

**The Secretary of Parliament  
Orientation (On-boarding Slides)  
Marks Building- M46  
29 June 2022**

Parliamentary

Budget  
Office



# Outline

- Introduction
- Parliamentary Budget Office in Context
- Establishment of South African Office
- Office Strategy in Context

# Introduction

- The Parliamentary Budget Office was established in 2013 by Section 15 of the Money Bills and Related Matters Act 2009, as amended in 2019
- Established to support the implementation of the Money Bills and Related Matters Act; in particular support to Finance and Appropriations Committees in both Houses of Parliament; but other Committees and Members of Parliament (MPs) subject to the availability of capacity
- The Money Bills and Related Matters Act of 2009 guides the approval of money bills, including amending the budget
- The Parliamentary Budget Office offers independent and objective analysis and advice to Parliament on money bills and other bills presented by the Executive; and any other documentation or reports with fiscal implications

# Parliamentary Budget Office in Context

- The scale of capability or technical expertise or knowledge of Member of the Legislatures varies across the world. This is also affected by the level of economic and societal development
- On the other hand, governments require and possess skilled human capital and institutional capacity to deliver services and govern their countries
- To keep up with the legislative role of oversight, legislatures also require administrative capacity (human capital and institutions capacity)
- Many legislatures have enacted laws to ensure such capacity is in place, e.g. specialised research units or budget offices or fiscal advisory councils
- The establishment of Parliamentary Budget Office is one mechanism adopted by many countries to ensure better technical capacity to support MPs in their fiscal oversight
- The concept of Parliament Budget Office has been in existence since 1936 with Belgium having the oldest structure, and Uganda having the oldest PBO in the continent 2001

# Level of human capital and institutional capacity requirement in legislatures is largely dependent on whether the legislature

<b>Role</b>	<b>Characteristics</b>	<b>Examples</b>
Budget Making	Capacity to amend or reject the executive's budget proposal and capacity to formulate a budget of its own.	United States of America
Budget Influencing	Legislative authority to amend or reject the executive's budget proposal, but lacks capacity to formulate and substitute budget of its own.	Germany, Philippines, Poland, Hungary, India and South Africa
Budget Approving	Lacks capacity to amend or reject the executive's budget proposal or to formulate a budget of its own. Confines itself to assenting to the budget that is placed before it.	Israel, Namibia, United Kingdom, Canada

# Parliamentary Budget Office in Context (cont.)

## **Post 2008 Global Financial Crisis (GFC):**

- Fiscal challenges emerged because governments had to address the economic, fiscal and socioeconomic difficulties
- Many Parliaments established PBOs or similar Institutions to provide much needed technical capacity, analysis and advice, more than 70% of them were established post- GFC
- Parliamentary Budget Offices enhance the role of Parliaments in holding governments accountable on budgets and service delivery post the crisis
- New Offices were also established on the African continent with Uganda (whose PBO was established in 2001) the oldest, many of them established post-GFC
- South African Parliamentary Budget Office was established in 2013, even though the Money Bills Act was promulgated in 2009 (the Act was further amended in 2019)

## **Global Covid-19 Pandemic PBOs support to their Parliaments include:**

- Provide rapid analysis and briefing to their legislatures on the socioeconomic, macroeconomic and fiscal impact of the pandemic
- Monitors the activation and implementation of government escape clause, as many governments suspended normal budget processes to urgently respond to Covid-19 economic and social impact
- Provided costing estimates analysis on government emergency policies or plans, to determine impact on economy, public finances and providing much needed social relief
- Promoting and ensure that the principles of transparency and accountability are adhered to during governments implementation of emergency procedures

# Parliamentary Budget Office in Context (cont.)

## International common understanding of the Parliament Budget Office roles and functions?

- Entity set-up within their parliaments to provide members with independent analysis and advice as part of support to fiscal oversight
- Although some parliamentary budget offices are set-up as part of the research function in parliaments, international experiences shows that, most of the PBOs are set-up independently from the legislatures' administration services

