, the rules and procedures under which budget decisions are made, and the role of institutions on actors' behaviour and budget outcomes (Hallerberg et al, 2009; Rubin, 2019; Scartascini and Stein, 2009; Wehner and de Renzio, 2013).

Literature from this research agenda provides more insights into matters such as fiscal governance, the design and reform of constitutions, governments, and executive processes, the political economy of budget processes, the politics of public finance, and how different constitutional and political environments demand different institutional solutions. The different propositions from this literature have considerable practical relevance to contemporary budgetary politics (von Hagen, 2008). They are discussed in detail in Chapter 6 and Chapter 7, using the experience of South Africa. All these considerations are important to take into account because budgeting not only responds to external demands and institutional contexts, but it is also affected by (and in turn, affects) the changing social and political landscape (Anessi-Pessina et al., 2016; Breunig and Koski, 2012).

As Gibran and Sekwat (2009) point out, advancements to budgeting theories should be cognisant of the multiple rationalities operating in the budget process, they should explain actors' behaviour and interaction within a larger system, and they must consider both the macro and micro contexts of budgeting. The authors contend that directing the attention of public budgeting research to these areas will not only provide a firmer theoretical basis for drawing appropriate conclusions about public budgeting, but will also provide a stronger contextual understanding of public budgeting and the diverse factors that affect budget outcomes.

3.4.1. Power

Rules of the game establish an ordering effect on how authority and power is constituted, exercised, legitimated, and redistributed (March and Olsen, 2008). Robert A. Dahl's (1957) classic description of power is: "A has power over B to the extent that he can get B to do something that B would otherwise not do" (pp. 202–203). Dahl relates the concept of power to the resources that an actor – an individual or human aggregates such as offices or governments – can exploit to influence the behaviour of another party. Such resources include opportunities, objects, and activities. He also emphasises the relational nature of power among actors, and how there must be some connection between A and B for any power relation to exist between the two. This nature of power is also emphasised in other classic literatures on the concept. Bachrach and Baratz (1963) contend that power is neither possessive nor substantial, but is relational. Easton's (1953) perspective is that a power approach to any study identifies the activity of power as the effort to influence others. In his book *Power: A Radical View*, Steven Lukes describes the three categories of power – which he refers to as "faces" – as (i) decision-making, (ii) decision-making and agenda-setting, and (iii) decision-making, agenda-setting, and preference-shaping (Lukes, 1974). These three faces examine the exercise of power beyond the formal political area; they also include informal processes surrounding it, and the public sphere, as foci of analysis⁶.

Perspectives on power from these classic scholars inform the approach to examining the deep structures of legislative budget decision-making, in which the diversity of actors that participate in the process have different priorities and levels of power over budget process design and budgetary outcomes (Rubin, 2019). A great deal of the more recent literature on power builds

⁶ Debates on the conceptualisation of power are far more comprehensive than what is captured here. The point in this chapter is not to argue the range of descriptions and debates about the concept of power, but rather to explain its inclusion in the discussion of budget institutions and decision-making.

on the conceptualisations of Dahl (1957) and Lukes (1974). The focus on power and its role in shaping human-environment relationships is theorised in diverse ways in various fields. Through the political economy lens, power resides in relatively stable societal structures that determine control over and access to resources, where its social and structural dimensions enable and constrain actors in different ways (Acosta and Pettit, 2013; Bennett et al., 2018). All institutions affect the distribution of power and resources in the organisations and fields they structure (Bolukbasi and Yıldırım, 2022; Bourdieu, 1993, cited in Lawrence and Buchanan, 2017), making the interaction between power and institutions critical in determining the evolution of institutions and networks that structure the experiences and opportunities of actors (Jupille and Caporaso, 2022; Lawrence and Buchanan, 2017). In Jupille and Caporaso's (2022) discussion about how power and institutions interact, a number of causal relationships between the two are identified, which do not have distinct boundaries and can unfold – and at times overlap – at different stages of an institution's lifecycle. These relationships include: power determining or creating institutions and vice versa, power flowing from the institution itself, and institutions mediating the effect of power on outcomes of interest. Since institutions often involve power, Bennett et al. (2018) and Jupille and Caporaso (2022) point out the need for further work exploring how power reveals the ways in which institutions emerge and are perpetuated. Chapter 6 and Chapter 7 of this thesis explore in greater detail how electoral and other political institutions established the power relations that influence South Africa's legislative budget process.

It is important to highlight about public budgeting literature, the relatively sparse exploration of conditions and political settings different from those of Western democracies, an understanding of how institutional constraints and incentives shape political behaviour, when and why these constraints and incentives work and do not work, and how they interact with local political environments (Haruna, 2016; Helmke and Levitsky, 2004; Krause, 2013; Lowndes, 2018; North, 2005; Rakner et al., 2004; Schick, 1998). While it is common knowledge that effective government budgeting systems of developed countries differ fundamentally from those of developing countries (Schick, 1998), the state of fiscal governance and “rational budgeting” in African nations is worse on average than in other developing countries (Gollwitzer, 2010). As mentioned in Chapter 1, the empirical work of this thesis aims to contribute to strengthening existing public budgeting literature on developing countries – and more importantly, within an African context.

3.5. South Africa within the African context

The broad understanding of political institutions notwithstanding, constitutional, political, and cultural differences are more acute in the context of African democracies, where the characterisation and performance of political institutions can vary significantly from its counterparts in other regions of the world. Some marked distinctions in many African countries are that power is more personalised and informal; political environments are further complicated by democratic transitions, liberation movement ideologies and legacies of colonialism and warfare; and formal structures of power may have little to do with actual political relations (Anderson and Cheeseman, 2013; Chabal, 2009; Dorman, 2018; Haruna, 2016). Arguments made by Chabal and Daloz (1999) in their study of “how Africa works” highlight the multifaceted and complex reality of politics and institutions in the African context compared to those of Western and other developed democracies.

In contemporary African political studies, characteristics that are described as endemic in post-colonial African states are culture, informal rules, neopatrimonialism, corruption, weak institutions, and patronage politics (Beresford, 2015; Chabal, 2009; Hyden, 2013; Lewis, 2019; Sigman and Lindberg, 2020; Yanguas and Bukenya, 2016). The rule of law is often weakly developed or just ignored with impunity, and the limits of state power are usually novel and untested (Bratton, 2007). Summarising the essence of contemporary politics in Africa, Chabal (2002) concludes that in most African states, power exercises itself through informal structures despite the existence of formal and legislated political structures. Such power extends beyond the network of political elites; it reflects the social structure through which actors at all levels of society are trying to get access to state resources (Beresford, 2014). The institutional landscape in Africa, in Hyden’s (2008, p. 11) view, “is a curious mixture of formal and informal behaviours”.

Bayart (2009) and Chabal and Daloz (1999) emphasise how power is more personalised and informal in many African contexts, and is shaped largely by individuals, resources, history, and values. These authors suggest that to better understand political institutions in post-colonial African contexts, certain additional factors should be explored, including: understanding a country’s historical settings and how they affect power relations; how formal institutions are incomplete characterisations of actual power relations; how legacies of colonial economic structures impact on current political systems (Dorman, 2018); and the influence of non-state actors in the political arena. Schiavo-Campo (2013) points out that the government machinery in many African nations works differently to its formal design. Informal and unobservable

norms are often what contribute to a contradiction between formal laws and institutions on paper, and poor, inadequate, and inefficient public services and corrupt governments in reality (Hyden, 2013; Rakner et al., 2004; Schiavo-Campo, 2013).

In terms of budgeting and fiscal management, Haruna (2016) explains that despite reform efforts, many African countries continue to be on an unsustainable path that is not cognisant of their unique cultural, societal, and political circumstances. Distinguishing of budgeting and public financial management in African contexts – although there is variation between countries – are budgets that are not executed as planned, laws and processes seldom impact behaviour, and practice often lagging behind the creation of legislation and formal procedures (Andrews, 2010; The World Bank, no date).

South Africa often sets itself apart from the typical depiction of most other African states with poor rule of law, weak political and administrative institutions, ineffective national security, and weak overall governance (Chabal, 2009; Cheeseman, 2018). It has, since the early twentieth century, been an exception on the continent as the most developed country both in economic and educational terms, and particularly after 1994 it has been dominant and leading in economic and financial performance (Alden and Schoeman, 2015; Napier and Mthimkulu, 2013). It is always included in the list of countries with good governance, a functioning democracy, and strong institutions (Mo Ibrahim Foundation, 2018). In addition, South Africa's budgeting systems and standards of fiscal governance are comparable to those of the developed world – it has a highly sophisticated public budgeting system that complies with internationally accepted public budgeting criteria developed by the International Monetary Fund and the OECD (Ajam, 2016; van der Waldt and Vyas-Doorgapersad, 2016; Wildeman and Jogo, 2012). Other advantages that South Africa has over other African countries are its modern physical infrastructure, being the most industrialised economy on the continent, which generates predictable resources for public spending, its stable democratic political system, a functioning tax administration, minimal donor financing as a proportion of its national budget, strong rule of law and government institutions, and comparatively good capacity in the public sector (Alden and Schoeman, 2015; CABRI, 2008; Fölscher, 2007; Fölscher and Cole, 2006; Nijzink et al, 2006; Sigman and Lindberg, 2020). As an outlier to the rest of the continent, South Africa's budget institutions are comparable with advanced countries in many respects (Allen et al., 2017).

These notable differences notwithstanding, South Africa still exhibits practices associated with the generalisations of ineffective institutions, weak governance, and informal rules that characterise African nations – dispelling its claim to exceptionalism in Africa (Hendricks, 2018). For example, while challenging the view that patronage and corruption is “just how Africa works”, Beresford (2015) concedes that gatekeeper politics and cronyism is a predominant feature of South African politics.

Chapter 4

Theoretical framework

The theoretical discussion in this chapter is intended to provide a new institutionalist framework to study when, how, and why institutions shape actors' behaviours and decisions. Making sense of budgetary politics – in this case, in the context of democratic South Africa – requires a comprehensive understanding of the institutional arrangements for budget decision-making, and the rules and procedures for interaction between institutions and actors.

As mentioned in Chapter 1, one of the objectives of this study is to explain how formal and informal institutions influence actors' behaviour and decisions in South Africa's legislative budget process. With a focus on process and decision-making, more so than on budgetary outcomes, the unit of analysis is key actors involved in the legislative phase of the budget process, and how their decision-making environment incentivises and constrains behaviour. A second objective is to better understand the nexus between formal and informal institutions, and how they establish and maintain power relations in the budget decision-making process. Crucial for such analysis is understanding how institutions affect the behaviour of individuals, since as Hall and Taylor (1996) point out, it is through the actions of individuals that institutions have an effect on political outcomes. Equally important is the interaction between structure (created by institutions) and agency (shaped by constraints and incentives), keeping in mind that actors' behaviour may be independent, but it is always present within institutions. How institutions interact with individuals is another critical focal area because institutions provide the rules of the game and individuals actors are players within that game – making actors and institutions mutually constitutive of one another (Jackson, 2010; Lowndes, 2018).

Chapter 2 discussed the lack of a unified public budgeting theory that can explain actors' behaviour or predict budgetary outcomes. Notwithstanding the continued existence today of some elements such as incrementalism, classic public budgeting theories lack the relevance required for contemporary studies on the political economy of budgeting and budget decision-making processes. A significant part of the budget process is characterised by rules, timelines, and constraints under which decisions are made (Rubin, 2006). An institutional approach provides a more fitting theoretical frame for providing insights into, and explaining the realities of, political and institutional variation for the practice of budgeting in different contexts. New

institutionalism provides such a fitting theoretical framework to make sense of the empirical data about South Africa's legislative budgeting process.

This chapter begins with a brief discussion on how institutions and new institutionalism are understood in literature, including major theoretical weaknesses of institutional theory. The discussion also highlights the important distinction between formal and informal institutions, and the importance of understanding not only how they influence actors' behaviour, but also, equally important, how they interact. The three predominant approaches to institutional analysis are then discussed (normative, rational, and historical), pointing out their strengths and weaknesses and areas of common argument.

All these discussions are relatively brief, as the intent of this chapter is not to explicate the numerous discussions, terminological debates, and assortment of arguments in literature. New institutionalism is a very large topic; the range of its research area cannot all be summarised in this chapter. While it is acknowledged that debates around the definition of institutions remain at present, this chapter does not attempt to adjudicate or add to this debate in any way. Highlighting the utility of new institutionalism for public policy research, the chapter finally concludes on why a normative institutionalism analytical framework is used for better understanding the politics of South Africa's legislative budget process.

4.1. Institutions and new institutionalism

Despite the existence of numerous definitions and nuances, the concept of institutions is commonly and famously linked to a phrase coined by political scientists James March and Johan Olsen, to describe an approach to politics which holds that behaviour is fundamentally moulded by the institutions it is embedded in (March and Olsen, 1984). Institutions can refer to a range of things, such as electoral systems, legislation, political parties, contracts, social movements, governance structures, codified and informal practices, policy networks, and other informal conventions – and they all affect what actors can and cannot do (Ersson and Lane, 1999; Lahat, 2018; Lowndes, 1996; Lowndes and Roberts, 2013; Peters, 2022). They define the context within which individuals, governments, and organisations operate and interact with each other (Campbell, 2021).

March and Olsen (1984, 1989) define institutions as interrelated rules and routines that define appropriate actions in terms of relations between roles and situations. Others define institutions similarly. Hall and Taylor (1996) describe institutions as formal or informal procedures,

routines, and conventions embedded in the organisational structure of the polity. Institutions, according to MacIntyre (2018) and North (1991), are formal and informal constraints that human beings deliberately design to shape behaviour and human interaction.

In Helmke and Levitsky's (2004) description, institutions are formal and informal rules and procedures that constrain and enable actors' behaviour, thereby structuring social interaction. Thelen and Steinmo (1992) regard institutions as sets of incentives used by individuals pursuing their preferences, or the structures that influence those preferences. Institutions can be treated as structures because rules often endure in the same basic form regardless of the different individuals involved (March and Olsen, 2008). Such structures can exist in the real world, or they can be constructs that exist in the minds of individuals (Cairney, 2019).

Beyond the standard definition, more considerations about what institutions are should be noted. Institutions do not operate in a vacuum; they can be shaped by human action (Lowndes, 2018; March and Olsen, 1984). Wildavsky (1988) explains that because institutions provide behavioural rules, standards of assessment, and conceptions of reality, they legitimise political actors by giving them a capacity for purposeful action. March and Olsen (2008) further elaborate on how institutions act to simplify political life; providing codes (rules and practices) of appropriate behaviour by specifying what is normal and what can be expected. Furthermore, institutions ingrain political life with order and predictability: they establish an ordering effect on how authority and power is constituted, exercised, legitimated, and redistributed (Lecours, 2005; March and Olsen, 2008). Institutions thus play a central part in social and political life (Cairney, 2019; Lahat, 2018; Peters, 2005).

The new institutionalist approach to the study of institutions therefore explores how procedures and rules affect individuals' behaviours. Ideas of new institutionalism emerged from economics (highlighting the persistence of economic organisation in the face of utility-maximising individuals with cognitive limits and incomplete information), political science (revealing the deep structure and rules of the game that influence political behaviour), and organisation theory (concerned with the way in which particular organisational forms become legitimated and ingrained with cultural value) (Lowndes and Roberts, 2013). Lahat (2018) describes this theoretical framework as fundamental for policy scientists' aim to understand the effect of institutions on the development, changes, and outcomes of policy. A new institutionalist approach, according to Peters (1992), develops systematic approaches for understanding how structures and their characteristics influence policy and decision-making.

It studies the importance of institutions to economic, political, and social life (Ansell, 2021). Important claims that the new institutionalist analytical framework makes are that institutions do matter, they evolve and change (Beck and Mozdzeń, 2020; Cairney, 2019), and that “the organization of political life makes a difference” (March and Olsen, 1984, p. 747). Furthermore, as Peters (2005) explains, institutions are the variables that explain political life in the most direct manner, and that institutions matter more than anything else that could be used to explain political decisions. Institutions, according to Peters (2000) create greater stability and predictability of human behaviour than would otherwise exist, a factor that Peters believes contributes to enhancing the explanatory and predictive capacity of the social sciences.

Another characteristic is that the influence of institutions is not just to shape actors’ behaviour and choices, but also mediate actors’ relations of cooperation and conflict – something that Thelen and Steinmo (1992) describe as structuring political situations and impacting political outcomes. As Lowndes (2018) points out, an institutionalist approach is also concerned with the ways in which various institutions embody values and power relationships; and in doing so, it also pays attention to the context within which institutions are embedded – seeing them not just as autonomous structures.

Important to note is that, although institutions constrain and shape behaviour, they are never the only cause of decisional outcomes. As Voigt (2013) explains, a linear relationship does not exist between an institution and a certain outcome. Institutions serve to frame and influence action, rather than decide actual outcomes (Leach and Lowndes, 2007). Institutional theory, therefore, is an “organising perspective” and not a causal theory (Gamble, 1990, p. 405). Equally important to note is that institutions and specific organisations should not be confused with each other, as they refer to different things (Cairney, 2019; Leach and Lowndes, 2007; Lowndes, 2018; North, 1990). Discussing the institutionalist view and the difference between the two, Lang’s (2018) simplified explanation is that institutions are seen as the structural forces that guide actors’ behaviour (the rules of the game) and organisations and individuals are considered the players within the game. Although the definitional distinction may be unclear at times and there may be some overlap between the two, in theory and in practice, they must be considered separate (Lowndes, 2018; Peters, 2016).

4.1.1. Weaknesses of a new institutionalist approach

The most commonly cited weakness in institutionalist literature is that institutions are not well defined, as there are a number of definitional variations and ambiguities provided by many scholars (Cairney, 2019; Campbell, 2021; International Public Policy Association, 2017; Lahat, 2018; Lang, 2018; Lowndes, 2018; Peters, 2000; Schmidt, 2015). As discussed earlier, by definition, the inclusion of both formal and informal rules and constraints that shape actors' behaviours makes institutions a very broad concept that may lead to what Peters (1998, p. 211) calls "conceptual stretching". The term is elusive because it relates to "social phenomena at many different levels – informal codes of behaviour, written contracts, even complex organizations" (Lowndes, 1996, p. 182). The implications of the expansive definition of institutions is, in Lowndes' (2018) view, that its meaning and impact could become diluted because it includes almost everything that influences individual behaviour. As Thelen (cited in Lecours, 2005) explains, the differences in methodological and epistemological variations between institutional approaches is increasingly narrowing, and there may not be extreme dichotomies between them. Similarly, Lowndes and Roberts (2013) point out that there is a small and decreasing gap between the different variants of new institutionalism, and that in robust institutional arrangements, all the variants work together to shape behaviour.

The different approaches to institutionalism can be used as a set of theoretical lenses that illustrate different aspects of political structures and political behaviour because all the approaches, through their own insights, make important contributions to explaining the complexity of institutions in the study of politics (Peters, 2000). Scholarly arguments and other writing within social and political science on the definitional consistency of institutions fundamentally highlight the fact that institutions are so multifaceted, problem- and context-dependent, and the explanatory concerns with respect to which they arise are so vast, that the search for a consensus definition is impractical and can be counterproductive (Jupille and Caporaso, 2022). With the same theoretical core, all the variants of new institutionalism carry a strong theoretical message that is increasingly influential in political science (Lecours, 2005).

Another commonly discussed issue of new institutionalism relates to the structure versus agency debate. Agency, defined by Meyer and Jepperson (2021, p. 282), is "the right and capacity of the actors to choose: the denotation typically is agency for the interests of the self". Such actors, therefore, are able to create, transform, and disrupt institutions (Lawrence and Buchanan, 2017). According to Peters (2016), there is a tendency in institutional analysis to

emphasise the nature and importance of structures more than the role of actor making decisions within those structures. Hall and Taylor (1996) ascribe this tendency of neglecting actors' motivation more to normative institutionalism than the other two major variants. The theoretical analysis, in Peters' (2016) view, does not sufficiently include as the unit of analysis individuals who may be very strong decision-makers in institutions, leaving institutionalist theory overly oriented towards structure and less toward agency. This ignores the critical consideration that it is individuals who create the institutions that constrain them, meaning that there is important reciprocal influence in the ways in which individuals shape institutions, and institutions shape individuals (International Public Policy Association, 2017; Peters, 2016). It is after all, "through the actions of individuals that institutions have an effect on political outcomes" (Hall and Taylor, 1996, p. 939).

However, Olsson (2016) points out that in virtually all in the variants of new institutionalism, actors are theorised as acting in very specific roles; either as rational, self-interested, and calculating or as rule-following and socially adaptive. Challenging these dichotomous portrayals of actors, Olsson asserts that these claims about the role of individuals are not context-sensitive, and they contradict the common-sense experience of individual action as driven by mixed motives and mechanisms. Arguing the same point, Lowndes and Roberts (2013, p. 145) insist that institutional analysis should include "actors with real human heads and hearts, who engage critically and strategically with institutions rather than simply playing pre-assigned roles".

4.1.2. Formal and informal institutions

Reflecting on the various descriptions of institutions as constraints that shape behavioural norms, Helmke and Levitsky (2004) assert that any study of political behaviour and political institutions cannot afford to exclude informality in its scope. According to North (1990), even in the most developed economies, formal rules and procedures constitute only part of the sum of constraints that shape choices. As Leach and Lowndes (2007, p. 185) simply state, "rules-in-use often vary considerably from rules-in-form", or as Voigt (2013) phrases it, there is a distinction between *de jure* and *de facto* institutions; meaning that despite the ubiquity of institutions in democratic societies, they may not always function as specified on paper (Cheeseman, 2018).

Brie and Stölting (2012), Helmke and Levitsky (2006), Lauth (2004), North (1991) and O'Donnell (1996) emphatically critique any analyses of democratic institutions that fail to recognise informal rules and procedures as equal to their formal counterpart. Informal institutions can be as powerful as formal ones, and can not only greatly affect the nature of a country's politics but also significantly contribute to the success or failure of policies (Lowndes and Roberts, 2013; Peters, 2016). North (1991) goes further to suggest that the most powerful institutional constraints individuals face in decision-making may be informal ones. Or as Ostrom (2007) puts it, the political institutions that really matter are invisible. In many instances, formal institutions get their strength from supportive informal underpinnings and vice versa; therefore, it makes little sense to try to understand one without the other (North, 1991).

Formal institutions refers to formal rules that are codified and enforced, such as written constitutions or other legislation, systems of government, or structures of public bureaucracies (Cairney, 2019). These written formal rules are recognised as legal in clearly defined contexts, they are binding on behaviour under defined circumstances, and can typically only be changed by specific actors and under clearly defined and limited conditions (Brie and Stölting, 2012). Informal institutions are unwritten rules that are typically common knowledge to all actors interacting with them; they are socially shared rules created, communicated, and enforced outside of officially authorised channels; they are not always consciously designed; they are not directly observable; and they cannot be changed with formal rule-making (Helmke and Levitsky, 2004; Lowndes, 1996; North, 1990; O'Donnell, 2006). Lauth's (2004) summary about informal institutions is that: although they are not set down in writing, they are publicly known and recognised; they are developed indigenously and cannot be changed with formal rule-making; they do not necessarily always compete with politically binding decisions; and they influence the way in which government reaches its decisions.

An important observation about informal institutions made by Espinoza and Barozet (2018) is that they are an integral part of how a political system operates. The existence of informal institutions can be inferred when shared expectations outside the official rules of the game shape political behaviour (Azari and Smith, 2012). Lowndes (2018) explains that the impact of formal institutions on political behaviour must be considered in light of contextually embedded informal conventions that can also have distributional effects on power. At the one extreme, informal institutions can compete with formally established institutions and thus play a destructive role. At the other extreme, informal institutions can coexist with and become

ensconced in formal institutions and other democratic principles in functioning democracies (Lauth, 2004; Radnitz, 2011).

On why informal institutions are created, Helmke and Levitsky (2004) point out that actors may create informal rules because formal institutions are incomplete. Actors develop informal rules and norms to expedite their work or address the problems that formal rules do not anticipate. In some cases, actors may simply lack the power to change the formal rules and therefore create informal ones to carry out their objectives or assist in decision-making. Furthermore, where formal institutions exist on paper but are ineffective in practice, or when actors prefer but cannot achieve a formal institutional solution, informal institutions may be the next best strategy. A third motivation for creating informal institutions, Helmke and Levitsky explain, is that they achieve the pursuit of goals that are not considered publicly acceptable – goals ranging from unpopular to illegal.

There are a number of important considerations about informal institutions worth mentioning. First, although culture may help shape informal rules and norms (North 1990), informal institutions should be distinguished from the concept of culture. Political culture refers to the shared beliefs and values of a group on public policy and political relationships (Swedlow, 2013). Second, there is a general expectation that all actors will follow informal rules because some kind of punishment, sanction, or ill will follows in case of failure to do so (O'Donnell, 2006; Lowndes, 2018). Third, weak or ineffective formal institutions do not necessarily imply that they are informal. Fourth, despite having an influence on political behaviour and on the way in which government reaches its decisions, informal institutions do not necessarily always compete with formal politically binding decisions. Lastly, informal institutions may be enforced externally by a third party or by the state – organised state corruption, for example (Helmke and Levitsky, 2004; Lauth, 2004).

Table 4.1 illustrates the different roles that formal and informal institutions can play as well as their different interactions.

Table 4. 1. Types of informal institutions and interaction with formal ones

Outcomes	Coexist with effective formal institutions	Coexist with ineffective formal institutions
Convergent	Complementary <ul style="list-style-type: none"> • Fill in gaps not addressed by formal institutional framework • Often enhance efficiency • May create or strengthen incentives to comply with formal rules 	Substitutive <ul style="list-style-type: none"> • Structure incentives incompatible with formal rules: to follow one rule, actors must violate another • Most familiar examples: patrimonialism and corruption
Divergent	Accommodating <ul style="list-style-type: none"> • Create incentives to behave in ways that alter substantive effects of formal rules, but without directly violating them • May enhance stability of formal rules by dampening demands for change 	Competing <ul style="list-style-type: none"> • Exist in environments where formal rules are not routinely enforced • Achieve what formal institutions were designed, but failed, to achieve • Tend to emerge where state structures are weak or lack authority

Source: Author's adaptation from Helmke and Levitsky (2004)

While it is useful to conceptually distinguish between formal and informal institutions, Cheeseman (2018) asserts that there is value in analysing them simultaneously particularly in the study of African politics, where the often-complex interaction of formal and informal institutions is significant in the context of personalised and patrimonial politics. Some notable distinctions in many African countries are that the rule of law is weakly developed or ignored with impunity, power is more personalised and informal, and that formal structures of power may have little to do with actual political relations (Bratton, 2007; Chabal, 2009; Chabal and Daloz, 1999; Dorman, 2018). Important to note however, is that this should not and does not imply that informal politics is limited to African countries⁷; all political life is saturated with informality. The relevance here and to this study's subject of budgeting is that, if theoretical advancements in public budgeting are to remain globally relevant, it is important that research recognises environments where informality not only coexists with formal democratic institutions, but also where informality is prominent in the policy-making arena (Helmke and Levitsky, 2006; Schick, 1998).

Some of the patterned behaviours that exist in political life are prescribed by written formal rules, and others not (Azari and Smith, 2012). Both formal and informal institutions are equally important for understanding what incentivises and constrains political behaviour as well as the

⁷ A recent surge in interest in informal institutions is dominated by studies of Latin America, post-communist Eurasia, Africa, and Asia (Helmke and Levitsky, 2004)

strategic behaviour of actors involved in decision-making (Brie and Stölting, 2012; Radnitz, 2011; Steinmo, 2008).

4.2. Approaches to institutional analysis

There are several variations or approaches to new institutionalism; the most distinct and widely discussed being historical, rational, and normative institutionalism⁸. These different approaches to institutionalism have a common argument that structures (institutions), however they are defined, do matter; they create order and stability, and they persist (Judge, 2008; Lecours, 2005; March and Olsen, 1984; 2008; Peters, 2000; Steinmo, 2008). The differences of the various approaches relate to how and why they matter (Ansell, 2021; Davies and Trounstone, 2012; Peters, 2016), as well as how individual actors interact with institutions (Lowndes, 2018). Another important point is that by asserting that institutions matter in political life, Voight (2013) points out, actors behave differently from how they would in the absence of these institutions or in the presence of different institutions. Studies using different types of institutionalism also hold a common belief that institutions are a central component of political life (Cairney, 2019). All institutionalist approaches, with their different logics, seek to explain political reality in “all its institutional complexity” (Schmidt, 2015, p. 1 839).

4.2.1 Normative institutionalism

Also referred to as sociological institutionalism⁹ due to its linkages with sociological organisational theory, normative institutionalism emphasises values and symbols that serve as guidelines for the behaviour and actions of individuals (Hall and Taylor, 1996; Peters, 2016). In contrast to the assumption of inherently efficient rules, constraints, and procedures, it asserts that it is through socially and culturally constructed values, norms, interests, identities, and beliefs that institutions influence actors’ behaviour (March and Olsen, 1989). In addition to rules and procedures, this perspective on institutions also includes the influence of symbols, moral models, and cognitive schemes (Thoening, 2007). Normative institutionalism challenges the utility-maximising assumption of rational institutionalism by arguing that actors’ behaviour is in line with their institutional duties and roles – normative standards – and not self-interest (March and Olsen, 1984; 1989; 2008). Put differently, it is according to institutional rules, procedures, and values rather than the desire to maximise individual utilities that actors behave

⁸ Other examples include feminist, empirical, and discursive institutionalism

⁹ While this is done by many scholars due to their important similarities, a few scholars distinguish between normative and sociological institutionalism while emphasising the connections between the two

in the way that they do (Peters, 2016). A normative approach assumes the behaviour and decisions of individuals involved in policymaking are guided by loyalty to their institution and its rules (Hoefler, 2022).

This approach was most famously advocated by political scientists James March and Johan Olsen (1984; 1989; 1996), who argue that the best way to understand individual and collective political behaviour is through what they call a logic of appropriateness that individuals acquire through their membership in institutions. This quote explains this logic comprehensively:

The logic of appropriateness is a perspective that sees human action as driven by rules of appropriate or exemplary behavior, organized into institutions. Rules are followed because they are seen as natural, rightful, expected, and legitimate. Actors seek to fulfill the obligations encapsulated in a role, an identity, a membership in a political community or group, and the ethos, practices and expectations of its institutions. Embedded in a social collectivity, they do what they see as appropriate for themselves in a specific type of situation (March and Olsen, 2004, p. 2).

Actors are guided by this logic, and behave according to the values they have learned as suitable for their membership in an institution (Peters, 2016). Ostensibly neutral structures and rules provide a structure of incentives and disincentives for actors, expressing standards of appropriate and inappropriate behaviour, and they embody values and power relationships (Leach and Lowndes, 2007; Lowndes, 2018). Hall and Taylor (1996) describe this approach as how sociologists theorise a world of individuals or organisations defining and expressing their identity in socially appropriate ways. As Steinmo (2008, p. 126) explains it, “rather than asking themselves ‘What do I get out of X?’, people first ask themselves ‘What should I do? What is appropriate?’ ”.

Schmidt (2015) points out criticism of normative institutionalism as an implicit relativism as it typically focuses on explanation within and not across cultures, limiting the possibility of cross-national generalisations. Schmidt also highlights how normative institutionalism, like rational choice institutionalism, can be too static and unable to account for change over time.

4.2.2 Rational choice institutionalism

Implied in its name, rational, or rational choice, institutionalism is based on the utilitarian logic of rational choice theory, which fundamentally argues that individuals use rational calculations to pursue their self-interest (Peters, 2016). This logic argues that “human beings are rational

individualists who calculate the costs and benefits in the choices they face” (Steinmo, 2008, p. 126). While there are variations to the general theme¹⁰, rational institutionalism was famously advocated by economist Douglass North (1991, p. 97) as “humanly devised constraints that structure political, economic, and social interactions”. North also acknowledges that it is both formal rules (such as constitutions and laws) and informal constraints (such as traditions and codes of conduct) that provide these incentive structures. Formal and informal institutions, therefore, lead individuals and policymakers to prefer the strategies that will maximise their own utility (Lahat, 2018; Lowndes, 2018).

In direct contrast to the normative approach, rational choice institutionalism assumes that actors’ preferences are relatively stable and are determined exogenous to institutional factors (Lowndes, 2018; North, 1991; Peters, 2016). Individuals also bring their own value to institutions (Hofer, 2022). So, it is not the institution that shapes behaviour, but rather that actors come into an institution seeking to maximise their utilities, and it is from actors’ behaviour within an institution that certain characteristics of an institution can be explained. Lowndes and Roberts’ (2013) explanation by way of example is that voters will not base their choices on their actual preferences but on their strategic assessments about how to their utility will be maximised within a specific institutional structure. Institutions, therefore, produce certain outcomes through interacting with the self-seeking motivations of actors that have their own well-ordered set of preferences (Peters, 2000; 2016).

As with other rational choice models of decision-making that make major assumptions about actors’ fixed set of preferences and their instrumental behaviour to maximise the attainment of these preferences strategically using extensive calculation (Hall and Taylor, 1996), rational institutionalism faces a number of criticisms. Despite being the most mathematically rigorous form of new institutionalism and while its characteristics of simplification and elegant clean lines of analysis are commended (Shepsle, 2008), rational choice institutionalism has significant weaknesses. One common critique is that the overly confining and highly restrictive assumptions of rational choice prove unrealistic and unable to capture complexities of the real world and fluid patterns of politics in a variety of contexts (Judge, 2008; Schmidt, 2015; Thelen and Steinmo, 1992; Weyland, 2002). The precise and highly generalisable set of concepts that rational choice institutionalism postulates about the relationship between institutions and behaviour presents a relatively simplistic image of human motivation that misses many of its

¹⁰ Game theoretical approaches, principal-agent models, and rules-based models (Peters, 2000)

important dimensions (Hall and Taylor, 1996; Schmidt, 2015). The deductive logic and universal toolkit that rational institutionalism provides cannot be applied in diverse political settings (Thelen and Steinmo, 1992).

4.2.3 Historical institutionalism

Historical institutionalism, in Lahat's (2018, p. 2) view, "focuses on the study of the temporal aspects and historical roots of the social and political interests and power relations between different actors and groups". History matters for this approach because, as Steinmo (2008) explains, all political events happen with historical contexts that directly impact decisions, expectations are shaped by the past, and because a richer understanding of historical moments and the actors within it offers more accurate explanation for specific events. The importance of history is illustrated by how policy and structural choices made at the inception of an institution have a persistent influence on behaviour for the remainder of its existence (Steinmo et al., 1992). Fioretos et al. (2016) describe historical institutionalism as a research tradition that examines how chronological events and processes influence the institutions that govern political and economic relations. Furthermore, Thelen and Steinmo (1992) explain that a historical approach to institutional analysis allows for the examination of the relationship between political actors as objects and as agents of history.

