

Parliamentary

Budget
Office



Stakeholder Engagement

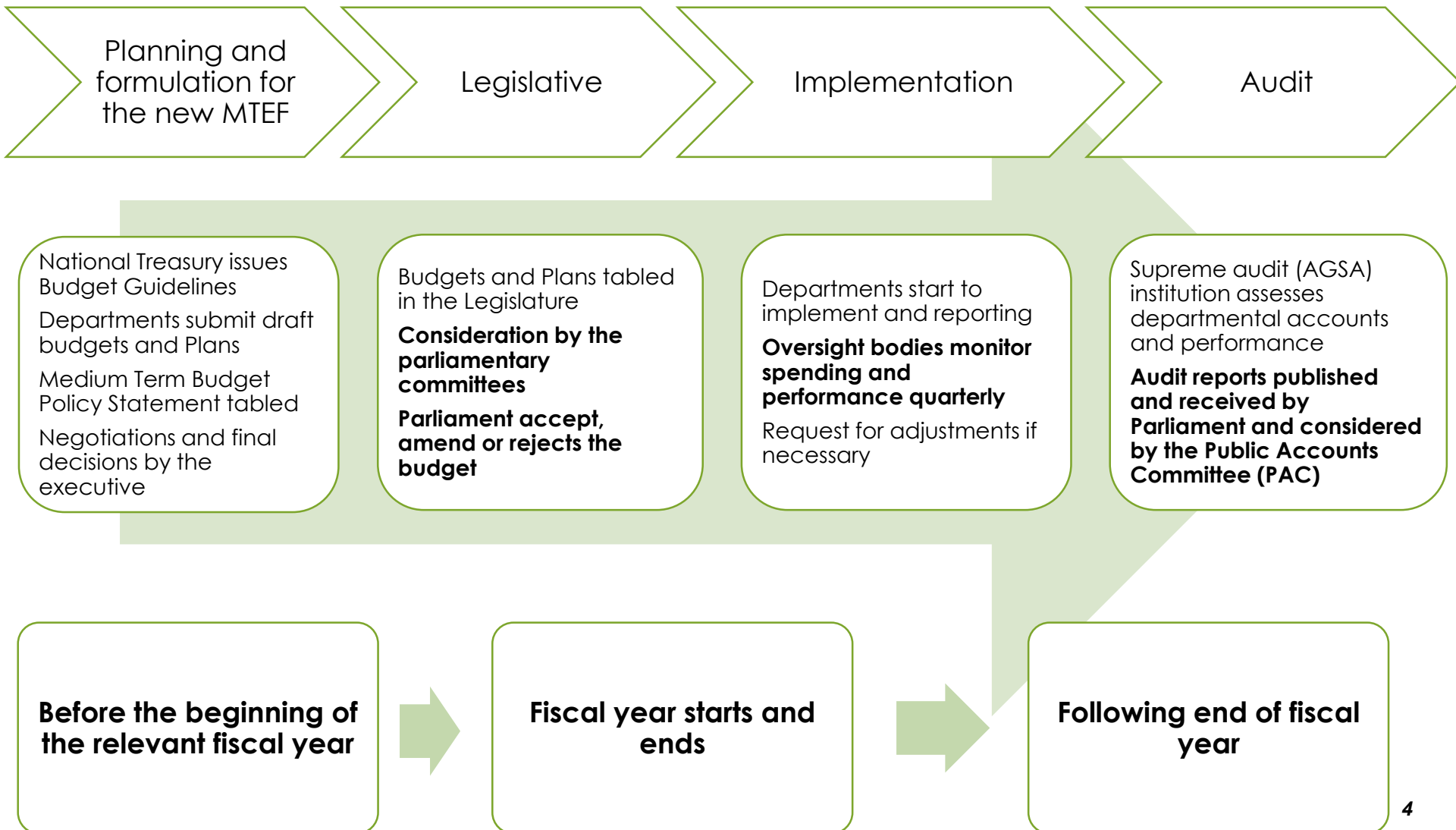
Outline

- Budget Process
- Parliamentary Process
- Mandate of the Parliamentary Budget Office

Budget Process

Guided by the Public Finance Management Act (PFMA)

Overview of the planning and budgeting process guided by the Public Finance Management Act



