

# KwaZulu Natal Provincial Legislature Money Bills Workshop

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Director

Budget  
Office



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# Outline

- Introduction
- Parliamentary Budget Office in Context
- Establishment of South African Office
- Budget amendments considerations
- Provincial legislatures and oversight

# 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

# Type legislature per role

- Level of human capital and institutional capacity requirement in legislatures is largely dependent on whether the legislature is budget making, budget influencing or budget approving

<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

## Other considerations in role of legislature in the budget process

- *Simple legislature*: less powerful and rubber stamps
- *Arena type of legislature*: evaluates policies and budgets and there is real debate but cannot shape policies and budgets
- *Transformative legislature*: They shape dramatically policies and budgets. They basically make budgets, e.g. the United States of America Congress, South Korea National Assembly?
- *The emerging legislatures*: They are in the process to becoming transformative - Uganda, Kenya, South Africa?

# 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 dynamics	Inherent and Common issues confronting PBOs
<p>a. Provide an alternative budget to that of executive. e.g. CBO in USA</p> <p>b. Amend the budget proposals of the executive; e.g. Kenya and Uganda PBO</p> <p>c. Understand the budget proposed by the executive; e.g. rubber stamping</p> <p>d. Are an extension of the executive, yet report to both the executive and legislature. e.g. OBR in UK</p>	<p>a. Whether they are established by legislation or not</p> <p>b. Provide support to Committees or MPs or publishes its work</p> <p>c. Accountable to Administrators, or Legislature or both</p> <p>d. Publish its work, or share its work to other stakeholders</p>	<p>a. Lack of specific legislation (e.g. Source of mandate or protection from undue influence)</p> <p>b. Governance and reporting structures (Administration vs Parliament)</p> <p>c. Budget or funding of PBOs (direct transfer or not)</p> <p>d. Access to information needed for analysis</p> <p>e. Work flow arrangements and staffing</p> <p>f. Access to Human Capital <sup>8</sup></p> <p>g. Expectations Management</p>



# 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 amendment procedure and related matters Act 2009, as amended 2018

- 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 2018)
- 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)

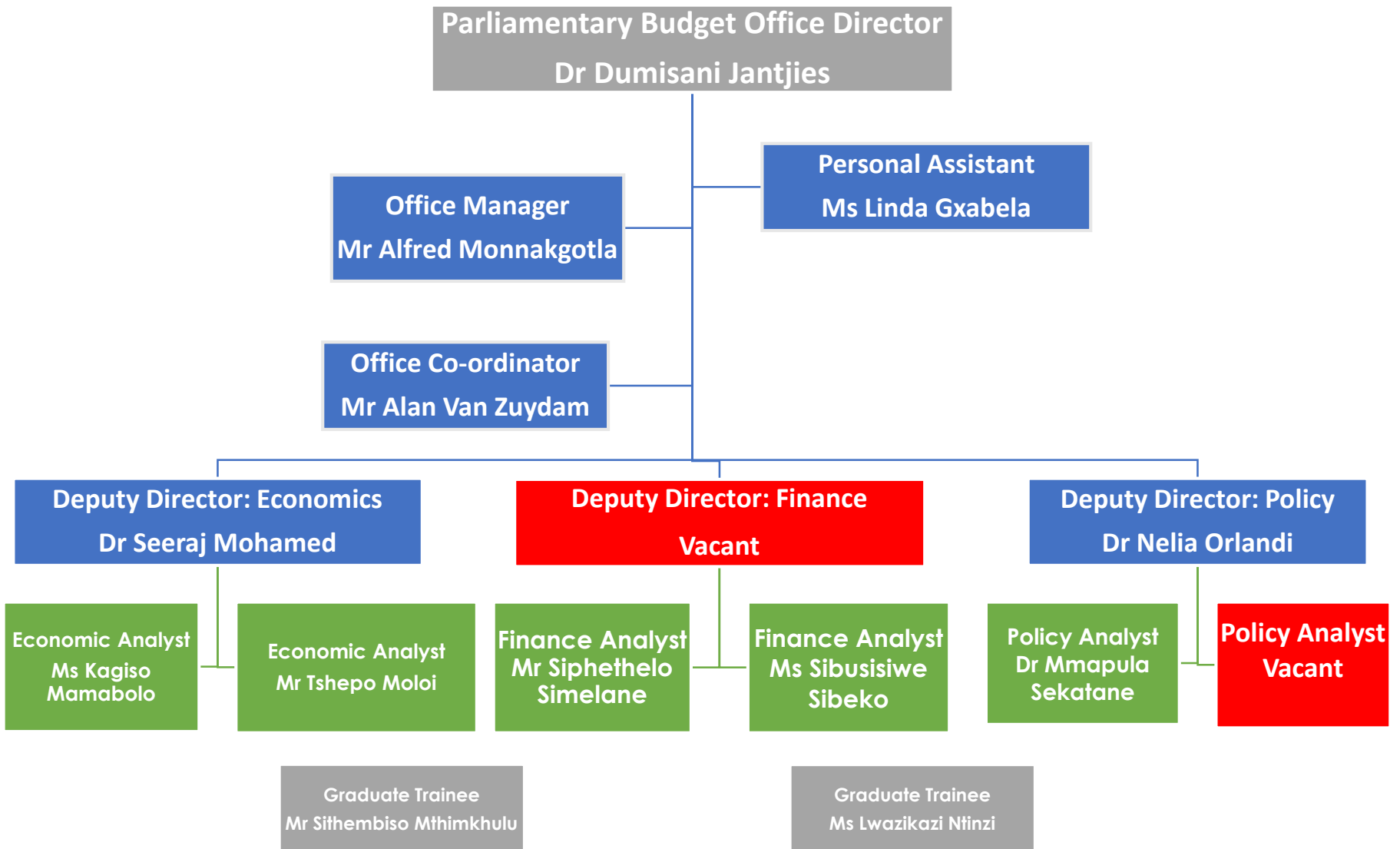
**Parliament Executive Authority**  
Speaker of the National Assembly, and  
Chairperson of the National Council of Provinces