Hall and Taylor (1996) explain that this approach sees institutions as relatively persistent features of a historical landscape, where the focus is on understanding of the origins, evolution, and consequences of institutions across time and place. Institutions are a main factor in driving historical development along a set of paths, and historical institutionalists devote considerable attention to the problem of explaining how institutions produce such paths. Path dependency becomes a central explanatory principle in historical institutionalism, based on the assumption that once an institution embarks on a path, the selection of a particular policy, for example, it is likely to persist on that path (Peters, 2016). "The logic of path-dependent action means that the legacy of the past is a strong force behind present and future actions (Olsson, 2016, p. 18). The continuity of policy due to past decisions make it harder to deviate from the path (Lahat, 2018).

Historical institutionalists, according to Peters (2000), primarily identify what is the existing institutional arrangement – in policy or structural terms – and argue whether it persists or not. Prevalent in comparative politics, historical institutionalism is helpful in explaining, for instance, different policy outcomes in different countries with reference to their respective

stable institutional arrangements (Thelen and Steinmo, 1992). This comparative work also pays attention to the ways in which institutions distribute power unevenly across social groups, giving some groups or interests disproportionate access to decision-making processes (Hall and Taylor, 1996). Lowndes (2018) expands on this and explains that historical institutionalists explore how the structures of the state reflect and redistribute power relationships between different groups.

One weakness of a historical approach to institutional analysis, according to Hall and Taylor (1996), is that it devotes little attention to specifying the precise ways in which institutions affect behaviour, and therefore contributes less to improving understanding of this relationship. Another major criticism about historical institutionalism is that it does not deal with the question of change; the focus is often explanations of continuity and persistence of policies rather than change (Peters, 2000; Schmidt, 2015; Thelen and Steinmo, 1992). Also, because of its key element of path dependency, Lang (2018) argues that it risks underestimating the role of actors because they are considered ‘victims’ of the deterministic character of institutions. Peters (2016) explains that, recognising this criticism, advocates of historical institutionalism have responded by arguing the existence of incremental policy and institutional change – not only rare, major punctuations (moments when substantial institutional change takes place).

4.3. Institutional framework for understanding South Africa’s legislative budget decision-making process

Acknowledging the utility of institutions in understanding public policy-making, such as government budgeting, this study borrows from normative institutionalism to inform its theoretical framework. It conceptualises actors as rule followers that behave and act according to what is appropriate within their respective institutions (March and Olsen, 2004; Steinmo, 2008). These institutions are the formal and informal rules, procedures, norms, and practices of South Africa’s legislative budget process, where executive, legislative, and other non-government actors interact to influence budget policy and to determine resource allocation decisions. It is what actors learn as appropriate behaviour for their membership in institutions that guides their behaviour and actions (Peters, 2016).

The study makes some explicit assumptions about the nature of institutions that guide actors’ behaviour and decision-making. Rules and practices specify what behaviour is appropriate and what is expected of actors – emphasising values, identities, and beliefs (March and Olsen, 1989; Peters, 2016; Thoenig, 2007). The rules and practices are specific to a particular political

setting; their effect is collective rather than individual or personal; they are subject to some sort of formal and informal enforcement; and, irrespective of whether or not they are adhered to, they are recognised by actors (Lowndes, 2018). These institutions also establish authority and power relations, laying out how power is not only constituted, but also how it is exercised, legitimated, and (re)distributed (Leach and Lowndes, 2007; Lowndes, 2018; March and Olsen, 2008).

Both actors and the institution within which they act are the units of analysis in this study. Part of what this study does is identify the rules, norms, practices, and relationships that influence patterns of behaviour in South African politics and budget decision-making. This study is also concerned with how actors interact with established institutions of legislative budget decision-making, including how these institutions incentivise and constrain actors' behaviour. As Guy B. Peters explains, the study of institutions involves the interaction of structure and agency in producing outcomes because understanding how institutions work requires understanding of the policy the institutions are making or implementing, as well as the actors involved in the decision-making (International Public Policy Association, 2017). Normative institutionalism permits the mutual influence of individuals and institutions (Peters, 1999).

Institutions also create stability and predictability, as the rules of the game tend to endure in the same basic form, regardless of changes over time and the actors involved (March and Olsen, 2008). The primary concern of this study is how South Africa's post-apartheid political and budget institutions interact to influence budget actors' behaviour and actions in the legislative phase of budget decision-making. South Africa's legislative budget process is clearly defined by formal, constitutionally established rules and routines to guide decision-making and to ensure a stable and predictable process every year.

The political and budget decision-making structures have been stable and remained largely unchanged in South Africa since 1994; the exception being introduction of new legislation, which provided more formal procedures rather than changing or overhauling existing democratic institutions. Also since 1994, South Africa experienced some changes in its political environment and faced significant pressures on public finances that have impacted an otherwise stable and predictable budget process. Chapter 1 introduces these events, which are discussed in detail in Chapter 6 and Chapter 7, illustrating how key budget actors' incentives and constraints changed in line with changing political dynamics.

As part of its analysis, this study will necessarily probe into the empirical validity of the assumptions that underlie normative institutionalism. This, however, does not necessarily imply an entirely deductive perspective where institutionalist theory is the point of analysis, and its main propositions are tested. While this study is empirically driven by observation and evidence gathered from the real world of legislative budgeting in South Africa – implying an inductive approach – the assumptions and propositions of normative institutionalism are also the driving force of inquiry and provide the knowledge for expected causal mechanisms (see Chapter 5). Institutional theory, therefore, serves as a “staging post on the loop around to the next observation of realpolitik” (Lowndes and Roberts, 2013, p. 20).

Discussed earlier in the chapter was the importance of both formal and informal institutions in explaining political behaviour and decision outcomes. This study highlights where these work together and separately to incentivise and constrain actors’ behaviour, while also explaining how power relations unfold within and outside of formal institutional arrangements to influence budget decisions and budget policy.

4.3.1 The suitability of a normative approach

Although it shares some assumptions with normative institutionalism such as actors’ endogenous preference formation, historical institutionalism is not best suited to address this study’s research objectives. Central to a historical institutionalism approach is a focus on explaining institutional and policy decisions by understanding historical moments and the actors within them, and how present and future decisions tend to follow the logic of path-dependency (Lahat, 2018; Olsson, 2016; Peters, 2016; Schmidt, 2015; Steinmo, 2008). The scope of the study on legislative budget decision-making in South Africa is limited to post-1994, and does not include a thorough examination of how chronological events and processes in South Africa’s history influence the institutions that govern political and economic relations. As discussed in Chapter 2, virtually all public sector institutions, the system of government, and policies of the apartheid government were completely overhauled following democratic transition. Undoing all the structures of the apartheid era involved realigning political and economic power, and implementing sweeping institutional reforms with no linkages to the racially discriminatory history.

Similarly, rational institutionalism also does not best serve the objectives of this study. From a public budgeting theory perspective, the many shortcomings and general inability of rational choice models to explain how and why governments budget the way they do, is discussed in

Chapter 3. Regarding institutional arrangements for budget decision-making by legislative and executive actors, Chapter 6 discusses issues of a South African political context and actors' behaviour that do not fit assumptions of utility-maximising decision-makers that have ordered preferences and act under complete certainty of the consequences of their choices (Jones et al., 2006). Instead, what has become common knowledge about the culture of political actors in South Africa is a lack of independent behaviour, insufficient information for decision-making, and toeing the line irrespective of personal preferences or beliefs (Alence and Pitcher, 2019; AmaShabalala, 2021; Doyle et al., 2022; Gumede, 2018; Nijzink, 2001; Southall, 2017).

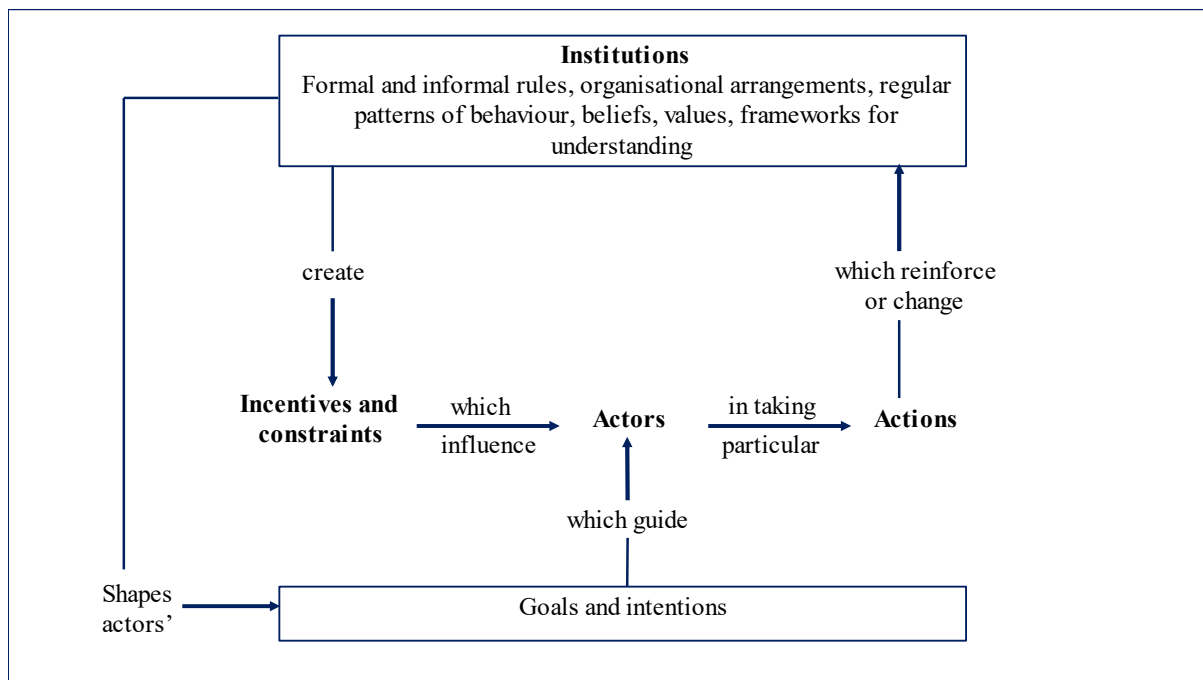
Furthermore, this study does not seek to establish universal generalisations about how political and budget institutions shape behaviour and determine budget outcomes, nor does the study seek to make predictions about the impact of institutions on behaviour and outcomes. Instead, the study is concerned with context-dependent explanations for how actors interact with formal and informal institutions in a particular political setting (Krause, 2013; Lowndes, 2018; Weyland, 2002) – using the case of South Africa's legislative budget process.

The theoretical framework underpinning analysis of how institutions shape actors' behaviour as well as the interaction between institutions and actors is illustrated in Figure 4.1. Within this framework, the study is able to identify the specific formal rules and procedures as well as the informal rules of behaviour that are explicitly or implicitly agreed upon, and how actors' behaviours are shaped by these institutions. The way that actors interact in a budget process is not independent of the institutional framework in which they make decisions (Hallerberg et al., 2009). The budget decision-making process has multiple institutional and political dimensions; a comprehensive understanding of the links between them and the actors involved in the process is critical.

Like most budget process research, this study is concerned with how the behaviour of budget actors can be understood in terms of their power and position within a larger social system – taking into account the competing values, informal rules, incentives and constraints that underlie their behaviour (Helmke and Levitsky, 2004; Mitchell and Thurmaier, 2012). Detailed analysis of how actors in South Africa's legislative budget process respond to incentives created by political and budget institutions, and how they interact, using the normative institutionalism theoretical lens is provided in Chapter 6 and Chapter 7. A good understanding of the workings of the budget process, according to Hallerberg et al. (2009), requires a systemic view of the multiple political and other institutional dimensions, and the interaction between

them. This analytical approach places the institutions at the centre of the analysis, to best illustrate the complexity of real political situations (Thelen and Steinmo, 1992). This study's focus is also on actors and on social mechanisms, and how they interact with institutional structures in guiding behaviour and action (International Public Policy Association, 2017).

Figure 4. 1. Framework for understanding interaction between institutions and actors



Source: Author's adaptation from Woodhill, 2008

Lowndes and Roberts (2013) argue that the character of institutional constraints is an empirical rather than an ontological matter, and thus the study of institutions warrants detailed case studies of the rules and practices that influence actors rather than abstract descriptions that ignore contextual conditions of local political settings. Some prerequisites for such studies, according to Peters (2019), are that formal and informal institutions are a structural feature of the polity and of society, the environment under assessment should demonstrate stability over time, the focus of the study should involve groups of individuals in some form of patterned and predictable interactions based on actors' relationships, and institutions must actually affect individual behaviour.

Chapter 5

Research design, methods and data

This chapter presents the methodological process undertaken for this study, including the ontological and epistemological position, methods, instruments used, and analysis undertaken to answer the research questions detailed in Chapter 1. This chapter begins with a discussion of the research paradigm, outlining how constructivist principles befit the empirical pursuit of exploring how South African political and budgeting institutions budget actors' behaviour and affect power relations in budget decision-making. The study uses an assessment of formal and informal institutional arrangements of the government budgeting process as a vantage point to understand how the balance of power between different actors in South Africa's political system is established and maintained. The chapter then addresses the single case study research design chosen to understand how institutions shape the nature of budget decision-making and decision outcomes. The method of data collection and description of the data sources will then be explained. Finally, the process of analysis for each of the data sources collected is discussed.

5.1. Constructivist theoretical paradigm

A constructivist (interpretivist) approach informs the research paradigm of this study. The interpretivist philosophy focuses on the meaning or interpretation of social phenomena, as the world is considered socially constructed rather than a social reality of stable pre-existing patterns (Marsh et al., 2017). It rejects the positivist claim of a single, independent, and objective reality that can be reduced to causal laws. Research undertaken from the constructivist perspective seeks to understand and describe social action, and the meaning that people develop to make sense of their world (Neuman, 2014). Adopting a relativist ontology, constructivist researchers are "oriented to the production of reconstructed understandings of the social world" (Denzin and Lincoln, 2018, p. 197), where interpretative techniques are used to analyse and understand cases through thick description and an inquiry process of joint construction of knowledge between the inquirer and participant (Given, 2008).

The methodological implications of a constructivist or interpretivist worldview is the use of qualitative methods that try to determine how people understand their world, and the meaning they attach to behaviour (Marsh et al., 2017). Qualitative research does not seek a universal explanation for phenomena, but instead considers multiple realities in generating

understandings (Given, 2008). In this study of South Africa's legislative budget decision-making process, employing a constructivist perspective emphasises how reforms to political and budgeting institutions create incentives and influence the behaviour and actions of key actors. This includes exploration of the beliefs and meanings that inform actors' behaviour beyond what is anticipated by formal rules and incentives of institutional theories. Qualitative methods allow for the collection of data in a natural setting that is sensitive to the people and places under study. Qualitative studies produce reports that include the voices of participants and reflexivity of the researcher, and a rich description and interpretation of the phenomena of interest (Creswell and Poth, 2018). Another advantage of qualitative methods is the direct engagement with, and direct observation of, participants in natural settings in order to systematically analyse how they create and maintain their social worlds (Marsh et al., 2017; Neuman, 2014).

Adopting a constructivist paradigm and using qualitative methods is therefore useful in studying behaviour in detail and understanding actors' interactions in context (Neuman, 2014). Qualitative work can help clarify procedural and relational subtleties that are difficult to capture in quantitative measurement (Wehner 2010). Qualitative analysis is necessary, according to Azari and Smith (2012) and Beckmann and Padmanabhan (2009), to capture the complexities informal institutions, their interlinked rules, and to make meaning of actors' discourse, intentions, and values within their institutions.

To explore the complexities of how universal formal institutions interact with local informal rules and incentives embedded within context requires determining the real rules that shape political behaviour and ultimately impact budget decisions and policy. Actors operating within the same social setting and bound by the same rules and procedures may face different incentives and constraints. This study aims to provide a highly detailed account of a specific political reality – South Africa's legislative budget decision-making process.

5.2. Case study research design

The study employs a qualitative case study research design, as the primary intent is to better understand budget actors' behaviour and decision-making within the contextual conditions in which they interact – which is in this case is the South African legislative budget process. Yin (2009, p. 13) defines a case study as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”. Similarly, in their description, Merriam and Tisdell (2015)

emphasise in-depth description and analysis of a bounded system in their description of a qualitative case study. The boundedness of the research topic is illustrated by finite data collection where there is a limit to the units of analysis involved in the phenomenon under study, such as the number of people who could be interviewed.

The appropriateness of a single case study approach is clear. The budget decision-making process, as summarised by Crain (2004) and Raudla (2019), takes place within a set of specialised rules and procedures that shape interaction through strategic distribution of influence among actors; rules that regulate the flow of information among actors and governs decisions through rules of interaction. The legislative phase of South Africa's budget process is a bounded system involving multiple actors responsible for negotiating and approving allocation of the country's resources every year. While this bounded system within which budget actors interact is governed by legislation, formal rules and procedures, explanation of actors' interaction, behaviour and decisions are also influenced by informal rules and other unique contextual conditions of South African political system.

Such analysis of formal and informal institutions requires intensive fieldwork and some knowledge of the community within which institutions are embedded – necessitating a case study approach (Azari and Smith, 2012; Beckmann and Padmanabhan, 2009; Helmke and Levitsky, 2004). To study what government actually does and the politics of those issues, Mead (2015) asserts that a research approach that enquires about what happens inside of government is required, involving field input and direct contact with a programme and its actors. This budget decision-making process therefore is representative of a case embedded within a context; a case which itself is the object of the study (Merriam, 2009), and which the researcher has little or no control over (Yin, 2011).

For this study, the focus is on obtaining in-depth understanding of the balance of power between the different actors interacting in the same legislative budget process, and how actors respond to incentives and constraints created by the contextual conditions of South Africa's political system and budget institutions. To comprehend the behaviour of key budget actors – politicians, government, and non-government officials – an understanding of the context within which the actors operate is key. For a case study approach, Hartley (2004) emphasises studies that place importance on understanding organisational, political, and other contexts when examining processes. Such studies, according to Yin (2009), are impossible to separate a phenomenon's variables from their context.

Another characteristic of this study that is appropriate to case study research design is the primary objective to produce knowledge of interpretations and influences of institutions on individual behaviour, with an emphasis on uniqueness and context instead of making generalisations to larger populations. Rather than numeric generalisation from a single case study to broader population, the study pursues analytic and conceptual generalisation, which Yin (2013, p. 325) explains as “the extraction of a more abstract level of ideas from a set of case study findings”; ideas that not only emerge from the data collected, but are also informed by theoretical propositions in literature related to the research topic – propositions that also guide data collection and analysis (Yin, 2009). It should be highlighted however, that case study research can also be used for what Gerring (2004, p. 342) explains as “an intensive study of a small number of units for the purpose of understanding a larger class of (similar) units”. While the findings of this study may be used for further research into the behaviour of budget actors in political systems similar to that of South Africa, the original intent of the study is not solely for comparative purposes.

Lastly, an advantage of a case study research design is that in-depth understanding of context and process can lead to discovery of relationships that were not obvious before, which can be useful for describing new phenomena or fostering new hypotheses (Merriam and Tisdell, 2015). This study, therefore, elaborates on the distinct and contextual variables influencing the behaviour of actors in South Africa’s legislative budget decision-making process, while also testing propositions from public budgeting and new institutionalism literature about the presumed effects of the incentives and constraints actors face.

5.3. Methods and data

The primary data collection method used was semi-structured interviews of elite budget actors. This was combined with non-participant observation of parliamentary budget related meetings, and document analysis of budget committee reports and proceedings of committee meetings from previous years as secondary methods. Details of these meetings and of the documents analysed are discussed later in this chapter, in sections 5.3.2 and 5.3.3. While interviews are a basic mode of inquiry for understanding participants’ lived experience and the meaning and interpretation they make of that experience (Yin, 2011), they also provide access to the context of people’s behaviour beyond what observation of their behaviour can reveal.

While actors’ behaviour and interaction are relatively easy to observe, to access the context and meaning of individuals’ behaviour and inferring underlying values and narratives requires

researchers to do more than observe individuals' actions (Seidman, 2006). Researchers should also attempt to gain access to individuals' subjective understanding of their experiences, and interviewing provides the best method of inquiry for that. The study's use of a semi-structured interview format with mostly open-ended questions allowed interview respondents more freedom to express themselves. This approach enabled a conversational flow of the interviews, with probing and follow-up questions contributing to in-depth responses.

Non-participant observation and document analysis provided additional, confirmatory sources of information to the interviews – providing a differently informed perspective to the content from the interviews. Budget-related meetings that the study's interview respondents participated in were observed, allowing a relatively unobtrusive method of collecting more primary data. Participant observation in this case, was not an option. The legislative phase of the budget process is limited to select actors – politicians, senior government officials, parliamentary researchers and advisors, union senior representatives, and other non-government actors – responsible for scrutinising, providing input, and approving (or amending) the allocation of resources. Insights from direct observation, Natow (2020) adds, provide additional perspectives that cannot be obtained from interviews alone. Analysis of committee reports and historic minutes of committee meetings where the budget was negotiated and approved, provided further data on the context within which the study's participants operate (Bowen, 2009).

This form of triangulation, using multiple methods and sources of evidence, is described by Flick (2018) and Neuman (2014) as combining different perspectives on an issue to produce knowledge of the issue under study at different levels to improve accuracy, depth and comprehension. Reliance on multiple sources of evidence for data convergence is a typical characteristic of case study research (Merriam, 2009). The use of different data collection methods was helpful for what Dunleavy (2003) describes as the anticipated challenge of determining power and influence directly from interviewees alone, since political actors are likely to overstate their perceived power or deemphasise any political disagreements.

5.3.1 Elite interviews

The primary data collection method I employed was semi-structured, in-depth, elite interviews with key actors in the approval phase of South Africa's budget process. These actors are MPs, senior government officials and senior non-government actors involved in the legislative budget decision-making process. Yin (2009) describes interviews as guided conversations that

are one of the most important sources of case study evidence. Interviews are one of multiple data collection methods that allows the construction of an in-depth picture of the case (Creswell and Poth, 2018). The exclusive position, experience, and knowledge of actors in South Africa's legislative budget decision-making process puts them in a relatively powerful position. What makes the interview respondents elite individuals is their close proximity to power and professional expertise (Morris, 2009). Actors responsible for deciding on whether budget proposals should be passed or not, or amended, are not only powerful sources, but they can also provide information that is not necessarily public knowledge (Kezar, 2003) as well as insight into political constructs such as beliefs, perspectives and explanation of behaviour, which are difficult to assess from observation alone. The choice of a semi-structured format for the elite interviews is their flexibility to probe respondents for more information and refocus some questions during the course of the interview (Baškarada, 2014).

Non-random purposive sampling was adopted for this study. I selected participants who are legally required to participate in, and those that have experience and knowledge of, South Africa's legislative budget decision-making process. These are individuals who share a common experience of the approval phase of the budget process, who interact with each other within the same political system and budget process, and whose interactions and decision-making are bound by the same procedures. Etikan et al. (2016, p. 2) characterise purposive sampling as "the deliberate choice of a participant due to the qualities the participant possesses". To ensure that certain individuals with particular and important perspective on the phenomenon of interest are targeted, researchers use their a-priori knowledge of the research topic to include certain individuals in the study's sample (Robinson, 2014). The study's focus on how South Africa's political institutions incentivise and constrain actors in legislative budget decision-making validates the use of a purposive sampling strategy, due to the limited number of actors involved in this phase of the budget process and the study's information-rich context that seeks in-depth understanding of the phenomenon of interest (Patton, 2002).

With the selection of MPs in the finance and appropriations committees, it was important to ensure that the sample was a good combination of MPs from multiple political parties and from both the Lower and Upper Houses of Parliament. The interviews targeted elected politicians, senior government officials, and other high ranking non-government actors who are directly involved in the approval structures of budget decision-making. In the sixth democratic Parliament, seven political parties are represented in the finance and appropriations committees in both Houses, and the ANC has majority representation in all of them. The total number of

members serving on the finance committees, as at 31 May 2022, are 19 (in the National Assembly) and 17 (in the NCOP). The appropriations committee in the National Assembly has 14 members. In the NCOP, the same 17 members of the finance committee also serve on the appropriations committee¹¹. MPs who participated in the study are from four of the seven political parties. In addition to politicians, the sample also included senior Treasury officials, parliamentary researchers and advisors, senior trade union representatives, parliamentary legal advisors, and other independent actors who are consulted annually on budget decision-making. Collectively, this represents a wide enough set of informants for a sample of the legislative phase of South Africa’s budget decision-making process. More details on the individuals included in the interview sample are provided in Table 5.1.

Table 5. 1. Interviews: sample characteristics

	Members of Parliament (n=13)	National Treasury (n=10)	Other key actors (n=10)	Total (n=33)
Gender				
Female	0	5	0	5
Male	13	5	10	28
Years of experience				
Mean	6.8	11.8	10.7*	9.1*
Range	24	10	17*	24*
Political party				
ANC	5 (38.5%)	-	-	-
Opposition	8 (61.5%)	-	-	-

**Excludes details of one respondent. Calculated with n-1*

Using my pre-existing knowledge of the South African budget process and its key actors as well as the publicly available information on South Africa’s budget actors, identification of potential participants was straightforward. I conducted 33 in-depth, semi-structured interviews with elite actors in South Africa’s legislative budget process. A format of emailed written questions was used with one of the 33 participants, at their request. A provisional decision on 33 interviews was not made at the initial design stage of the study; instead, I determined a minimum number of 25 and a maximum of 40 – based on the number of actors involved in

¹¹ Includes alternate members

South Africa's legislative budget process plus the time and resources that I was limited to for this study. Also, as discussed later in this chapter, data saturation was reached by interview 21 where coding and identification of themes was no longer generating new or conflicting insights.

Interview respondents included current and former MPs of the finance and appropriations committees in the two Houses of Parliament – the National Assembly and the NCOP; current and former senior officials in the National Treasury who participate in the legislative phase of the budget process; and key non-government actors involved in the legislative budget decision-making phase. Non-government actors who play a key role in the budget process and were interviewed include current and former researchers and advisors of the finance and the appropriations committees, and senior officials from organisations such as the Financial and Fiscal Commission, the Congress of South African Trade Unions, and the Parliamentary Budget Office.

My initial plan to conduct face-to-face interviews during my fieldwork travel period to South Africa between April and August 2020 was hampered by the Covid-19 pandemic and lockdown measures. I amended my fieldwork plans, and conducted virtual interviews using the Microsoft Teams and Zoom platforms, using the audio and video recording features provided. Only three of the 33 interviews conducted were without video – at the request of the interviewees. The interviews lasted between 45 and 80 minutes, and were recorded with the permission of participants in every instance.

Although video technologies for conducting interviews and other forms of work and communication is not new, the use of software such as Skype, Zoom, and WhatsApp for research interviews has accelerated due to the impact of the recent Covid-19 pandemic (de Villiers et al., 2021; Lobe et al., 2020). Using Microsoft Teams and Zoom software presented minor challenges to the interviews for this study. Some of the participants had interruptions of internet connectivity during discussions and got disconnected in the middle of the discussion. Others had weak signal strength that resulted in a few instances of inaudible dialogue throughout the interview. Another limitation I identified from conducting virtual interviews was the weakened ability to observe and make notes of participants' body language or other non-verbal means of communication. While I paid attention to changes in tone, pauses when speaking, and participants' facial expressions throughout the video interviews, such gestures would have been better observed in person.

A growing number of studies on the use of online interviews in qualitative research highlight the same opportunities and challenges compared with face-to-face interviews. Barriers to reaching participants across dispersed geographic locations – including monetary costs – are eliminated with internet and video technology, there is more scheduling flexibility in when interviews can be conducted, the time and effort of travelling to interview locations is eliminated, and the personal settings such as living rooms or bedrooms in individuals' homes can make participants feel more relaxed (Deakin and Wakefield, 2014; Mirick and Wladkowski, 2016; Quartiroli et al., 2017; Weller, 2015). Some challenges include loss of the richness that nonverbal cues provide when individuals entire body language can be seen, and difficulty in building rapport when not face-to-face with someone and can partake in activities beforehand such as having a cup of coffee (Deakin and Wakefield, 2014). Other practical challenges may be technical, such as poor internet connectivity affecting the flow of conversation, and whether or not participants are efficient and confident with the use of video technology (Quartiroli et al., 2017).

Virtual interviews conducted for this study did present some advantages over face-to-face ones. Since many of the participants were working from home, there was a level of comfort displayed, and they were more conversational and informal. Adding to this was the participants being casually dressed, some sitting on their sofas, and some interviews being conducted after work hours and others over the weekend – all at the preference of the participants. These interviews were also relatively longer. The use of virtual interviews was also very cost-effective, as the need to travel from the United Kingdom to various regions of South Africa was eliminated. Both I and all the interviewees already had access to the hardware, software and internet connectivity required for virtual interviews – meaning no financial costs were involved in using video technology rather than having face-to-face conversations. Many interviews were postponed at the last minute, some participants did not show up online to scheduled interviews, and some participants abruptly cut the interview short and requested continuance the following day. All these interruptions had none of the financial implications they would had if they were conducted physically and required frequent travelling to participants' chosen venues would have been required.

The interviews were conducted between April 2020 and July 2021. I used three interview guides with a set of questions grouped in the same thematic order, with variations to some of the questions depending on which group the interviewee belonged to – politician, senior government official, or other key actor. Although the same themes were covered in all the

interviews conducted, questions differed slightly for the three groups. At first, two pilot interviews were conducted with actors from the target population. Revisions were then made to the interview guide; removing some questions and rephrasing others to eliminate ambiguities and incorrect interpretation of questions. The content from the pilot interviews is included in the data analysis, as the participants' responses contributed to the richness of the data collected.

Reflexivity

Finlay (2002, p. 532) defines reflexivity as “thoughtful, conscious self-awareness”, where the researcher evaluates how subjective elements influence his or her research in the form of both the data collected as well as the researcher's own construction of knowledge. Similarly, Patton (2002) explains how reflexivity is about self-awareness and the researcher being attentive to his or her own perspective and positionality, and the origins of such perspectives. Positionality, as described by Merriam et al. (2001), is where one stands in relation to another. This places emphasis on not only observing and being aware of oneself within the research process, but also awareness of the subjective inputs of respondents and how one interacts with them. Since the research process and its analytic perspective may be impacted by the researcher's position in relation to the population group and to issues under study (Berger, 2015), reflection on my positionality within this study as a researcher with knowledge and previous professional experience of the South African budgeting process that is the subject of this study is warranted.

Of the 33 interviews conducted for this study, 30 percent of the participants were individuals I knew only from a professional background. Prior to undertaking this research project, I worked for just over seven years on different aspects of the national budgeting process, as a senior analyst and later a manager at the South African National Treasury. During this time, I had direct interaction with the senior Treasury officials that participated in this study, but no direct interaction with the MP participants, as my previous professional role was limited to the drafting phase of the budget process. Participants in the approval phase who interact with parliamentary finance and appropriations committees are typically very senior Treasury staff, including the Minister and Deputy Minister of Finance. Working experience at the South African Treasury provided me with insights into the formal interactions and procedures between key budget decision-makers at the National Treasury and the South African Parliament, as well as familiarity with budget legislation and decision-making frameworks. I was therefore very aware that I may have judgemental predispositions about the participants in

my study and issues related to the research topic, which made continuous reflection of my own potential biases important throughout all stages of the study.

Being reflexive about my status and positionality, I paid attention to its impact on the interviews – particularly those with senior Treasury officials and with MPs. For the most part, I considered my status as a researcher for this study as an “insider”, since I am from the same country as all the study’s participants and therefore familiar with the national context, and I share professional, ethnic, and racial ties with many of the participants (Kim et al., 2022). Some differences were evident however, with the different groups of actors interviewed. As a former official at the South African National Treasury, I was familiar with all the participants interviewed from the National Treasury – having worked with them in various capacities at different stages of my seven-year professional career at the organisation. Rapport was therefore easily established, the interviews were more conversational, friendly, and the respondents displayed greater levels of comfort in answering all the questions. As Unluer (2012) points out, insider-researchers are able to form greater levels of trust with the studied community, as they have personal connection, more familiarity with the community, and superior knowledge of the topic under study and the dynamics of the studied group. Coming from a position of shared experience with these interviewees, I was better equipped with some insight into some of their beliefs and professional values. Gaps in shared experience, however, existed, as the participants frequently and directly interact with politicians in the approval phase of the budget process, whereas my previous role at the South African National Treasury was limited to the technical work.

In these interviews, I was speaking to senior Treasury officials as a social science researcher rather than a colleague. However, acknowledging my personal knowledge of this group of actors and my previous shared experience of their organisational setting and culture (van Hooft, 2019), my positionality as a researcher was that of an insider. While I took caution not to impose my own views or project any biases on subjects discussed, my familiarity with the Treasury interviewees allowed me to hear the unsaid, and more confidently and efficiently probe some of their responses. There were instances when respondents assumed I knew the issue they were raising and did not complete their thoughts or sentences. On those occasions, I probed and emphasised that they explain their personal experience on matters I may have been familiar with.

My status as a former official at the South African National Treasury had no impact in some of the interviews with MPs, and varying influence with others. I had never directly interacted with any of the MP participants during my working tenure at the National Treasury. In some of the interviews with MPs and other non-government budget actors, it took a long time to establish good rapport and some level of comfort with the participants. Having virtual rather than a face-to-face discussions could have potentially exacerbated this, as the use of video technologies deprives the interviewer and the interviewee opportunities to establish a rhythm and atmosphere that makes participants feel more comfortable (Adams-Hutcheson and Longhurst, 2017). I noticed more relaxed demeanours and conversational responses mostly towards the end of the interviews. This was perhaps also attributable to the use of virtual platforms for the interviews, which left little or no room for informal, off-the record discussion that is possible with face-to-face interviews.

The interviews in which rapport was established quickly and easily, and where MPs seemed more relaxed were ones that began with brief informal chats before recording of the conversation commenced. This was mainly with MPs who enquired the most about my personal and professional background before the formal interview was conducted. It was also these interviews that lasted relatively longer; some up to 20 minutes beyond the scheduled duration. Greater levels of comfort were also evident with the MPs who spoke in their native languages in many parts of the interview, after having established in the informal introductory discussion that my native language is isiZulu. Some of these interviewees occasionally spoke in isiZulu to express certain idioms or to make parts of the conversation lighter and humorous. Despite this, I confined all my question to the English language, only occasionally replying in isiZulu to the interviewees statements or brief questions posed to me in isiZulu. My ability to understand the language allowed for no interruptions to the flow of the conversations, while also confirming my insider status to the interviewees.