PBOs functions in support of legislatures differ internationally	Operations of PBOs are affected by many dynamic	Inherent and Common issues confronting PBOs
<ul style="list-style-type: none"> <li>a. Provide an alternative budget to that of executive. e.g. CBO in USA</li> <li>b. Amend the budget proposals of the executive; e.g. Kenya and Uganda PBO</li> <li>c. Understand the budget proposed by the executive; e.g. rubber stamping</li> <li>d. Are an extension of the executive, yet report to both the executive and legislature. e.g. OBR in UK</li> </ul>	<ul style="list-style-type: none"> <li>a. Whether they are established by legislation or not</li> <li>b. Provide support to Committees or MPs or publishes its work</li> <li>c. Accountable to Administrators, or Legislature or both</li> <li>d. Publish its work, or share its work to other stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>a. Lack of specific legislation (e.g. Source of mandate or protection from undue influence)</li> <li>b. Governance and reporting structures (Administration vs Parliament)</li> <li>c. Budget or funding of PBOs (direct transfer or not)</li> <li>d. Access to information needed for analysis</li> <li>e. Work flow arrangements and staffing</li> <li>f. Access to Human Capital</li> <li>g. Expectations Management</li> </ul>

# Establishment of the South African Parliamentary Budget Office

Established in terms of section 15 of the Money Bills and Related Matters Act 2009



# Money Bills and Related Matters Act 2009

- Section 73 (2) of the Constitution of the Republic of South Africa about introduction of money Bills in National Assembly;
  - Only the Minister of Finance
- Section 77 (3) of the Constitution state that;
  - An Act of Parliament must provide for procedure to amend money bills before Parliament
- Money Bills Amendment Procedures and Related Matters Act of 2009 (Money Bills and Related Matters Act);
  - Guide Parliament's role in the budget process, the act came into effect in April 2009
  - It gives Parliament powers to amend the budget and other money bills before it
  - Each House must establish a committee on Finance and Appropriations to consider specific budget instruments
- Section 15 Act established a Parliamentary Budget Office to support the implementation of the Act

# Money Bills and Related Matters Act 2009

- Preceded by national and international broader consultation process
- Established the Parliamentary Budget Office as a *juristic person* (*amended in 2019*)
- The Office provides research and analysis on the macroeconomic and fiscal policy and other policies in support of MPs to fulfil their oversight role over the Executive
- The Director is the Accounting Officer, and accountable to Parliament (defined in terms of Section 42 of the Constitution)
- The Director, in consultation with the Advisory Board determine the structure and conditions of service of the Office
- The transfer of funds to Office to fulfil its mandate from Parliament budget baseline, to prepare 3-year rolling budget
- In performing our mandate, the Office may obtain information from any organ of state or person that derives funds from the National Revenue Fund;

# Money Bills and Related Matters Act 2009 - Core functions

- Undertaking research and analysis for the 4 committees (2 Finance and 2 Appropriations)
- Annually providing reviews and analysis of the documentation tabled in parliament by the Minister of Finance
- Providing advice and analysis on proposed amendments to the Fiscal Framework, Division of Revenue Bill and Money Bills and on policy proposals with budgetary implications
- Monitoring and synthesising matters and reports tabled and adopted in a House with budgetary implications, with particular emphasis on reports by other committees
- Keeping abreast of policy debates and developments in key expenditure and revenue areas
- Monitoring and reporting on potential unfunded mandates arising out of legislative, policy and budgetary proposals
- Undertaking any other work deemed necessary by the Director to support the implementation of the act