## **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  
(Accounting Officer)**

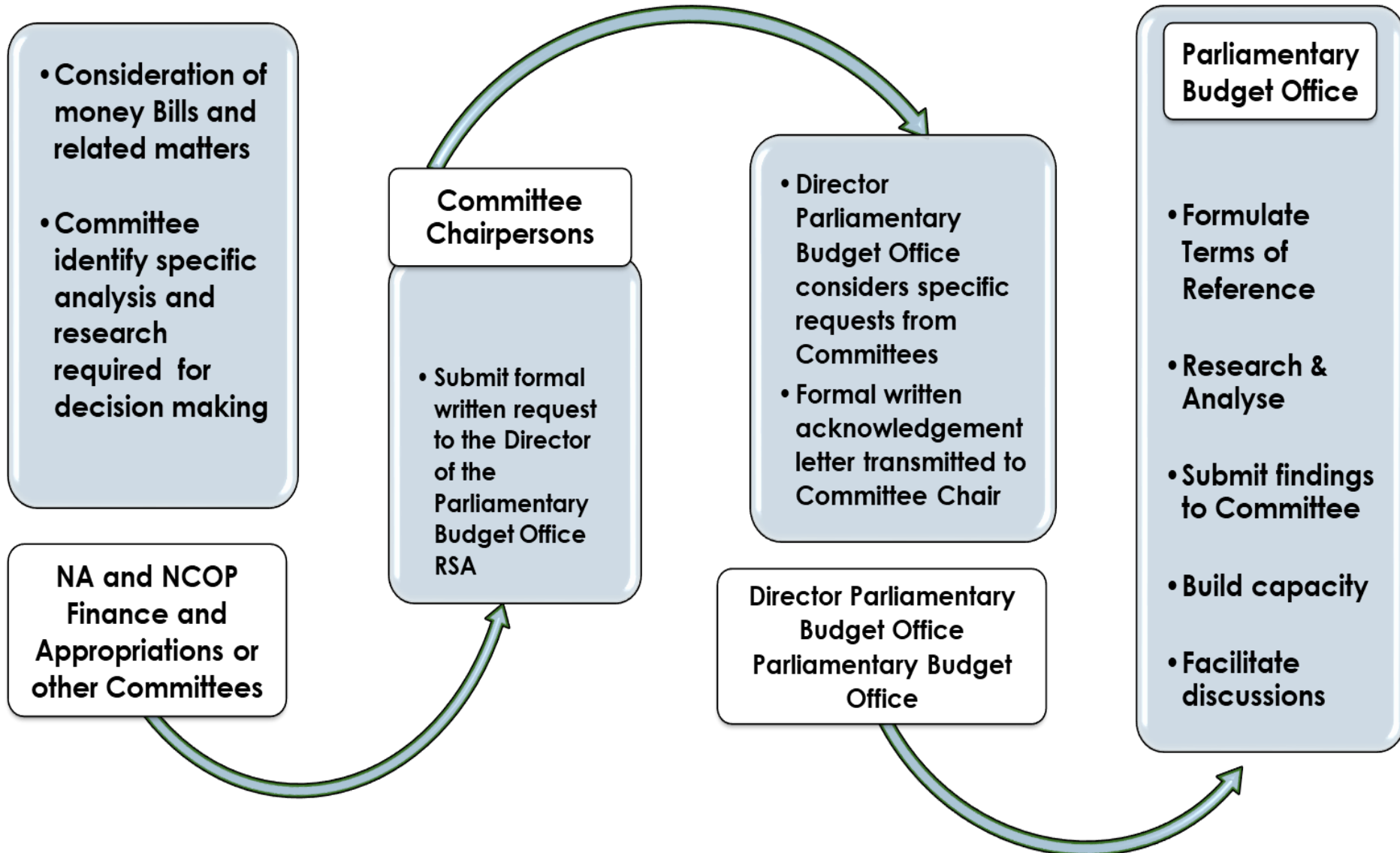
# Current positional structure



# Human capital and technical capability

- Globally, the need for heightened legislatures oversight with technical capabilities and capacity has grown over the years, hence many legislatures are establishing PBOs or IFIs or Research Units
- Therefore, the oversight models are required to guide legislatures on their oversight, including:
  - What is the role of the legislature in the oversight or what does it mean?
  - What kind of information (research or analysis) is required for the purpose of oversight?
  - What does the legislature do with the information once it has it?
- International experience shows that many legislatures strive to distinguish between the Administrations Researchers and Budget Offices; Some African Parliaments are establishing separate Budget Offices within their legislatures
- In preparing budgets and related instruments, governments make use of various expertise; therefore to certain extent legislatures have to take these into account
- Globally, Budget Offices or IFIs human capital comprise of researchers or experts with following background or expertise:
  - Trained Economists (Macroeconomists and Macroeconomists)
  - Finances Specialist, Public Finance Specialists
  - Public and Policy Specialises
  - Accountant and Auditors
  - Legal advisors, Engineers and
  - Content specialist, Educations, Health and etc
- Some of the research and analysis include, forecasting or economic performance and tax revenues, costing of legislations and policy, socio economic impact analysis, monitoring and evaluation of government programmes and expenditure and etc

# Research and analysis requests workflow process





# 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

Budget amendments  
considerations?

# 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.

# Budget amendments considerations?

- PBO Analysis of proposed amendments to the Adjustments Appropriations Bill – ( B35- 2018)- Standing Committee on Appropriations- SCOA- 2018
- PBO Analysis of process of Money Bills and Amendments – The 2017 Appropriations Bill- SCOA- 2017
- Recent international experience on amending the budget proposed by government?
  - South Korean 2023 Budget- adopted with amendments by the National Assembly on the 24 December 2022