The third group of interviewees were actors who, although neither government officials nor politicians, participate actively and directly in the legislative budget decision-making process; interacting with both MPs and senior Treasury officials. Most of these participants are researchers or have extensive academic backgrounds. Many viewed me a peer researcher; they were sympathetic to my academic pursuit, and provided comprehensive responses to the interview questions. My status as former Treasury official presented no inferior or superior status. Instead, similarly to the other two groups of participants, they perceived me as able to competently understand their context of South African political culture.

5.3.2 Non-participant observation

The study not only relies on budget actors' own accounts of the rules of the game, captured in interviews, but it also uses observation of the roles that actors play in practice and how they interact with formal and informal institutions. I undertook non-participant observation of parliamentary committee meetings on the budget and other budget-related matters. Non-participant observation in parliamentary settings, according to Geddes (2020), provides an opportunity to observe parliamentary politics from a vantage point of everyday practices and traditions, witnessing the presence of any unwritten rules and how politicians interact with each other in their own meetings. Yin (2011) describes this data collection mechanism as placing a researcher in the real-world field setting being studied while observing and taking notes on the field setting, its participants, and its events.

As with the interviews, my initial plan to physically attend parliamentary finance and appropriations committee meetings in Cape Town, South Africa was hampered by the Covid-19 pandemic and the subsequent travel restrictions and lockdown measures. The intention was to collect data in the natural setting where “participants experience the issue or problem under study”, and to directly observe how participants “behave and act within their context” (Creswell and Poth, 2018, p. 43). In March 2020, the South African Parliament suspended all programmes and parliamentary activities. A decision was taken to resume the business of Parliament on 13 April 2020 using virtual platforms. Physical public attendance of committee meetings is typically permitted by the Parliament of South Africa with prior permission required from the Parliamentary Public Relations Office. However, following the lockdown measures that were implemented in 2020, physical attendance to the South African Parliament was discontinued and all committee meetings were conducted virtually, and live recordings of the meetings were made publicly available for viewing.

A schedule of all parliamentary meetings, which is updated on a daily basis, was obtained from the Parliamentary Monitoring Group website – an independent non-profit organisation that provides record of parliamentary committee proceedings¹². The limitation of having to use virtual meeting platform instead of physically being in the buildings of the South African Parliament is that I could not observe any unplanned activities or listen to informal discussions before and after the formal meetings. The plan to examine naturally occurring data – what is observed and happens without any kind of researcher intervention and not dependent on a

¹² <https://www.pmg.org.za>

researcher asking questions (Potter, 2002; Silverman, 2011), was prevented. The norms and routines of committee meetings in their natural setting were unobservable. I also could not observe interactions amongst MPs and with other budget actors in a familiar environment, and other non-verbal communication. These missed opportunities notwithstanding, over time, budget actors became more relaxed and comfortable with the parliamentary virtual meetings over time, and more lively engagement and debate became evident.

Over a period of 13 weeks, I observed 26 virtual meetings of the finance and appropriations committees in both Houses of Parliament, including joint meetings and occasionally with other portfolio committees, where MPs discussed and voted to pass the budget, other money bills, and scrutiny of other budget related matters. Details of all the committee meetings attended are provided in Table 5.2. Observation also included meetings where submissions on the budget and the money bills were made by other key actors that directly participate in Parliament's decision-making process on the budget – including public hearings. This amounted to approximately 80 hours of observation of interactions between MPs, senior officials from the National Treasury, and other key budget actors.

The limitation of a 13-week period of observing the legislative budget process is that it may not be enough time to obtain in-depth understanding of the complexities and patterns of political life. However, the period of time allocated for the South African Parliament to run its budget-related hearings and pass budget legislation is limited to a few months in the year, with the remainder of the year used for finance and appropriations committees' other business. Even so, as Patton (2002, p. 275) explains, there is no ideal length of time for observation, “the length of time during which observations take place depends on the purpose of the study and the questions being asked”.

The focus of my observation was the behaviours of executive, legislative and other key budget actors, and the nature of interaction within the political institutions governing the legislative budget process. This observation supplemented data that I collected from the elite interviews and document analysis. Some of the budget actors who were interviewed participated in many of the meetings that I observed. As Radnitz (2011) explains, direct observation offers a method of inferring the existence of unwritten rules where relevant actions are hard to observe or are deliberately obscured.

Table 5. 2. Finance and Appropriations Committee meetings attended as an observer

<p>22 APRIL 2020 Select Committee on Appropriations Nature of meeting: Briefing by National Treasury, Financial and Fiscal Commission and Parliamentary Budget Office on the 2020 Division of Revenue Bill Meeting participants: Select Committee on Appropriations members, Standing Committee of the Provincial Legislatures members, National Treasury, Financial and Fiscal Commission, Parliamentary Budget Office</p>	<p>30 APRIL 2020 Joint Committees on Finance, Public Accounts and Appropriations Nature of meeting: Briefing by National Treasury on the fiscal implication of COVID-19 and interventions by government to stimulate the economy Meeting participants: Standing and Select Committees on Finance members, Standing and Select Committees on Appropriations members, Standing Committee on Public Accounts members, National Treasury with the Minister, and Deputy Finance Minister</p>	<p>11 MAY 2020 Standing Committee on Appropriations Nature of meeting: Briefing by Parliamentary Budget Office on the 2020 Appropriation Bill Meeting participants: Standing Committee on Appropriations members, Parliamentary Budget Office</p>
<p>13 MAY 2020 Select Committee on Appropriations Nature of meeting: Briefing by the South African Local Government Association (SALGA) and the Congress of South African Trade Unions (COSATU) on the 2020 Division of Revenue Bill Meeting participants: Select Committee on Appropriations members, SALGA, National Treasury, COSATU</p>	<p>19 MAY 2020 Joint Select and Standing Committees on Finance Nature of meeting: (1) Consideration of the Strategic Plans and Annual Performance Plans of the National Treasury and the and South African Revenue Service, and (2) adoption of Committees’ Reports on the fiscal framework and revenue proposals contained in the 2020 Budget Meeting participants: Standing and Select Committees on Finance members, National Treasury</p>	<p>20 MAY 2020 Select Committee on Appropriations Nature of meeting: (1) Committee received negotiating mandates¹³ on the 2020 Division of Revenue Bill, and (2) briefing by National Treasury on proposed changes to the grant framework to support the COVID-19 response Meeting participants: Select Committee on Appropriations members, National Treasury</p>

¹³ Members of the National Council of Provinces (NCOP) do not vote as individuals on ordinary Bills but rather as provincial delegations. Bills that affect provinces are discussed by each provincial legislature so that each legislature can give its NCOP delegation a voting mandate. Delegates of the NCOP participate in national debates on Bills then cast votes on behalf of their province and in accordance with the provincial legislature's mandate.

<p>26 MAY 2020 Standing Committees on Appropriations Nature of meeting: Briefing by the by the Financial and Fiscal Commission on COVID-19 fiscal impact and where money should be reprioritised in the adjustments budget Meeting participants: Standing Committee on Appropriations members, Financial and Fiscal Commission, Committee Researcher</p>	<p>27 MAY 2020 Select Committee on Appropriations Nature of meeting: (1) Committee received final mandates on the 2020 Division of Revenue Bill, and (2) consideration of Committees' Report on the Bill Meeting participants: Select Committee on Appropriations members</p>	<p>3 JUNE 2020 Joint Select and Standing Committees on Appropriations Nature of meeting: Briefing by National Treasury on the 2020 Appropriation Bill Meeting participants: Standing and Select Committees on Appropriations members, National Treasury with the Deputy Finance Minister, Committee Content Advisor</p>
<p>5 JUNE 2020 Joint Select and Standing Committees on Appropriations Nature of meeting: Jointly hear public submissions on the 2020 Appropriation Bill Meeting participants: Standing and Select Committees on Appropriations members, Budget Justice Coalition, COSATU, Organisation Undoing Tax Abuse (OUTA), African Farmers Association of South Africa</p>	<p>10 JUNE 2020 Select Committee on Appropriations Nature of meeting: Briefing by the Financial and Fiscal Commission on the financial and fiscal impact of COVID-19, and by the Parliamentary Budget Office on the 2020 Appropriation Bill Meeting participants: Select Committee on Appropriations members, Financial and Fiscal Commission, Parliamentary Budget Office</p>	<p>15 JUNE 2020 Select Committee on Appropriations Nature of meeting: Consideration and adoption of Committee Report on the 2020 Appropriation Bill Meeting participants: Select Committee on Appropriations members, Parliamentary Budget Office</p>

<p>25 JUNE 2020 Joint: Select and Standing Committees on Finance, Select and Standing Committees on Appropriations Nature of meeting: Briefing by the Minister of Finance on the 2020 Supplementary Budget Meeting participants: Select and Standing Committees on Finance members, Select and Standing Committees on Appropriations members, National Treasury with the Minister of Finance</p>	<p>30 JUNE 2020 Joint Select and Standing Committees on Finance Nature of meeting: Briefing by Parliamentary Budget Office and the Financial and Fiscal Commission on the 2020 Revised Fiscal Framework Meeting participants: Select and Standing Committees on Finance members, Parliamentary Budget Office, Financial and Fiscal Commission</p>	<p>1 JULY 2020 Joint Select and Standing Committees on Finance Nature of meeting: Jointly hear public submissions on the 2020 Revised Fiscal Framework Meeting participants: Standing and Select Committees on Finance members, COSATU, C19 People’s Coalition, Institute for Accountability in Southern Africa, OUTA, Budget Justice Coalition, Fiscal Cliff Study Group, Economists Initiative, South African Institute of Chartered Accountants, Mr Peter Meakin</p>
<p>3 JULY 2020 Joint Select and Standing Committees on Finance Nature of meeting: Response by National Treasury to the public submissions on the 2020 Revised Fiscal Framework Meeting participants: Standing and Select Committees on Finance members, National Treasury, COSATU, C19 People’s Coalition, Accountability Now, OUTA, Budget Justice Coalition, Fiscal Cliff Study Group, South African Institute of Chartered Accountants, Mr Peter Meakin, Dr Stephen Greenberg, Parliamentary Budget Office</p>	<p>7 JULY 2020 Joint Select and Standing Committees on Finance Nature of meeting: (1) Consideration and adoption of Committee Report on 2020 Revised Fiscal Framework, and (2) briefing by National Treasury on its revised Strategic Plan and Annual Performance Plan Meeting participants: Standing and Select Committees on Finance members, National Treasury with Deputy Finance Minister</p>	<p>8 JULY 2020 Joint Select and Standing Committees on Appropriations Nature of meeting: Briefing by National Treasury on the 2020 Division of Revenue Amendment Bill Meeting participants: Standing and Select Committees on Appropriations members, National Treasury</p>

<p>9 JULY 2020 Joint Select and Standing Committees on Appropriations Nature of meeting: Receive input from the Financial and Fiscal Commission and the South African Local Government Association (SALGA) on the effects of the Division of Revenue Amendment Bill and Adjustments Appropriation Bill Meeting participants: Standing and Select Committees on Appropriations members, Financial and Fiscal Commission, SALGA</p>	<p>10 JULY 2020 Joint Select and Standing Committees on Appropriations Nature of meeting: Public hearings on the 2020 Division of Revenue Amendment Bill, and consultation with the Parliamentary Budget Office Meeting participants: Standing and Select Committees on Appropriations members, COSATU, Parliamentary Budget Office</p>	<p>14 JULY 2020 Standing Committees on Appropriations Nature of meeting: Consideration and adoption of Committee Report on the 2020 Adjustments Appropriation Bill, and Committee Researcher briefing Meeting participants: Standing Committee on Appropriations members, Committee Researcher</p>
<p>17 JULY 2020 Select Committees on Appropriations Nature of meeting: Consideration of negotiating mandates on the 2020 Division of Revenue Amendment Bill Meeting participants: Select Committee on Appropriations members, National Treasury</p>	<p>21 JULY 2020 Select Committees on Appropriations Nature of meeting: Adoption of final mandates on the 2020 Division of Revenue Amendment Bill Meeting participants: Select Committee on Appropriations members, National Treasury, Committee Content Advisor</p>	<p>23 JULY 2020 Joint Select and Standing Committees on Appropriations Nature of meeting: Briefing by National Treasury on the 2020 Adjustments Appropriation Bill Meeting participants: Standing and Select Committees on Appropriations members, National Treasury with Deputy Finance Minister</p>
<p>24 JULY 2020 Joint Select and Standing Committees on Appropriations Nature of meeting: Public hearing and Parliamentary Budget Office input on the 2020 Adjustments Appropriation Bill Meeting participants: Standing and Select Committees on Appropriations members, National Treasury, Parliamentary Budget Office, COSATU, OUTA, Equal Education, Section 27, Equal Education Law Centre</p>		<p>30 JULY 2020 Select Committees on Appropriations Nature of meeting: Consideration and adoption of draft Report on 2020 Adjustments Appropriation Bill Meeting participants: Select Committee on Appropriations members, Committee Content Advisor, National Treasury</p>

I was attentive to: patterns and frequency of interaction between MPs from different political parties and senior Treasury officials, actors' concerns and attitudes towards each other, the decorum in committee meetings, which actors commanded authority in the meetings, narratives that were repeated in different meetings, whether MPs behaved differently in different types of meetings, patterns of voting on budget proposals, and how conflicts were handled. Over time, and after I conducted and analysed several interviews with MPs, the focus of observation also included how the interviewees' descriptions and perceptions of the environment of committee meetings compared to my perceptions of, and reflections from, the meetings I observed. Field notes were compiled of all my observations, documenting descriptive and reflective information about the interactions between politicians and other elite budget actors. Key themes emanating from these observations from the meetings attended are discussed later in this chapter in section 5.4.2, as well as in Chapter 6 and Chapter 7.

5.3.3 Document analysis

To supplement the data collected from semi-structured interviews with elite budget actors and non-participant observation of parliamentary committee meetings, document analysis of the finance and appropriations committees' reports on the 2020 budget and other money bills was carried out. According to Bowen (2009, p. 29), "the rationale for document analysis lies in its role in methodological and data triangulation and the immense value of documents in case study research".

Documents are an important part of the legislative budgeting process and the work of committees, as with other parliamentary processes. Finance and appropriations committee reports, which are publicly available, are compiled following the committees' consideration of draft money bills and are submitted to the National Assembly with a recommendation to adopt the money bills with or without amendments. The reports, a legal requirement in terms of the Money Bills Amendment Procedure and Related Matters Act of 2009, detail the committees' consideration of inputs received from stakeholders, their observations, and recommendations on the budget and other money bills that are tabled by the Minister of Finance. These documents were used to get additional insight into the perceptions that emerged from my observation of committee meetings, as well as assess the extent to which the content of documents is consistent with the descriptions and explanations provided by interview respondents.

Documents of the summary of proceedings of finance and appropriations committees' meetings held during the 2019 legislative budget process were also consulted, since I observed only the 2020 budget meetings. These 2019 documents provided historical insight into the same actors and interactions that I observed in 2020, adding to the contextual description of actors' behaviour. Similar to the purpose of my non-participant observation, analysis of these documents provided contextual insight into the environment within which research participants operate (Bowen, 2009). Comprehensive documentation of parliamentary proceedings, including audio files of all committee meetings, are provided by the Parliamentary Monitoring Group of South Africa.

5.3.4 Ethical considerations

The requirements for the University of Edinburgh's School of Social and Political Science ethical review process were all met. My fieldwork plans, revised from in-person to virtual, and ethical review was approved before I engaged in the data collection process. No foreseeable ethical risks were identified.

All participation in this research study was voluntary. Ethical issues for online virtual interviews were the same as for face-to-face interviews. Invitations for participation included a brief biography of myself as the researcher, explanation of why participants were being invited and the value they could provide to the research, and an indication of other potential respondents who were being approached for participation in the study. All interview respondents who agreed to participate in the study were given a participant information sheet to help them make an informed decision about participating in the study. Information included what the research involved, how inputs from interviews would be used and stored, and a statement of confidentiality.

Informed consent was obtained from all interview respondents in the form of signed consent agreements. The consent agreement made participants aware that all interviews would be recorded, and it provided them with options of being named or not. The option of remaining anonymous was emphasised to participations also as a means to encourage honest responses to the interview questions. Before the start of the interviews, I reiterated the contents of the consent agreements, specifically the recording of the interviews and the potential use of quotes in the thesis and other publications. Participants were also given the opportunity to ask questions or raise any concerns they had about the research study, the use of their contributions, or any other matters related the study. Signed consent was given by some interviewees for their

real names to be used, others gave consent for the use of a descriptor instead of being named, while others opted to remain completely anonymous in publications. A list of interviewees is provided in Annexure 1.

5.4. Data analysis

The data collection and analysis phase was an iterative process, conducted over a 15-month period. Using an iterative analysis process involves moving to and from theory and empirical exploration in order to avoid deductive and inductive extremes (Lowndes and Roberts, 2013). The duration was dictated largely by the availability of participants for interviews, the timing of the 2020 budget meetings which were observed, and the transcription and intensive coding and thematic analysis process of interview data. The collection of documents, committee reports and historic minutes of parliamentary budget meetings, was the first data to be collected. Non-participant observation of parliamentary budget-related meetings overlapped with some of the interviews with budget actors who participated in the same meetings that were observed. This was advantageous, as some the findings from the meetings observed, as well as the documents analysed, assisted in developing and modifying probing questions that were used in the interviews. Extensive notes were collected during the interviews and observation of parliamentary meetings, documenting both descriptive and reflective information, and the interactions observed between politicians and other elite budget actors in parliamentary meetings.

5.4.1 Analysis of interview data

Qualitative data analysis involves data categorisation and making meaning of findings within their context (Baškarada, 2014). Deductive and inductive strategies were used to establish patterns and themes for the analysis of interview data. Toshkov (2018) describes this approach as appropriate when the research interest is the outcome of a single case, and theory provides the knowledge of general causal mechanisms that the researcher uses against empirical evidence to identify the most plausible explanations. Pre-determined themes and theoretical propositions from public budgeting and new institutionalism literature were used to deductively code and analyse the interview transcripts. This form of reasoning enabled iterative comparison and testing of existing propositions against empirical evidence – in this case, evidence on political actors' behaviours and decisions on the budget when faced with institutional constraints and incentives. More on how new institutionalism theoretical assumptions informed data analysis and the study's findings is discussed in Chapter 7. Meaning

was also generated from the interview data by coding patterns and themes without a pre-existing theoretical framework. Such a deductive-inductive logic process involves establishing a comprehensive set of themes that emerge from the content of the data as well as checking for existing themes within the data. (Creswell and Poth, 2018; Merriam and Tisdell, 2015).

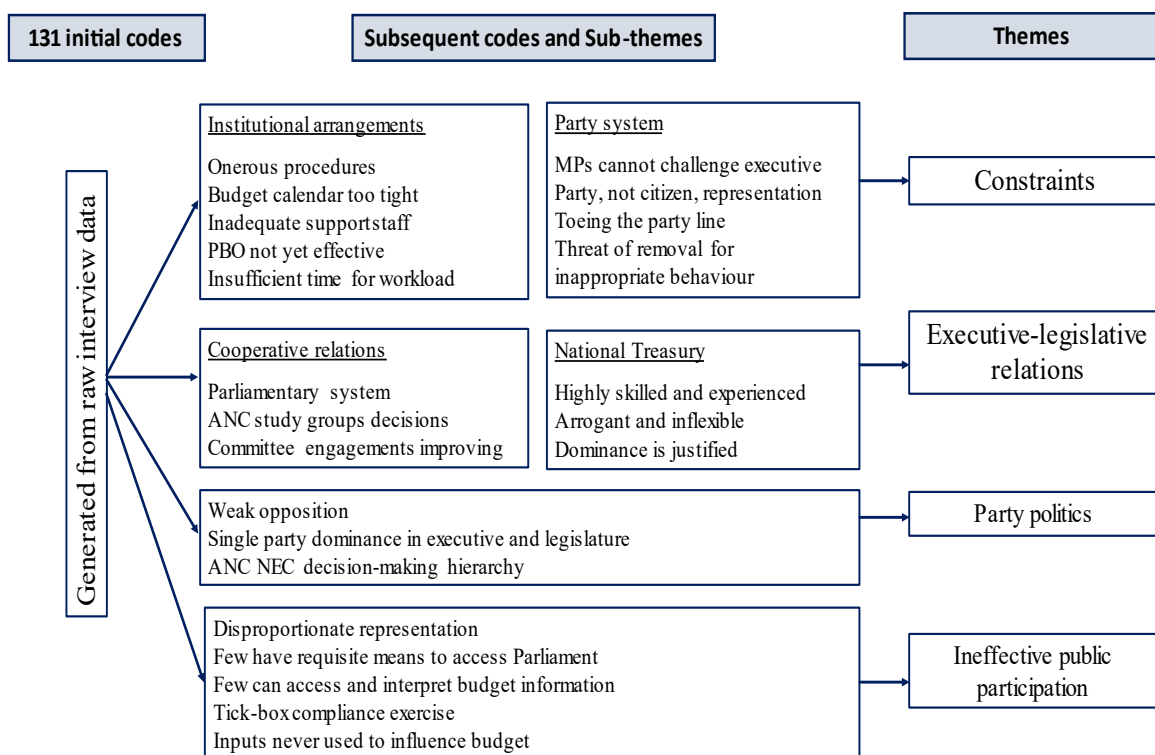
Video and audio recordings of interviews were transcribed and imported into Nvivo 12 Plus software. Nvivo, a qualitative data analysis computer software package, was used to organise, explore, code and sort themes from the interview data for analysis. The interviews were not transcribed verbatim since filters such as “uh” and “er” were not included. However, everything else of what was spoken was reproduced in the transcripts, including long pauses, laughter, and strong emphasis on words. As a general practice, extensive editing and ‘cleaning up’ of interview transcripts is not advocated (Braun and Clarke, 2012). Other factors such as facial expressions and sarcastic tones were included in my interview reflection notes to capture meaning behind participants’ words more strongly. Using Nvivo allowed for more efficient organisation and management of large interview data, but as Bringer, Johnston, and Brackenridge (2001) caution, the software provides a range of tools for analysing large amounts of text, but it does not perform any analysis for the user. The process of coding and identifying patterns and themes from transcripts was conducted after every two, sometimes three, interviews. This process was adhered to less stringently with the last few interviews.

Thematic analysis, according to Braun and Clarke (2012, p. 57) is “a method for systematically identifying, organizing, and offering insight into patterns of meaning (themes) across a data set”. It refers to an analysis process of identifying patterned responses or meanings across a data set, which can be done either without trying to fit such patterns into some pre-existing coding frame, or approaching the data with a theoretical lens, or both (Braun and Clarke, 2006). In analysing the data collected from interviews, I followed Braun and Clarke’s (2006; 2021) six-phase process for thematic analysis: data familiarisation, systematic data coding, generating initial themes from the coded data, generating and reviewing themes, and writing the analysis report.

During the process of coding and analysing interview transcripts, data saturation was reached by interview 21. Coding refers to organising sentences and phrases into meaningful groups (Braun and Clarke, 2006) and later regrouping codes into themes. At this point, respondents from all three groups of budget actors – legislative, executive, and independent actors – had been interviewed. Merriam and Tisdell (2015, p. 199) describe saturation as the point where

“when continued data collection produces no new information or insights into the phenomenon you are studying”. The saturation point in my interview data was evident from very few new codes being identified with each new transcript that was analysed, and with significantly fewer modifications to existing codes. By interview 29, no new codes were identified, and no changes were made to existing codes. Inputs from subsequent interviews contributed relatively little to the depth and richness of the existing data. In spite of this, I continued conducting several more interviews to not only further substantiate existing codes and themes, but to also ensure that the data was indeed becoming more redundant and that no new codes were emerging from the interviews.

Figure 5. 1. Thematic analysis of interview data



The themes created from codes were developed based on their relevance in answering the research questions guiding the study, as well as from pre-existing themes from public budgeting literature and new institutionalism theories and models of political behaviour. The development of themes, therefore, was from analysis that was not just descriptive, but also theorised (Braun and Clarke, 2006). Reorganisation of codes and revisions to themes was continuous as more interview data was collected and analysed, together with inputs from the observation notes and document analysis. Like the codes, organisation and visualisation of these themes were also managed using Nvivo 12 software. Figure 5.1 provides the main themes

emanating from the interviews. These themes are expanded on, and discussed in detail in Chapter 6 and Chapter 7.

5.4.2 Observation

Most of the parliamentary budget meetings observed occurred at the beginning of the data collection process, and many overlapped with the interviews I conducted. The approach to non-participant observation was relatively unstructured at first, as there was no specific focus on particular activities or behaviours. Instead, I engaged in multiple levels of observation about how budget actors interact and behave in their natural setting – albeit a virtual setting for all committee meetings. Attention was paid to repetitive actions and procedural norms. Observation became more selective and structured over time, after having conducted a few interviews and written reflective notes on the first few parliamentary meetings observed. Notes written on my observations included reflections on budget actors' interactions, who said what and the responses that followed, the budget actors' relationships, and other relevant observations.

Unlike the interview data, only an inductive approach was used to analyse notes from the committee meetings observed. No predetermined themes from public budgeting or new institutionalism literature were used. Instead, codes and themes were developed as I created and reviewed a set of notes of meeting proceedings. Table 5.3 provides a map of the most prominent themes emerging from my observation of finance and appropriations committee meetings. Details on these observations are discussed in context, in Chapter 6 and Chapter 7.

I also documented my perceptions of what I observed, including reflections on my positionality, other beliefs, values, and assumptions that may influence perceptions (Pauly, 2010). Notes from all the meetings observed were used to complement the narrative descriptions of interviewed participants; they also informed some of the probing questions used in subsequent interviews, as the study followed an iterative process for data collection and analysis.

Table 5. 3. Recurring issues in finance and appropriations committee meetings observed

Issue/ Theme	References	Description
Role of committee and others	12	Meeting participants indicating what the committee and Parliament should do as part of their function; includes discussions and clarifications of actors' responsibilities in the legislative budget process.
Time constraints	10	Complaints of insufficient time for committee to have robust discussions and diligently carry out its function. Includes pressure on the committee to speedily finalise its work, table its report, and avoid delays to Parliament passing legislation.
Rules and procedures	9	Discussion of whether meeting was violating procedural rules or acting against the law. Frequent requests and referrals to support staff and Legal Advisor for clarification about rules and procedures.
Non-vocal member(s) voting	6	Committee members moving to adopt committee report, and/or second committee resolutions to be adopted, while having not engaged in any of the meeting's discussions.
Party politics	6	Political parties directly “attacking” each other, and each other’s inputs based on party affiliation.
Opposition party(ies) table objection	4	One or more opposition party(ies) table their objection to committee reports that are being adopted.
Opposition party(ies) table reservation	4	One or more opposition party(ies) reserve from voting when committee announces resolution to approve Bills and adopt committee reports.
Issues with National Treasury	4	Concerns or complaints about the National Treasury from MPs and/or other meeting participants about conduct in meetings, responses to committee requests, engagement with other actors.
Public participation	3	Concerns about how meaningful parliamentary public hearings are, as the public’s inputs are not used to influence or amend the budget. Includes concerns about limited people that can access Parliament and budget information.
Relevant matters	3	Concerns about relevance of certain matters to the meeting. Includes attempts to refocus members' discussion to specific meeting agenda items.
Beyond mandate	3	Participants appearing before committee asked questions by MPs that are not within their mandate.

5.4.3 Document analysis

The review and analysis of reports tabled by the finance and appropriations committees on the 2020 budget and other money bills, as well as minutes of the same committee meetings held for the 2019 budget process, aided in triangulation of interview and observation data. This amounted to analysis of 17 committee reports and 10 meeting summaries.

It must be clarified, however, that despite the sum of 27 documents, the relevant content that was analysed within some of these documents was minimal. Approximately 30% of the content of the 17 tabled committee reports were relevant for analysis (89 pages in total). The relevant

content in committee reports is due to the standardised and repetitious format of these documents. Committee reports all include: a discussion of the statutory requirements of the document, a summary of the money bill that the report discusses, a summary of the inputs that were made by various stakeholders that were invited by the committee to provide commentary, a summary of the submissions that were made in response to requests for public input, and details of the committees' observations, findings, and recommendations. A list of the documents analysed is provided in Table 5.4.

Analysis of these documents was not a systematic evaluation process similar to the comprehensive thematic analysis carried out with the interview data. Instead, my analysis involved skimming (superficial examination), reading (thorough examination), and interpretation of the data identified as meaningful and relevant (Bowen, 2009). No process of coding was undertaken, as was done with interview and committee meetings observation data.

I read all the relevant sections in the documents listed in Table 5.4, seeking to corroborate findings from interviews and from observation of parliamentary committee meetings. I complemented the meeting summaries by listening to full audio recordings of selected meetings where proposed budget amendments were discussed, where debate was more robust than usual, and instances where the committee chairperson was challenged by MPs or other budget actors. On average, committee audio recordings are three hours, which is the typical duration of finance and appropriations committee meetings.

Review and analysis of the committee reports on the budget provided confirmations and contradictions on some of what I observed in budget meetings, but also presented incomplete descriptions of the committees' deliberations on their findings and recommendations. The meeting summaries of key meetings of the 2019 legislative budget process provided more context to findings I observed in the 2020 budget process and further insights into pre-existing power relations between legislative, executive, and other budget actors, party dynamics, and other factors. Both these sets of documents therefore contributed to providing historical insight, (Bowen, 2009) and to producing rich descriptions (Yin, 2009) of the politics of South Africa's legislative budget decision-making process.

Table 5. 4. Documents analysed

Author	Document	Date of tabling
Standing Committee on Appropriations (National Assembly)	Report of the Select Committee on the Second Adjustments Appropriation Bill	08/12/2020
	Report of the Standing Committee on Appropriations on the 2020 Medium Term Budget Policy Statement	02/12/2020
	Report of the Standing Committee on Appropriations on the Second Adjustments Appropriations Bill	01/12/2020
	Report of the Standing Committee on the Division of Revenue Second Amendment Bill	17/11/2020
	Report of the Standing Committee on Appropriations on the Adjustments Appropriations Bill	28/07/2020
	Report of the Standing Committee on Appropriations on the Division of Revenue Amendment Bill	14/07/2020
	Report of the Standing Committee on Appropriations on the Appropriation Bill	09/06/2020
	Report of the Standing Committee on Appropriations on the Division of Revenue Bill	17/03/2020
Select Committee on Appropriations (National Council of Provinces)	Report of the Select Committee on the Division of Revenue Second Amendment Bill	25/11/2020
	Report of the Select Committee on the Adjustments Appropriation Bill	30/07/2020
	Report of the Select Committee on Appropriations on the Division of Revenue Bill	21/07/2020
	Report of the Select Committee on Appropriations on the Appropriation Bill	15/06/2020
	Report of the Select Committee on Appropriations on the Division of Revenue Bill	27/05/2020
Joint: Select Committee on Finance and Standing Committee on Finance	Report of the Standing Committee on Finance on the 2020 Revised and Proposed Fiscal Framework	10/11/2020
	Report of the Standing Committee on Finance on the Special Adjustments Budget Vote 8: National Treasury	14/07/2020
	Report of the Standing Committee on Finance on the Special Adjustment Budget Revised Fiscal Framework	07/07/2020
	Report of the Standing Committee on Finance on the 2020 Fiscal Framework and Revenue Proposals	10/03/2020
Parliamentary Monitoring Group	The Standing Committee on Appropriations considered and adopted both the 2019 Medium Term Budget Policy Statement Report and the 2019 Adjustments Appropriation Bill	03/12/2019
	The Select Committee on Appropriations considered the final mandates from provincial legislatures on the Division of Revenue Amendment Bill	26/11/2019

The Standing Committee on Finance of the National Assembly and the Select Committee on Finance of the National Council of Provinces considered and adopted the 2019 Revised Fiscal Framework and Revenue Proposals	12/11/2019
The Select Committee on Appropriations considered and adopted Special Appropriation Bill	23/10/2019
The Standing Committee on Appropriations adopted its report on the Special Appropriation Bill	10/10/2019
The Standing Committee on Appropriations discussed the Democratic Alliance's (DA) proposal regarding the Special Appropriation Bill for Eskom**	17/09/2019
The Select Committee on Appropriations considered and adopted the Appropriation Bill	24/07/2019
Standing Committee on Appropriations: The DA put forward a proposal to amend the Appropriations Bill**	19/07/2019
The Select Committee on Appropriations considered the final mandates and draft reports on the Division of Revenue Bill	27/03/2019
The Standing Committee on Finance of the National Assembly and the Select Committee on Finance of the National Council of Provinces considered and adopted the Report on the Fiscal Framework and Revenue Proposals	05/03/2019

***Audio recordings of these meetings were also listened to*

Chapter 6

Power over the purse: assessing legislative control of the budget

Similar to the renewed interest and growing demand across many democratic countries for Parliaments to play a more active role in budget processes (Heim, 2022; Kim, 2019; Obaidullah, 2019; Ríos et al., 2018; Santiso, 2008a; Siebrits, 2017; Wehner, 2014), South Africa has undergone a number of reforms aimed at strengthening legislative budgetary power. Following its transition to democracy in 1994, South Africa has implemented a series of constitutional and other reforms to balance institutional power, minimise undue budgetary influence, promote rational budgeting that meets political priorities, and improve service delivery and the effectiveness of government spending. Greater legislative budgeting authority has been one such reform – a critical institutional reform for greater influence on the kind of decisions taken as well as the outcomes (Mkhize and Ajam, 2006).

Similarly, a number African countries that have undergone democratic transition and consolidation in recent years have seen the emergence of the legislature as an important democratic institution. Many African parliaments have begun to exert greater influence on how their countries are governed. The widely held perception of powerless African parliaments is changing, and instead empirical studies are revealing the many variations in the strength of Africa's current legislatures (Nijzink et al., 2006; Notshulwana and Lebakeng, 2019; Salih, 2005). The growing interest in African legislatures ranges from parliamentary autonomy, and the way in which the details of institutional designs affect the balance of power between the executive and the legislature, to increased involvement in budget decision-making, strengthening budgetary influence and oversight, and power relations in budgetary processes (Barkan, 2000, 2013; Collord, 2018; Economic Commission for Africa, 2007; Nijzink et al., 2006).

