

**Western Cape Provincial Legislature –
Budget Committee Workshop
Money Bills Amendment Procedure**

**Dr. Dumisani Jantjies –
Director Parliamentary Budget Office –
21st July 2021**

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Outline

- Introduction
- PBO in Context
- Establishment of PBO
- Provincial legislature and oversight considerations

Introduction

- The Parliamentary Budget Office was established in terms of Section 15 of the Money Bills and Related Matters Act 2009, as amended in 2018
- 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

Role	Characteristics	Examples
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 2018)

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 or legislatures, to determine impact on economy, public finances and providing much needed social relief
- Promoting and ensure that 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 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 many 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 legislature's administration

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

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

- Preceded by national and international broader consultation process
- Established the Parliamentary Budget Office as a *juristic person*
- 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 Executives
- The Director is the Accounting Officer of the Office, 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 is in accordance to the section 35 of the FMPPLA, 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;

Accountability line for the Director

Parliamentary Executive Authority

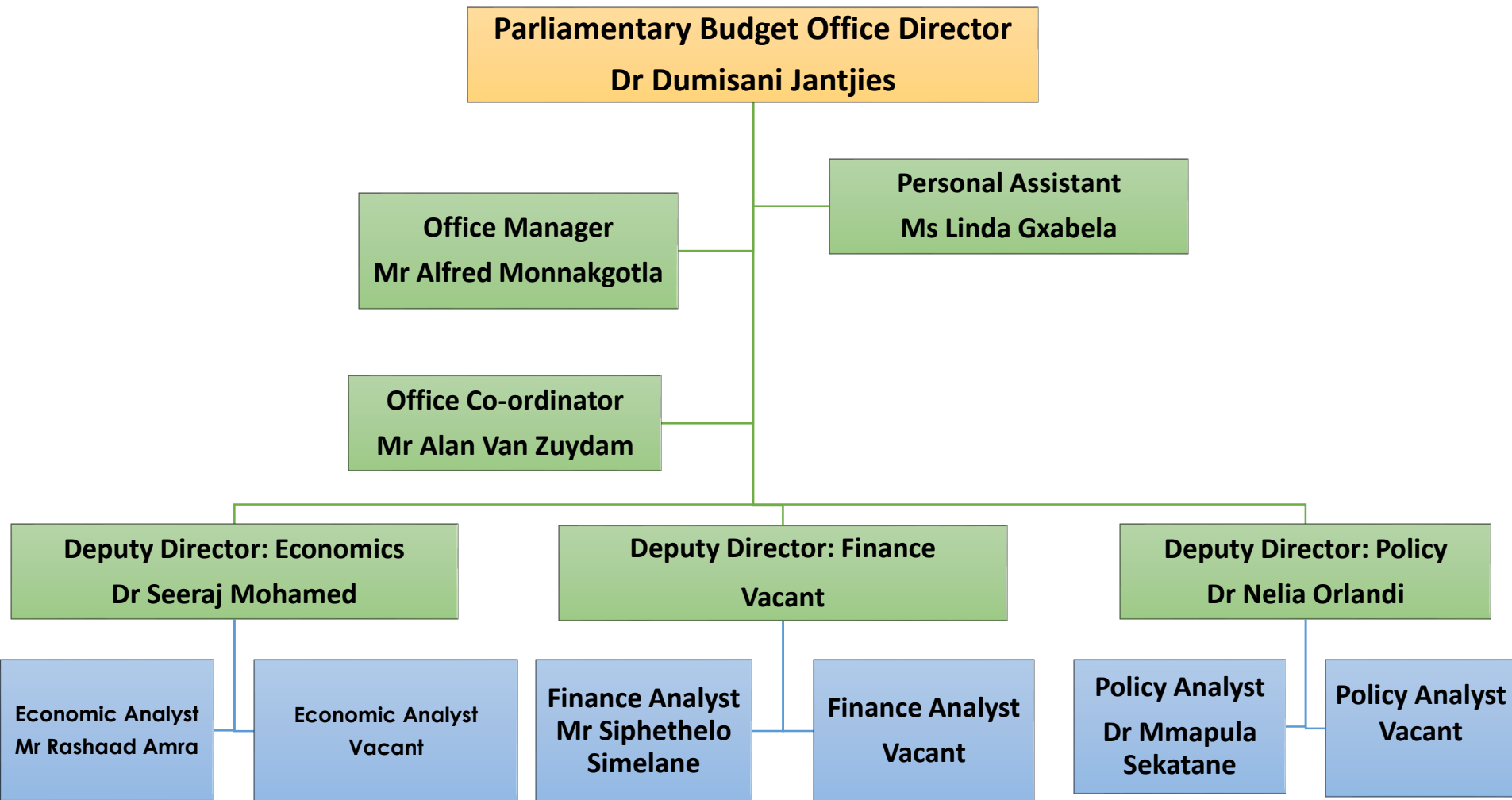
Speaker of the National Assembly, and
Chairperson of the National Council of Provinces