Legislative Phase

Minister of Finance

- The annual tabling of the national and provincial budgets, including the fiscal framework and tax and revenue proposal;
- Introduction of the Division of Revenue Bill and the Appropriation Bill in the National Assembly
- **Committees**
- Assesses the documents
- Obtains inputs from the FFC and Parliamentary Budget Office
- Holds public hearings
- Invites state agencies, and labour organisations e.g., the HSRC, Cosatu to provide inputs
- **How could oversight improve this process?**
- Consider what should be debated
- Make the rules
- Ensure that national priorities are reflected in the budget
- Ascertain whether budget programmes are still relevant to accommodate the outcomes and actions required by the MTSF

Implementation Phase

Executive

- All Government institutions submit in-year monitoring reports to National Treasury (Provincial Treasuries in Provinces) and the Department of Planning Monitoring and Evaluation (Premier's Offices at Provincial Level)
- The executive reports quarterly on expenditure and performance to the legislatures
- The executive tables annual reports in the Legislature
- **Parliament**
- Parliamentary committees monitor in-year and year-end monitoring process
- This process also includes site visits and taking part in public hearings
- Rigorous in-year monitoring by Parliament minimises poor performance by executives at year-end

Parliamentary Process

Guided by the Money Bills Amendment Procedure and Related Matters Act

Overview of Parliament's oversight role

- To ensure that government's vision, policies and plans and the associated budget processes are aligned with government's constitutional obligations and benefit society
- To prevent illegal and unconstitutional conduct on the part of the government
- To hold the government answerable on how money is spent
- To assess whether government's budget transforms society and promotes equity and reduces poverty and unemployment
- To protect the rights and liberties of citizens
- To detect and prevent abuse
- To make government operations more transparent and increase public trust in the government
- To include public participation and opinion in its oversight role

Money Bills Amendment Procedure and Related Matters Act

- Parliament's role in the budget process is guided by the Money Bills and Related Matters Act 2009, as amended in 2019
- The Act came into effect in April 2009
- It gives Parliament powers to make recommendations on the budget and other money bills
- Each House must establish a committee on finance to consider and report on:
 - The national macro-economic and fiscal policy
 - Amendments to the fiscal framework, revised fiscal framework and revenue proposals and Bills
 - Actual revenue published by the National Treasury
 - Any other related matter set out in this Act.

Money Bills Amendment Procedure and Related Matters Act (cont.)

- Each House must establish a committee on appropriations to consider and report on:
 - Spending matters
 - Amendments to the Division of Revenue Bill, the Appropriation Bill, Supplementary Appropriations Bills and the Adjustments Appropriations Bill
 - Recommendations of the Financial and Fiscal Commission
 - Reports on actual expenditure published by the National Treasury
 - Any other related matter set out in this Act
- The Act established a Parliamentary Budget Office (PBO)

Budget Amendments procedure- Money Bills Act 2009

Committees table BRRR in the NA

Minister of Finance: National Treasury tables money Bills

Budget Review and Recommendations Report

Adjusted: Current Budget/Appropriations/DORA
MTBPS: new MTEFF

National Budget: Appropriations Bill
DOR Bill
Revenue Bills

After the approval of the Appropriations Bill and before the tabling of the MTBPS

Three months before the tabling of the Budget
October/November

February/March

National Assembly approves

a House or committee may consider an amendment to a money Bill proposed by the Minister

Committees:
-must provide an assessment of the department's service delivery performance given available resources;
-must provide an assessment on the effectiveness and efficiency of the departments use and forward allocation of available resources; and
-may include recommendations on the forward use of resources

Finance Committees Consider and Report:
-the national macroeconomic and fiscal policy;
-the fiscal framework, revised fiscal framework and
-revenue proposals and Bills and amendments thereto;
-actual revenue published by the National Treasury; and
-any other related matter set out in this Act.

Appropriations Committees consider and report on:
-the Division of Revenue Bill, the Appropriation Bill, Supplementary Appropriations Bills and the Adjustments Appropriation Bill and amendments thereto;
-recommendations of the Financial and Fiscal Commission, including those referred to in the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997);
-reports on actual expenditure published by the National Treasury; and
-any other related matter set out in this Act.