Since one of the core functions of legislatures in modern democracies is to represent the interests of the electorate, this means that in the budget process, legislatures have the responsibility to ensure that government policies expressed in budgets match the needs and priorities of citizens (Ajam, 2009; Krafchik and Wehner, 1998; Lienert, 2013; Pauw, 2011; Schick, 2002; von Hagen, 2008). Modern legislatures share the same core functions: making and passing laws, exercising oversight of the executive, representing the interests of society,

and performing constituency service (Barkan, 2013; Tezcan, 2020). As in many other parliamentary democracies, the South African Constitution empowers Parliament to initiate their own legislation, called Private Members' Bills, effectively granting Parliament some policy-making authority. Sections 55(1)(b) and 68(b) of the Constitution, however, explicitly excludes legislators from introducing Money Bills¹⁴, leaving it the sole responsibility of the Minister of Finance. Despite the availability of policy-making powers, the exclusion of the budget notwithstanding, the South African Parliament rarely uses this power and instead the executive dominates this role with a supportive legislature routinely approving its policies (Parliament of the Republic of South Africa, 2009).

Greater legislative influence in the budget process is considered essential for strengthening democracy, increasing transparency, and keeping checks and balances on state power and the risks associated with excessive executive discretion in the use of public resources (Anderson, 2009; Fölscher, 2006; Lienert, 2013; Santiso, 2008a; Tezcan, 2020). In addition to their critical role of exercising budgetary oversight, legislators also have an important role to play in shaping the annual budget (Lienert, 2013). Legislative authority in budget processes varies, however, modified by the extent of formally conferred powers, institutional arrangements and procedures, and political conditions (Forestiere and Pelizzo, 2008; Posner and Park, 2007; Wehner, 2010). These factors, together with other contextually embedded details, play an important role in facilitating formal legislative authority in budget decision-making from paper into practice.

6.1. Political institutions and control of budget decisions

In many democracies, the creation and design of political institutions are due to the efforts of social actors seeking cooperative solutions to problems (Moe, 2005). Over time, these political arrangements become institutionalised either as organisations or as formal procedures that have value and stability (Blondel, 2008). More than just cooperative and institutionalised structures, political institutions are also structures of power – “weapons of coercion and redistribution” (Moe, 1990, p. 213). Political institutions are the rules, practices and procedures that shape and constrain behaviour, and enable outcomes without being the immediate and direct cause of outcomes (March and Olsen, 2008). Institutions are the framework within which politics takes

¹⁴ Budget Bills, which allocate public money for a particular purpose or impose taxes, levies, or duties

place (March and Olsen, 1989). One of the most important political institutions in both new and established democracies is the electoral system.

6.1.1. The electoral system and incentives for political behaviour

Electoral systems are “the set of rules that structure how votes are cast at elections for a representative assembly and how these votes are then converted into seats in that assembly” (Gallagher and Mitchell, 2005, p. 3). The electoral system design not only determines the composition of Parliament or other elected assemblies, but is also an important and influential political institution that shapes the rules of the game under which democracy is practiced – impacting the broader political climate, how political systems function, and the different kinds of party systems (Lijphart, 2012; Reynolds et al., 2005). Further effects of electoral systems include the ability of voters to hold legislators accountable, the relative ease for politicians to win seats and for parties to be represented in Parliament, the competitiveness of electoral races, the maintenance of stable governments, and the weakening or strengthening of incentives faced by legislators (André et al., 2014; Farrell, 2011; Lindberg, 2005).

Proportional representation (PR) systems are designed to translate parties’ share of votes into a corresponding proportion of seats in the legislature, ensuring that the number of party seats reflects as closely as possible the number of votes the parties received (Farrell, 2011; Reynolds et al., 2005). In PR systems, seats in the National Assembly are distributed in proportion to the total votes each political party receives, and MPs are not elected as individuals but as party representatives. In South Africa’s system, MPs elected by means of a closed list are ranked and selected by political parties from a list into which voters have no input since they can only choose among parties and not among candidates within parties (Buisseret and Prato, 2022; Gallagher and Mitchell, 2005). Incentives, therefore, are created for MPs to be responsive to the demands of party leaders and not voters (Gumede, 2018; Reynolds et al., 2005).

In a closed-list proportional representation (CLPR) electoral system, one implication is that there is no link between elected politicians and voters; it is political parties and not voters that can select and rank candidates for the legislature (Alemán et al., 2021). Reynolds et al (2005) explain CLPR as electoral systems in which each party presents a list of candidates for a multimember electoral district, voters vote for a party, and the parties receive legislative seats in proportion to their overall share of the vote. The candidates are assigned seats in the ranked order of their position on the party list. With this form of candidate selection, neither voters nor

potential MPs themselves have input or influence on the list of candidates that political parties submit to serve in the legislature.

ANC MPs are expected to be highly disciplined and toe the line when it comes to defending their party's positions in Parliament. Failure to do so may result in a range of penalties such as lowering of one's position on the ANC's list at the next election, denial of renomination, or redeployment to another position (Barkan, 2009; Choudhry, 2009; Petersen, 2019). In its 2017 Constitution, the ANC imposes strict discipline on its elected representatives by effectively making it a disciplinary offence for members to defy a decision by the party caucus or other resolutions or policies adopted by the leadership of the party (African National Congress, 2017; de Vos, 2021a). This has contributed to a system in which, rather than being central vehicles for representation, political parties instead operate as electoral machines and networks of patronage (Lewis, 2019). Incentives to toe the party line are high and characteristic of CLPR systems (Alemán et al., 2021; Buisseret and Prato, 2022).

One of the key implications of a CLPR electoral system is that it incentivises MPs to be accountable to their party, and only minimally accountable to voters since there is no link between voters and their representatives (Bilchitz et al, 2016; Nijzink, 2001; Purfield, 2006; Watt, 2009). A consequence of this system is the excessive power it gives to party leaders who can reward or punish candidates by ranking their position, or removing them entirely from party lists (Gouws and Mitchell, 2005; Reynolds et al., 2005). Such a system, according to Tabellini (2000), cited in Kunicova and Rose-Ackerman (2001), has weak incentives for politicians to perform well and avoid corruption – corruption that is also easier to hide from voters. A CLPR system “is designed in a way that does not allow the voters to directly observe how corrupt politicians are” (Kunicova and Rose-Ackerman, 2001, p. 7).

South Africa's adoption of a CLPR system in 1994 for its National Assembly and nine regional legislatures was designed to ensure inclusivity in elections and remove constraints on the number of political parties that can win seats in the legislature (Ferree, 2018; Reynolds, 1999). Prior to its democratic transition, variations of the British single-member plurality system were used between 1910 and 1993 (Gumede, 2018). A PR electoral system with no formal constituency base for elected representatives was adopted despite the perceived advantages of a plurality system for the ANC having majority support. With plurality voting in parliamentary systems, voters within each territorial single-member constituency cast a single ballot for one candidate. The candidate with the largest share of the vote in each constituency area is elected,

and in turn the party with an overall majority of seats forms the government (Norris, 1997). The ANC has had the majority of parliamentary seats since 1994, using a CLPR rather than a single-member plurality system.

The main political parties involved in South Africa's constitutional negotiations between 1992 and 1996 favoured the use of proportional representation to elect the country's first democratic government (Lodge, 2003). Involved in the negotiation process were the ANC, the National Party (NP), Inkatha Freedom Party (IFP), Freedom Front (FF), Democratic Party (DP), Pan Africanist Congress (PAC), and the African Christian Democratic Party (ACDP) (Strand, 2001). One of the main goals of lengthy negotiations was to determine a system that would represent the country's many diverse groups and traditions (Ferree, 2018). Also, the merits of proportional representation, such as the inclusiveness of a PR system that would encourage participation by all population groups, and that the diverse needs of South Africans would be represented in decision-making, were preferred (Lodge, 2003; Reynolds, 1999). A PR system was also considered part of the power-sharing mechanisms in the new Constitution of the Republic of South Africa, which were central to creating an atmosphere of reconciliation and inclusiveness following a period of apartheid and political violence (Reynolds et al., 2005; Watt, 2009). Proportional representation was also seen as a system that is relatively easier to administer and one that is easily understood by voters (Gumede, 2018).

During the process of deciding on a new electoral system, the ANC was a popular liberation movement and it expected to be a majority winner and the largest political party in the 1994 inaugural democratic election (Booyesen, 2011; Gouws and Mitchell, 2005; Reynolds et al., 2005). Breaking with its segregated apartheid history, the 1996 Constitution specifically required that the country's electoral system should result in proportional representation (Gumede, 2018). Reynolds et al (2005) point out that the inclusion of all significant groups in the legislature can be a near-essential condition for democratic consolidation in many new democracies, particularly those which face deep societal divisions.

Only a few African countries use the CLPR system – these include South Africa, Namibia, and Rwanda (Collord, 2018). Unlike South Africa however, Rwanda's PR system is only for selection of its legislature while the executive, including presidential elections, use the simple plurality of first past the post (Kiwuwa, 2005; Stroh, 2009). In Namibia there are four elections with three different systems; proportional representation is used only for National Assembly and Local Council elections – presidential and regional council election use majoritarian and

first past the post systems (Hopwood, 2008; Töttemeyer, 2010). Lindberg's (2005) assessment is that PR systems are preferred to majoritarian in the context of Africa's socio-political realities, as they are more effective in reining in the effects of neopatrimonialism. Neopatrimonial regimes are "states where political authority is vested in the individual leader or 'Big Man' who rules through the allocation of offices and other forms of patronage to maintain the loyalty of subordinate officials and via them the support or acquiescence of the public at large" (Barkan, 2000, p. 230).

Most other countries employing some form of PR system use thresholds (a certain percent of the national vote is required) to limit legislative seats for the smallest parties – justified as preventing excessive fragmentation that may challenge the formation of stable governments (Gallagher and Mitchell, 2005). This is not the case in South Africa – there is no formal threshold for representation in the legislature. Even the smallest political parties, including those with less than one percent of the national vote, can win seats in the legislature (see Table 6.1). The Constitution states that the electoral system should result "in general, proportional representation", with between 350 and 400 seats in the National Assembly and between 30 and 80 in the provincial legislature (Gumede, 2020). The Electoral Act (Act No. 73 of 1998) specifies that a maximum of 400 seats in the National Assembly, and 80 seats in provincial legislatures, should be allocated proportionally. A Droop quota is used to calculate the seats, which divides the total number of votes by the number of seats plus one. After application of the quota, the parties with the largest vote remainders obtain the remaining seats (Electoral Commission of South Africa, no date; Ferree, 2018).

Single party dominance

According to Ferree (2018), Gouws and Mitchell (2005, p. 361), and Lijphart (1995), South Africa's electoral system "may well be the most proportional electoral system in use in any democracy". Israel and the Netherlands are perhaps the only other countries with closed list PR systems (with nationwide districts) that are also extremely proportional (Itzkovitch-Malka, 2021; Lijphart, 2012). However, Israel currently has a threshold for representation in the legislature of 3.25% – increased from 0.8%, 1%, and 2% in previous elections (Mustafa, 2020). The Netherlands, like South Africa, has virtually no threshold for representation. An official figure for representation in the Netherlands' second Chamber is 0.67%¹⁵, while there is no minimum requirement for its first Chamber. What is evident in the case of South Africa is that,

¹⁵ Source: Council of Europe, <https://www.coe.int/en/web/electoral-assistance/elecdata-netherlands>

despite a PR system that would in theory see a multitude of parties in Parliament that can provide robust opposition party impact, the country has had single-party dominance since its democratic transition, whereby the ruling party ANC enjoys a commanding position as the dominant party in the executive and in the legislature. This is contrary to what literature suggests about PR electoral systems: that they tend to reduce the likelihood a single party having an overwhelming majority because they provide maximum inclusivity of all political parties (Gumede, 2020; Reynolds et al., 2005).

Evident from its overwhelming electoral majority since 1994, Southall (2014b) refers to the ANC's dominance as apparent invincibility at the polls. Azevedo-Harman (2012), Petersen (2019), and Tshishonga (2022) argue that, although not an exclusive feature of African parliaments, single-party dominance in Africa is often associated with parties that were previously liberation movements whose overwhelming popularity often renders their electoral overthrow almost impossible. The ANC is claimed to be the oldest liberation movement on the African continent (Harvey, 2021; Lissoni et al., 2012; Simpson, 2017). The 2019 South African election outcome, however, indicates a less significant majority and is the ANC's worst electoral result, following a declining trend since the 2004 elections (see Table 6.1).

Table 6. 1. National election results: parties with parliamentary seats (1994–2019)

2019			2014			2009		
Party	% of votes	Number of seats	Party	% of votes	Number of seats	Party	% of votes	Number of seats
ANC	57.50%	230	ANC	62.15%	249	ANC	65.90%	264
DA	20.77%	84	DA	22.25%	89	DA	16.66%	67
EFF	10.79%	44	EFF	6.25%	25	COPE	7.42%	30
IFP	3.38%	14	IFP	2.50%	10	IFP	4.55%	18
FF+	2.38%	10	NFP	1.50%	6	ID	0.92%	4
ACDP	0.84%	4	UDM	1.00%	4	UDM	0.85%	4
UDM	0.45%	2	FF+	1.00%	4	FF+	0.83%	4
ATM	0.44%	2	COPE	0.75%	3	ACDP	0.81%	3
Good Party	0.40%	2	AIC	0.75%	3	UCDP	0.37%	2
NFP	0.35%	2	ACDP	0.75%	3	PAC	0.27%	1
AIC	0.28%	2	AGANG	0.50%	2	MF	0.25%	1
COPE	0.27%	2	PAC	0.25%	1	AZAPO	0.22%	1
PAC	0.19%	1	APC	0.17%	1	APC	0.20%	1
Al Jama-ah	0.18%	1						
Total		400	Total		400	Total		400
2004			1999			1994		
Party	% of votes	Number of seats	Party	% of votes	Number of seats	Party	% of votes	Number of seats
ANC	69.69%	279	ANC	66.35%	266	ANC	63.12%	252
DA	12.37%	50	DP*	9.56%	38	NNP	20.55%	82
IFP	6.97%	28	IFP	8.58%	34	IFP	10.62%	43
UDM	2.28%	9	NNP	6.87%	28	FF+	2.10%	9
ID	1.73%	7	UDM	3.42%	14	DP*	1.75%	7
NNP	1.65%	7	ACDP	1.43%	6	PAC	1.26%	5
ACDP	1.60%	7	FF+	0.80%	3	ACDP	0.45%	2
FF+	0.89%	4	UCDP	0.78%	3			
UCDP	0.76%	3	PAC	0.71%	3			
PAC	0.73%	3	FA	0.54%	2			
MF	0.35%	2	MF	0.30%	1			
AZAPO	0.27%	1	AEB	0.29%	1			
			AZAPO	0.17%	1			
Total		400	Total		400	Total		400

*Democratic Party. Later became known as Democratic Alliance (DA)

Source: Electoral Commission of South Africa

The CLPR system has contributed to the enduring dominance of the ANC in the South African Parliament (Gumede, 2018) whereby members are expected to obey and show loyalty to the dictates of the party, rendering the self-interest and rational choice discretion of party members irrelevant (AmaShabalala, 2021; Notshulwana and Lebakeng, 2019; Southall, 2017). Party leaders handpick candidates to place in the legislature and assign them to committees; selection that is based on candidates' loyalty to the party rather than competence (Gumede 2020). It is therefore, in Butler's (2005) summation, the ANC's internal elections and candidate selection and deployment process – not public elections – that determines who governs in which areas and who represents citizens in Parliament. This shows that it is not only the electoral system

that shapes the behaviour of legislators, but the specific process of selecting party candidates for legislative seats is also a main determinant of legislative behaviour (André et al., 2014). Equally important and influential in shaping legislators' behaviour is who makes the selection of candidates to represent the party, as this provides an explicit indication of who holds the power (Gallagher and Mitchell, 2005; Koop and Bittner, 2011; Rahat, 2007; Schattschneider, 1942).

Such a practice of the CLPR system, as explained by Carey (2007), ensures that selected candidates are loyal to party leaders, who control legislators' prospects of reappointment or appointment to other offices, thus overriding incentives for legislators to act independently. This also makes it difficult for voters to ensure accountability from elected MPs or to remove big political parties from power – something characteristic of proportional representation systems (Bilchitz et al, 2016; Mattes, 2002; Reynolds et al., 2005).

Two key factors explain this single party dominance in the context of democratic South Africa; factors that, according to Booysen (2011, p. 210), contribute to the ANC's dominance as an “uninterrupted line of commanding party political and state power”. One is South Africa's strong history of racial divide, which has translated into a racially polarised electorate. Voting behaviour in the first few national elections of South Africa's democracy was predicted by race – overwhelmingly so for white and black voters (Ferree, 2006). Although not the sole determinant of voting patterns and election outcomes, race and ethnic cleavages in South Africa are important determinants of voters' choice at elections and continue to be relevant in every election (Anyangwe, 2012; McLaughlin, 2007).

The ANC has always been a popular anti-apartheid, national liberation movement (rather than just a political party), and major opposition parties considered enemies of transformation who lack legitimacy with black voters (Booyesen, 2011; Ferree, 2018; Isike and Onapajo, 2017; Lodge, 2004; Nijzink, 2001; Southall, 2014a) – who constitute the majority of South Africa's population. As Southall (2014b) characterises it, South African elections are a racial census¹⁶, where the black majority supports the ANC and main opposition parties have historically been marginalised and delegitimised as being anti-transformation and promoting white interests. Over time, this narrative of opposition parties has changed, however, as the “predicted death of small parties” has not materialised and the ANC's dominance at provincial (subnational)

¹⁶ The racial census argument in South Africa has weakened over time, as the ANC electoral majority and black voter loyalty to the ANC is declining (Everatt, 2016).

level is being fractured (Everatt, 2016, p. 55). This changing trend notwithstanding, at present, the ANC's electoral majority remains.

The consequences of a racially defined electorate has made the ANC confident that its position is unassailable. Despite the party's frequent policy failures and controversial actions, voters have yet to meaningfully punish the party by eliminating its majority (Bilchitz et al, 2016; Booysen, 2011; de Jager and Steenekamp, 2016; Gumede, 2017; Schrire, 2008). The ANC continues to receive a high level of partisan support at the polls from the country's dominant demography (Anyangwe, 2012). Besides race, an equally important factor contributing to the party's electoral wins despite its policy failures, maladministration, and corruption, is the previously commonly held view of the lack of a credible alternative government (Butler, 2005; Isike and Onapajo, 2017; Mattes, 2002).

The second key factor explaining the ANC's enduring dominance is the decision-making structure adopted by the ANC in the late 1990s, referred to as democratic centralism in the party (Barkan, 2009; Booysen, 2011; Butler and Southall, 2015; Gumede, 2017; Mnguni, 2011; Southall, 2017; Tsheola and Nkuna, 2014; van Onselen, 2015). Influenced by communist-style methods of work and Leninist principles inherited from its days as a liberation movement largely in exile, the appeal of democratic centralism to the ANC is an effective hierarchical organisational structure that ensures unity and internal discipline (Butler, 2007; Johnson, 2003). Southall (2018) points out that the ANC's long-standing alliance with the South African Communist Party (SACP) influenced the incorporation of Soviet communist ideology into the ANC's revolutionary theories. As Steyn-Kotze (2021, p. 313) describes it, "the 'democratic' aspect is found in the element of debate, while the 'centralism' aspect is found in the obligation of all members to uphold the decision, regardless of whether they agree".

Democratic centralism concentrates all public policy decision-making in the National Executive Council (NEC), the ANC's highest decision-making body, which implements the intentions of the party's National Conference (Hasson, 2010). The NEC is the highest organ of the ANC between National Conferences and has the authority to lead the organisation and ratify or change any decision or policy, subject to the provisions of the ANC constitution. It constitutes 80 members, who are elected by secret ballot by the National Conference, as well as the President, Deputy President, National Chairperson, Secretary General, Deputy Secretary General, and the Treasurer General – the NEC leadership who are elected separately by the National Conference. The National Conference, an elective conference convened at least once

every five years, is the supreme ruling and controlling body of the ANC and comprises voting and non-voting delegates (usually over 5000 members are voting delegates) who determine the policy, programme, and Constitution of the ANC (African National Congress, 2017).

Typically, the process leading up to the National Conference and election of NEC members involves the following: (i) branch members are audited to confirm that they are in good standing; (ii) branch general meetings nominate who they want in the NEC top six leadership; (iii) nomination results are sent to ANC Headquarters and the Provincial Executive Committee¹⁷; (iv) the ANC nominates an independent electoral agency to oversee the entire process; (v) nomination results for the NEC top six are revealed at the provincial general council that is held by all nine provinces; (vi) provinces undertake an accreditation process of all voting Conference delegates; (vii) elections of NEC members are then held at the National Conference (Claasen, 2017).

Legitimate authority within the ANC rests upon collective decisions reached through the NEC and National Working Committees' decision-making structures (Butler, 2005). All ANC members are expected to be accountable to party hierarchy and adhere to NEC decisions, as higher leadership structures bind lower ones. With a weak separation between party and state, the ANC NEC, according to Mnguni (2011), has effectively become the nucleus for South Africa's policy proposals. It should be highlighted that despite the country's policy emanating from, and polity being dominated by, the ANC (de Jager and Steenkamp, 2016), since 1994 the ANC has been in an alliance with the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU). Each alliance partner is an independent organisation that plays a role in the debates and decisions about policy development and implementation – all primarily concerned with building a developmental state and improving the quality of life of every South African, especially the poor (Beresford, 2009; Cedras and Kuye, 2013; Watt, 2009). However, it has become evident over the years that, despite this alliance, the ANC remains at the centre of power that determines policy direction and implementation (Booyesen, 2011; Cedras, 2021).

The agenda and decisions of the ANC NEC are supported and enacted using the ANC majority in the legislature (Tshishonga, 2022). NEC decisions have authority over a wide range of state institutions, including those created under the Constitution to serve as checks on political power

¹⁷ The highest organ of the ANC in a province between Provincial Conferences and has the authority to lead the organisation in the province (African National Congress, 2017).

(Choudhry, 2009; Notshulwana and Lebakeng, 2019). Booysen (2017) explains that NEC decisions are made in parallel with formal government structures and often supersede the influence of Parliament, Cabinet, and the Presidency. “The dominance of one party has unfortunately undermined some of the key checks in the system of democracy” (Bilchitz et al, 2016, p. 76).

6.2. South Africa’s case for legislative budgeting power

6.2.1 Enacting Parliament’s budgetary authority

South Africa’s journey to legislative budgetary powers is rooted in Section 77 of the 1996 Constitution, which calls for national legislation to provide a procedure to amend Money Bills before parliament. In 1997, a draft memorandum for a Money Bills Amendment Act was introduced by the Department of Finance. This draft Bill was strongly opposed by Parliament, various civil society organisations and Congress of South African Trade Unions (COSATU) – South Africa’s largest trade union federation and a strong alliance partner of the ANC. In its submission to the Parliamentary Finance Committee in October 1997 on the draft Money Bills Amendment Procedure Bill, COSATU emphasised the constitutional commitment to strengthening Parliament’s role in the budget process, and called for adequate resourcing for Parliament to fulfil such a role. COSATU’s main concern about the contents of the draft Bill was the restrictions it placed on Parliament from making any changes to the budget and other Money Bills imposing taxes, stating “parliament goes through the motions without really providing the opportunity for meaningful input” (COSATU, 1997, p. 4). It subsequently boycotted all participation in parliamentary budget hearings for several years, ending the boycott once the Money Bills Amendment and Related Procedures Act was enacted in 2009.

Opposition to the 1997 Bill by other stakeholders, such as civil society organisations and some politicians, was primarily about the dominance it (still) allowed the Minister of Finance to exercise over Parliament, and a number of contentious provisions that, contrary to the intent of the Bill, significantly constrained the role of Parliament in the budget process, providing Parliament with no real powers in budget decision-making (Lefko-Everett et al., 2009; Krafchik and Wehner, 1998; Wehner, 2010). Fundamentally, legislators and civil society believed that the executive excessively dominated budget decision-making (Verwey, 2009). Other contents of the Bill that were opposed included written consent being required from the Minister of Finance before the finance committee can table any amendments, and that the

Minister of Finance could veto any significant amendments to revenue proposals (Wehner, 2010). Wehner (2009) argues that the language and contents of the Bill revealed the attitude of the executive and the Finance Minister at the time, a perception that Parliament was a potential fiscal threat. The Bill was never formally tabled nor enacted.

A second attempt at introducing legislation granting Parliament budget amendment powers was made in 2008. Reasons for the delay of more than a decade in passing this piece of legislation vary, but some commentators suggested National Treasury's aversion to having critical budget decisions arbitrated by politicians who have no knowledge or technical expertise in economics and public finance and are considered a threat to fiscal discipline (Wehner, 2010). Pauw (2011) suggests that delays in passing this legislation were also due to ideological tensions within the ANC at the time, between fiscally conservative members and those on the populist left.

Following the 52nd National Conference of the ANC in Polokwane in December 2007, the political transition from the Thabo Mbeki to the Jacob Zuma administration resulted in fundamental changes to the character of political authority, and is described as a major turning point in the ANC and in South African politics (Booyesen, 2011; Levy et al, 2021; Swilling et al., 2017; Tsheola and Nkuna, 2014). As Pearson et al. (2016) point out, in the run-up to the 2007 National Conference that unseated Thabo Mbeki and elected Jacob Zuma, factions within the ANC including its alliance partners had described Trevor Manuel and the National Treasury as "too powerful" – something which contributed to the hostility towards the organisation and its leadership in the years that followed. Pauw (2011) and Verwey (2009) suggest that the change in ANC administration in 2009 and the resurgence of the left in the ANC and its alliance partners (COSATU and the SACP) – what (Wehner, 2010, p. 123) calls a "realignment of power within the ruling party" – expedited the tabling of the Money Bills Amendment Procedure and Related Matters Act. The Act was tabled in July 2008 and approved into law in April 2009.

Sachs (2021) and Swilling et al. (2017) argue that the change in political environment after the 2007 ANC National Conference also further aggravated the conditions under which fiscal policy operated, describing a shift in decision-making from constitutional structures of government (including Parliament and Cabinet) and technical expertise to informal networks of the President and indistinct ANC processes. Many of the budget actors interviewed for this study reflected on this period of the change to Jacob Zuma's administration and the impact that the change in ANC leadership had on the country's governance and policy environment –

including budget policy. While some budget actors justified it as pressure to address a constitutional demand for such legislation, others questioned the sudden urgency in adopting the Money Bills Amendment Act after more than a decade of inertia. Explaining the parallels between the new ANC leadership in 2008 and expeditious changes made for greater legislative budget authority, a member of the finance committee had this to say about the quick enactment of this legislation:

Perhaps when it was first introduced in 1997, there was an attempt, a genuine attempt, right? [...]. But in 2008, it was for political expedience [...]. The intention was to strengthen the arm of the Zuma faction, which was in Parliament at the time. Because the intention was never really to strengthen Parliament and to ensure its effectiveness, to give it the power to be able to amend the budget. No. That was never the intention (Interview 14).

With the new Jacob Zuma administration in 2009, a clear shift was evident from what was described as an over-centralised executive to greater legislative involvement, where the balance of power within the party shifted in favour of stronger parliamentary oversight of the executive (Lefko-Everett et al., 2009; Wehner, 2010). “The Zuma period of state governance brought changes in alignment of centres of power” (Booyesen, 2011, p. 417) – equalising the influence of the NEC in central government planning and coordinating with that of the Presidency and the National Treasury. Cabinet consulted and interacted with the ANC’s top structures more frequently under Jacob Zuma than during Thabo Mbeki’s reign, and, although still a key policy actor and influencer, the National Treasury began acting with more political awareness (Booyesen, 2011).

A former senior Treasury official commented:

So, there was a push from the Polokwane Conference¹⁸ again to emasculate Treasury, in my view. And later on, in the term of the Zuma presidency, part of that push became shifting budgeting functions to the presidency. It was being done. It was coming from outside of the Treasury. So, there was that shift (Interview 15).

This change in administration is associated with the beginning of what is called the state capture era. The term state capture in South Africa, called kleptocracy elsewhere (Gottschalk, 2022), refers to “the actions of individuals or groups both in the public and private sectors, influencing

¹⁸ The 52nd ANC National Conference in 2007

the formation of laws, regulations, decrees and other government policies to their own personal advantage” (Sutch, 2015 cited in Martin and Solomon, 2016, p. 22). It involves the expropriation of state institutions, agencies, and functions by certain individuals or groups to the extent that they have control or influence over the design, modification, and implementation of laws, rules, and regulations (Mbaku, 2018). A period of the Jacob Zuma administration, from mid-2009 to early-2018, was characterised by high levels of corruption, patronage, governance failures, policy uncertainty, a Parliament ineffective in its obligation to hold the executive accountable, abuse of public resources for private gain, state institutions being repurposed to serve the private accumulation interests, and subversion of constitutional and other formal institutions (Booyesen, 2019; Cedras, 2021; Friedman, 2019; Matebese-Notshulwana and Lebakeng, 2020; Notshulwana and Lebakeng, 2019; Rapanyane, 2022; Southall, 2013; Suttner, 2015; Swilling et al., 2017). It was a period that Ajam (2020) describes as an environment vulnerable to fraud and corruption owing to Parliament’s ineffective oversight over the integrity of public finances. Further detail on state capture and its impact on budget institutions and public finances is discussed in Chapter 7.

South Africa’s democratic transition in 1994 was followed by a series of electoral and budgeting reforms aimed at drastic institutional changes promoting the supremacy of the Constitution and the rule of law, and promoting a national budget process that addresses constitutional requirements (Cole et al, 2016; Fölscher and Cole, 2006) – amongst other things. A concerted effort was undertaken to reform the institutions of budgeting to shape the nature of budget decision-making and decision outcomes (Mkhize and Ajam, 2006; Wehner, 2010). Parliamentary power over the purse is advocated as a policy goal in the 1996 Constitution of the Republic of South Africa. Section 77 of the Constitution calls for national legislation to provide a procedure to amend Money Bills before Parliament. Such legislation, the Money Bills Amendment Procedure and Related Matters Act, was enacted in 2009. The Act reinforces the authority of Parliament in budgeting while establishing the balance of power between the legislature and executive in budget decision-making (Pauw, 2011; Wehner, 2010). With this legislation, the South African Parliament is granted formal powers to amend the executive’s budget proposals as well as other Money Bills before it.

The 1996 Constitution of the Republic of South Africa establishes Parliament as an authority with amendment powers in the budget process. The experience of many other countries with

Westminster models¹⁹ of parliamentary systems has been of a severe restriction on the powers of legislators to amend the executive's budget (CABRI, 2008; Schick, 2002). Cognisant of the current debates on precisely what the concept of Westminster means (Flinders et al., 2022; Russell and Serban, 2022), for this study's context, reference to a Westminster model serves only to make reference to historical influences on South Africa's current parliamentary system of government (see section 6.3). Despite what is well-established in literature about the elusiveness of budgetary control in parliamentary systems (Fölscher, 2006; Forestiere and Pelizzo, 2008; Lienert, 2013; Schick, 2002; Wehner, 2010), South Africa pursued legal and other institutional reforms granting Parliament budget amendment powers.

6.2.2 Factors influencing Parliament's *de facto* budgetary powers

The extent of parliament's influence on budget decisions is defined by its formal powers to amend the budget proposals of the executive, effective parliamentary committees, and other institutional arrangements affecting the incentives of budget actors (Krafchik and Wehner, 1998; Lienert, 2013; Wehner, 2014). Institutions, in this context, is understood as the rules and practices that guide and constrain political behaviour; the structures that affect how power and authority is legitimated and exercised (March and Olsen, 2008). Such institutions can be formal constitutions and procedural structures, as well as informal and unwritten conventions – both of which influence and can explain political behaviour and decision-making (Lowndes, 2018).

In the budget process, institutions are not only the rules to which budgets are drafted, approved, and implemented, but they are also rules that establish actors' roles and authority, shape actors' interaction, and guide decision-making (Alesina and Perotti, 1999; Raudla, 2019). Budgetary institutions are considered necessary to avoid the common-pool resource problem of budgeting, where decision-makers fail to internalise the full cost of their actions (Cheibub, 2006; von Hagen and Harden, 1995). The problem arises from the fact that politicians spend money targeted at individual groups in society but drawn from a general tax fund – a common pool. The targeted groups and their political representatives usually demand more spending on policies that benefit their group than what is optimal for society at large (von Hagen, 2007). This leads to excessive levels of public spending, deficits, and government debts, where these

¹⁹ A democratic political system patterned after the British Parliament. The prime minister and members of the cabinet are drawn from the legislature, either from the dominant party or from members of parties making up a coalition government. The legislature's upper House has little real power and typically operates as a legitimizing body limited to suggesting revisions to legislation drawn up by the lower house (Dictionary of the Social Sciences, 2002)

decision-makers, typically legislators, demand more spending of specific policies and projects than what is optimal for society as a whole (von Hagen, 2008; Wehner, 2010).

The absence of budget rules and procedures, in Schick's (2002) view, would mean that decisions can be taken whenever there is the will to do so. Different electoral and budget decision-making rules present different institutional solutions to the common-pool problem (Hallerberg et al., 2009; von Hagen, 2008). Formal institutionalised arrangements, therefore, can mitigate the pro-spending bias of some budget actors while centralising decision-making in the hands of actors who are more likely to consider costs of budget decisions (Raudla, 2019; Wehner, 2010; 2014).

Significant budget decision-making power vested in the hands of the finance ministry is advocated due to the ability of finance ministries to consider the full costs of decisions, their stronger incentives to defend fiscal discipline, and the fact that they possess comprehensive information about the budget due to their expertise and reach to all government departments and agencies (Alesina and Perotti, 1996; Krafchik and Wehner, 1998; Lienert, 2005; Schick, 2002). The dangers of pork barrelling²⁰ are also minimised when the Finance Minister has greater powers since legislators, similar to spending ministers, are interested in funding a range of projects and programmes that benefit their constituents without considering the full fiscal cost of spending on those programmes (Hallerberg et al., 2009). Furthermore, a legacy of parliamentary indiscipline in budgetary matters, particularly in the context of many developing countries who are more affected by issues such as electoral clientelism and patronage politics (Bratton, 2007; Santiso, 2008a), also supports the argument of centralising the budget process to the executive and finance ministry.

However, a push to empower the legislature in budget decision-making can be justified on the basis of democratic political systems, which consider power of the purse a democratic fundamental (Lienert, 2013; Siebrits, 2017); a "fundamental function of representative assemblies" (Wehner, 2014, p. 1). Legislatures are more representative of the interests and needs of their electorates and should therefore have power over the purse (Pauw, 2011). Excessive executive discretion in the budget process, unconstrained and unchecked by the

²⁰ The allocation of spending to projects that have discrete and highly divisible benefits targeted to specific populations, such as states and congressional districts, while the cost is spread across the general population through taxation (Evans, 2011).

legislature, may also be perceived as undermining transparency and accountability, and reinforcing executive dominance (Santiso, 2008a).