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

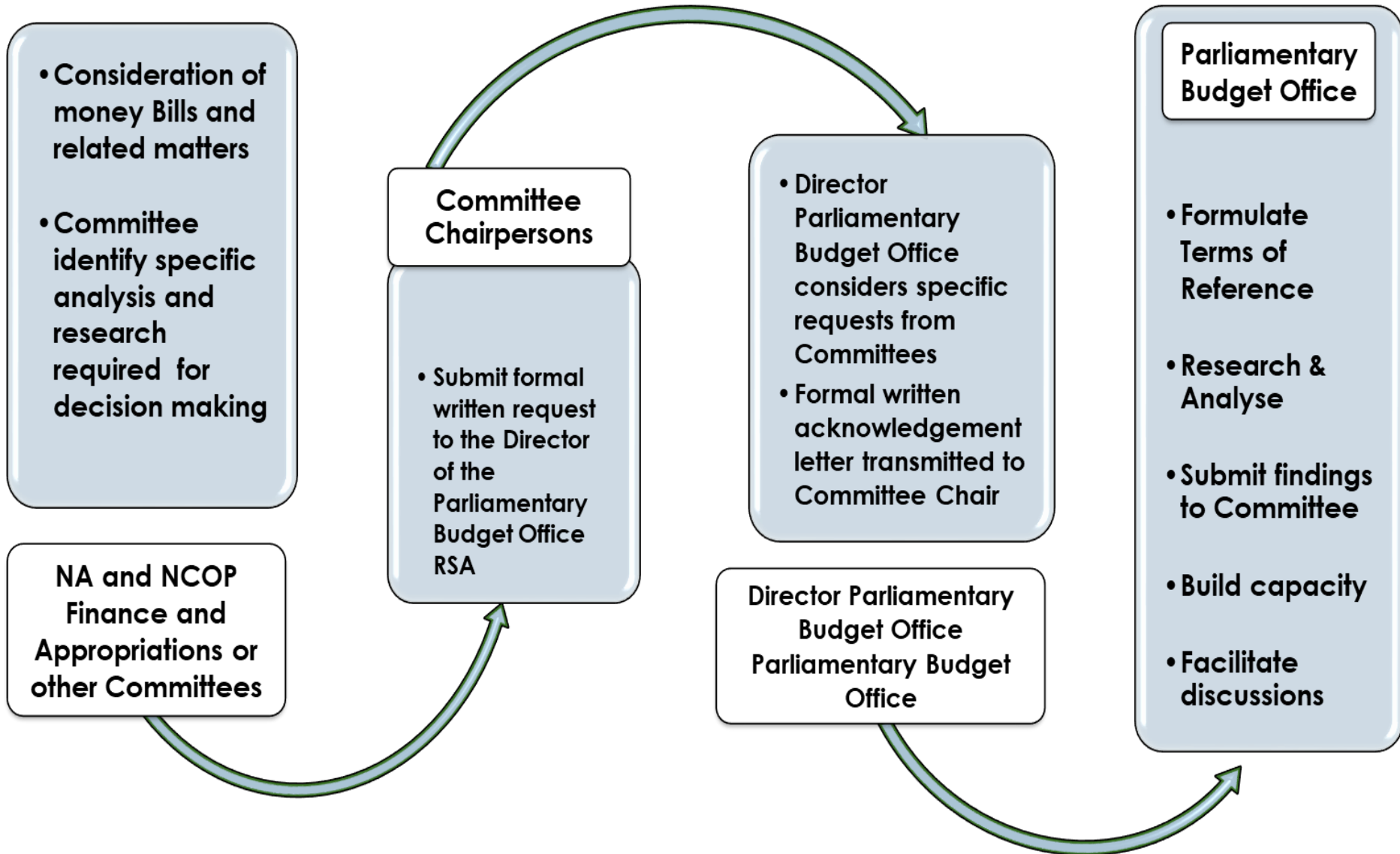
Organisational Structure



Operational Structure

- **Office Leadership**
 - Director: Dr Dumisani Jantjies
 - Senior Management Team (Director, 3 Deputy Directors and Office Manager)
- **Resources**
 - **Current Staff Complement: 09 out of 13**
 - Director
 - 2 x Deputy Directors for Policy and Economics
 - 3 x Analysts
 - 3 x Corporate Services staff: Office Manager, Personal Assistant , Office Coordinator
 - **Annual Budget**
 - Human Resources and Development -90% (Content Specialist- 80% & Admin 20%)
 - OPEX & CAPEX -10%
 - **Information & ICT requirements**
 - Information is readily available & freely available from government;
 - Subscription to commercial datasets and related
 - Sufficient tools of trade, both software and hardware
 - **Office Space**
 - Offices physically located in Parliamentary Towers on Plein Street
- Covid-19 led of the team working from home

Research and Analysis Requests Workflow Process



Parliament Committees

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
Pre-Budget and Pre-MTBPS briefs	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)
Budget and MTBPS analysis	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
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 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
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 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

Parliamentary Budget Office and Value Add

- Continue to support MPs with technical analysis for fiscal oversight, and when engaging with various stakeholders
- Provide useful economic and fiscal research and information to support Parliament committees in processing budget and its impact on service delivery
- Contribute to more meaningful engagement between finance cluster committees with the Treasury and other government entities
- Provide MPs with technical economics and public finance expertise to carefully analyse the work of other technical experts in government and elsewhere
- Provide independent, objective and technical analysis during budget public hearings between Parliament and external stakeholders
- Contributes towards Parliament strategic goal of regional and global legislative sector engagements, through AN-PBO and other initiatives

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
- Regular engagement and use of the work of fellow governance supporting bodies including, AGSA, DPME, NT and other stakeholders
- Established African Network of Parliamentary Budget Offices 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
- Engagement with Provincial legislatures, over the years we made contributions for consideration in Gauteng and Eastern Cape Money Bills process

Provincial Legislature and Oversight Considerations

Western Cape Provincial Legislature Money Bills Amendment Procedure
Act Considerations

Provincial Legislatures and Oversight Considerations