Budgetary Review and Recommendation Reports

- Portfolio Committees are required to annually compile and submit a BRRR for tabling in the National Assembly for each department after the adoption of the Appropriation Bill and prior to the adoption of the reports on the MTBPS
- The BRRR must be informed by a Committee's interrogation of amongst others
 - Service delivery outcomes based on the Department and Committees (e.g. oversights visits or projects reviews) reports
 - National departments' medium-term estimates of national expenditure
 - Strategic priorities and measurable objectives outlined in National Treasury published reports
 - Annual reports, the reports of the Committee on Public Accounts relating to the department
 - Observations made during oversight visits, public participations inputs

Timeframe for Committees

Executive

- Minister of Finance (MoF) tables budget documentation in February:
 - Division of Revenue Act (DORA), Appropriation Bill, Estimates of National Expenditure over the MTEF and Budget Review

Committees

- Consider and hold public hearing on proposals by MoF
- Report to NA and NCOP within 16 days after the tabling
- Report to adopt DORA, 35 days after adoption of Fiscal Framework; in April
- Adopt Appropriations bill within 4 months, usually after June. Amendments can be proposed and discussed during this period (Ministers must be given 10 days to respond)

Mid-year -(Finance and Appropriation Committees)

- Mid year adjustments in October;
- Medium Term Budget Policy Statement (MTBPS)
- Reporting on the Revised Fiscal Framework (Finance Committees) and Revised DORA (Appropriations Committee) must be done within 30 days; after the tabling to NA and NCOP

Pre-tabling of the MTBPS and Auditing

- AGSA audit financial statements and performance reports considered
Publication of Audit Reports and Revision by Parliament
- Budget Review and Recommendations Reports considered by Parliament;

Mandate of the PBO

Guided by the Money Bills Amendments Procedure and Related Matters Act

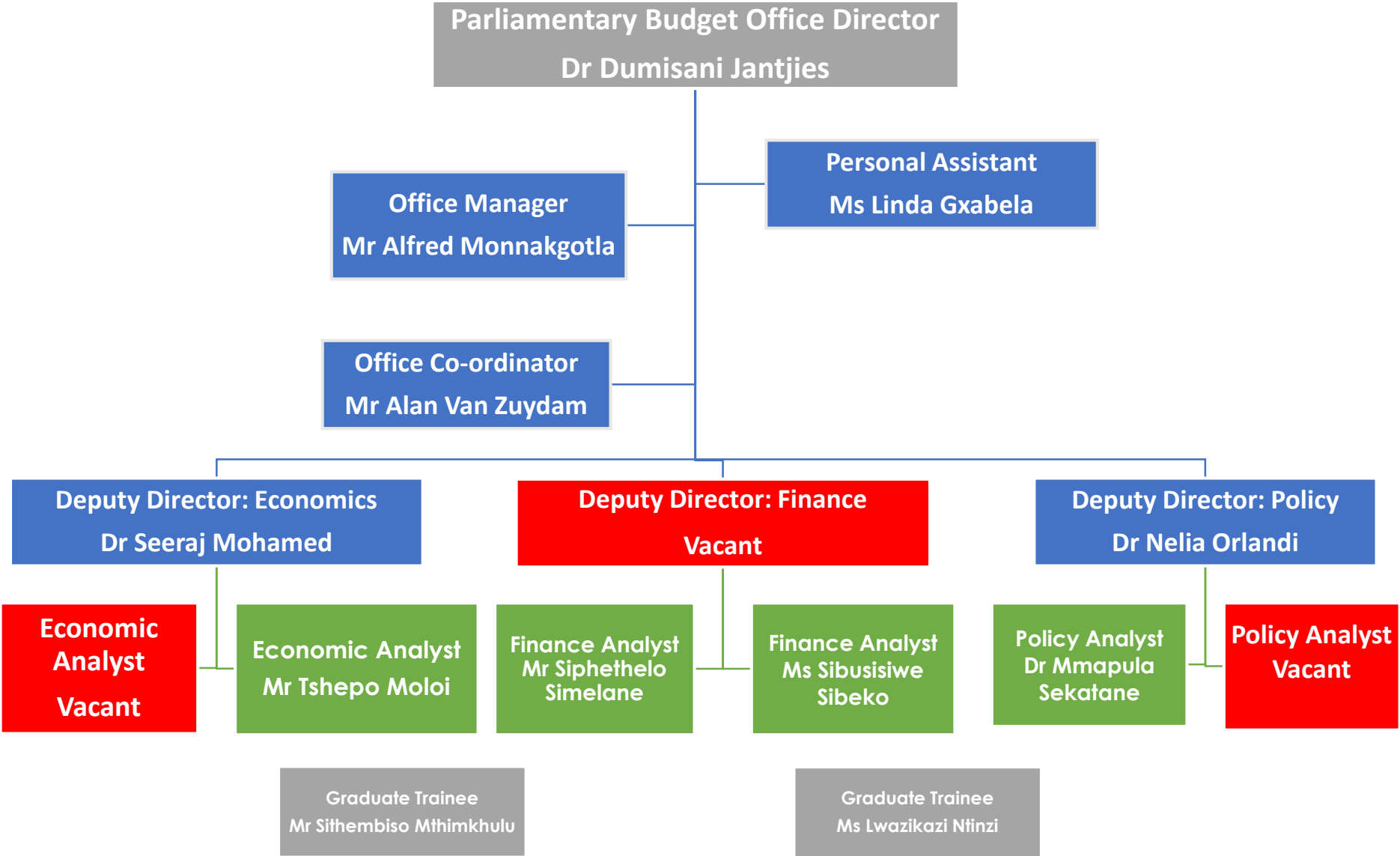
Money Bills Amendment Procedure and Related Matters Act (cont.)