# Accountability line for the Director (Accounting Officer)

## Parliament Executive Authority

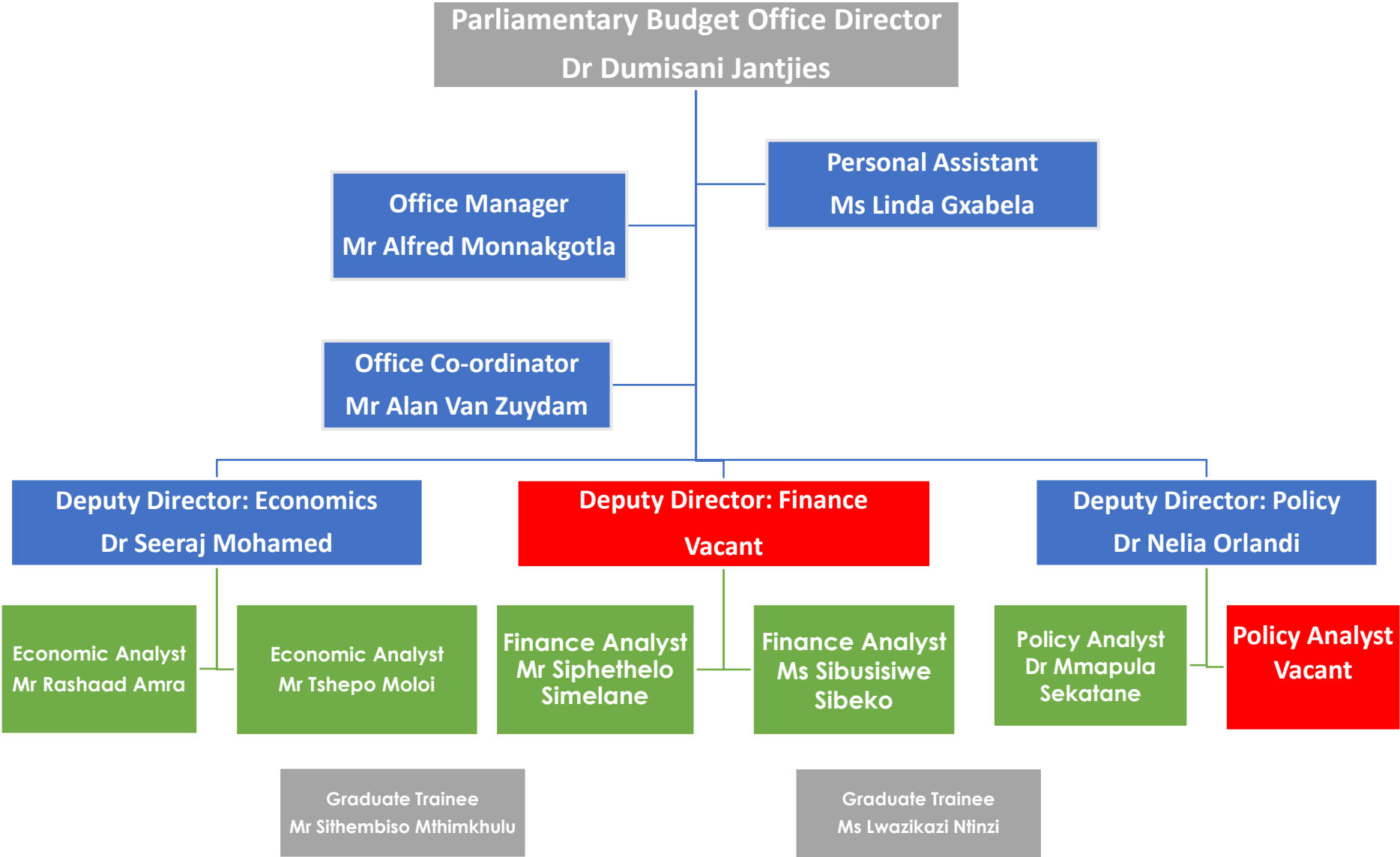
Speaker of the National Assembly, and  
Chairperson of the National Council of Provinces