Over the recent years, in South Africa and in other countries we have seen an increase demand for a rigorous legislative oversight and governance mechanisms over government service delivery and development indicators

The form of governance or oversight system (2 or 3-tier spheres) inherently affects or determine state service delivery capabilities and related oversight

Some of the key issues to note from international experiences;

- There are currently fewer countries that have three-tier government spheres, e.g. Argentina, Brazil, South Africa and Switzerland
- National developed policy priorities are not always implemented by other spheres of government; due to in part the contestations around fiscal powers and weaker coordination between the three spheres
- Capable Local sphere is prerequisite and necessary to realising service delivery goals and objectives set out at National sphere. Therefore, it is necessary that local government has sufficient technical and administrative competence

Provincial Legislatures and Oversight Considerations (cont.)

Some of the key issues to note from international experiences (cont.);

- Three-tier governance system requires a great cooperation between the provincial and local government spheres in relation to fiscal powers. This system also reduces service delivery complexity and governance measures
- Provincial and local government often accounts for significant public expenditure and are major public employers, and grants and subsidies are their (for its own revenue) key revenue sources

Key provincial government functions for oversight:

- Social Services (Education, Health, Social Development)
- Governance (COGTA, Premier)
- Economic Development (Finance and Economic development, Agriculture, Public Works, Small Business)
- These functions accounts for more than 80% of government expenditure in the provincial sphere
- Budget or Appropriations Committees to include other functional Committees MPs for better fiscal oversight (budget outcomes)

Provincial Legislatures and Oversight Considerations(cont.)

- Oversight information from various stakeholders and these are used for recommendations for improvement of government service delivery and accountability, but how useful in the information for oversight
- To strengthen the oversight of the Executive, the Legislatures oversight activities has to emphasise actual budget outcomes and consequences of budgets
- It is important to consider a budget as a tool to enhance well-being in society that supports the achievement of lower levels of inequality and poverty, addresses social cohesion, and increases employment and decent work opportunities
- Ineffective follow-through mechanism on Committees recommendations contribute to unresponsive of government and failed accountability, and failure to use of the budget-cycle processes or enhance oversight
- Meaningful public participation in the legislative budget process is necessary and important for improved oversight

Enkosi, Ndiyabulela!

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http://www.parliament.gov.za/live/content.php?Item_ID=7207

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