- Portfolio Committee on Tourism and Vote 38- 2023
  - Proposed to reject the Department and TSA budget?
- NA adopted 2023 Appropriations Bill with condition
  - PBO to develop process for Committees to be able to amend the budget

# Budget amendments considerations?

- The Money Bills Act, sections (8), (9), (10), (11), and (12) gives Parliament the powers or prerogative or authority to amend money bills presented by the Executive
- Concerns is that, the Money Bills Act does not provide detailed processes and procedures with regard to amending money bills, Rules of for this must be prescribed
- Government Adjustment Appropriation Process- Public Finance Management Act (PFMA)
  - Government consults various stakeholders affected by money bills. The process includes hosting of public hearings and other budget forums to arrive at the budget and adjustment proposals, in terms of sec 30 of the PFMA,
- Parliament Budget Process-Adjustment AppropriationsBill-Sec12 of Money Bills Act
- Section 12 (16) of the Money Bills Act outlines processes to be satisfied when considering and passing the Adjustment Appropriation Bill. It requires that The standing rules must provide for processing the amendments

# Budget amendments considerations?

## Considerations for proposed amendments

- Proposed amendments may constitute an alternative budget?
- **Compliance to the Money Bills Act-** In considering the substance of the proposals, it is necessary to consider timing provisions and expected public hearings for inputs from various stakeholders' roles in the process.
- **Compliance to PFMA:** The PFMA provide a list of expenditure adjustments that may be proposed in relation to Adjustment Appropriation Bills, therefore, in considering the proposed amendments to the adjustment appropriation the Committee may have to consider compliance to the list provide by the PFMA
- **Implications for Parliament:** The Committee may also consider the implications of the proposed amendments for both affected and unaffected votes, and Parliament subsequent oversight of the proposed amendments if effected
- **Parliament procedures to amend to money bills-** Parliament may wish to promulgate regulations providing detailed guidelines for implementing the Money Bills Act fully, in particular processing proposed amendment to Adjustment Appropriation Bill as recommended in section 12 (16) of the Money Bills Act.