- Established the PBO as a *juristic person*;
- The Director is the Accounting Officer of the PBO, and accountable to Parliament; Executive Authority
- The Director, in consultation with the Advisory Board (2 House Chairs and 4 Chairs of Finance and Appropriations Committees) determine the structure and conditions of service of the PBO;
- The transfer of funds to PBO from Parliament will be in accordance to the Financial Management Act of Parliament;
- The PBO may obtain information from any organ of state or person that derives funds from the National Revenue Fund;

Mandate of the PBO

- The Parliamentary Budget Office was established in terms section 15 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009), which provides for the procedure to amend money Bills before Parliament.
- Review and analyse the documentation tabled in Parliament by the Executive (Minister of Finance) in terms of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act no. 9 of 2009), as amended by Act 13 of 2018.
 - Analyse and advise on proposed amendments to the fiscal framework, the Division of Revenue Bill, and money Bills and on policy proposals with budgetary implications
 - Monitor and synthesise matters on reports tabled and adopted in a House with budgetary implications, with particular emphasis on reports by other committees
 - Keep abreast of policy debates and developments in key expenditure and revenue areas
 - Conduct research on request by the Houses, other committees or members of Parliament on matters related to the budget and other money Bills ¹⁶

Current Positional Structure



Cooperate Functions

Money Bills Act (MBA) prescribed requirements

- The South African PBO is required to produce & submit the following key documents to Parliament
 - Business plan and 3-year rolling budget estimates
 - Annual report submitted by no later than August of each year to Parliament
 - A range of financial accountability requirements prescribed by the Act

Institutional operating framework

- The RSA currently operates through a Service Level Agreement (SLA) within Parliament
- The RSA Parliament provides the following infrastructure and services to the PBO
 - HR
 - Payroll
 - legal services
 - SCM
 - Finance
 - Internal & external auditing
 - Risk management
 - Performance management
 - Asset Management
 - Infrastructure & Facilities management
 - ICT & other critical services

Reporting lines

Parliament Executive Authority

Speaker of the National Assembly, and
Chairperson of the National Council of Provinces

Parliamentary Budget Office Advisory Board:

- 2 Houses Chairpersons (NCOP and NA)
- 2 Finance Committees Chairpersons (NCOP and NA)
- 2 Appropriations Committees Chairpersons (NCOP and NA)

Parliamentary Budget Office
Director

Strategic Functions

Economic Stream

- Macroeconomic evaluation
- Economic projections
- Tax review and analysis
- Fiscal Framework review and analysis
- Provide advice of proposed amendments to the Fiscal Framework
- Fiscal projections
- Revenue studies