Extent of formal powers

Wehner (2010) explains two categories of legislative budget amendment powers as unfettered and constrained. Unfettered power refers to there being no numerical limits on the extent to which legislatures can increase, reduce, or amend the executive's budget proposals. Norton (1993) describes these legislative roles in budget processes as budget-making, where legislatures have legal authority and technical capacity to amend the executive's budget proposal and substitute it with their own, and budget-approving, where legislatures have no authority or capacity to do anything other than approve the executive's budget proposals. Constrained power does not allow amendments to the executive's budget proposals, and the legislature can only approve or reject the budget in its entirety (Lienert, 2005; Wehner, 2010). A third classification is described by Schiavo-Campo (2007) as balanced power, where the legislature can amend the executive's budget proposals, but within the limitation of maintaining a balanced budget (no changes to the aggregate budget).

Schiavo-Campo (2007) describes balanced legislative budgeting power as legislatures that can amend budget proposals, but within the limitation of maintaining a balanced budget. South Africa's Money Bills Amendment Procedure and Related Matters Act of 2009, amended in 2018, provides Parliament with such balanced power, whereby amendments to the various Money Bills are permitted with a number of conditions and detailed procedures. Conditions in the Act include: the budget balance and reasonable debt levels are maintained; the short to long term implications of the budget on long-term economic growth are considered; proposed amendments should be accompanied by motivations; provincial and local governments affected by any amendments should be given an opportunity to respond; and the impact of any budget amendment on the affected department and service delivery should be demonstrated.

The extent to which formally conferred legislative budgetary powers are exercised is also conditioned by other factors. These include whether legislators possess sufficient technical capacity to scrutinise the budget, what local political conditions are, the individual incentives that MPs face, and how conducive the broader governance environment is to parliament fully exercising its powers (Santiso, 2008a). Also, as Lowndes (2018) explains, the impact of formal institutions on political behaviour must be considered in light of contextually embedded informal conventions that can also have distributional effects on power.

Virtually all the budget actors interviewed had similar views on the very detailed procedures in the Money Bills Amendment Act. The intentions of the legislation are lauded for granting parliament more power in the budget process, but the onerous procedures detailed in legislation are heavily criticised.

A national budget is tabled in February of each year, and a mid-term budget called the Medium-Term Budget Policy Statement (MTBPS) is tabled in October. The MTBPS precedes and sets the tone for the fiscal framework for the main budget (Parliamentary Monitoring Group, 2021). It presents the country's economic forecasts and fiscal framework, and proposes to Parliament the medium-term spending priorities and the division of revenue between all three spheres of government. Following the tabling of the national budget by the Minister of Finance, the finance and appropriations committees in both Houses of Parliament have 16 days to table a report to the National Assembly and/or the NCOP on the fiscal framework. The fiscal framework is the total resource envelope for government across all three spheres at national, provincial, and local level. Such a report must include a clear statement accepting, rejecting, or amending the fiscal framework.

After Parliament adopts the fiscal framework, a Division of Revenue Bill must be passed within 35 days. The Division of Revenue Bill prescribes the distribution of the provincial equitable share of national revenue to the country's nine provinces, and distribution of the local government equitable share to the 257 municipalities. Finally, Parliament must approve the Appropriation Bill, with or without amendments, within four months of the start of the financial year. The Appropriation Bill is the legislation that distributes the national share of the budget across all national votes. In October, the time allocated for the finance and appropriations committees to review the MTBPS and propose amendments to the National Assembly and the NCOP is 15 days and 30 days, respectively. During this time, as part of its constitutional requirement, the finance and appropriations committees also convene public hearings where members of the public are invited to make oral and written submissions on the fiscal framework, the Appropriation Bill, and the MTBPS.

The Money Bills Amendment Act allows little time for Parliament to engage with budget proposals and other Money Bills, facilitate public participation, or negotiate any amendments where required. This is in addition to their budget oversight responsibilities. Reflecting on this demanding legislative phase of the budget process, MPs serving on both the committees on finance and appropriations commented:

The timeframes are often insufficient for proper interrogation. In practice, the ability to amend the budget is an impossibility (Interview 6).

There's nothing that you can do. All these processes must happen within a period of exactly four months. It must happen. If it doesn't happen, we know the government is dissolved. You see how the problem is? (Interview 33).

The enabling budget amendment legislation therefore becomes a constraint in itself, by design, rather than a means for Parliament to exercise its budgetary powers. A former senior Treasury official commented on this:

How would they amend the budget? The legislation itself is terrible because it's almost like giving the power grudgingly, by wrapping them up in so much process that in effect they can't amend (Interview 15).

Institutional capacity

In its 2015 survey of budget practices and procedures of 23 African countries, the Collaborative Budget Reform Initiative (CABRI) (2017) found that most countries have weak budgetary institutions – including South Africa. Where countries' institutional strength improved over time, this was largely attributable to formal legal powers and not organisational capacity (committee structures and processes, duration of legislative processes from budget tabling to approval, and legislative research capacity). In South Africa's case, the survey noted improvements relating to formal legislative budget amendments powers that were enacted in 2009 – the Money Bills Amendment Procedure and Related Matters Act, and the establishment of an independent parliamentary budget institution, the Parliamentary Budget Office. According to the OECD (2019), sufficient analytical capacity such as support staff and independent researchers is a necessary prerequisite for legislatures to exercise their budgetary functions and enhance their effectiveness in the budget process.

Research and analytical support necessary to engage in fiscal and economic matters is provided to MPs by internal parliamentary resources as well as external expertise. Both the Upper House and the Lower House of Parliament each have a finance committee and an appropriations committee. According to the Money Bills Amendment Act, the main function of the finance committees is to consider and report on the national macro-economic and fiscal policy, the fiscal framework, revised fiscal framework, revenue proposals and Money Bills. The appropriations committees' key function is to influence budget policy decisions through

effective implementation of the Money Bills Act and facilitate public participation in the government's budget processes. Each of these four committees has one content advisor and one researcher; the exception being the appropriations committee in the National Assembly, which has two researchers. Despite a significant increase in organisational capacity since the first democratic Parliament, from 10 researchers in 1997 to over 50 in 2019, MPs remain dissatisfied with quality and efficiency of support they receive (Ajam, 2020).

In addition to content advisors and researchers, the finance and appropriations committees in both Houses of Parliament also receive regular analytical support and advice on budget related matters from the Parliamentary Budget Office (PBO) and the Financial and Fiscal Commission (FFC). The FFC, established in 1994, is an independent constitutional advisory institution that makes recommendations on fiscal matters to parliament and other organs of state. The FFC, however, unlike the PBO, derives its mandate from the Constitution of the Republic of South Africa and provides its services to other stakeholders outside of parliament.

Typically, parliamentary budget offices are intended to strengthen the effectiveness and accountability of parliaments in budget processes and enhance the technical capacity of legislatures to not only exercise oversight over budgets, but to also amend budgets (Lienert, 2013; Santiso and Varea, 2013; von Trapp et al., 2016) – something particularly important in executive-dominant contexts where parliaments are considered marginalised in the decision-making process (Stapenhurst et al., 2012). The importance of having such a resource in Parliament includes its role in eliminating the executive's monopoly in budget information, simplifying the complexity of budget information for MPs, and promoting executive accountability (Anderson, 2009, CABRI, 2019). Also important is the independence (from both the executive and the legislature) and impartiality of parliamentary budget offices, which should ideally act as an agent of depoliticising the budget process (Barnes, 2022; Chohan and Jacobs, 2017; von Trapp et al., 2016)

The South African PBO was officially launched in 2013, in terms of section 15 of the Money Bills Amendment Procedure and Related Matters Act of 2009, and is mandated to provide independent and objective analysis and advice to Parliament on the budget and other Money Bills. In addition to empowering Parliament to strengthen budgetary oversight and building the capacity for MPs to better understand and engage on fiscal issues, the PBO also has a role to play in engaging citizen participation in the budget process (Jahed, 2020; McLennan, 2018). A capacity of five parliamentary researchers, four content advisors and a PBO with a research

staff complement of ten (including the Director)²¹ was described by all budget actors as too small to deliver on the range and depth of analysis that the budget requires.

The limited staff at the PBO notwithstanding, the availability of analytical support and advice does not necessarily mean that MPs will have the capacity to absorb, or have the will to use, the information provided to them. Far from being unique to committees responsible for passing the national budget, the lack of MPs with an academic or professional background, or knowledge and basic understanding of economic principles is, according to Barkan (2009), Kotzé (2001), McLennan (2018) and Munzhedzi (2021), one of the biggest challenges in the South African Parliament. One of the consequences of the CLPR system partially explains this; candidates on the ANC's party list are not selected for seats in Parliament based on competence or talent (Dawes, 2008; Gumede, 2018). It should be noted however, that although academic qualifications or relevant professional backgrounds are ideal for committee members, they are not essential, as politicians can acquire budgeting and public finance knowledge and expertise by spending many years in budget committees (Murray and Wehner, 2012).

Very few of the MPs interviewed for this study had any professional background, education or training in matters related to finance or economics. Many of the opposition party MPs come from economics, banking, and public administration backgrounds. Many of the ANC MPs emphasised their extensive political careers, activism during apartheid, and various leadership roles within the party. The lack of expertise or familiarity with public finance, economics, and budgetary matters leaves MPs at a substantial deficiency in understanding the independent analysis from the FFC, PBO, and committee researchers. Budget actors reflected on this, explaining that not only do many MPs lack of knowledge on budgeting and public finance, but they also do not sufficiently prepare for committee meetings, they do not read the analytical information provided to them, and they do not actively participate in meetings.

Many of the budget actors interviewed welcomed and commended the establishment of the PBO to provide committees with additional support in analysing budget proposals, budget legislation, and other public finance-related matters. However, some MPs also bemoaned the excessively technical inputs they receive from the PBO, as many of them lack understanding in basic economic and public finance concepts. This leaves the PBO in a difficult position, as

²¹ Staff complement as of May 2021. Four of the ten positions were vacant at the time.

they need to be as technically proficient as the National Treasury, but also provide analytical reports and information in rudimentary form enough for MPs to understand.

During many of the interviews with budget actors, the independence of the PBO to provide objective and impartial analysis and advice was questioned. Opposition party MPs and senior Treasury officials referred to what Messick (2002) and Mohamed (2009) caution, that unlike countries with presidential systems, the majority of countries with parliamentary systems have no need or interest for information that is provided independently of government – the exception being opposition parties. As Anderson (2009, p. 5) summarises about an independent legislative budget unit, “the information it produces may be of more value to minority parties in the legislature in their relationship to the majority party”. Reflecting on the issue of an independent and impartial PBO, a member of the appropriations committee stated:

Ultimately, they know who their master is. And their master is the majority party. So that’s that. So, I would say that they’re as independent as the majority party allows them to be, but not any more so than that (Interview 17).

The issue of independence has plagued the South African PBO since its establishment, and is attributable to a number of factors. These include how the advisory board tasked with overseeing the PBO are finance and appropriations committee chairpersons who are all ANC MPs (Muller, 2017a), that the PBO is funded by Parliament, the Director of the PBO reports to Parliament, and the technical work the PBO produces is often labelled as ideologically nuanced in the interests of the ruling party (Jahed, 2020) – all factors that McLennan (2018, p. 95) asserts contribute to the PBO’s “blurred accountability lines”.

Notwithstanding the deficiency in MPs’ capacity to fully understand all its analytics, the PBO has strengthened institutional capacity in parliament’s finance and appropriations committees. It appears likely however, that the independence the PBO is meant to have is being challenged or emasculated by the same highly politicised institution it is meant to serve – Parliament. The majority of MPs in committees and the dominance that the ANC has in the parliamentary process ensures that no independent institutional powers emerge (Schrire, 2008); indicating that with the PBO, finance and appropriations committees are “all dressed up with additional capacity, but little opportunity to shape budget policy” (Schick, 2002, p. 33).

High MP turnover in committees

Another factor that not only influences MPs' behaviour in the budget process but also places a constraint on Parliament's budget-amending ability relates to the fact that not only is Parliament elected for a five-year term, but that there are frequent changes in MPs serving in committees in each parliamentary term. This leaves MPs with a relatively short period of certainty about their seats, creating a disincentive for MPs to invest time building up specialised knowledge on budgeting.

Statistics from the Parliamentary Monitoring Group of South Africa shows that during the fifth democratic Parliament (2014-2019), the finance committee in the National Assembly made nine replacements to its 22-member committee. In the current Parliament (2019-2024), all except one of the members in the finance and the appropriations committees in the National Assembly are new. These changes leave the committees at a significant disadvantage in the budget process, as the lack of MPs with accrued expertise and institutional memory weaken the committees' capacity to effectively engage with the budget and to influence budget policy.

In the South African Parliament, committee membership is determined by the relative number of seats held by a party, where committees are generally proportionally representative of the parties in Parliament (Hasson, 2010; Parliament of the Republic of South Africa, no date). Historically – certainly in the first democratic Parliament of 1996 – committee assignment of ANC members was based on MPs' preferences and expertise, but currently MPs are deployed to committees by the party leadership and backed by recommendations of the Chief Whip (Barkan, 2009). Committee assignment, particularly selection of committee chairpersons, is also deliberated with the ANC's alliance partners, the Congress of South African Trade Unions, and the South African Communist Party (Merten, 2019). The choice of committee chairpersons is critical, as they set the tone for proceedings – including which matters are considered essential and which can be ignored, how robust discussions can be, and to what extent committee members feel free to express themselves in meetings (Doyle et al., 2022).

MPs themselves reflect negatively on this limitation, lamenting the lack of continuity from previous parliaments and the steep learning curve that they face not just as newly elected MPs, but also with the complex nature of the national budget and budget policy. Experienced budget actors explain that the changes in finance and appropriations committee members is an anticipated pattern with each new administration:

But we have these committees which are responsible for the budget, especially the finance committees. As I've said, I've been here for 10 years and you'll find some of them, they are weak. They don't understand the role, even if the role is well articulated, you'll find the understanding of their role as well as the oversight is not really as clear to some of them, what they should do (Interview 17).

That's frustrating because an MP may come in completely clueless, but they can learn the ropes to some degree and get a sense of where to direct their attention and where they can draw, who and where they can draw on for advice or assistance. And then they leave, or they get moved to another committee or they just leave Parliament altogether. So that lack of continuity is also a big problem (Interview 22).

The limitations of five-year terms with high turnover of MPs in finance and appropriations committees were highlighted as a major challenge by interviewees. Committee members may take up to two years to familiarise themselves with the budget process and develop a solid understanding of their role, budget legislation, and the content of budget documents. Despite the tenure of most researchers and content advisors in committees extending beyond the five-year term of each Parliament, they face the same hurdle of starting afresh with each new set of committee members needing induction and years of experience in their roles before gaining specialised knowledge of public finance and budgeting.

Other incentives MPs face

Discussed earlier in this chapter is South Africa's closed-list proportional representation electoral system and how it significantly shapes the behaviour and decisions of MPs – including how the MPs vote in the annual budget process. In finance and appropriations committees, this means always voting to approve budgets tabled by the executive. The dominance of the ANC-led executive over Parliament is extremely powerful in influencing political behaviour and budget decisions, and has also contributed to predictability in the outcomes of budget voting. A number of the budget actors interviewed expressed the implication of this to making legislative budget amendments. Political stakes would be raised if Parliament rejects or significantly amends the executive's budget, and this would be equivalent to a vote of no confidence in the executive (Fölscher, 2006; Forestiere and Pelizzo, 2008; Raudla, 2019; Schiavo-Campo, 2007; Wehner, 2010). Several budget actors understood the impact of South Africa's electoral system on the behaviour of MPs, many highlighting that no member of the

ANC deployed to Parliament will challenge any budget proposal. This experience was explained in different ways by finance and appropriations committee members:

Those are our bosses in the political party. This budget, when it comes to us, it means it has been signed with an invisible ink, they've signed it off when it comes to us (Interview 13).

Every single MP must do what the party says. If you do not, the party reserves the right to remove you from parliament for not voting on the party line. If you don't toe the line, you will lose your seat; it's pretty simple. So, you can never vote against your party line (Interview 17).

We know it's the system of whippers whereby all ANC members have to conform to what has been decided. And they can't be seen at some point to be saying no, we are not going to endorse the budget, or we are not going to approve the budget at that particular level. All of them have to agree on the budget. I saw it with South African Airways. There were some who were really not in support, but at the end of the day, they had to toe the line of the party (Interview 19).

Over time, the ANC's dominance has reduced the influence of MPs in legislative processes, eroded checks on executive power and oversight mechanisms provided by formal institutions, and shifted the point of accountability from institutions of parliamentary democracy to the party itself (Choudhry, 2009). According to Nijzink (2001), the ANC does not have a strong history of individualised and independent behaviour²². However, as Southall (2017) points out, the CPLR system allows for no individuality of candidates and MPs are therefore allowed minimal scope for independence, rebellion, or conscience. The CLPR system used and democratic centralism in the ANC ensures tight party discipline and that MPs follow the party line even where they disagree (Alence and Pitcher, 2019). Quoting a senior member of the ANC NEC, Southall (2017) explains how democratic centralism describes the ANC's logic of democracy: "ANC MPs were bound by obligation to the voters who had elected them to vote the way the party instructed. MPs in the South African system are not elected as individuals, but merely as members of their party. To vote against the party line would be to overturn the logic of democracy".

²² In quite a few parliaments, members have very little scope to express independence – the exception often being on private Bills (Schick, 2002)

The recent South African Commission of Inquiry into State Capture (legally termed the ‘Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector Including Organs of State’), which ran from 2018 to 2020, included a focus on parliamentary oversight and the role of the ANC in portfolio committees. Some of the evidence given during the Commission of Inquiry revealed this lack of independent behaviour in the starkest terms. An ANC MP expressed very emphatically that even if the ANC is wrong in its instruction, she will always follow the party line when voting in parliament – quoted in AmaShabalala (2021) saying “I did not go to Parliament of my own accord, I went to Parliament representing the ANC”.

Other disincentives to Parliament rejecting or amending budget proposals relates to the practical implications of proposing legislative budget amendments. First, the national budget is tabled by the Minister of Finance, who is a member of the Cabinet. Before being formally tabled in parliament, all budget proposals are expected to have received the approval of Cabinet during the preparation phase of the budget. Disagreements, rejection, or material amendment of the budget in the legislative or approval phase of the budget process would suggest incoherence in ANC party structures. A senior Treasury official commented on how illogical amendments to the budget would be coming from an ANC-led Parliament, expressing frustration at finance and appropriations committees challenging the contents of the budget:

What is it about the system that the standing committee on finance doesn't like what has come through the structures of its own government? [...] being very angry about what's being proposed, even though often they were members of the ruling party (Interview 5).

Second, the duration of the approval phase of the budget is four to five months. Parliament is required to pass the national budget (and other Money Bills) before funds can be distributed to the relevant government departments. Any delays in passing budget legislation, due to amendments that must be negotiated and effected, would result in delays in the receipt of funds for public service delivery. The budget actors interviewed emphasised that amendments adopted in the legislative phase of the budget process would be highly disruptive to a process that is already subject to severe time constraints, with potentially undesirable implications of delayed allocation of funds for service delivery. A legislative amendment to the budget would thus be highly disruptive to the functioning of the state (Fölscher, 2006; Muller, no date).

Therefore, Parliament tabling a material amendment to the budget involves what Wehner (2010) refers to as high transaction costs. Finance and appropriations committees face severe time constraints in deliberating the budget – including the inputs from public consultation. Committees have very detailed and onerous procedures to follow in the few months of the legislative budget phase; proposing amendments would exacerbate their burden. Furthermore, the risk of redeployment or removal from Parliament, or drop in rank in the party list, are significant disincentives for ANC MPs to support any amendment of the budget. This impact on political behaviour is recognised by all budget actors. A senior Treasury official explained how a controversial budget allocation was recently approved by Parliament despite evidence of irrationality of the allocation, mass public outcry, and substantial objections made about the allocation in public hearings:

We were hoping that Parliament is not going to approve SAA²³, we were all ready to change the budget, but nothing happened. So, I'm not worried about their powers. None whatsoever [...] Parliament is basically the ruling party, and the budget is presented by the ruling party. So, there's not enough opposition in Parliament to turn the tables around. So, I'm not worried that they're going to exercise the powers, despite my attempts to get them to reverse SAA (Interview 20).

6.3. Executive-legislative relations

In parliamentary systems, the legislature and the executive are inherently intertwined; both the executive and the legislature are controlled by the majority party, and the separation of political powers between the two arms of government is very weak – particularly those based on the Westminster model (Lienert, 2005; Moe, 1990; Nijzink et al., 2006; Tsebelis, 2000). The result is a cooperative executive-legislative relationship. Much of this can be attributed to South Africa's democratic parliamentary system; a model of politics inherited from the British colonial period, which has continued throughout the establishment of the Union of South Africa in 1910 until the post-1994 apartheid era, and is considered an important influence on democratic South Africa's Constitution (Nijzink, 2001) – a historic relationship that Booyesen (2011, p. 422) describes as “subservience of the legislative powers to the executive, even if subject to ebbs in legislative assertiveness”. This interconnected relationship between the

²³ South African Airways. A state-owned company that was placed under business rescue in December 2019, following several years of substantial financial losses as well other operational and management challenges

executive and the legislature, according to Butler (2005), not only reduces conflict between the two arms of government but it also facilitates decisive action by majority party.

It is important to highlight, however, that although the South African system of government has many continuities of its Westminster heritage (mostly rules and conventions of conduct and procedure in a bicameral Parliament), there are also fundamental differences. Major changes were made even before democracy: in 1983 for example, the post of Prime Minister was abandoned and replaced by an executive Presidency (Pypers, 2015). Post-1994, key features of the South African system that differ from the Westminster system include the supremacy of the Constitution over Parliament, an electoral system that allocates seats in Parliament to political parties by means of proportional representation rather than by constituency-based elections, and the Upper House of the South African Parliament (the National Council of Provinces) having a less influential and powerful role compared to the House of Lords (Rhodes et al., 2009). In terms of executive-legislative relations, similarities involve the concentration of authority in the executive, who enjoy the confidence and support of a parliamentary majority (Shugart, 2008).

Beyond simply being a consequence of its parliamentary system, the cooperative executive-legislative relationship in South Africa should also be understood within the context of local political settings in the country. The relationship between the executive and legislative arms of government is determined by the Constitution; the legislature is required to provide for effective mechanisms of oversight and ensure that the executive is accountable to it (Notshulwana and Lebakeng, 2019). However, it is important to consider alongside or in addition to constitutional requirements, the effect of South Africa's party-list system and the rules of the ANC on the relationship between the executive and the legislature. As Lodge (2004, p. 209) cites, from its 1994 code of conduct – which remains unchanged to date – “ANC structures in Parliament should be subject to the authority of the organisation's highest decision-making bodies, and that elected ANC member should not use parliamentary procedures to ‘undermine’ party policy”. The ANC's centralised control of the party list further cements Parliament's subordination, rendering it unable to perform its legislative and oversight functions (Butler, 2005, 2007; Southall, 2014a).

6.3.1. Effects on the legislative budget process

In South Africa's CLPR system with single party dominance, the executive is dependent on majority support in the legislature. A direct implication is that budget proposals tabled by the executive are routinely approved by the legislature (Alence and Pitcher, 2019; Schiavo-Campo, 2007; Wehner, 2010). To date, the South African Parliament has never tabled a rejection or a material amendment to the national budget. In her evaluation of the role of parliamentary support services in exercising legislative oversight during the 2009 – 2017 period of Jacob Zuma's administration, Ajam (2020) refers to "the first and only amendment made" to the 2017 Adjustments Appropriation Bill. The appropriations committee requested that the National Treasury make minor changes by shifting money between two departments, a request described in its committee report²⁴ as an amicable solution. This amendment to the 2017 Adjustments Appropriation Bill, however, as explained by this study's interviewees, was not effected entirely through consensual agreement. Senior Treasury officials explained this amendment as the result of personal communication between an ANC MP in the appropriations committee and the head of a government department who requested the department's budget be increased. This demonstrated the use of personal contacts outside of formal procedures that is associated with informal institutions (Espinoza and Barozet, 2018).

Single party dominance should also be considered alongside the influence of opposition parties in the South African Parliament. Membership in parliamentary committees is determined by the relative number of seats held by a party (Hasson, 2010). The relatively weak position of opposition parties in finance and appropriation committees undermines their ability to demand greater scrutiny of the budget or propose budget allocations different to what the majority party decides. Opposition parties have little to no influence in committee meetings, as the ANC majority in all parliamentary committees are protective of members of the executive appearing before them and demonstrate weak demand for accountability. The ANC majority, and the relative size and strength of opposition parties is too small and weak to meaningfully swing votes or influence policy in committee meetings, or seriously challenge government power more broadly.

Opposition party MPs and senior Treasury officials commented on the partisanship evident in some committee meetings, and how ANC MPs repeatedly exploit the power of their majority.

²⁴ Report of the Standing Committee on Appropriations on the Adjustments Appropriation Bill [B25–2017] [National Assembly (Section 77)], dated 29 November 2017

Commenting on how partisanship affects the work and decisions of committees and how ANC MPs at times annul the stance of minority parties, current finance committee members and a former appropriations committee member stated:

All of a sudden, your proposals are just deleted. They just ignored it. They have no place, even making it clear that they are minority views. Therefore, it makes it harder for us to support those reports because they are basically just ANC views that are reflected there (Interview 4).

Now, even if a motion or proposal were to be made in the committee, which we did last year, to say we need to start exercising our powers, we need to start showing them who's boss when we're being undermined [...]. Guess what, when that decision has to be adopted in the committee, you are outnumbered, or it's edited out of the final document, and no one knows about it (Interview 14).

What happens is, when you sit there in a committee, if the ANC felt that they were a little light in numbers, they will just call in any of their members from anywhere to come and sit in the committee and outvote you (Interview 32).

There is widespread understanding from budget actors about the relationship between the ANC-led executive and ANC majority in Parliament, as well as the importance of presenting cohesion between these two arms of government. Cooperative executive-legislative relations was explained by a number of this study's interviewees as desirability to display a unified ANC government; thereby also partially explaining why, to date, Parliament has not tabled any material budget amendments. Citing the likely penalties from the party leadership, some ANC MPs suggested that even their self-interested and self-seeking colleagues would be reluctant to publicly disagree with budget proposals. Even in instances where budget amendments are indisputable, as suggested by many opposition party MPs and senior Treasury officials interviewed, the ANC cannot have vastly different positions between its members in the executive and in Parliament.

A senior Treasury official commented on the relationship with Parliament, which has deteriorated over the years, although it is still cooperative:

In former parliaments for example, there's been instances where National Treasury was seen as a true real ally. They would ask us to do background work for them, they would ask us to be extremely honest and frank about what is really happening.

So, they would actually see us as a complementary tool and assist them really in processing issues. They would even ask us, behind the scenes, they would ask us for advice on how they can structure some of these sessions that they've got [...]. I don't think that relationship, under the current group of people, it's definitely not there. They don't see us as allies anymore (Interview 29).

A non-government budget actor reflected on an interaction with an ANC committee member that is indicative of the importance the party places on never showing signs of discontent or publicly challenging the executive:

Every time we were in Parliament, like for a presentation or something, we were interrogating expenditure trends and all of that. If you were to put something that is negative about what the government is doing, he would actually literally come follow me and ask me, 'But why are you allowing your researcher to say that kind of a thing? You're embarrassing us in front of the opposition' (Interview 23).

In the 26 finance and appropriations committee meetings of the South African Parliament I attended as part of this study, a key observation was that these meetings often proceeded efficiently and with little in-depth interaction or robust debate on key issues affecting the budget. Despite many being in attendance, very few MPs engaged in discussions during meetings – and it was often the same MPs that ask questions and actively participate in discussions. Most meetings followed the same routine: lengthy presentations, MPs each asking a series of questions in one go with often no opportunity for follow-up, no meaningful discussion of issues follows from the responses to MPs' questions, and often severe time restrictions where the meeting felt like it was rushed.

In meetings where committees finalise and vote on approving, rejecting, or amending the budget, ANC MPs that remained silent throughout discussions and debate would speak only towards the end of the committee to second the motion of approving the budget, or committee report, or other Bills (see Figure 5.3 in Chapter 5). Although the voting pattern was unsurprising, since it is foreseeable that members of the same political party will have similar views regarding spending priorities (von Hagen, 2007), what was noteworthy was the recurring pattern of no participation in the discussions or debates throughout entire committee meetings, except for voting on motions or committee recommendations towards the end of meetings.

In its report on the review of parliamentary committees between 2016 and 2018, Parliament Watch (2019) made some pertinent findings – correlating with much of what I observed when attending finance and appropriations committee meetings in April – July 2020. First, there were numerous instances where ANC MPs, including the committee chairperson, defended members of the executive from challenges from the opposition. Second, committee chairpersons often reminded MPs that proceedings are recorded, at times going to the extent of warning MPs about speaking too freely about issues. Third, many instances were noted of MPs being unprepared, uninterested, or distracted during meetings (many were on their cell phones playing games on phones or sleeping). Fourth, the report states “we noticed with concern the increased attempts by committees to conduct closed or partially closed meetings. We were left with the impression that, particularly with high-profile matters, critical discussions and decisions were not being made in committee meeting spaces, but were being made elsewhere. This implied to us, that in some instances, committee meetings were paying lip service to the democratic principle of conducting its business in an open and accessible manner” (Parliament Watch, 2019, p. 21).

Also contributing to the many finance and appropriations committee meetings proceeding with no challenges to budget proposals by ANC MPs is the agreement that takes place beforehand in ANC caucus study groups on the stance to be taken in committee meetings. Study groups are officially recognised as structures that work on the legislative programme preceding parliamentary committees (African National Congress Parliamentary Caucus, no date). Other political parties also have their own parliamentary caucuses. Much like how other political parties function, the ANC caucuses in Parliament are expected to approve the decisions made in the high echelons of the party (Doyle et al., 2022). Policy decisions of the ANC NEC are discussed behind closed doors in caucus study groups, leaving any subsequent robust debate in committee meetings or on the National Assembly floor being a performance or exhibition (Barkan, 2009).

One of the budget actors reflected on this:

If you’re from the ruling party, it’s your own Cabinet that endorsed this budget coming here. And you sat in the study group, the Minister comes and says, comrades, this is our budget, make sure you go there and support it (Interview 28).

Interviewees mentioned that these study groups were also used for preparation of questions for the executive in committee meetings, and to take a position on the matter at hand. Attendance of study group meetings for finance and appropriations committees at times included senior

National Treasury officials who are not MPs – unlike the Minister and Deputy Minister of Finance²⁵. In these study groups, ANC MPs get access to information that opposition party MPs in the same committees would not. Budget actors familiar with this practice characterised it as a planned performance for committee meetings and an opportunity for ANC MPs to address any potential conflicts behind closed doors, and to avoid any appearances of disagreement in committee meetings.

They were good cops, and they were bad cops, but actually they were all working towards the same objective. But if you sat in on that meeting, you'd think, oh, these ANC MPs are disagreeing with each other or they're taking very different approaches (Interview 22).

6.4. Concluding remarks

South Africa's experience with legislative control over the budget reveals a number of reasons for reforms to the budget decision-making process and aspirations for greater legislative authority (also see Chapter 2). These include alignment with the formal practices of parliamentary systems in established democracies, responding to constitutional prescripts demanding legislative budgetary power, and prominent political developments in its democratic history. The result, however, is an excessively burdensome legislative budget process that limits MPs from carrying out all their responsibilities and using their powers.

Parliament's *de facto* budgetary power in South Africa has proven distinctly inferior to what its formally conferred powers suggest. Since the first democratic Parliament in 1994 and the enabling legislation in 2009, to date, the Parliament of the Republic of South Africa has not made amendments to the national budget. Significant changes to its electoral system in 1994 and the adoption of closed-list proportional representation (CPLR), enduring single-party dominance, tight party discipline, unwavering ANC decision-making hierarchy founded on democratic centralism, and onerous legislative budgeting procedures, have left contemporary South Africa with unique dynamics of formal and informal rules and procedures impacting budget decision-making.

Formal institutional arrangements that, in theory, should act as enablers to parliamentary budgeting power have proven to be constraints in South Africa's case. The legislative budget process law that details procedures and conditions for amending the budget is elaborate and

²⁵ In South Africa, all Ministers and Deputy Ministers are also Members of Parliament

onerous, making the legislation itself, by design, a disincentive for MPs to make budget amendments. Also, the duration of the legislative budget process is too short for meaningful scrutiny and deliberation, and negotiating potential amendments to the budget. Important to highlight is that the onerous procedures in the Money Bills Amendment Act are self-imposed; rationalised as being in the interest of establishing parliamentary power in the budget process while also ensuring that fiscal discipline is maintained in exercising that power. Formal legislation thus serves to enhance the legitimacy of the South African Parliament in the budget process, rather than aiding legislative authority and influence on budget decisions and budget policy.

Another institutional arrangement discussed, which also constrains rather than enables parliamentary power in the budget process is inadequate capacity. While there has been an improvement in the information, analytical reports, and research staff from the Parliamentary Budget Office that is available to finance and appropriations committee MPs during the budget process, this is not (yet) big and impactful enough. Poor participation by many MPs in committee meetings also suggests a lack of interest or ability in budget scrutiny.

All these factors notwithstanding, it is evident that the most significant impact on Parliament's power over the purse – be it budget-influencing abilities or effective oversight over the budget – is the nature of the political system. The shortcomings of formal institutional arrangement for legislative budgetary power are weakened even further in the context of South Africa's political system of single-party dominance, weak opposition, and the disincentives for legislative budget activism that a CLPR electoral system creates. Echoing the statement of Reynolds et al (2005, p. 12) that “an accountable political system is one in which the government is responsible to the voters to the highest degree possible”, many of the MPs interviewed for this study, particularly those from the ANC, emphasised the importance of their constituents and representing their needs in the budget process. Ironically, South Africa's current electoral system is not designed to foster such a relationship between voters and legislative representatives; the CLPR system creates loyalty and accountability lines to the political party – not constituents.

There are clear tensions between MPs' self-interest in protecting and prompting their political careers by remaining loyal to party positions on budget allocations, and MPs' responsibility to meet the needs of citizens in ensuring judicious allocation of resources. Party loyalty and discipline of the ANC not only serves as a powerful constraint to independent behaviour by its

MPs, but it also inhibits Parliament's ability to significantly shape or influence the budget. Whilst it is predictable that an ANC-led legislature is unlikely to reject or materially amend budget proposals of an ANC-led executive, the failure of MPs to challenge controversial and overtly political budget allocation decisions that exhibit fiscal indiscipline, wasteful expenditure, or abuse of public resources, demonstrates the supremacy of the party list system and incentives for always toeing the party line. South Africa's case supports Santiso's (2008a) view that changing political incentives through reforming electoral rules and party politics is likely to be more effective at strengthening legislative authority in the budget than increasing Parliament's technical capacity. Therefore, MPs are politically and technically constrained in exercising their budget authority. The majority of the MPs in the South African Parliament, including the finance and appropriations committees, have neither the analytical capacity, political will, nor the individual agency to challenge the executive's budget proposals.