### Parliamentary Budget Office Advisory Board:

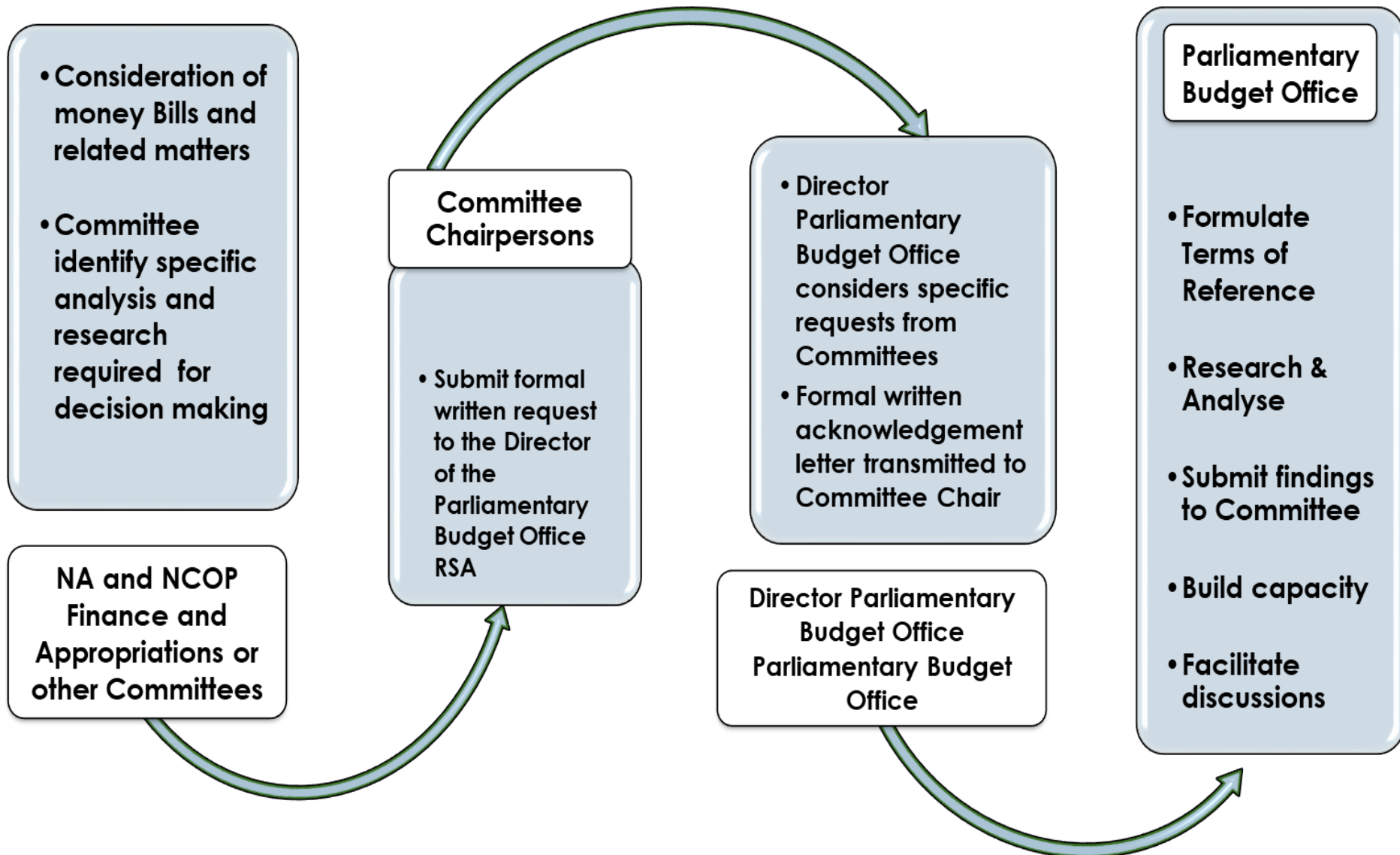
- 2 Houses Chairpersons (NCOP and NA)
- 2 Finance Committees Chairpersons (NCOP and NA)
- 2 Appropriations Committees Chairpersons (NCOP and NA)

## Parliamentary Budget Office Director

# Current Positional Structure



# Research and Analysis Requests Workflow Process



# Parliament Committees and Parliamentary Budget Office

## **Standing Committee on Appropriations (NA):**

- Spending issues
- Division of Revenue Bill, Appropriation Bill
- Supplementary Appropriation Bills, Adjustments Appropriation Bill
- Recommendations of the Financial and Fiscal Commission
- Reports or statements on actual expenditure published by the National Treasury

## **Select Committee on Appropriations (NCOP):**

- Spending issues
- Division of Revenue Bill, Appropriation Bill
- Supplementary Appropriation Bills, Adjustments Appropriation Bill
- Recommendations of the Financial and Fiscal Commission
- Reports or statements on actual expenditure published by the National Treasury

### **PBO Primary Committees as per Money Bills Act**

## **Standing Committee on Finance (NA): Budget Review (February) and MTBPS (October)**

- Macroeconomic and fiscal policy;
- Fiscal framework, revised fiscal framework;
- Revenue proposal (including taxes) and actual revenue published by government;