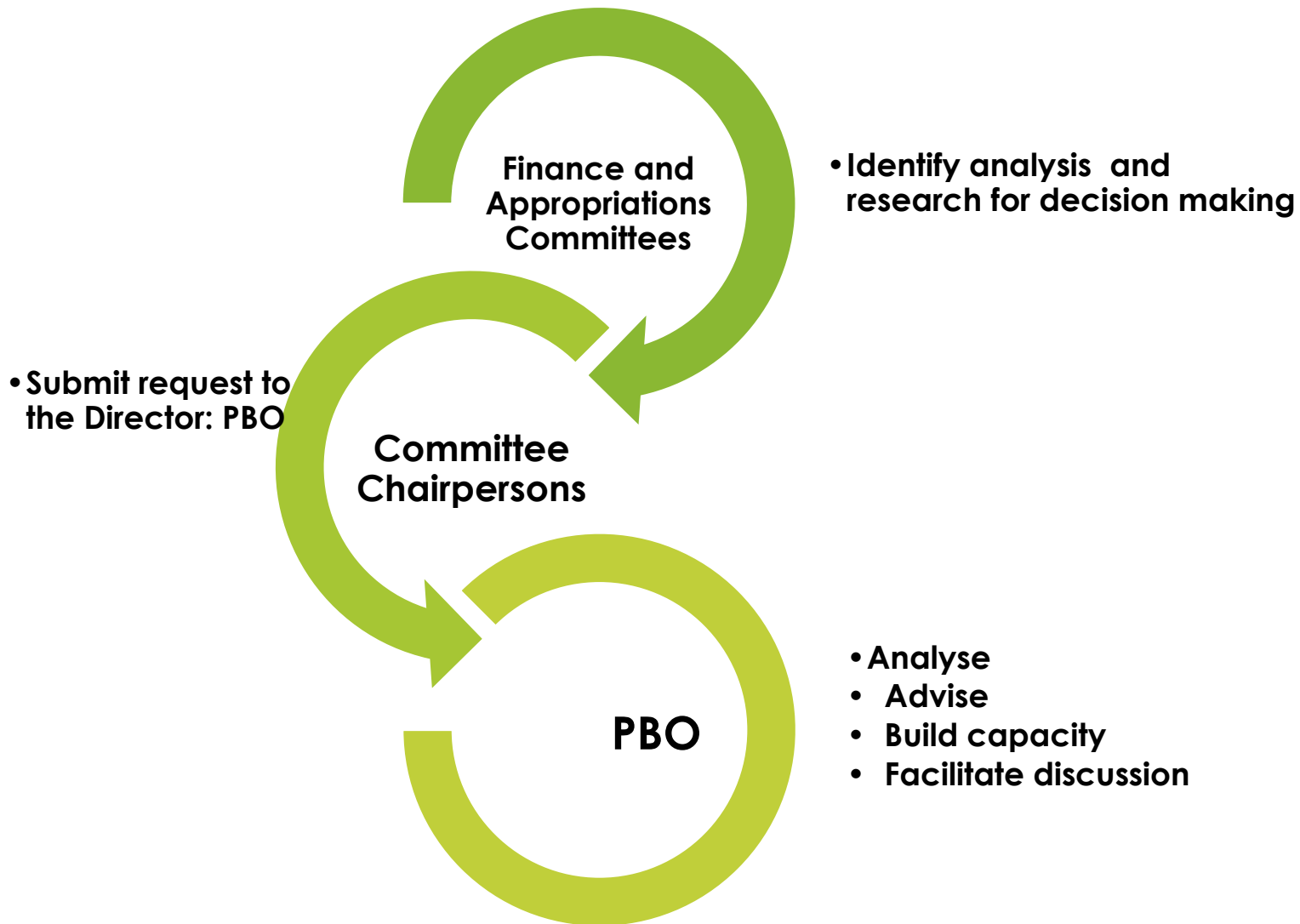
Public Finance Stream

- Microeconomic evaluations
- Spending trends review and analysis
- Spending projections
- Baseline studies
- Provide advice and analysis on proposed amendments to the DOR Bill and the Appropriation Bill
- DOR Bill review and analysis
- Appropriation Bill review and analysis
- Monitor legislative proposals with financial implications - Bill costing
- Monitor reports adopted by the Houses with financial implications
- Monitor committee reports adopted by a House with financial implications