Chapter 7

An institutional analysis of South Africa's legislative budget process

In this chapter, the effects of political and budget institutions on the legislative budget decision-making process and decision outcomes are explored. One of the important objectives of this study's empirical research is to identify and describe the structures, rules, and procedures that incentivise and constrain budget actors in the legislative phase of South Africa's budget process. As Santiso (2015) points out, the inherently political process of budgeting is framed by the interaction between institutions and political incentives. Actors within institutions respond to a set of political and other incentives that shape their behaviour, constrain their actions, and ultimately impact decision outcomes. The effectiveness of institutions, however, depends on the willingness of actors to adhere to rules, follow norms, and respond to incentives and disincentives (Gollwitzer, 2010).

7.1. The balance of budgetary power

One of the most fundamental questions when studying budgetary politics relates to the way in which power is distributed within the budget-making process (Norton and Elson, 2002). By specifying who has access to resources and decision-making, institutions distribute power both in formal and written rules and informal conventions that also have distributional effects (Lowndes, 2018). Theoretically, then, this makes the design of the budget process and budget institutions important in determining who has power, making the distribution of power crucial for shaping budgetary outcomes (Wehner and de Renzio, 2013). The term "budget institutions" refers to formal and informal rules and principles that govern the budget process within the executive and the legislature. These institutions establish the different phases of the budget process, determine who does what and when in each phase, shape interaction through strategic distribution of influence among actors, and regulate the flow of information among them (von Hagen, 2007; von Hagen and Harden, 2019).

The focus is not just on the source of power as prescribed in legal documents, but also actual power as it is exercised through important decision-making processes such as the trade-offs and allocation of resources in the national budget. In Bachrach and Baratz's (1962) view on power, examination of concrete decisions must be from the point of view of actors' active participation and influence in decision-making processes. They also emphasise the need to take

into account the dominant values, political myths, rituals, and established rules of the game, which indicate a “particular mobilisation of bias in the institution under scrutiny” (Bachrach and Baratz, 1962, p. 952). Another similar description of power by political and social theorist Steven Lukes (2005, p. 29) also emphasises a focus on “behaviour, decision-making, (key) issues, observable (overt) conflict, and (subjective) interests, seen as policy preferences revealed by political participation”.

The Constitution of the Republic of South Africa dictates how the power of the state is constituted. It is divided between three separate interdependent arms: the executive (Cabinet), the legislature (Parliament) and the judiciary (courts of law), to help make sure that no arm of state has all the power (Parliament of the Republic of South Africa, no date). Section 92(2) of the Constitution states that members of the Cabinet are individually and collectively accountable to Parliament. The Constitution also provides for a balance of budgetary power whereby the executive does not unilaterally dictate budget policy, as Parliament has strong budgetary authority to influence and even amend the fiscal framework and the budget. Enacted in terms of this constitutional provision, the Money Bills Amendment Act details the procedures that must be followed before the Minister of Finance tables the national budget, and the rules and procedures for Parliament to exercise its budgetary powers in approving or amending the national budget. Resources cannot be apportioned to government departments without legislative approval.

Comparative frameworks that assess legislative budget authority make a fundamental assumption that institutional arrangements, including formal legislation, reflect actual budgetary power (Wehner, 2010). However, as discussed in Chapter 6, a number of formal and informal political and other institutions constrain the ability of the South African Parliament from exercising its legally established authority in budget decision-making, and influencing the country’s budget policy. These include onerous budget approval (and amendment) procedures, tight timelines for budget scrutiny, weak institutional capacity in terms of research and analysis for MPs, a high turnover of MPs in finance and appropriations committees, relatively weak opposition in single-party dominant state, democratic centralism within the ruling party, and a closed-list proportional representation system that incentivises political budget actors to remain loyal to the political party’s position and not challenge the executive. Beyond organisational arrangements and formal rules and procedures, actors’ behaviour and decision-making in the legislative budget process is also shaped by informal conventions, values, and patterned and shared expectations of behaviour determined outside of the budget

process. As March and Olsen (1989) point out about normative institutionalism, institutions influence actors' behaviour through shaping their values, norms, identities, common purposes, and beliefs. It is also these factors that influence power relationships; potentially more so than formally written codes that legislate the balance of power between actors.

7.1.1. Decision-making powers outside of the formal budget process

While formal institutions establish visible power, actors may internalise other invisible forms of power, which underlie their behaviour, interaction, and decision-making in formal processes (Akram et al., 2015). Bratton (2007) highlights that power is not only exercised through formal and organised routines, but that informal client-patron relations are also influential. This highlights an important point that no institution stands alone and that a range of political and non-political, formal, and informal institutions are interconnected and have variable effects on each other (Lowndes and Roberts, 2013).

Chapter 6 introduced the concept of democratic centralism with which South Africa's ruling party (the ANC) operates and makes budget and other policy decisions. According to Gumede (2017) and van Onselen (2015), democratic centralism within the ruling party has meant that while ostensible authority resides in the South Africa's Constitution and the state, real authority lies in the party structures of the ANC. Democratic centralism demands that ANC members adhere to the party's Constitution rather than the country's Constitution, and that members unquestionably defend the party's decisions even if they are "irrational, self-serving and corrupt decisions" (Gumede, 2017). This makes party decision-making structures highly effective in influencing political actors' behaviour in the national budget process. Operating in a highly centralised organisation, the ANC National Executive Committee (NEC) and National Working Committee (NWC) have agenda-setting powers for the Cabinet, all other members of the executive and the legislature (Barkan, 2009; Booysen, 2017). Therefore, despite the distribution of budgetary powers prescribed in the Constitution and in the Money Bills Amendment Act – granting Parliament budget decision-making authority – the ANC's authority, which runs parallel to the state (Booyesen, 2015, 2019; Southall, 2016; van Onselen, 2015), undermines constitutional institutions and the effectiveness of Parliament in the budget process.

There was pervasive acknowledgement by all the budget actors interviewed for this study about the particular challenge presented by this aspect of South Africa's party system. A few ANC

MPs explicitly expressed the conflict they face in challenging contents of the budget that they do not support. On acting independently and suggesting anything contrary to what the tabled budget proposes, an ANC member of the appropriations committee stated:

Theoretically, when you look at the Act, this committee can do this, but practically you can see that if I were to do this, I may be on a collision course with my bosses (Interview 13).

In terms of the Constitution, ministers in the executive, including the President, are accountable to Parliament. However, electoral dominance gives the ANC control of state power, and the arrangement of the South African government emphasises the power of the executive in relation to the rest of government (Alence and Pitcher, 2019; Butler, 2005). Members of the executive are drawn from the ANC party leadership, the same leadership that places MPs in the legislature (van Onselen, 2015). It is therefore easy to see how the balance of power is shifted from Parliament to the ANC – specifically, senior members of the executive who are part of the ANC NEC. Despite MPs being mandated to scrutinise and oversee executive action, and hold the executive to account, democratic centralism means that ANC members in the legislature are accountable to the party hierarchy – which includes members of the executive (van der Westhuizen, 2014; Watt, 2009).

In an independent report assessing the South African Parliament, panel members highlighted a conflict, in that ANC MPs are expected to exercise oversight over senior members of their own party – at times the same members who may be able to influence the composition and ranking of the party list during elections (Parliament of the Republic of South Africa, 2009). Evident and typical in South Africa is that political parties tend to fill legislative seats with junior members and place their most senior members in the executive (Chirwa and Ntliziywana, 2017). This circumstance creates incentives towards avoiding confrontation and public criticism of senior members of the executive. Booysen (2015) points out that since all members of Cabinet²⁶ are appointed directly by the President, this provides him with a huge scope of patronage from the executive. “In hearings with the chairpersons of Parliamentary committees the Panel was struck by the frankness with which some committee chairperson admitted to their lack of influence over the Executive” (Parliament of the Republic of South Africa, 2009, p. 39).

²⁶ The current Cabinet (appointed by Cyril Ramaphosa in 2019) consists of 64 members: the President, Deputy President, 28 Ministers, and 34 Deputy Ministers

A member of the finance committee interviewed for this study explained this dynamic and its implications for accountability:

Some of the people who are chairpersons of committees aren't even NEC members. Imagine if you're chairing a committee and you're speaking to someone who's your leader and your senior in an organisation, you wouldn't dare challenge them [...]. When we make recommendations, they must be phrased as recommendations because we're not allowed to instruct the executive. When you edit it, when we have to finalise the report, it's game of semantics. ANC MPs trying to walk on eggshells, trying to choose the right words in order not to offend members of the executive in the recommendations (Interview 14).

A former member of the appropriations committee commented:

Within the committee, we worked very well as a team on issues like holding a government department to account. But when it came to a thing that had a greater influence, like the budget, then it was, 'No. Now we close ranks. Our decision has been made' [...]. Cabinet had already decided this will be our spending, they instructed Treasury, Treasury would do what they have to do because they get instructions from the boss, and so when it came to the committee, it was expected to just rubber stamp it (Interview 32).

Therefore, while the legislature may have the formal authority (the right) to influence budget decisions and budget policy, it does not have the power (the ability) to do so – this power lies within the organisational structure and leadership of the ANC, whom are not formally recognised as part of institutions governing the budget process. This reality was well recognised by all the budget actors interviewed for this study, not just the politicians. Many interviewees expressed that without a change to South Africa's political system or fragmentation within the ANC enough to challenge the executive where relevant, the ANC's dominance means that Parliament's authority in the budget process cannot be more than a theoretical aspiration. Many actors indicated that the current status of the legislative budget process is a compliance, "going through the motions", "tick box" exercise to meet legislative requirements and endorse decisions of the ANC.

7.2. Legislative budget actors: identities, values, and narratives

One of the central ideas of March and Olsen's (1989) description of normative institutionalism is that institutions influence behaviour by shaping values, norms, interests, identities, and beliefs of individuals. Institutions are embedded not only within political and economic structures, but they are also entangled with people's system of meaning, values, and culturally accepted ways of doing things (Leach and Lowndes, 2007; Lowndes, 2018; Peters, 2016). Actors in the budget process therefore bring different sets of motivations and incentives (Santiso, 2009) – all of which are influenced in various ways by the institutions within which they operate.

The set of actors involved in the legislative phase of South Africa's budget process are the executive (represented by senior National Treasury officials, including the Minister and Deputy Minister of Finance), the legislature (MPs in finance and appropriations committees²⁷ in the Upper and Lower Houses of Parliament), and other non-government actors who make submissions and participate in public hearings on the fiscal framework and the national budget (such as the Parliamentary Budget Office, the Financial and Fiscal Commission, civil society organisations, and the public).

Legislatures typically have a reputation for being a threat to fiscal discipline, as they do not fully internalise the true cost of spending decisions and often demand more spending – in pursuit of electoral interests or personal gain (Fölscher, 2006; von Hagen, 2007; Wehner, 2010). It is for this reason that the finance ministry within the executive, considered more fiscally prudent and better able to consider the true costs and benefits of increased spending or taxation, is granted more power in public expenditure decisions-making (Alesina and Perotti, 1996; Filc and Scartascini, 2007). This therefore makes weak legislatures fiscally beneficial (Wehner, 2010).

However, the renewed interest and growing demand across many democracies for legislatures to strengthen their role in budget decision-making (Posner and Park, 2007; Santiso, 2004; Siebrits, 2017; Wehner, 2014) is considered necessary for promoting good governance, fiscal transparency, instilling fiscal discipline, and keeping checks and balances on state power and its use of public resources (Lienert, 2013; Matebese-Notshulwana and Lebakeng, 2020;

²⁷ Other parliamentary Portfolio Committees are also involved in exercising budgetary oversight and making recommendations for government department's budget, but it is the Finance and Appropriations Committees that formally recommend approvals for the National Assembly to pass budget legislation.

Santiso, 2008a). South Africa's Constitution and budget legislation highlight this as a function that Parliament should perform. In the budget process, MPs have the responsibility to ensure that government policies expressed in budgets match the needs and priorities of citizens (Krafchik and Wehner, 1998; Pauw, 2011). The South African Parliament mentions the approval of the government's budget as one of its most important roles, recognising it as a duty "to ensure that public funds are spent on improving the quality of life of all South Africans" (Parliament of the Republic of South Africa, no date). These values were mentioned repeatedly by the political actors interviewed for this study, who emphasised the importance of representing ordinary citizens in their day-to-day functions as members of finance and appropriations committees.

According to van Onselen (2015), the South African legislature is perceived as the least powerful branch of government. Often when compared with what is considered typical of other African countries, the South African legislature systematically fails to hold the executive accountable, enables bad governance and corruption, and consistently demonstrates violation of its constitutional mandate (Adetiba and Asuelime, 2018; Cole et al., 2016; Naidoo, 2021; Notshulwana and Lebakeng 2019; Suttner, 2015). Perceptions of low relevance and worth have also worsened over the last decade, particularly during state capture and Jacob Zuma's presidency, when parliamentary oversight weakened significantly and committees became less effective in holding the executive to account (Ajam, 2020; Matebese-Notshulwana and Lebakeng, 2020; Purfield, 2016). As Booysen (2015) explains, ANC MPs act first as party operatives in defence of their party and president, and only thereafter do they carry out their work as MPs in parliamentary committees.

According to the Afrobarometer²⁸ survey (Round 8) conducted in 2021, only 27% of South Africans trust Parliament "somewhat" and "a lot" – with a similar low trust in political parties and elected officials (Moosa and Hofmeyer, 2021). This is lower than results from previous surveys: in both 2008 and 2015, 41% of South Africans said they trust Parliament "somewhat" and "a lot" – this figure was 54% in 2006 survey (Afrobarometer, no date).

²⁸ A pan-African, non-partisan survey research network that conducts public attitude surveys on democracy, governance, the economy, and society.

7.2.1 Contradictions in perceived and actual roles in the budget process

Finance and appropriations committee members: for the people or the party?

All the MPs interviewed for this study were unanimous when explaining the importance of legislative influence in budget decision-making. This was central in defining their identities as committee members. Together with holding the executive to account, representing the interests of the public was a prominent and recurring theme from MPs' reflections not just on their roles in finance and appropriations committees, but also why they joined South African politics. These sentiments were expressed with equal conviction by MPs from various political parties as how they define and assign value to their roles in Parliament. In line with what legislation requires, MPs also highlighted their important role of passing budget laws, which is necessary for government to spend on service delivery programmes. On how well legislators performed in their function, reflections from the budget actors interviewed were mixed – the majority however, indicated poorly executed roles in finance and appropriations committees. Many attributed this to a challenge in who MPs represent in the budget decision-making process. Notwithstanding their official role, some of the MPs interviewed expressed doubts about their actual influence on budget decisions and budget policy. This view was mainly held by opposition party MPs. A member of the finance committee stated:

When I became an MP in 2013, we used to be reminded all the time that you need to take a pragmatic approach when you're in the committee. You're not [Party X], you're not [Party Y], right? But the current breed of ANC MPs only do that when it suits them. In the past, we knew that when you had been called in a committee and you are dealing with a department or a member of the executive, you did so in your capacity as an MP, not as a [Party X] rep, right? So back then we would be able to get a lot of things done and to unite under a common programme of action [...]. But what then happens now is that it's a tug of war between the different members (Interview 14).

Another finance committee member, from the ruling party, expressed it differently:

Parliament is an organ of people's power. Parliament is supposed to be using ANC lexicon, a tribune of the people. We are meant to represent the ANC members out there, the ANC voters and the broader public, whether they voted for us or not (Interview 7).

According to the South African Parliament, elected MPs represent the people of the country, act as the voice of the people, and are thus accountable to the people of South Africa (Parliament of the Republic of South Africa, no date). A concerted effort was made by the new democratic government to transform Parliament and respond to new constitutional principles to create a “People’s Parliament” that is responsive to citizens’ needs (Hasson, 2010; Parliament of the Republic of South Africa, 2009). In direct contradiction to these principles, outlined in the Constitution and in Parliament’s values, is the convention of ANC that MPs are not deployed to Parliament to represent and be accountable to the people, but instead serve to represent the party. The parameters within which MPs carry out their legislative functions are defined by the ANC, therefore making them representative of, and accountable to, the party (Adetiba and Asuelime, 2018; Gumede, 2017; van Onselen, 2015).

The logic provided by the ANC is that by serving the interests of the party and defending the party’s position in Parliament, MPs are representing citizens because the ANC represents the majority of South Africans (de Jager and Steenkamp, 2016; Ngatane, 2021; Southall, 2017; van der Westhuizen, 2014). What has resulted, and has become a widely repeated narrative about South African politics, is a majority party-dominated assembly rather than a Parliament of the people (Barkan, 2009; Gumede, 2018; Naidoo, 2021; Nijzink, 2001).

How MPs perceive their role and influence in budget decision-making, however, differed significantly from how other budget actors who were interviewed described the role and conduct of political budget actors. Most MPs explained their influence in the budget process simply as what the legislation states, making little reference to whether their formal budgetary powers translate into practice – except for a few opposition party MPs who believe finance and appropriations committees have no influence in budget policy or decisions. While some budget actors believe Parliament simply rubber-stamps the budget and are obedient rule-followers of their political parties, others emphasised the role of budget scrutiny and engaging with key budget issues as something that is improving in finance and appropriations committees. Many view the high number of questions asked during committee meetings as well as the high number of meetings as an indication of successfully performing their role of holding the executive accountable.

However, most of the opposition party MPs, senior Treasury officials, and non-government actors interviewed perceive the numerous meetings as “just going through the motions” in order to comply with budget regulations and procedures. The extent of meaningful engagement

during these meetings was questioned; often lamented as lacking real accountability. This is a consequence of committee members not always engaging directly with the matters at hand, insufficient time being allocated for in-depth scrutiny and debate in committee meetings, and a lack of sufficient knowledge of budget information (this was more so in the case of the fiscal framework and tax legislation). Budget actors' description of engagements with MPs in these committees range from: "there are some days where you get a sense that the engagement is rich, asking very good questions" (Interview 26) to "you can be called to a committee and then will not follow the agenda at all" (Interview 5), and "I generally feel that they ask very stupid questions" (Interview 11). A major challenge seems to be a lack of understanding by many MPs on their role and function in finance and appropriations committees.

A senior Treasury official reflected on the implications of MPs' lack of understanding of the budget process and their function, often resulting in weak engagement in finance and appropriations committee meetings:

We have to go and explain why there is budget cuts. When you go there and explain to them that the Standing Committee on Appropriations passed the bills and it was their decision to cut the budget, and then they say, no, don't come tell us that. They also don't want to take accountability of this. Because when you say to them, no, but you are the ones who approved the Appropriation Bill, and then they get very defensive and say, no, but it's the Treasury. And then it's like, no, this is a waste of my time (Interview 20).

Discussed in Chapter 6 was the constraints of high MP turnover, insufficient analytical capacity, a lack of incentives for MPs to invest time into developing their public finance knowledge, and a loss of institutional memory. The effects of this on how MPs carry out their role in the budget process is apparent, and the narrative of Parliament serving as a rubber stamp for the executive persists. Most critical of this were opposition party MPs, some of whom challenged the narrative that it is institutional constraints which prevent Parliament from being an authoritative budget actor. One such MP commented:

The legislation is good but sadly the ANC Members of Parliament have consistently failed to exercise their authority to fully interrogate and amend budgets proposed by the executive [...]. There is already considerable opportunity and time allocated for such collaboration. It is the laziness and subservience of ANC MPs

that results in little or no proper parliamentary role in setting budgets (Interview 21).

National Treasury: Technocratic excellence or excessive power?

Reflecting on their own role, the identity they assume, and the values underpinning their actions in the budget process, the senior Treasury officials interviewed for this study emphasised facilitating and managing the entire budget process, setting the rules for budget negotiations with other government departments, and maintaining fiscal discipline. In their descriptions, the issue of political priorities seemed secondary to that of fiscal sustainability. Many officials reflected on a sense of responsibility and the difficulty of managing competing demands and vested interests in the budget. Throughout the interviews, the officials seldom referred to themselves individually, but instead spoke more about National Treasury as a collective actor – the exception being when describing specific instances of informal, unusual, or unexpected interaction with other budget actors from within and outside the organisation.

Views from other budget actors about the National Treasury and perceptions about the role they should be playing in the budget process were mixed. On the one hand, the description of a highly skilled, technically sophisticated, and professional organisation was expressed consistently. Non-government budget actors and members of the finance and appropriations committees, irrespective of party affiliation, made the same complimentary comments:

They are very dominant, but my experience of National Treasury is that they are an island of excellence in a sea of mediocrity in government (Interview 4).

By any measure, Treasury is far more sophisticated, far more technically proficient than almost all – if not all, the other departments (Interview 7).

National Treasury compared to what I'd been used to for the past five years, were just simply dazzling, in the quality of the presentation, the expertise, the response to questions, and it was consistently good. National Treasury I think is an institution we can really all be proud of. Really. I can't speak highly enough about the National Treasury (Interview 24).

On the other hand, some MPs expressed disapproval of the National Treasury when the discussion in interviews shifted from reflections on technical expertise to the question of power. While a few MPs and all the non-government budget actors supported Treasury's

dominance in the legislative phase of the budget process, other MPs were critical of this. There is a long-standing narrative of a National Treasury that is too powerful in government, which by Booysen (2015), Butler (2009), Pearson et al. (2016), and Southall's (2007) explanation, is a perception that intensified during Thabo Mbeki's presidency (1999–2008) with Trevor Manuel as the Finance Minister.

Historically, the National Treasury enjoyed a centralised position of power within government, and the Minister of Finance had strong political support from the many powerful individuals in the executive of the ANC, as well as direct support from the President (Pearson et al., 2016). In Sikhakhane's (2020) view, this relationship is valuable because a Finance Minister should be the second-most-important member of the Cabinet after the President, and his support from the President must be evident to all members of the Cabinet. Commenting on this important relationship, one budget actor expressed that relatively more deliberation goes into the selection of the Finance Minister compared to other government departments:

From Mr Manuel onwards, were told that they're wielding too much power. But it looks like it was necessary[...]. Except for Mr Van Rooyen who was a weekend special, it was always a rather strong person that has gotten the portfolio of Finance Minister (Interview 18).

It is under former President Thabo Mbeki that Butler (2007) argues power shifted from the legislature to the executive, and executive power shifted from Cabinet to the Presidency. Considered a centrepiece of President Thabo Mbeki's centralised state model, the National Treasury during the tenure of Trevor Manuel as Finance Minister was denigrated as being too powerful, with factions within the ANC, especially its tripartite alliance²⁹ partners the COSATU and the SACP, lobbying that the organisation needs to be "cut down to size" (Letsoalo et al., 2011). Since the days of Trevor Manuel, this narrative about the National Treasury has persisted, and was echoed by some MPs interviewed for this study. Criticisms of the National Treasury ranged from officials maintaining a stubborn stance to the extent of disregarding Parliament, MPs, and other stakeholders, to personal critiques about the Finance Minister's personality or selected senior Treasury officials. A member of the finance committee

²⁹ An alliance between the ANC, the Congress of South African Trade Unions (COSATU), and the South African Communist Party (SACP). It is founded on a common commitment to the objectives of the National Democratic Revolution, and the need to unite the largest possible cross-section of South Africans behind these objectives (African National Congress, no date).

commented on this while reflecting on his long parliamentary career, particularly his eight years in finance committees:

What is very clear is that the Minister is really intolerant, Tito Mboweni, more than other ministers of finance [...]. He makes it clear that he thinks he is superior to everybody else, and we should all kowtow to him. And he has a certain disdain I think for Parliament. And we have engaged him about it. It's not as if I'm saying anything to you that's not in the public domain [...]. The NEC has constantly addressed his persistent failures to abide by collective decisions (Interview 7).

Differing perceptions and attitudes towards the National Treasury is nothing new. Many Treasury officials expressed a clear recognition of the impact of the politics of the day, factions within the ANC, and dislike for certain Finance Ministers, which impacts the nature of Treasury officials' interaction with politicians in Parliament. A senior Treasury official commented:

Maybe they are fighting the Minister or somebody else through us. I mean, you are there in the committees when they start shouting, National Treasury who's agenda are you pushing? (Interview 8).

You've got some members from the ANC, who, in a particular faction in the ANC, believe that National Treasury is this conservative thing that is weighing everything down from progress. And so they will be attacking Treasury on that basis. And you can hear it in the kind of questions they ask (Interview 17).

On the issue of executive dominance and the National Treasury's authority in the budget process, all senior officials spoken to defended it. The long-standing debate of an excessively powerful Treasury in the policy-making space was acknowledged; many officials commenting on how it should not be an issue considering the magnitude of responsibility the organisation holds within the government and managing the country's public finances. A senior official expressed the following:

There seems to be a basic idea that there shouldn't be that much power in the Treasury or something, or in some way the budget process is too centralised. I think that's at the heart of everything [...]. So you create this entity called the Treasury to run the budget, and then you say it's a real worry that the Treasury is running the budget. It's actually a very strange idea (Interview 5).

7.3. How institutions and actors interact

South Africa's legislative budget process demonstrates a relatively stable pattern of actors' behaviour and decision-making, shaped by a package of rules, routines, and values that all actors adhere to. Evident from how MPs describe their role in the budget decision-making process, the values they identify with, their acknowledgement of the behavioural expectations from their political party, and the strong incentives to consistently defend their political parties' decisions on the budget, is that their behaviour and actions are governed by a logic of appropriateness. Both political and executive actors' behaviour and actions in the legislative budget process are associated with normative standards: their pre-assigned roles, formal rules, routines, and standard operating procedures (March and Olsen, 1996; 2004). MPs, to a greater extent than senior Treasury officials, are also significantly governed by informal expectations of behaviour from their political party.

Not limited to the budget process, ANC members are expected to act strictly within the rules of the party, which includes being disciplined and always defending the party position in any office they hold (Barkan, 2009). Contained in the ANC Constitution are explicit rules and duties that all members are expected to follow. Section 5.2.7 of the ANC Constitution requires all members to "observe discipline, behave honestly and carry out loyally the decisions of the majority and decisions of higher bodies" (African National Congress, 2017, p. 7). This discipline and political loyalty is upheld because it has become a requirement for deployment into the executive, the legislature, and other positions within the party (Cedras, 2021).

While the influence of formal and informal institutions on legislative budget actors' behaviour is clear, there is no evidence of a reciprocal influence of actors' behaviour and actions on existing institutions other than reinforcing them. Actors' responses to incentives and constraints from political and budget institutions do not change institutions in any way. There is also no indication that individuals intend, through their behaviour, to change existing values, beliefs, or decision-making norms. Instead, MPs in finance and appropriations committees exhibit behaviour that Lowndes and Roberts (2013) refer to as characteristic of passive implementers, who do not adapt or resist rules. This behaviour is also evidence of what March and Olsen (2004) refer to as actors following a logic of appropriateness, which describes rule-based action seen as legitimate by actors seeking to fulfil the expectations of membership in a political community.

All actors in the legislative budget process play an important role in the stability and performance of budget institutions. There are two main reasons for this. First, South Africa's budget decision-making process is very strongly regulated by legislation that contains comprehensive detail about actors' roles and the procedures to be followed before the national budget is tabled and formally approved (or amended). Details of the legislative budget process are discussed in Chapter 2 and Chapter 6. Second, of all the actors that participated in this study, virtually none were involved in the design of budget and political institutions within which they work. Only one political actor was an MP during the period when the Money Bills Amendment Act was deliberated and enacted – although not in the committee that was handling the matter at the time. As discussed in Chapter 6, the South African Parliament has a high turnover of MPs, which has resulted in institutional memory loss. Very few of the current MPs possess sufficient knowledge of why institutional arrangements were designed the way that they were. However, it is evident from legislation that the people who drafted the Constitution in the early 1990s had a clear intention for a process that allows Parliament to amend the budget and other Money Bills, where required.

7.3.1. Informal institutions coexist with effective formal institutions

Like formal institutions, informal structures and rules also create stable and shared expectations of behaviour among participants – which helps actors plan and coordinate collective action (Brie and Stölting, 2012). Political budget actors share the same informal constraints and the same expectations about how to behave and how to vote in budget decision-making processes. The set of formal and informal rules that political actors face in the legislative budget process shapes their behaviour in predictable ways.

Among finance and appropriations committee members from the ANC, there is collective understanding about always presenting a unified front in meetings, not challenging the executive, and always supporting budget approvals. This behaviour cannot be attributed to personal habits or norms of MPs, as it is specific to the political culture of the ANC where criticism and dissent is discouraged (Gumede, 2017) and it is a collective effect on all ANC MPs. Important to note is that, although distinct from informal institutions, culture helps shape informal institutions (Helmke and Levitsky, 2004). The political culture of the ANC centres around its organisational philosophy of democratic centralism, a party list system, and tight party discipline, discussed at length in Chapter 6. As a consequence, the culture of the South African Parliament is one where responsibility and loyalty to political parties overrides

responsibilities to the Constitution and to the oath of office MPs take to uphold the law and act in the interests of the country (Naidoo, cited in Erasmus, 2021).

There is a clear pattern among political budget actors; an appropriate behaviour of MPs in finance and appropriations committees that is collectively understood – what Azari and Smith (2012) refer to as institutionalised behaviour. Effectively, all budget proposals tabled in Parliament represent the decisions of ANC executive, which MPs are expected to uphold and approve, regardless of whether or not they agree with them. The effects of this political culture of the dominant party in Parliament is to strengthen the influence of informal rules, incentives, and constraints on budget decision-making.

The other key actors participating in this phase of the budget process, senior Treasury officials, work in an organisational culture that is starkly different to that of political actors. Many of the officials interviewed reflected on their ability, internally within the organisation, to express disagreement or criticism of certain budget allocation or budget policy decisions. They do not find it difficult to disagree with or challenge certain funding proposals, which are either completely irrational or overtly political at the expense of public resources. Treasury officials interviewed had the following to say about the decision-making culture in the organisation:

If you want, give me an instruction and I will take it as an instruction. But you will argue until the very end. So there were instances where the recommendation and the decision taken were different, but no one amended their recommendation in line with the decision taken, if I can put it that way. We always remained vocal, and we always said what we wanted to say, and that essentially meant that you would disagree with each other, but I don't ever think we were stopped from saying what you want. There wasn't ever a culture in the Treasury that you cannot say, I don't agree, these recommendations are not technically sound. We were always given the freedom to do that. It didn't mean that our recommendations were always taken, but we were always free to say what we needed to say, which I think is great (Interview 3).

With not just the line manager, but even the DG³⁰ and the Minister and even different types of Ministers. I've been able to say what I feel and say what I think,

³⁰ Director-General (Permanent Secretary)

and it's quite nice [...]. I've got a lot of intellectual freedom and we can say what we need to say, which is quite nice (Interview 27).

Identifying informal institutions in the legislative budget process

The impact of informal institutions is experienced through enforcement mechanisms that shape behaviour because of the real threat of punishment should informal rules be transgressed (Lowndes and Roberts, 2013). Failure by political actors to behave in line with the party's rules and expectations of conduct – such as demonstrating discipline by always defending the party's decision, never publicly challenging the executive, and always approving the national budget – may result in punitive measures being taken against them. As Voigt (2013) explains about informal institutions, if the expected utility of rule-conforming behaviour is higher than that of rule-breaking behaviour, actors will conform to informal rules and expectations of behaviour.

A consequence of the country's closed-list proportional representation electoral system if MPs do not behave as the party expects is the real threat of immediate redeployment out of Parliament – even in the middle of an elected term (Choudhry, 2009; Gumede, 2017). Other forms of reprimand include being dropped to a lower position on the ANC list at the next election, or denial of renomination onto the list. These consequences of violating party rules and not holding up party expectations has persisted over time into shared expectations of behaviour among ANC members. Barkan (2009, pp. 208–209) describes this as “a weapon the leadership has not been reluctant to use” to maintain party discipline. While on the one hand, ANC members are rewarded for uncritical loyalty and patronage through secured positions and rank in the party list (Cedras, 2021; Gumede, 2017), redeployment and reshuffles are effective in reminding ANC members that they constantly have to toe the party line and behave appropriately in line with what the party expects (Booyesen, 2015; Gumede, 2018; Steyn-Kotze, 2021).

As Espinoza and Barozet (2018) point out, informal rules can also be enforced with social relationships between political actors, where breaking an informal rule makes the individual accountable to other participants in the same line of work. The power of sanction in informal institutions is linked to unwritten social mechanisms and social admonition (Lauth, 2000). In some of the finance and appropriations committee meetings I observed as part of this study, one of the key observations was how ANC MPs who expressed their personal opinions about controversial matters or made reference to party caucus discussions which had occurred in

private were swiftly reprimanded by the committee chairperson³¹. In one such meeting, a committee chairperson promptly interjected an ANC MP's speaking, reminding the MP that the meeting is still in progress and is still being recorded.

During another committee meeting I observed, in an uncharacteristic public expression of the nature of party politics by a senior member of the ANC, the Finance Minister explicitly stated the following about his interactions with ANC leadership on measures to be taken during the COVID-19 pandemic:

Issues are brought together, processed, and brought to Cabinet. And once Cabinet has taken a decision, those decisions are binding on all Ministers, even if you don't like it. For example, I didn't like the continuous ban on tobacco and alcohol. But I lost the debate and therefore I have to toe the line. That's the line [...]. That's the decision of the Cabinet and I have to fall in line if I want to be a member of the executive. If I can't fall in line, if you can't fall in line, then you must leave and let other people to continue to run things (Finance Minister).

The ANC National Executive Committee (NEC) reprimanded the Finance Minister within days following the committee meeting, stating that his behaviour was "out of order" and requested the President to caution the Minister about his public statements (Madia and Hunter, 2020). Just over a week after the same meeting, the same message of toeing the party line despite one's misgivings was reiterated by the Finance Minister. Mboweni (2020) tweeted about no longer feeling free as an individual since he re-joined the government because of what he called political constraints and the difficulty of obeying collective political decisions. The Finance Minister, who was appointed in October 2018, resigned from Cabinet in August 2021, and stepped down as a Member of Parliament in January 2022³². Interestingly, another former Finance Minister, Trevor Manuel, recently (May 2022) terminated his ANC membership. Asked about the reasons for this decision, he makes specific reference to the ANC having lost its moral leadership – something that in his opinion began at the ANC's 2007 National Conference when Jacob Zuma was elected party president (Nkanjeni, 2022a).

All the legislative budget actors interviewed for this study acknowledge the effectiveness of informal rules in the legislative budget process, expressing with certainty the high probability

³¹ All the chairpersons of all parliamentary committees are ANC MPs. The only exception is the chairperson of the Standing Committee on Public Accounts who is from an opposition party.