## **Select Committee on Finance (NCOP): Budget Review (February) and MTBPS (October)**

- Macroeconomic and fiscal policy;
- Fiscal framework, revised fiscal framework;
- Revenue proposal (including taxes) and actual revenue published by government;

Research and Analysis	Description of the Research and Analysis
<b>Pre-Budget and Pre-MTBPS briefs</b>	Provide analysis to Parliament on 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)
<b>Budget and MTBPS analysis, Fiscal Framework, Division of Revenue and Appropriations Bill</b>	Subsequent to the presentation by the Minister of Finance and before Parliament adopts or amends or rejects the budget and MTBPS proposals, the PBO provides analysis on economic and fiscal issues to be taken into account
<b>Policy Analysis on National Development Plan- Policy Briefs</b>	Several analyses on the implementation of the National Development Plan, vision 2030 (NDP) in terms of content, context and progress made with the implementation
<b>Quarterly Economic and Fiscal Briefs</b>	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
<b>In-year revenue forecast and Forecast Audits</b>	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 provide an analysis of the government growth estimates. This analysis gives indications of the likelihood of realising forecasted growth given historic performance of the forecasts
<b>Briefs on Taxation and Revenue Matters</b>	On request from finance committees, PBO provides an analysis of taxation proposals made during the budget reviews
<b>Research and Analysis Requests from Committees</b>	During the financial year Committees may request an analysis on a particular issue with public finance implications. 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



# Continuous Stakeholder Engagement

- The Parliamentary Budget Office has a broader pool of stakeholders to keep abreast with socioeconomic issues, macroeconomic and fiscal policy developments, and strengthen the Office technical capabilities
- Regular engagements with other research units in various Parliaments, and with civil society during public hearings and other platforms
- Engagement with Provincial Legislatures, over the years we made contributions for consideration in Gauteng, KwaZulu-Natal, Eastern Cape and Western Cape considerations towards their Money Bills processes
- Regular engagement and use of the work of fellow governance supporting bodies including, AGSA, DPME, NT and other stakeholders
- Led the established African Network of Parliamentary Budget Offices (AN-PBO) at continental level
- Engagements with other PBOs through the Global Network of PBO and the OECD Network of PBOs and Independent Fiscal Institutions
- Further engagements with Multilateral Institutions involved in establishing and capacitating PBOs

# Strategy in Context

# Strategic execution from conceptualisation-

## 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.

# Research and Analysis and Parliament Fiscal Oversight

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 -

1. Our research, analysis, reports and briefs are reported and presented in a form that is accessible (readable) or understandable by an average MP
2. Good balance between responding to Committees' or MPs research or analysis requests, and ability for the office to initiate own analysis or research
3. The Office has a fair, clear, transparent and practical workflow and analysis methodology in doing its analysis and research work
4. 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

# Strategy Execution challenges

- Immediately
  - Implementation of transitional arrangements, service level agreement and an enabler
  - Identify governance and reporting, and business activities from the ODD process
  - Office capacity in terms of enough human capital
  - Budget constraints and effect on office infrastructure and tools of trade
  - Office Research and Analysis fails to provide support in oversight
- Medium –term
  - MPs working remotely and from home without necessary infrastructure-
  - Office transition toward fully implementing Money Bills and Related Matters Act, in particular Governance and Reporting Matters
  - Policy developments in line with new ways of working, measuring productivity
  - Office Research and Analysis fails to provide support in oversight
  - Budget constraints and effect on office infrastructure and tools of trade
- Long-term
  - Full implementation of the Money Bills and Related Matters Act
  - Continuous changing of members of finance and appropriations committees
  - Office Research and Analysis fails to provide support in oversight

# Enkosi, Siyabulela!

Dr Dumisani Jantjies

Director, PBO

[djantjies@parliament.gov.za](mailto:djantjies@parliament.gov.za),

4th Floor, Parliament Towers 103-107 Plein Street, Cape Town, 8000

[http://www.parliament.gov.za/live/content.php?Item\\_ID=7207](http://www.parliament.gov.za/live/content.php?Item_ID=7207)