Public Policy Stream

- Policy analysis
 - Policy implementation analysis
 - Outcomes analysis vs spending trends
 - Monitor policy proposals with financial implications
 - Monitor policy debates and development in key expenditure and revenue areas
 - Policy Evaluation
-

Workflow



Strategic Execution from Conceptualization

National Level

Government Budget Addresses the Country's Socio Economic Developmental Needs that improve the quality of life- 2021 to 2024- The 2019-2024 Medium Term Strategic Framework has set-out seven Outcomes to be realized by 2024. Government will use the budget another policy instruments to realize these MTSF Outcome



Parliament Level

Parliament' oversight process in terms of Money Bills and Related Matters Act assess how government' proposed budgets contribute to the realisation of national aspirations (Increase Government's responsiveness and accountability). During this budget oversight process Parliament is required to take into account inputs from various stakeholders



Parliamentary Budget Office Role

Provide and advise based on research and analyses outputs to support Parliament's process of assessing the societal potential, economic and developmental impact of the budget. The PBO research and analyses outputs aim to provide relevant and necessary knowledge and insights that support and Empower MPs in their oversight role

Strategic and Annual Performance Plan

- Vision
 - Building an effective Parliamentary Budget Office that contributes to strengthening the oversight capacity of Parliament.
- Mission
 - To provide independent economic and fiscal advice to Parliamentary Committees ensuring informed recommendations in exercising oversight of Public Finances.
- We aim to make an impact on
 - Improved oversight by Parliamentary Committees, through the provision of support to Committees that informs their processing of the Budget and money Bills and enhances their understanding of public finances
- Strategic outcomes
 - To provide strategic leadership and corporate services support functions to the office to enable the PBO to achieve its strategic and operational objectives
 - To provide independent, objective and professional analysis and advice to the Finance and Appropriations Committees on matters related to the budget and other money Bills tabled in Parliament

PBO Outputs

Description of the Output

Pre-Budget and Pre-MTBPS briefs	Provides analysis to Parliament about the status of the economy and public finance and government performance before the presentation of the National Budget (February) and Medium Term Budget Policy Statement (October);
Budget and MTBPS analysis	Subsequent to the presentation by the Minister of Finance and before Parliament adopt or amend or reject the budget and MTBPS proposals, the PBO provides analysis on economic and fiscal issues to be taken into account;
Policy Analysis on National Development Plan-	Several analyses on the implementation of the National Development Plan, vision 2030 (NDP) in terms of content, context and progress made with the implementation.
Quarterly Economic and Fiscal Briefs	Quarterly Economic Brief, the PBO provides parliament with an analysis of the economic outlook as the economic performance affects public finances outlook. Fiscal Brief appraises MPs on the status of the government's performance in relation to the budget allocated, and these updates are given within six months (pre-MTBPS) of the financial year and just after the end of a financial year.
In-year revenue forecast and Forecast Audits	In-year revenue forecast, within the first six months of the financial year, PBO provides an estimate of whether government revenue targets for that year will be realised. The PBO estimates are based on historic trends and including first five months of the year's outcomes being forecasted. Forecast Audits, annually provides an analysis of the government growth estimates. This analysis gives indications of the likelihood of realising forecasted growth given historic performance of the forecasts.
Briefs on Taxation and Revenue Matters	On request from finance committees, PBO provides an analysis of taxation proposals made during the budget reviews.
Research and Analysis Requests from Committees	During the financial year Committees may request an analysis on a particular issue with public finance implication. E.g., Votes budget analysis, SOEs financial analysis, Electricity generation technology choices: Costs and considerations, Public Sector Wage Bill, Free Fee HE Costing Analysis, Business incentives for development

Our outputs continuously adapt to the environment to ensure that....