# Provincial legislatures and oversight considerations



# Provincial legislatures and oversight considerations

- What can be deducted from the experiences? Political Champion in driving Money Bills Amendment Procedure and Related Matters Act-
- Money Bills Act leads to compliance with s120 of the Constitution which is long overdue. The provincial money bills act presents an opportunity and a risk for the legislature
- **Opportunity:** reflect on experience of the democratic dispensation, and continuing challenges and limitations of oversight, involve civil society – then draft legislation and processes that will guide improvements
  - **Risk:** how to avoid this been treat as a compliance exercise- how to ensure proper public participation, then ensure substantive processes on budget amendment procedures– to avoid entrenchment of past/current limitations
- Logic of budget amendment:
  - Practical process if the KZNPL decides to amend the Budget to allocate in Education to Health department. How might that conclusion be reached? Where will public input happen? How much time would be needed to satisfy any requirements for amendment? Where would the institutional capacity exist to advise on, and substantiate, such an amendment?
- Core areas of oversight and practicalities of amendment, e.g. total allocation (division of revenue) and appropriation across departments and programmes, What would an amendment require (process) and what would its implications<sup>25</sup> be?

# Provincial legislatures and oversight considerations

## • Timing

- Primarily for appropriations oversight since division of revenue is prescribed by national legislation, but also includes link between DORB and Appropriation

## Public participation

- When and how to facilitate public participation and how will/can that substantively inform decisions

## Institutional and human capacity

- What is required of staff and MPLs (realistically and within constraints of term cycles)
- What skill sets and institutional capacity is required the Budget Office or research unit?

## Sequencing of amendment processes with the Division of Revenue

- Provincial legislature to accept the provincial fiscal framework while its position on the DORB was that the province be allocated more funds

## Demands placed on the Legislature

- Requirements for an amendment: s10(9), e.g. contrast with requirements for the Treasury
- Budgetary review and recommendation reports: s7
- Money Bills Act is mainly created for the amendment purpose, hence the title
- Legislature can use the amendment of the budget to enhance service delivery and strengthen oversight

# Budget amendments and the Money Bills and Related Matter Act

- Government budget cycle in context:
  - Government budget process legislated in PFMA and related prescripts
  - The process include, consulting various stakeholders and hosting public hearings before arriving at budget proposals for Parliament
  - Global and domestic macroeconomic conditions and economic growth implications for tax and other government revenue, and fiscal framework
  - According to budget review, spending allocations follows priorities from 2019-24 MTSF, and also fulfil Constitution requirements and to fulfil NDP, MTBPS and SONA priorities
  - Government departments and other spheres also updates their performance strategies based on those priorities
  - Therefore, Parliament expect budget proposals to align to these priorities
  - However, Money Bills Act set out process for Parliament to consider and adopt money bills and related instruments
  - In considering money bills, Parliament may also consider their alignment with government strategic and performance plan and annual reports, also through BRRR

# Budget amendments and the Money Bills and Related Matter Act

- One of the Former Chairperson of the Standing Committee of Appropriation said:  
*“The only way for Parliament to be effective in its oversight is to use the Money Bills and Related Matters Act to amend the budget. Otherwise Parliament oversight will be undermined”*
- Another Chairperson further noted that:  
*“Failure to amend the budget and request government to allocate funds to priority areas based on the needs of the people, means Parliament will be seen to rubber stamp the Executive money bills”*
- It is unclear as to whether there is consensus or common ground amongst committee members (MPs);
- This matters a lot before there can even be analysis or research on the impact
- Money Bills Act, gives Parliament powers to amend money bills presented by the Executive, but lacks detailed guidance or rules to do so
- Events suggesting the ineffectiveness of powers to amend the money bills in scrutiny, e.g. Commission of Inquiry into Higher Education and Training

# Budget amendments and the Money Bills and Related Matters Act

- The Money Bills Amendment Procedure and Related Matters Act of 2009 met the Constitutional requirement and gave Parliament a formalised procedure for amending the budget
- The Act gives Parliament unrestricted power to change the fiscal framework, the Division of Revenue (Division of Revenue Bill) allocations, and tax policy
- However, these changes must be made by following a set order of engagements with different parts of the budget. This is to ensure that:
  - Changes to allocations are in line with the fiscal framework
  - A large number of changes does not result in an unsustainable fiscal policy stance
  - The overall sustainability of the budget is not put at risk

# Thank you

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