³² Ministers are also Members of Parliament. Tito Mboweni was also the Minister of Labour from 1994 to 1998, and the Governor of the South African Reserve Bank from 1999 to 2009.

of reprisal for not complying with party decisions made outside of the formal budget process. As one of the budget actors expressed it:

Even if a Member in Parliament wants to vote differently on the budget, they can't. Otherwise, you're getting yourself fired [...] The party takes the final decision on matters of the budget, and members must toe the line. That's it (Interview 28).

The use of personal contacts and informal negotiations is another hallmark of informal institutions (Espinoza and Barozet, 2018). For obvious reasons, such activities in the decision-making process are not made public; they are not recorded in any documentation, and often go unnoticed. They are informal interventions from individual actors operating to influence the outcomes of formal decision-making processes. Decisions made through informal personal negotiation outside of formal structures are not open and accountable, they undermine the processes of representation and accountability, and they exclude some social and political actors – ultimately compromising democratic governance (Espinoza and Barozet, 2018; Rubin, 2006). Reflecting on the predetermined decisions made informally by ANC MPs before finance and appropriations committee meetings, one of the budget actors interviewed commented:

In some of those meetings [...] you could almost tell that the ANC members look like they have been briefed basically about what's going to happen, and the questions that are asked are actually rehearsed (Interview 23).

A senior Treasury official recalled an example of personal negotiation on a budget allocation that was made outside of the formal process:

We were proposing an Adjustments Appropriation Bill, and at that point, the Director-General of [Department X] was on suspension. And then we had to propose savings, and the Chief Financial Officer agreed on a savings amount. And then when he came in after that he said, no, I'm not allowing this [...]. And that was the first time when the parliamentary committee said they want to engage with us ...because they think it needs to be changed in the Bill [...]. The Director-General was very politically connected, he knew the chairperson of the committee, they had meetings offline, and all of that. And they started pushing that the Bill must be changed. So, we had to find the money from other areas (Interview 2).

The political-budgeting and formal-informal institutions nexus

Based on Helmke and Levitsky's (2004) typology of institutions (see Chapter 4, Table 4.1), South Africa's legislative budget process demonstrates the prevalence of informal constraints on political behaviour that coexist with formal budget institutions. In what Lauth (2000, p. 25) describes as a complementary relationship, formal and informal institutions "mutually reinforce and support each other".

The formal institutions are accommodative of the informal ones, as they are not significantly disrupted or changed. Formal institutions governing budget decision-making are generally effective; all procedures and rules for the executive tabling the budget and the legislature approving (or amending) the budget as contained in the Money Bills Amendment Act are fully complied with. Informal rules of ANC member conduct "contradict the spirit, but not the letter, of formal rules" in legislative budget decision-making (Helmke and Levitsky, 2004, p. 729), by incentivising MPs to represent and account to the party and not the electorate on budget choices supported. Party expectations of behaviour also disincentivise MPs from publicly challenging the executive, supporting any budget allocation recommendations from opposition parties, showing any discontent about the executive's budget proposals, or proposing amendments to the budget.

The basis of formal budget institutions governing the legislative phase of the budget process is the Constitution of 1996 and the Money Bills Amendment Act of 2009. The rules and procedures contained in these pieces of legislation cannot be changed without significant collective effort. As mentioned earlier, South Africa's legislative budget process is relatively stable and predictable, and the enforcement of formal institutions is effective. While ANC rules shaping political actors' behaviour and decision-making in the legislature do not directly violate any formal budget rules, their effect may be altering the decisions made. This may mean, for example, a particular set of budget trade-offs being made that would otherwise not have been considered without influence from outside of the budget process. However, it is difficult to conclude whether or not decision outcomes in the legislative phase of the budget process would indeed have been different with or without the intervention of informal institutions from party political structures.

Notwithstanding their effectiveness, budget institutions are not autonomous structures operating outside of the political system. Both political and budget, formal and informal, institutions are effective in shaping actors' behaviour and decisions in the legislative budget

process. Table 7.1 summarises the formal and informal institutions evident from this study that provide the set of rules and behavioural expectations for budget actors in the legislative phase of the decision-making process.

Table 7. 1. Institutional incentives and constraints in the legislative budget process

	Formal	Informal
Political	<ul style="list-style-type: none"> • Constitution • Parliamentary system of government • Closed-List Proportional Representation electoral system 	<ul style="list-style-type: none"> • Advance political career within the party • Threat of removal from deployed position or from party list rank
Budgetary	<ul style="list-style-type: none"> • Constitution • Public Finance Management Act • Money Bills Amendment Act 	<ul style="list-style-type: none"> • Personal contact and negotiation • Decisions made outside of formal process go unchallenged • Non-inclusive political consensus on allocation choices

The resilience of budget institutions tested: the case of the fee-free higher education policy decision

Wildeman and Jogo (2012) describe political interference in the budget process as a major contributing factor to poor allocative efficiency, as resources do not get distributed as per stated government priorities and strategic objectives. Decisions taken outside of the formal budget process also derail spending plans, destroy good budgeting practices, delegitimise budget- and policy-making institutions established by the Constitution, and adversely affect the extent to which policy objectives are met and services delivered. As Rubin (2006) explains, ignoring formal structures or using informal mechanisms for decision-making, without necessarily changing the formal rules in place, eliminates the effect of formal rules.

A recent example of deviation from formal budget institutional arrangements and political interference in the budget decision-making process in its starkest form is the controversial manner in which a decision to adopt a fee-free higher education policy was made. In late 2015, a series of highly disruptive student protests began at a number of South African universities regarding the cost of higher education – among other higher education issues. These protests became known as the #FeesMustFall campaign, which is considered one of the most effective campaigns, as it engaged politicians and the public very successfully on university funding (De Jager and Baard, 2019). Although the primary outcry was against high tuition fees and an end

to fee increases, the campaign soon expanded with demands for free, decolonised, and quality higher education (Bergin, 2019; Booysen, 2016).

In December 2017, President Jacob Zuma made an unexpected announcement that the government would subsidise free higher education for students from poor and working-class households, effective from January 2018. This followed a report issued in August 2017 from a 'Commission of Inquiry into the Feasibility of making Higher Education and Training Fee-free in South Africa'. The Commission's report recommended that university students should be funded through a cost-sharing model of government guaranteed income-contingent loans sourced from commercial banks. A public-private partnership was recommended, as the government does not have the financial capacity to provide free higher education to all who are unable to finance it on their own (South African Government, 2017). Advice against announcing free higher education also came from an inter-ministerial committee, which was headed by the Minister in the Presidency, that warned on how the economy and the fiscus would not cope with such a plan (Davies, 2017).

As part of this study, document analysis of the proceedings of finance and appropriations committee meetings in previous years was undertaken. In an appropriations committee meeting of 18 October 2016, during the heightened student protests and increasing pressure on the government to find a solution, the PBO and a few members of the committee emphasised that the state did not have sufficient funds at the time to implement a free higher education policy, and that such a plan presents risks for other fiscal policy objectives.

Despite this, and despite being explicitly advised by senior Treasury officials that free higher education was unaffordable due to fiscal constraints at the time, including requests for him to at least wait until the national budget was tabled, President Zuma acted unilaterally and made the announcement (Gossel and Mutize, 2018; Paton, 2017; Skiti and Jika, 2017).

President Zuma's fee-free higher education announcement intensified fears (at the time) of a parallel budget decision-making process, which could not only be used to secure highly controversial policies and projects, but could also severely compromise the policy advisory and planning credibility of the National Treasury, and the Department of Higher Education and Training (Davies, 2017; Paton, 2017). The President's unexpected announcement bypassed the budget process in order to, according to Ajam (2021), authorise an unplanned policy, which effectively weakened the National Treasury's credibility and ability to enforce fiscal discipline. Muller (2017b) described President Zuma's actions as an unprecedented subversion of the

country's national budget process, an attack on the National Treasury and a continuation of state capture. One of the senior Treasury officials interviewed for this study, who was also present at the time, commented:

In many ways the processes didn't change, but in some very fundamental ways the process was just ignored, and that's, in general, I would say a very dangerous route for a government to go. Very dangerous (Interview 5).

Also subverted by the President's unilateral decision-making on fee-free higher education was Parliament's authority to facilitate democratic oversight over the free higher education proposal, as well as alerting the public of government's intention to redirect massive resources away from other services towards funding higher education. The unexpected announcement of the resignation of the Head of the Budget Office in the National Treasury in the week following the President's announcement, which despite no formal confirmation by the South African government, was interpreted by many a consequence of political interference in the budget process (Haffajee, 2017; Madiba, 2017; Muller, 2017b).

It is important to note is that such overt political interference and undermining of the formal budget decision-making process is not a common occurrence. In this instance, the President acted unilaterally, against advice from his own executive and the report of a Commission of Inquiry that he himself established, and he disregarded constitutionally established procedures for budget decision-making. Where formal institutions cannot be changed or are too difficult to change, Helmke and Levitsky (2004) argue that actors often use informal means to achieve their interests. Jacob Zuma is the only democratic President to have interfered in the budget process to such an extent; the same President whose term coincides with state capture era, blatant attempts to discredit and destabilise the National Treasury, a worsening political climate, and deterioration of public finances³³ (Ajam, 2020; Booysen, 2019; Muller, 2019; Swilling et al., 2017).

7.4. Budget institutions and fiscal performance

An important aspect of the budget process is that institutions matter for fiscal performance and fiscal sustainability (Gaspar et al., 2017; Hallerberg et al., 2009; Persson and Tabellini, 2004; Poterba and von Hagen, 1999; von Hagen, 2007; von Hagen and Harden, 2019; Wehner, 2010). As has been discussed, political factors have an impact on the behaviour of actors with varied

³³ Discussed in Chapter 6 and in section 7.4.2 of this chapter

interests as well as the decisions that impact budget outcomes and policy. The use of budget institutions and other fiscal rules and frameworks is primarily intended to restrain the budgetary discretion of politicians and reduce the influence of political factors on budget policymaking (Beck and Mozdzeń, 2020; Gaspar et al., 2017). Budget institutions, also referred to as fiscal rules or fiscal institutions, can be broadly distinguished as either numeric rules that focus on particular aggregate indicators of fiscal performance such as debt, deficits and expenditure, or procedural rules that define the processes under which budgeting decisions are made including the roles and powers of actors (Raudla, 2019; von Hagen, 2007).

Budget institutions, therefore, are all the rules, procedures and practices according to which budgets are drafted, approved, and implemented – including the division of power and responsibility among actors involved in budget decision-making (Acosta and de Renzio, 2008; Alesina and Perotti, 1996; Gollwitzer, 2010; Raudla, 2019). They can also contribute to reducing excessive and inefficient expenditure, as well as unsustainable deficits that budget decisions may generate (Filc and Scartascini, 2007).

It is important to highlight that while political and budget institutions have an influence on budget and fiscal outcomes (Hallerberg et al., 2009; Scartascini and Stein, 2009; von Hagen and Harden, 2019), budget outcomes cannot be fully explained in terms of the behaviours of one or a few actors or only the design of institutions (Blanco et al., 2020; Filc and Scartascini, 2007; Gaspar et al., 2017; Santiso, 2009; Scartascini and Stein, 2009; Wehner and de Renzio, 2013). Budget outcomes and fiscal performance, as Acosta and de Renzio (2008) explain, are the result of formal and informal dynamics shaping the nature of the budget process, which in turn, depends on the nature of political and budgetary institutions. Fiscal performance, therefore, is shaped by a number of factors other than the strong budget institutions; factors such as a country's level of development, market pressures, political stability, quality of governance, the macroeconomic environment, and the coaction of formal rules and informal practices in the budget process (Acosta and de Renzio, 2008; Blanco et al, 2020; International Monetary Fund, 2014; Mody and Fabrizio, 2006; Santiso, 2009).

Comparative studies on legislative budgeting are increasingly using quantitative measures; constructing indices of the quality of budget institutions to explain fiscal performance. The budget deficit and level of national debt, and at times levels of public expenditure, are usually examined alongside explanatory variables such as Parliament's amendment powers, the executive's flexibility during budget implementation, and the effectiveness of Parliament's

committee system and the support committees receive (Lienert, 2013; Wehner, 2006; 2010). The impact of budget institutions on fiscal performance has been shown in a number of studies, with contexts varying from developed countries (Hallerberg et al., 2009) to developing countries (Alesina et al., 1999; Mulas-Granados et al., 2009) – including some African democracies (Gollwitzer, 2010; Prakash and Ezequiel, 2008). In all these contexts, studies generally find that countries with more stringent and hierarchical rules in the budget process – including restrictions on legislative amendments to the executive’s budget – have lower expenditure and higher fiscal balances (Filc and Scartascini, 2007; Scartascini and Stein, 2009; Wehner, 2008).

While this study’s focus is more on the impact of budget and political (and the nexus of formal and informal) institutions on actors’ behaviour and decision-making rather than the direct effects of institutions on numeric fiscal outcomes, the behaviour and choices of budget actors ultimately do have some impact on budget and fiscal outcomes. Some analysis of South Africa’s fiscal performance in light of this study’s concern with the influence of political and budget institutions is therefore relevant, as it provides additional context to, and demonstrates an aspect of the study’s research problem.

7.4.1. Propositions from fiscal institutionalist literature

Institutionalist literature makes two important propositions about budget institutions and fiscal performance. First, a greater concentration of political authority in the hands of the executive tends to produce more disciplined budget outcomes than institutions which favour greater dispersion of power (Alesina et al., 1999; Gollwitzer, 2010; Hallerberg and Marier 2004). Centralised budget institutions and hierarchical budget processes that are dominated by finance ministries and a strong executive role in decision-making secures fiscal discipline (Alesina and Perotti, 1999; Santiso, 2015). This is because, when there is a larger number of actors with a voice in the budget decision-making process, there is greater pressure for more expenditure, which leads to larger deficits and less fiscal discipline (Gaspar et al., 2017). Also, compared to other budget actors, Finance Ministers are more prudent and have a greater propensity to conserve rather than spend funds (Schick, 1998; von Hagen, 2008; Wildavsky, 1964).

Second, restricting the legislature’s amendment powers in the approval phase of the budget process is associated with lower expenditure and more optimal fiscal policy outcomes (Acosta and de Renzio, 2008; Alesina and Perotti, 1999; Filc and Scartascini, 2007). While institutional

arrangements other than amendment powers have an impact on fiscal discipline, Wehner (2010) asserts that legislators' power to amend the budget is the primary influence on public expenditure, and is the primary determinant of fiscal policy outcomes.

7.4.2. South Africa's budget institutions and fiscal performance

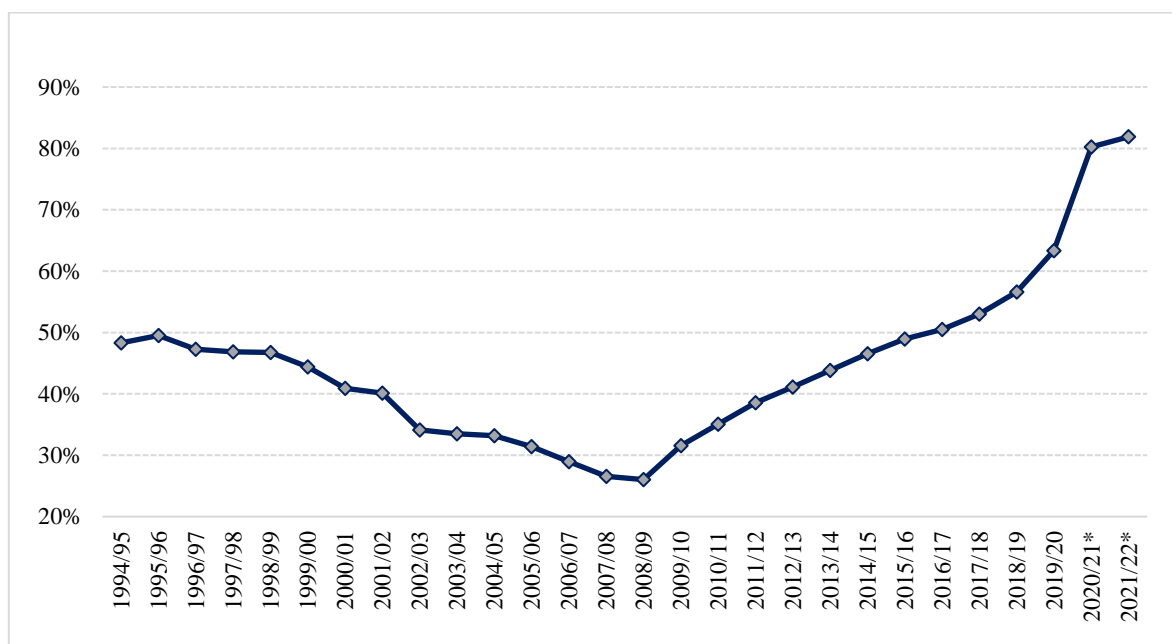
South Africa does not have statutory numerical fiscal rules to control spending, levels of debt, or fiscal deficits. There are also no established fixed targets for the level of growth of government expenditure. The government has, however, since 1995, adopted various fiscal adjustment measurements aimed at reducing the budget deficit, such as making fiscal policymaking more transparent and employing procedural rules for drafting, approving, and implementing the national budget (Siebrits and Calitz, 2004). As Gaspar et al. (2017) explain, fiscal discipline can also be supported by frameworks that do not involve formal numeric rules, but instead focus on transparent and credible strategies such as credible medium-term frameworks, comprehensive fiscal reporting, forecasting, and risk disclosure. South Africa's current fiscal strategy aims to return public finances to a sustainable position by narrowing the fiscal deficit, stabilising the debt-to-GDP ratio, improving the composition of spending, and not adding to long-term spending pressures (South African National Treasury, 2021). Fiscal guidelines that have been issued in past years included, for example, an expenditure ceiling that binds government to some nominal limit on expenditure growth over the medium term, creating some level of certainty about fiscal policy and the spending trajectory.

In the few years following the 1994 democratic transition, the ANC government committed itself to fiscal prudence by stating its objectives to reduce the budget deficit, circumvent permanent increases in the overall tax burden, reduce public consumption spending, and increase government's contribution to fixed investment (Sachs, 2021). These measures were committed to as a result of having inherited from the apartheid government, weak revenue collection, escalating and hidden expenditure, a depreciating currency, a highly fragmented budgeting system, and weak aggregate fiscal discipline (Ajam and Aron, 2007; Fölscher, 2007b; Heintz, 2003). In 1994, the new government outlined its key fiscal target of reducing the budget deficit from 6.8% of Gross Domestic Product (GDP) to 4.5% of GDP over a five-year period, while projecting an annual average economic growth rate of 3% (Hirsch, 2005). The ideals of good fiscal governance that are ingrained in the 1996 Constitution and in the Growth, Employment, and Redistribution (GEAR) policy introduced in the same year, encouraged fiscal improvements in the years that followed. The enactment of the PFMA in

1999 also contributed to strengthened budget management and fiscal performance (Ajam and Aron, 2007).

The deficit declined from 5% percent of GDP in 1996/97 to a balanced position of 0.3% in the 2005/06 fiscal year, and reaching 1.7% in 2007/08. Debt levels also steadily declined in the years post-1994, from 47% of GDP in 1996/97 to 27% in 2007/08 (see Figure 7.1 and Figure 7.2). These indicators show the fiscal consolidation associated with the GEAR policy, disciplined implementation of fiscal policy, and implementation of institutional reforms governing revenue collection, budgeting, and public financial management (Ajam and Aron, 2007; Fölscher, 2007b; Sachs, 2021). However, maintaining fiscal discipline, particularly when economic or political changes occur, requires that more attention is paid to the incentives and behaviour of budget actors – shaped primarily by rules, authority roles, and technical and political support for fiscal discipline (Schick, 1998). The extent to which this has been evident in South Africa’s case is minimal.

Figure 7. 1. Gross government debt (as % of GDP)



* January 2021 projection

Source: South African National Treasury, Budget 2021

The conspicuous changing trend in fiscal performance since 2008 indicates the impact of the global financial crisis, which shifted the economy to a lower growth path that the country has not recovered from since (Hausmann et al. 2022; Sachs, 2020). The average economic growth

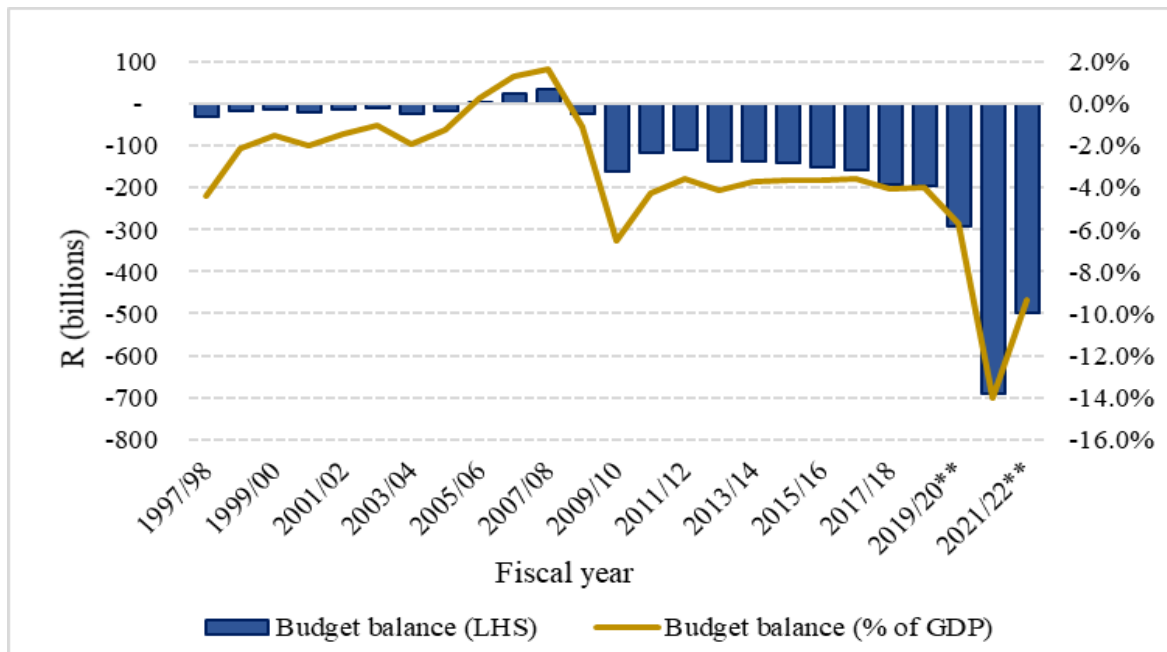
rate between 2000 and 2008 was 4.2% compared to 1.7% average growth between 2010 and 2019 – steadily declining despite some macroeconomic and fiscal policy efforts by the government to turn the trend around (Sachs, 2021). Throughout this period, however, government expenditure continued to grow rapidly, with demands exceeding sufficient fiscal resources and not supported by economic and government revenue growth – thus resulting in an erosion of public finances, more borrowing, and an increasing budget deficit (Muller, 2019; Redda, 2020; Rossouw, 2021; Sachs et al., 2022). South Africa has been running a budget deficit since 2008/09 and has never returned to a balanced budget since. The budget deficit is projected to reach R690 billion in 2020/21 – about 14% of GDP, while gross government debt increases to 80.3% of GDP in the same year and is projected to continue rising, only stabilising at 88.9% of GDP in 2025/26³⁴.

Another factor, specifically in South Africa's context, that contributed to the rapid change in fiscal performance from 2008 is the change in political conditions and governance environment following the ANC's 52nd National Conference in Polokwane in 2007, and the impact of state capture. The 2007 National Conference signalled a fragmentation of political power, a shift of policy authority from constitutional structures of government to opaque and diffuse processes within the ANC, and a more hostile attitude towards the National Treasury (Beresford, 2015; Pearson et al., 2016; Sachs, 2021). This time period also coincided with a significant reform for the budget decision-making process, the enactment of the Money Bills Amendment Act in 2009, shortly after its introduction in Parliament in 2008.

Changes that followed the election of Jacob Zuma as the ANC President in December 2007 included a shift in the balance of power within the party in favour of stronger parliamentary oversight (Pauw, 2011; Wehner, 2009). As Gaspar et al. (2017), Redda (2020), and Schick (2006) point out, budget and fiscal policy is deeply intertwined with politics. Social, economic, financial, and political dimensions must be considered along with fiscal sustainability.

³⁴ South African National Treasury, 2021 Budget Review

Figure 7. 2. Consolidated government budget balance



** Budget estimates

Source: South African National Treasury, several Budget Reviews

Fiscal performance over the last decade indicates that South Africa has been on an unsustainable fiscal path, attributable to a combination of high public expenditure growth, very large public sector wage bill, rapidly growing government debt, policy incoherence and uncertainty, bad policy decisions, and a failure by Parliament to exercise budgetary oversight and influence budget policy toward greater fiscal discipline (Ajam, 2021; Hausmann et al., 2022; Muller, 2019; Rossouw, 2021; Rossouw and Joubert, 2022; Sachs et al., 2022; Swilling et al., 2017). The encroachment of state capture on economic and fiscal performance included disruptions to the revenue authority which undermined tax collection, a depreciating currency, contraction in domestic investment, increasing bond yields, and higher borrowing costs (MacLeod cited in Mahlati, 2019; Sachs, 2021) – among other effects.

Impact of state capture and the Jacob Zuma presidency

While South Africa, like many other countries worldwide, was dealing with the repercussions of the 2008 global financial crisis, domestic political conditions at the same time underwent important changes following the election of Jacob Zuma as President of the ANC and the country. As Martin and Solomon (2016) explain, since 2009, there has been institutionalised capture of South Africa’s economic and political segments. State capture activities were acute and protracted during the tenure of President Jacob Zuma (2009-2018): governance and fiscal

institutions were systematically disempowered, an inert Parliament failed to hold the executive accountable – particularly the misuse of public resources, levels of policy uncertainty increased, a number of irrational changes to appointments in the executive were made by the President, networks of ANC patronage, cronyism, nepotism and corruption expanded, boundaries between the ANC and the state became increasingly indistinct, government effectiveness declined, and long-term economic growth rates plunged (Ajam, 2021; Beresford 2015; Booysen, 2015, 2019; Hendricks, 2018; Levy et al., 2021; Lodge 2014; Matebese-Notshulwana and Lebakeng, 2020; Mbaku, 2018; Muller, 2019; Rapanyane, 2022; Southall, 2019; Steyn 2018; van Onselen, 2015).

It was also during the Jacob Zuma term that the credibility of National Treasury's budget process was compromised, and the organisation and its officials faced a series of attacks (Mahlaka, 2022; Muller, 2017c). In von Holdt's (2019) explanation, the National Treasury was initially left alone by Zuma as a way of avoiding disturbance in the international financial system, but over time the organisation and its senior officials became a major obstacle to the expanding capture and misappropriation of state resources. The Finance Minister was fired in 2015 following his refusal to approve funding for a costly nuclear deal that the public purse could not afford (Booyesen, 2019; Friedman, 2019; von Holdt, 2019). Pearson et al. (2016) describe this as the most telling indication of the National Treasury having lost support of the President.

Between 2015 and 2018, South Africa had five different Finance Ministers; and in December 2015, three different Finance Ministers were fired and appointed in just one week (see Table 7.2). There was also increased interference in the budget process by the President and other external actors over the same period (see section 7.3.2 of this chapter). Other interferences during Jacob Zuma's term as President included attempts to misdirect funds from delivering basic services towards irresponsible and unaffordable proposals, heightened pressure on the National Treasury to loosen anti-money-laundering laws, and personal attacks on a number of senior Treasury officials intended to discredit them (Alence and Pitcher, 2019; Mahlaka, 2022; Muller, 2017c; Swilling et al., 2017; Umraw, 2019). As Haffajee (2016) explains, these were all part of the state capture agenda to neuter the National Treasury and its officials, who repeatedly put-up barriers to the ambitions of Gupta family³⁵ network.

³⁵ The alleged kingpins behind state capture in South Africa during the reign of former President Jacob Zuma

Table 7. 2. Democratic South African governments and Finance Ministers

Electoral period	Ruling party (% of national vote)	President	Finance Minister
1994 – 1999	ANC (63.12%)	Nelson Mandela	Chris Liebenberg [^] (1994 - 1996)
			Trevor Manuel (1996 - 2009)
1999 – 2004	ANC (66.35%)	Thabo Mbeki	
2004 – 2009	ANC (69.69%)	Thabo Mbeki (Resigned September 2008)	
		Kgalema Motlanthe [#] (September 2008 - 2009)	Pravin Gordhan (2009 - 2014)
2009 – 2014	ANC (65.90%)	Jacob Zuma	Pravin Gordhan (2009 - 2014)
			Nhlanhla Nene (May 2014 - 9 December 2015)
2014 – 2019	ANC (62.15%)		David Van Rooyen (10 - 13 December 2015)
			Pravin Gordhan (December 2015 - March 2017)
			Malusi Gigaba (March 2017 - February 2018)
2019 – 2024	ANC (57.50%)	Cyril Ramaphosa	Nhlanhla Nene (February 2018 - October 2018)
			Tito Mboweni (October 2018 - August 2021)
			Enoch Godongwana (August 2021 – date*)

[^]The only Finance Minister in democratic history not an elected MP and not representing any political party

[#]Interim President, after Thabo Mbeki resigned before the end of his second term

*As at publication of this manuscript

While the term state capture has become ubiquitous in modern South African politics and social commentary (Chipkin, 2020; Dassah, 2018; Friedman, 2020; Martin and Solomon, 2016; Southall, 2018), its impact extends beyond political dynamics and has broader implications into other policy areas such as the current state of South Africa’s public finances and fiscal outlook (Alence and Pitcher, 2019; Muller, 2019; Sachs, 2021; Swilling et al., 2017). Former

Minister of Finance, Pravin Gordhan, who served briefly under the Zuma presidency, forewarned of the direct impact of state capture on economic growth and the public purse, stating that “the Zuma project was focused on strengthening and deepening the informal political-economic system, and locating him and his close allies at its centre [...] opening up the channels for the informal political-economic system to expand and incorporate new networks, including members of his own family” (Ngcobo, 2017).

Although corruption and state capture in South Africa did not start with former President Jacob Zuma, it became pervasive during his tenure (Friedman, 2020; Southall, 2018). Corruption and state capture were allowed to persist and worsen, largely due to ANC MPs and other party members remaining silent and not holding anyone to account, allowing the wrongdoing and grand corruption to escalate under their watch (Gumede, 2017). Effectively, President Jacob Zuma was “protected by the ANC’s parliamentary brigade who, ironically, had been elected to be accountable to the citizens, and not the president” (Booyesen, 2015, p.80).

The corrupt activities of state capture, including the failure of Parliament to prevent them, were confirmed in the recent findings of a four-year-long “Judicial Commission of Inquiry into Allegations of State Capture, Corruption and Fraud in the Public Sector Including Organs of State” (hereafter ‘the Zondo Commission’), chaired by Mr Raymond Zondo, the Deputy Chief Justice of the Republic of South Africa, which was established in January 2018 to investigate allegations of state capture, corruption, and fraud in the South African public sector. This was following the recommendation of the former Public Protector, Advocate Thuli Madonsela, in November 2016 to complete her report on state capture. In her report, the former Public Protector revealed evidence that the government granted the Gupta family privileged access to South Africa’s executive branch of government for several years, and claimed there was systemic and extensive abuse of power in the executive (Dassah, 2018; Mbaku, 2018).

The Zondo Commission concluded its work (over 400 days of hearings with testimonies from, and cross-examination of, over 300 witnesses) in June 2022, issuing the fifth and final part of its report on its findings. The findings of the Zondo Commission have been widely described by politicians and commentators as scathing evidence of orchestrated massive corruption and the capture of the South African state by the Gupta family, with the help former President Jacob Zuma (Gottschalk, 2022; Kotze, 2022; Nkanjeni, 2022b)

The contents of the various reports of the Zondo Commission are comprehensive, extensive, and incriminatory. Some of the key findings that are relevant to South Africa's institutions, key decision-makers, and public finances are provided below:

- Between 2012 and 2017, various attempts were made by President Zuma, the Minister of Energy, and the Chairperson of the Board of South African Airways, to get the National Treasury to approve certain transactions that were not in the interests of the country, were financially unaffordable, or were rendered objectionable by reason of certain terms and conditions to which the National Treasury was urged to agree. The National Treasury during this time put up huge resistance to repeated attempts to get them to engage in wrongdoing concerning various transactions.
- During President Jacob Zuma's term in office, certain decisions that were confidential and supposed to be made within government were made outside of government. Some of these decisions also did not involve his own party, the ANC, but instead were made with members of the Gupta family
- Key features of attempts to capture the National Treasury were: (1) the offer made by one of the Gupta brothers to the Deputy Minister of Finance of money and the position of Finance Minister, (2) the dismissal of Nhlanhla Nene as Minister of Finance in December 2015, who was replaced by David Van Rooyen – a relatively unknown ANC backbencher, (3) David Van Rooyen appointing advisors linked to the Gupta family or their associates, (4) the harassment of Pravin Gordhan by the HAWKS³⁶ during his second term as Finance Minister, (5) the second dismissal of Pravin Gordhan as Finance Minister and his replacement by Malusi Gigaba.
- Evidence given under oath by a former Director-General of the National Treasury explains widespread sharing of sensitive budget documents, which are classified as 'secret' until the announcement of the budget every year, with individuals outside of the budget process and outside of government.
- Evidence given under oath by a former Deputy Finance Minister explaining that he was informed by one of the Gupta brothers that the President was going to fire the Finance

³⁶ The Directorate for Priority Crime Investigation, also called the "Hawks". An independent directorate within the South African Police Service responsible for combating, investigating, and preventing national priority crimes such as serious organised crime, commercial crime, and corruption.

Minister, and that he could be the Finance Minister and made very rich on condition that he “works with them” and fires several senior Treasury officials.

On the attempted capture of the National Treasury, Part IV: Volume 1 of the Zondo Commission report concludes the following:

The fact that the Guptas and President Zuma failed to capture our National Treasury even after relentless attempts to do so over a long period of time is due largely to the Ministers of Finance that South Africa had during those years [...] Our National Treasury fell into the wrong hands, particularly during the difficult four days in December 2015 following Minister Nene’s dismissal and Mr Des Van Rooyen’s appointment as Minister of Finance [...] It is almost a miracle that the National Treasury was saved from the tentacles of the Guptas! I shudder to think what would have happened to this country if President Zuma was not forced to move Mr Des Van Rooyen and his advisors out of the National Treasury (pp. 171–172).