- Link the budget with economic growth, unemployment and inequality
- Simplify Complex budget information
- Enhance budget transparency
- Enhance credibility of budget process
- Increase accountability
- Encourage fiscal discipline in public spending
- Ensure efficiency and effectiveness
- Identify weaknesses in the process
- Capacitate Parliament to exercise its oversight functions

Framework for budget presentation: Fiscal frameworks

- Legislative mandate: Money Bills Act
- Adopting the fiscal framework
- When amending the fiscal framework, a money Bill or taking any decision in terms of this Act, Parliament and its committees must—
 - Ensure that there is an appropriate balance between revenue, expenditure and borrowing
 - Ensure that debt levels and debt interest cost are reasonable
 - Ensure that the cost of recurrent spending is not deferred to future generations
 - Ensure that there is adequate provision for spending on infrastructure development, overall capital spending and maintenance
 - Consider the short, medium and long -term implications of the fiscal framework, on the long-term growth potential of the economy and the development of the country
 - Take into account cyclical factors that may impact on the prevailing fiscal position
 - Take into account all public revenue and expenditure, including extra-budgetary funds, and contingent liabilities

Framework for budget presentation: Fiscal frameworks

Activity	Responsible person	Due date
Brainstorm	All	24 February 2022, 09:00
Provide draft Framework	Nelia	24 February
Prepare slides	Team	24-27 February/ 1-3 March
Submit slides coordinator before 10:00	Team	27 February/ 3 March
Consolidate slides and circulate	Coordinator	27 February/ 3 March
Finalise/Dry-run	Team	28 February/ 4 March
Submit to committee before 12:00	Director/Office coordinator	28 February/ 4 March
Present 09:-12:00	Team	1 March / 8 March 2022

- Introduction
- Policy priorities and funding structure
- Restructuring of the economy
- Changes to the Fiscal framework
- Revenue trends
- Changes to the Tax System

Framework for budget presentation: Division of Revenue and Appropriations Bill

DORA

- Introduction
- Background
- Division of revenue in context
- Funding structure of the different spheres of government
- Performance on service delivery

Appropriations

- Fiscal strategy guiding the 2022 Appropriations and Special Appropriations
- Monitoring the South African Economic Reconstruction and Recovery Plan
- Revisions to the estimated proportions allocated per economic classification
- Adjustments to main budget non-interest expenditure since 2020 Budget
- Revisions to the consolidated government expenditure
- Social Grants: Social protection expenditure
- Composition of spending in the 2021 Appropriations per vote
- Improving composition of spending
- Proportion of spending on programme 1: Administration
- Special Appropriation Bill
- Programmes available in the 2021/22 Budget to respond to Covid
- Real per capita spending declines
- Fiscal risks
- Global risks
- AGSA calls for act on accountability

Framework for MTBPS presentation: Fiscal frameworks

Introduction : Discussion of government's key economic interventions at the time, e.g., justifying more fiscal consolidation and discussion of structural reforms in 2021 and rebuilding the economy since 2020.

Econ Outlook:

- Global outlook
- Domestic outlook
- Sector performance and outlook
- **Fiscal Policy, consisting of subheadings**
- Medium-term fiscal strategy
- Expenditure performance and outlook
- Revenue performance and outlook
- Main budget framework
- Consolidated budget framework
- Financing and debt management strategy
- Risks to the fiscal outlook
- **Expenditure Priorities:**
- Revisions to medium-term expenditure priorities
- Spending priorities by function group
- Division of revenue

Stakeholders

- Research structures
- Government Departments
- Labour Organisation
- Finance and Fiscal Commission
- Civil Society
- International networks include:
 - The OECD Network of Parliamentary Budget Officials
 - Independent Fiscal Institutions
 - The Global Network of Parliamentary Budget Offices The networks meet annually to share experiences with respect to the design, mandate and functions of PBOs
 - The African Network of PBOs

Data

- National Treasury Database
- Administrative data
- Statistics South Africa
- Banks
- S&P Global (HIS: Information and Insight)

Communication

- Director
- Office coordinator manages all output communication
- Parliamentary structures
- Parliament Website
- Parliamentary Database

Our support

Office to remain a strong and independent voice within the budget process in support Parliament's role of fiscal oversight, to ensure four fundamentals are attained and maintained

- Our research, analysis, reports and briefs are reported and presented in a form that is accessible (readable) or understandable by an average MP
- Good balance between responding to Committees' or MPs research or analysis requests, and ability for the office to initiate own analysis or research
- The Office has a fair, clear, transparent and practical workflow and analysis methodology in doing its analysis and research work
- Office continues to be highly respected and remain independent, objective and professional; include the Director and the team members, in particular by the Executive and MPs

THANK YOU