Regarding the South African Parliament, the Deputy Chief Justice laments the lack of oversight while citing the success of one parliamentary committee that has an opposition party MP as Chairperson. As Doyle et al. (2022) point out, the Zondo Commission report has in many ways cemented what civil society and many commentators and have been arguing, which is that parliamentary oversight is ineffective, there is no executive accountability, and Parliament does not inspire public confidence. Deputy Chief Justice Zondo also comments that one of the challenges facing Parliament is the disincentive that party list system creates for MPs to speak out against corruption – highlighting a change of culture needed in the political system and some way of protecting MPs who want to do the right thing where their political party deems it incorrect. Part VI: Volume 2 of the Zondo Commission report concludes that there is evidence of unlawful and corrupt influence of private companies over the decision-making of certain organs of state and members of the National Executive, including President Jacob Zuma. The report further explains how some ANC MPs received regular monthly cash payments in return for a favourable attitude towards the company in parliamentary committees.

The members of Parliament targeted had available to them the wide range of mechanisms for holding both the private and public sector actors involved to account. Yet the MPs involved did not use the mechanisms available to them. Instead they worked to ensure that the portfolio committee did not expose corruption (p. 66).

Although not solely responsible for state capture, Jacob Zuma's term as President and his government's failures are recognised as a definitive period that impacted South Africa's economy, public finances, fiscal performance, and investor confidence in the country (Alence and Pitcher, 2019; Muller, 2019). The South African economy has not recovered since 2008/09. Ajam (2021), defining the state capture era as between 2009 and 2019, explains that long-term average economic growth rates plummeted over this period, from about 4% before the global financial crisis to between 1% and 1.5% in the subsequent period until 2019.

The ever-increasing policy incoherence during the state capture era decelerated public investment efficiency, interference and disruptions to the revenue authority undermined tax collection, and the much higher interest rate that South Africa pays on its public debt compared to most other (peer) countries is partially attributable to the impact of state capture and South Africa's political dynamics (Sachs, 2021). The firing of the Finance Minister in December 2015 for example, had an immediate and visible impact on the Rand³⁷, which depreciated against the US dollar (MacLeod, cited in Mahlati, 2019). Civil society organisations, and various economists argue that while the exact cost of state capture on the South African economy is immeasurable, it is likely in excess of R1.5 trillion, which is roughly equivalent to government's annual expenditure (Mahlaka, 2022).

With South Africa's worsening state of public finances and fiscal performance (see Figure 7.1 and Figure 7.2), Southall (2016) warns that the money for keeping the "ANC gravy train" on track is running out. A combination of declining growth, constant spending pressures, and Parliament's failure to exercise oversight over the budget and public expenditure has led South Africa down the path of fiscal unsustainability (Hausmann et al., 2022; Rossouw and Joubert, 2022).

³⁷ South African currency

Chapter 8

Conclusion

This thesis has presented an analysis of how budget actors interact with the set of rules, norms, and values from South Africa's political and budgeting institutions, and how this shapes patterns of behaviour and influences their decision-making in the legislative budget process. It did so by not only revealing the formal and informal influences on actors' behaviours, but also providing insight into the consequences of South Africa's political system on the legislative budget process. The choice of South Africa's budget system design and the legitimacy of its budget institutions are examined within the context of a varying political environment, and emerging conflicts within executive-legislative power relationships – all of which occur under a single dominant party.

In this concluding chapter, the issues raised in previous chapters about the nature of legislative budget decision-making in South Africa are summarised, underscoring the impact of its political system on all institutions and actors' behaviour. This study examined the constitutional structures, formal and informal rules and procedures, organisational constraints, and political incentives that drive budgetary politics by directly influencing political behaviour and consistent outcomes of the legislative budget process every year. Other factors such as beliefs, values, frameworks for understanding, and regular patterns of behaviour have also been explored and shown to also contribute to reinforcing the political context within which the budget process is embedded. The use of the political economy lens placed actors and institutions at the centre of analysis, prompting questions such as “Who are the actors involved in *de facto* decisions on public resources? What are their incentives, and how do they affect budget outcomes? What are the processes and procedures, both formal and informal, according to which these actors reach decisions on the budget? Which institutional reforms shift the balance of power among actors? Is there enough domestic support for such reforms to be effectively implemented?” (Hallerberg et al., 2009; Rubin, 2019; Scartascini and Stein, 2009; Wehner and de Renzio, 2013, p. 95)

Drawing from existing new institutionalist approaches, connections are drawn between the study's theoretical and empirical contributions to public budgeting and new institutionalist scholarship, while the confirmations and contradictions that South Africa's unique political context presents to existing literature are highlighted. The significance and implications for

major budgeting and public financial management (PFM) system reforms in African countries are then discussed. In the final section of this chapter, possible avenues for future research on South Africa's budgetary politics are offered, as well as potential lines of enquiry to expand the understanding of legislative budgetary influence beyond its current characterisations in comparative research.

8.1. Summary of findings

Wildavsky (1961) contends that any attempt to reform the budget process without altering the political system in which it exists is doomed to failure. Rules that are intended to improve budget decision-making and fiscal results but do not take into account the underlying incentives, or ignore political realities and power relationships, have a higher probability of being circumvented (File and Scartascini, 2007; Wehner and de Renzio, 2013).

Institutions typically only change either incrementally or radically, and result from coincidence, evolution, or intentional intervention (Ansell, 2021; Campbell, 2021; Ferrara, 2022; Lang, 2018). South Africa's democratic transition in 1994 marked a distinct and complete overhaul of electoral and budgeting systems, along with other institutional reforms that were necessary to correct past discrimination of apartheid and its policies. The new democratic government of South Africa established a new set of political and economic institutional arrangements from 1994, which represents a radical change from the previous apartheid regime. Harries (2012) describes such wide-ranging institutional changes as "necessary to break decisively with the past or to respond rapidly to quickly changing circumstances". For the national budgeting process, reforms were designed to change South Africa's fiscal structures, promote accountability and the efficient use and management of public resources, involve the public in budget decision-making, empower the legislature to exercise more oversight over the budget process and have greater influence in budget decisions and fiscal policy, and balance power relations between the executive and the legislature (Ajam, 2016; 2021; Fölscher, 2007b; Fourie, 2015; Henrico, 2020; Mkhize and Ajam, 2006; Purfield, 2016; Verwey, 2009; Wildeman and Jogo, 2012).

In the 28 years since the advent of democracy, however, a number of interrelated factors have had a combined effect of undermining budgetary governance and legislative authority in keeping a check of executive power, and dampening the effectiveness of constitutionally established institutions. The result is South Africa's formal institutional arrangements challenging some of the theorised effect of political and budget institutions on actors'

behaviour and budget outcomes, specifically, legislative amendment powers and fiscal performance.

8.1.1. Primacy of the ANC over Parliament (and the state)

South African politics is dominated by the ANC; the party prevails over the state (Bilchitz et al, 2016; Booysen, 2011; 2015; Butler and Southall, 2015; Cedras, 2021; de Jager and Steenkamp, 2016; Mnguni, 2011; Wiczorek, 2012). An important implication of this single party dominance is that it is the internal political processes of the party rather than constitutionally established institutions and the design of democratic decision-making processes that determines the balance of power in government (Bilchitz et al, 2016; Doyle et al., 2022; Hasson, 2010; PolitySA, 2014). A majoritarian Parliament creates difficulty in a state that subscribes to constitutionalism (Petersen, 2019). While the institutional identity of the South African Parliament is entrenched in the Constitution, in reality, it is underwritten by ANC party rules and values, which have proven more effective in establishing and maintaining power relations, and shaping political behaviour and policy decisions, than constitutional principles and oaths of office. MPs cannot insulate themselves from party influence; even if they are willing to fulfil their obligations and play their role as envisaged by the Constitution, the threat of losing their job means they are unlikely to do so if it conflicts with party expectations and decisions (de Vos, 2021a). Once the ANC has made its decisions within its party structures, the South African Parliament, by way of its ANC majority, is politically bound to implement those decisions.

One implication for the legislative budget process, this study has revealed, is that ANC dominance crowds out Parliament's authority and oversight function. Chapter 6 discussed how the large majority that the ANC has in Parliament is used to not only suppress the inputs of MPs of opposition parties, but also to ensure ANC National Executive Committee (NEC) decisions on the allocation of resources are always approved. All finance and appropriations committees are chaired by an ANC MP who is aware of the predetermined budget decision of the ANC executive beforehand. The relatively small size of opposition parties means they are too weak to swing voting decisions in committees or to have any strong objections to parts of the budget tabled in formal committee reports, and the demand for greater scrutiny or objection to irrational funding decisions in the budget is suppressed. The result is predictable approval of the budget every year – irrespective of irrational funding choices that are overtly political at the expense of public resources, or have a demonstrable adverse impact on budget and fiscal

outcomes. Any objections tabled either by opposition party MPs, civil society or the public, are simply documented or ignored completely.

Another implication of ANC dominance is that the rules and political culture of the party have engendered a similar systematic pattern of behaviour in Parliament that makes it a rubber-stamp for decisions taken by a few individuals in the ANC leadership. Members of the ANC, both in the executive and in the legislature, are widely perceived as obedient rule-followers who face political disincentives – backed by threats of real punishment – to any displays of independent behaviour, personal beliefs and values, or rational choice discretion (Alence and Pitcher, 2019; AmaShabalala, 2021; Doyle et al., 2022; Gumede, 2018; Notshulwana and Lebakeng, 2019; Southall, 2017). Challenging the budget proposals tabled by the executive is therefore inconceivable. Chapter 6 revealed the contradictions within MPs' self-proclaimed identities and roles in the legislative budget process. Once they are elected to Parliament, MPs take an oath of office to uphold the law and to do what is in the interests of the country – not the political party. All MPs in this study expressed the primary role of representing the interests of the public in the budget process and with equal conviction. ANC MPs however, also highlighted the obligation for them to endorse all decisions taken by their superiors in the party and the dissatisfaction for any challenges to budget proposals. The consequence is, despite robust engagement and debate with the executive, and even in the face of fervent objections from the public that MPs claim to represent, in the end the budget choices of the ANC will always be approved.

This regular and predictable pattern of behaviour makes any potential for elaborations of MPs beyond their pre-specified roles difficult. This study has revealed a considerable lack of individual agency by political budget actors, which is largely in line with what the literature on South African politics has established. In the structure-versus-agency debate in new institutionalism, findings of this study do not address one of the major criticisms about institutional analysis issues, regarding a lack of emphasis on actors behaving with some agency and motives rather than simply playing pre-assigned roles (Hall and Taylor, 1996; Lowndes and Roberts, 2013; Olsson, 2016; Peters, 2016). While the study included both individual actors and institutions as units of analysis in South Africa's legislative budget decision-making process (not neglecting one over the other), there is no evidence of strong individual political decision-makers in Parliament who play a role outside of the dichotomous role of either rational, self-interested, and calculating or rule-following and socially adaptive. Instead, March and Olsen's (2004) logic of appropriateness is confirmed. MPs' behaviour, particularly ANC

MPs, conforms to party rules and is driven by party principles and values – not utility calculations or individual motivations. This pattern of behaviour is acquired through membership in the party, and not formal institutional arrangements embedded in the Constitution.

This ANC dominance in the budget process and in South African politics has previously presented little to no direct threat for the national budget, neither in the legislative decision-making process nor budget outcomes. However, the combined effect of the 2008 economic and fiscal crisis, and the shift in political landscape following the election of Jacob Zuma as president of the ANC and the country in 2007/08, placed the budget and its institutions in the centre stage. Chapter 7 discussed how both economic and political factors since 2008 contributed to the deteriorating state of South Africa’s public finances. Fiscal policy efforts to contain rapid growth in government spending have been unsuccessful. Combined with rapidly growing government debt, policy incoherence and uncertainty, bad policy and budget allocation decisions, South Africa’s public finances and fiscal sustainability have increasingly worsened. Since budget and fiscal policy are deeply intertwined with politics, social and political dimensions must be considered along with fiscal sustainability (Gaspar et al., 2017; Redda, 2020; Schick, 2006). The major shift in ANC and South African politics as it entered the Jacob Zuma presidency was dominated by policy uncertainty, abuse of public resources for private gain, high levels of corruption, governance failures, subversion of constitutional and other formal institutions, and a more hostile posture towards the National Treasury – all associated with the state capture era (Booyesen, 2019; Cedras, 2021; Friedman, 2019; Matebese-Notshulwana and Lebakeng, 2020; Notshulwana and Lebakeng, 2019; Pearson et al., 2016; Rapanyane, 2022; Sachs, 2021; Suttner, 2015; Swilling et al., 2017).

During this period, Parliament’s authority over budget decisions, and its oversight over the integrity of public finances was woefully ineffective. The budgetary authority and fiscal responsibilities of parliaments become even more important during economic crises (Ríos et al., 2018). Also discussed in Chapter 7 is how findings from the Commission of Inquiry into State Capture render Parliament complicit in corruption, poor governance, and the fiscally unsustainable budget decisions approved during the period of the Jacob Zuma presidency (2009 to early-2018). The primacy of the ANC over the state meant that MPs and other budget actors could not and did not intervene to protect public finances, but instead approved all fiscally dangerous budget proposals and undermined a constitutionally-established balance of power that should serve as checks on excessive political power.

Overall, effective formal institutions coexist with informal ones. There is a collective understanding among budget actors that ANC MPs act collectively in ensuring the annual budget is always approved, and never publicly challenge each other or ANC members of the executive. These rules, coming from outside the budget process, have a demonstrable impact on the way in which Parliament reaches its decisions on the budget every year. There is a shared expectation outside the official rules of the budget game that shapes political behaviour and ensures budgets are always approved – a phenomenon which has become entrenched in the budget decision-making process. This is done without contravening the formal rules and procedures of the legislative budget process, a clear indication that there is political will to carry out a budget process that adheres to all legislative and formal procedural requirements.

On the one hand, informal institutions work harmoniously with formal ones in terms of facilitating a stable and predictable budget decision-making process. Informal rules and the regular patterns of behaviour they generate do not serve to address any particular problem in the formal institutional arrangements or to disrupt them in any way, but rather to expedite ANC decisions in the legislature, ensure no disruptions to budget process and no amendments to the national budget – which all ensures stability. As Tsebilis (2000, p. 443) reminds, “institutions that promote stability will make it difficult to have the status quo changed – even if that status quo is undesirable”. The unwritten shared knowledge of expected behaviour by ANC MPs, as well as discussions behind closed doors where the outcome of voting in multiparty finance and appropriations committees is discussed beforehand, seem to be accommodated within the formal structures and procedures of budget decision-making. On the other hand, this expected and predictable pattern of budget approvals becomes challenged when budget choices tabled by the executive are irrational, demonstrate fiscal indiscipline, when they endorse corrupt decisions and actions, and when they are specifically challenged by the public.

8.1.2. Institutional design lacks grounding in political context

South Africa’s case of the legislative budget decision-making process supports and demonstrates Wildavsky’s (1992) contention that budgeting is a subsystem of politics, and not the other way around. The budget institutions do not exist in isolation, and the budget is a reflection of, exists within, and is influenced by politics. Many authors call for an in-depth assessment of the design of the budget process to provide an understanding of the balance of power between different actors in a political system – which is crucial in shaping budgetary outcomes (Wehner, 2014; Wehner and de Renzio, 2013; von Hagen and Harden, 2019). South

Africa's case raises the question of whether all the reforms to its budgeting process over the past two decades can be truly effective if they have not been complemented by incentives within its political system.

Although the Constitution is the ultimate premise for the principles, values, and structures that govern the South African state and its policymaking processes, and shape the power relationships within it, findings of this study reveal that it is the authority of the ANC that runs parallel to the state and determines power relations in the budget and other policymaking processes. Party rules, beliefs, and values have proven more powerful than the laws and other institutional arrangements governing the legislative budget process. It is not clear whether, when drafting the 2009 Money Bills Amendment Act, policymakers took into account the political dynamics and power relations established by South Africa's closed-list proportional representation electoral system. Was there a genuine desire for an ANC-led Parliament to exercise its discretion and amend budgets where it was not happy with proposals tabled by its own executive? The dominance of the ANC in Parliament and more broadly in South African politics has engendered a culture of ANC supremacy over the state and political institutions, in which MPs judiciously follow party rules, behave in line with party expectations, and consistently approve ANC decisions taken within party structures – effectively undermining the role of Parliament in key policy decision-making. As Wehner and de Renzio (2013) contend, the extent of actual legislative budget authority is a deeply normative choice and it reflects a particular balance of power.

The majority of the MPs that participated in this study were adamant that the swift enactment of the Money Bills Amendment Act in 2009 after over a decade of inertia, was for political reasons rather than a genuine desire for greater legislative budgetary authority. Reasons include the Jacob Zuma faction within the ANC seeking to disempower a National Treasury perceived as “too powerful”, and responding to criticism from civil society and its largest alliance partner, Congress of South African Trade Unions (COSATU), about excessive executive dominance in the budget decision-making process. It is also important to highlight that many of the MPs that participated in this study were not present at time when the Money Bills Amendment Act was drafted in 2008. As discussed in Chapter 6, characteristic of the South African Parliament is a high turnover of MPs and low institutional memory and experience of the legislative setting. Document analysis of previous parliamentary budget committee discussions also provided little insight about the consideration of the political viability of the Money Bills Amendment Act.

Archived documents of budget committee proceedings simply indicate an urgency to pass the legislation and frequent mentions of the constitutional requirement for such a Bill.

The Money Bills Amendment Act, however, could not realistically bring about the shift in budgetary power that is suggested by the contents of this law. An ANC-majority Parliament exercising its power and amending budgets tabled by an ANC-majority executive is simply incompatible with the political incentives of South Africa's parliamentary system, cooperative executive-legislative relations, and ANC party rules that are explicit about the structures in Parliament being subject to the authority of the party's highest decision-making bodies. In the end, power relations, political behaviour, and patterns of budget decisions have not changed as a result of new laws, formal institutional design, and reform of decision-making procedures.

This therefore suggests that the legislative budget process is reduced to a formal exercise carried out to comply with the letter of the Constitution and requirements of the Money Bills Amendment Act, and to give effect to ANC decisions taken elsewhere. In addition to political factors, Chapter 6 discussed institutional and other capacity constraints MPs faced as a direct consequence of the detailed procedures contained in the Money Bills Amendment Act that have created an excessively burdensome process. The enabling law for legislative budgetary amendment power has proven to be a constraint in itself, by design, rather than a means for Parliament to exercise its budgetary powers. The duration of the legislative budget process is too short for meaningful scrutiny and deliberation on the budget, or for consideration of oral and written inputs from the public. MPs do not have sufficient time or technical capacity to scrutinise all the content and commentary on the budget – even with the additional support of the Parliamentary Budget Office (PBO). Combined with the lack of political incentives to amend the budget, these practical institutional constraints also explain why Parliament is not more assertive in influencing budget decisions that promote fiscal discipline. The contribution of the South African Parliament to budget decisions and fiscal policy is thus inhibited by both political and structural factors. It is the political incentives, however, that are more potent determinants of the effectiveness the legislative budget process.

There remains a gap between constitutional aspirations for the South African Parliament including its authority in the budget decision-making process, and what occurs in practice. The South African Parliament's budgetary power has proved markedly inferior to what it is indicated by its formally conferred powers. This, however, is not unique to South Africa. A combination of institutional and political factors constrains many parliaments' ability to

influence the budget, despite what their formal powers imply (Forestiere and Pelizzo, 2008). Since the first democratic Parliament in 1994, to date, the Parliament of the Republic of South Africa has not made amendments to the national budget. There is little evidence of the legislative influence on the budget. There does not exist enough political desire for legislative budgetary powers to be exercised effectively.

This is not to suggest that the South African Parliament is totally ineffectual in the budget process. Evidence of additional and more frequent budget information available to MPs, longer debates in finance and committee meetings, and increased legislative activity overall in recent years – including from public hearings on the budget – suggests a legislature that is more involved in budget related matters. See Figure 2.2 in Chapter 2, Table 5.2 in Chapter 5, and explanation of the legislative budget process in Chapters 2 and 6. However, exercising formal legislative budget amendment powers is paramount, as even a small amendment signals that legislative scrutiny should be taken seriously (OECD, 2019). It remains improbable that any budget amendments will be tabled while an ANC majority is still in the executive and the legislature – no matter how irrational funding decisions are or how strongly the public object to budget proposals. This is likely to remain the case unless significant changes occur in South Africa’s political system or the ANC loses its outright majority and its power to ignore opposing views in the legislature.

8.2. Theoretical and policy implications

This study has addressed some normative concerns regarding the role of legislatures in budget decision-making, but also more broadly their role in effective and democratic governance of the budget process. Examination of South Africa’s legislative budget process has provided empirical insight into why legislative and institutional reforms intended to bring about a more authoritative Parliament in budget decision-making is challenged by contextually embedded factors – namely, political incentives and institutional constraints.

First, this study contributes to real-world perspectives on public budgeting, and notes a shift from traditional and formal characterisations of budget institutions towards in-depth analysis of the complementary and conflicting influences on actors’ behaviour and budget decisions. It focuses on the effects of institutional arrangements on power relations and budget decisions on both a macro-constitutional level (system of government and electoral system) and a lower-level institutional design for decision-making (amendment powers and legislative procedures).

In addition, the study examines the interaction between these formal and informal institutions and budget actors, in an attempt to reach an understanding of how they collectively affect South Africa's legislative budget process and budgetary outcomes, as well as the particular conditions under which they are more or less influential on both process and decision outcomes. This level of analysis is required not only to clarify the effectiveness of formal and informal institutions in certain political settings, but also to circumvent unsubstantiated or exaggerated claims about the effects expected from different institutional arrangements (Wehner, 2010).

Second, this research addresses empirical gaps in the study of budgetary politics in the developing world – particularly in Africa. While there is increasing attention on the influence of informal institutions on budgetary practices in developing Latin American countries (Filc and Scartascini, 2007; Guess and Savage, 2021; Hallerberg et al., 2009; Santiso, 2008), to my knowledge, this study is the first to directly and empirically examine formal and informal legislative budgetary politics and its impact on budget outcomes in the context of a developing African democracy. While there is extensive commentary on the politics of South Africa's budget decisions (COSATU, 1997; Davies, 2017; de Vos, 2021b; Haffajee, 2017; Letsoala et al., 2011; Madia and Hunter, 2020; Mahlaka, 2022; Menon, 2018; Muller, no date; 2017a; 2019), few studies discuss executive budget actors (Pearson et al., 2016), the budget process (Fölscher, 2007b; Fölscher and Cole, 2006; Fourie, 2015; Mkhize and Ajam, 2006; Purfield, 2016), and the effectiveness of formal institutional arrangements for legislators (Ajam, 2009; Barkan, 2009; Kotzé, 2001; Lefko-Everett et al., 2009; Matebese-Notshulwana and Lebakeng, 2020; Naidoo, 2021; Wehner, 2010). Of these studies, none provide empirical evidence of political behaviour in the budget process, and how actors and institutions interact to influence budget decisions.

A nuanced understanding of the effectiveness of formal budget institutions in the context of African countries is even more critical if findings can inform policy or help policymakers and practitioners avoid unintended consequences of reform. As Andrews (2009) and Krause (2013) point out, there is a tendency in African countries towards uniform sets of technical budgeting and public financial management reforms being promoted without sufficient consideration of political realities, informal institutions, and power relationships. This often results in what Wehner and de Renzio (2013) describe as misguided notions of international best practice. Lessons from the South African case provide a realistic approach to budgeting that takes greater account of how budget decision-making actually happens, given a particular institutional and political setting, and the effectiveness of rules and incentives.

Third, the literature on legislative budgetary power tends to focus on quantitative measures of formal institutions only (Gollwitzer, 2010; Kim, 2019; Lienert, 2005; Wehner, 2007; 2010). This study responds to the need for in-depth case studies to provide richness, context, and explanatory power to existing quantitative measurement of formal legislative budgeting powers that are often discussed in comparative research. Contextual qualitative studies like this can not only contribute to improved iterations of comparative, quantitative measures of parliamentary budgetary power, but can also strengthen the case for further qualitative in-depth research that clarifies how formal institutions interact with contextual and often informal practices and incentives in explaining political behaviour. In addition, aspects of South Africa's political context which explain the extent of legislative budgetary power could inform new standardised variables for quantitative comparative research if other studies find similar effects over time.

Fourth, the study has drilled down deeper than the commonly studied level of formal rules and procedures guiding budget processes and establishing authority in decision-making, providing a detailed analysis of the independent and combined effect of formal and informal institutions on the behaviour and interactions of key budget actors. Rather than simply acknowledging the role and influence of informal institutions alongside their easier-to-study formal counterparts, this study has identified the particular informal rules and conventions as well as specifying the ways in which actors navigate formal and informal contexts, and how they respond to the behavioural expectations generated. The tendency in many studies is to reduce informal institutions to a residual category and only turn to them when accounting for weak institutions, deviation from formal ones, or the failures of democratic governance (Azari and Smith, 2012; Espinoza and Barozet, 2018; O'Donnell, 2006). As the "socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels" – defined by Helmke and Levitsky (2004, p. 727) – informal institutions are widely understood by South African budget actors, and their influence widely acknowledged. This study has both identified the informal rules affecting budget decision-making and explained the complementary and conflicting role they play in the legislative budget decision-making process. This demonstrates that, despite their unofficial nature and the difficulties associated with their identification, informal institutions can be systematically analysed and more precisely understood, with a potential to move further in the formalisation of the structure of incentives associated with the operation of informal institutions (Espinoza and Barozet, 2018; Lauth, 2004).

Finally, insights and lessons from this study could inform the design of politically feasible budget process and public financial management (PFM) systems, new or future iterations of reforms that many other African countries adopt. Without a political understanding of public budgeting and fiscal governance, the important gap between the fiction of formal systems and the reality of informal processes can be missed by development aid agencies implementing comprehensive reform programmes in low- and middle-income countries. The result is often poorly functioning PFM and unsustainable budget reform (Haruna, 2016; Lawson, 2012; Santiso, 2008b).

A number of interventions aimed at strengthening the budgetary governance, practices and procedures, and implementing government-wide reforms that can have sustainable impact on budget policies and outcomes are introduced in many countries – reforms which, for many African countries, are often advanced by external organisations such as the International Monetary Fund, Collaborative Africa Budget Reform Initiative (CABRI), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the World Bank, and various higher education institutions. Technical assistance from multilateral organisations such as the IMF and the World Bank, who play a major role in institutional development of budgeting and PFM systems in the African region, must be compatible with the perspectives and incentives of political systems and key political figures. For reform packages and budget process designs to have better chances of success, it is not enough to offer orthodox technical reforms that are ignorant of local contexts, watch those reforms fail, then blame “a lack of political will” (Opalo, 2021).

This study of South Africa’s legislative budgeting process reveals the importance of understanding more than the legal, procedural, and technical requirements for effective budget institutions. Notwithstanding the fact that the African region is constituted of a heterogenous group of countries, the findings from this study concerning the primacy of political incentives over all legal and other formal institutional arrangements provide substantial lessons about what can be expected from the design of budget decision-making processes – lessons which many reform packages do not reflect.

8.3. Avenues for further research

Political scientists and economists alike are increasingly interested in examining the influence of politics and other institutions on policy outcomes, including the design of political and budget institutions and their effects on fiscal outcomes (Alesina, 2007; Clemens et al., 2016;

Gaspar et al., 2017; Saliterer et al., 2018; Scartascini and Stein, 2009; Wehner, 2008; 2010). The prevailing studies on the fiscal effects of budget institutions suggest a negative correlation between parliamentary budgetary power and fiscal performance, meaning that strong legislative powers over budgetary decisions are associated with fiscal indiscipline (Acosta and de Renzio, 2008; Gollwitzer, 2010; Lienert, 2013; Ríos, et al., 2018; Santiso, 2005; 2015; Wehner, 2007). In South Africa's case, the isolated impact of legislative authority and oversight on budget outcomes and fiscal performance is difficult to decipher from this study alone. Figures 7.1 and 7.2 in Chapter 7 shows poor fiscal performance, evident from persistent increases in the budget deficit and levels of debt since 2008/09. Without discounting the effect of other factors, how much of South Africa's fiscal performance can be attributed to the design of its political and budget institutions?

While this study has shown how the overwhelmingly influential political incentives that are embedded within South Africa's closed-list proportional representation system and ANC party rules shape budget actors' behaviour and decisions, no direct impact or correlation of this on the country's large deficit and high levels of debt is made. Quantitative indices of legislative budgetary powers used in comparative institutional analysis studies would categorise or rank the South African legislature as a strong authority in the budget process. The assumption in many fiscal institutionalist studies is that institutional arrangements reflect the budgetary power of a legislature. This study has revealed that the Money Bills Amendment Act, which is the strongest indicator of legislative budgetary power (Wehner, 2010), in reality renders the South African legislature as powerful only in form and not in substance. *De facto* budget decision-making power remains with the executive, in the ANC. South Africa's case not only highlights how the link between formal institutional arrangements and fiscal performance is oversimplified in quantitative studies³⁸, but it also raises questions about how South Africa is categorised in cross-national comparative indices of legislative budgetary power. While fiscal institutionalist literature does include other variables that are hypothesised to promote fiscal discipline in budget decision-making, formal amendment powers are considered the primary determinant of fiscal policy outcomes (Kim, 2019; Lienert, 2005; Wehner, 2007; 2010). Further work exploring this dynamic can be undertaken, using South Africa as a case study for explaining cross-national variation across countries with the same formal institutional arrangements that do not match actual experience.

³⁸ This shortcoming is discussed earlier in this thesis, a critique about quantitative approaches to an institutional analysis of budget processes.

Budgetary governance requires a delicate balance between executive and legislative powers. In parliamentary systems like South Africa, where the co-operative relationship between the executive and the legislature reinforces stability and predictable regularities of politics and budget outcomes, are budget amendments the only indicator of parliamentary power over the purse? In the absence of amendments, how can legislative influence on budgets and budget policy be assessed? Is the impact of legislative involvement in budget decisions evident in other areas besides aggregate fiscal policy; areas such as budget composition or the funding of particular programmes, or other aspects of budgetary governance like accountability? In South Africa specifically, although Parliament is not amending budget bills, are there crucial negotiations between the legislature and the executive that take place before budget proposals are formally tabled that demonstrate parliamentary authority? Could the legislature be working more effectively behind the scenes to influence budget policy? Exploring such questions could reveal whether Parliament's influence on the budget is greater than commonly understood.

Findings from this study suggest that the South African Parliamentary Budget Office (PBO) was established in an environment not conducive to its viability as an independent, robust, and high-performing organisation. Although a relatively new organisation, commencing operations in 2013, the effectiveness of the PBO has been weak thus far, and there is growing scepticism about its relevance. The core values that parliamentary budget offices should promote and operate under include non-partisanship, independence, and high-quality technical work that is open to public scrutiny and informs public debate (Barnes, 2022; von Trapp et al., 2016). The complementary roles of parliaments and parliamentary budget offices in budget scrutiny and oversight have become increasingly important in the post-2008 global economic crisis era for restoring fiscal discipline and sustainable public finances (Dimitra, 2021).

There are currently no in-depth studies on the functioning of the South African PBO, particularly regarding the PBO's role in strengthening Parliament's influence on the budget and fiscal policy. In their documentation of its establishment and reflections on its mandate and early operations, McLennan (2018) and Muller (2017a) provide descriptive accounts of the intentions of its founding legislation and make preliminary judgements about its political independence and technical credibility. Further research is required, however, that addresses some important questions related to the fundamental principles for independent fiscal institutions and the conduciveness of South Africa's political environment for the PBO to strengthen Parliament's budgetary authority. For instance, can a better understanding of the

day-to-day interactions between PBO staff and MPs provide insights into the PBO's actual impact on budget decision-making? How has the PBO improved legislators' ability to interpret, review and make better decisions in the budget process? How does the PBO engage with the public? In addition to parliamentary finance and appropriations committees, what are the other formal and informal relationships between the PBO and Parliament, the executive arm of government, the National Treasury, and other organisations providing similar or complementary analysis of South Africa's budgets and fiscal policy? Is there evidence that tells us about whether the PBO has gained credibility with budget actors, the media, civil society, academic institutions, and the public? Is the work of the PBO subjected to peer review or any external evaluation process? These seemingly endless questions illustrate the possibilities for rich empirical research on the effectiveness of the PBO as a vital actor in the budget decision-making process.

Annexure 1

List of interviewees

A total of 33 interviews were conducted. This list does not include the interviewees who opted not to be named or identified by job description.

1. Geordin Hill-Lewis, MP. Member of the Finance Standing Committee (National Assembly), and Shadow Minister of Finance. 8 June 2020
2. Dennis Ryder, MP. Member of the Select Finance Committee and the Select Appropriations Committee (National Council of Provinces). 24 June 2020
3. Yunus Carrim, MP. Chairperson of the Select Finance Committee (National Council of Provinces). 13 July 2020
4. Chief Director (National Treasury). 16 July 2020
5. Matthew Parks. Parliamentary Coordinator (Congress of South African Trade Unions). 20 July 2020
6. Ahmed Shaik Emam, MP. Member of the Standing Committee on Appropriations (National Assembly). 11 August 2020
7. Senior Official (National Treasury). 20 August 2020
8. Sfiso Buthelezi, MP. Chairperson of the Standing Committee on Appropriations (National Assembly), and Former Deputy Minister of Finance. 6 September 2020
9. Nqabayomzi Kwankwa, MP. Member of the Standing Committee on Appropriations (National Assembly). 8 September 2020
10. Michael Sachs. Former Deputy Director-General: Budget Office (National Treasury). 17 September 2020
11. Senior Official (Parliamentary Budget Office). 1 October 2020
12. Committee Member. Standing Committee on Appropriations (National Assembly). 19 October 2020

13. Adv Frank Jenkins. Parliamentary Senior Legal Advisor. 21 October 2020
14. Dr Mkhululi Ncube. Programme Manager (Financial and Fiscal Commission). 7 December 2020
15. Deputy Director-General (National Treasury). 14 December 2020
16. Former member of the Select Finance Committee and the Select Appropriations Committee (National Council of Provinces). 17 February 2021
17. Dr Sean Muller. Former Deputy Director (Parliamentary Budget Office). 18 February 2021
18. Former member of the Finance Standing Committee and the Standing Committee on Appropriations (National Assembly). 22 April 2021
19. Eddie Rakabe. Programme Manager (Financial and Fiscal Commission). 27 April 2021
20. Senior Official (National Treasury). 28 April 2021
21. Committee Researcher (National Assembly). 6 May 2021
22. Senior Official (National Treasury). 27 May 2021
23. Committee Advisor. 5 June 2021
24. Member of the Select Finance Committee and the Select Appropriations Committee (National Council of Provinces). 14 June 2021
25. Alan McLoughlin. Former member of the Standing Committee on Appropriations (National Assembly). 20 July 2021

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