

“ Tools for effective budget and fiscal oversight: Parliament Existing Procures and Practice for Effective Financial Oversight- the Case for Budget Office”

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Parliamentary

Budget
Office



Outline

- Introduction
- Background
- Establishment of Parliamentary Budget Office
- Parliamentary Budget Office and oversight
- Parliament and oversight process
- Conclusion

Introduction

- The Parliamentary Budget Office (PBO) 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 Background

- The scale of capability or technical expertise or knowledge of MPs varies across the world. This is also affected by the level of respective countries' 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, Parliaments also require non-political administrative capacity (human capital and institutions capacity)
- The level of human capital and institutional capacity requirement at legislature level is largely dependent on whether Parliament is a:
 - Budget making legislature, or
 - Budget amending legislature, or
 - Policy rubber stamping legislature
- Many Parliaments 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

Parliamentary Budget Office Background (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 Background (cont.)

International common understanding of PBO 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
<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</p> <p>g. Expectations Management</p>

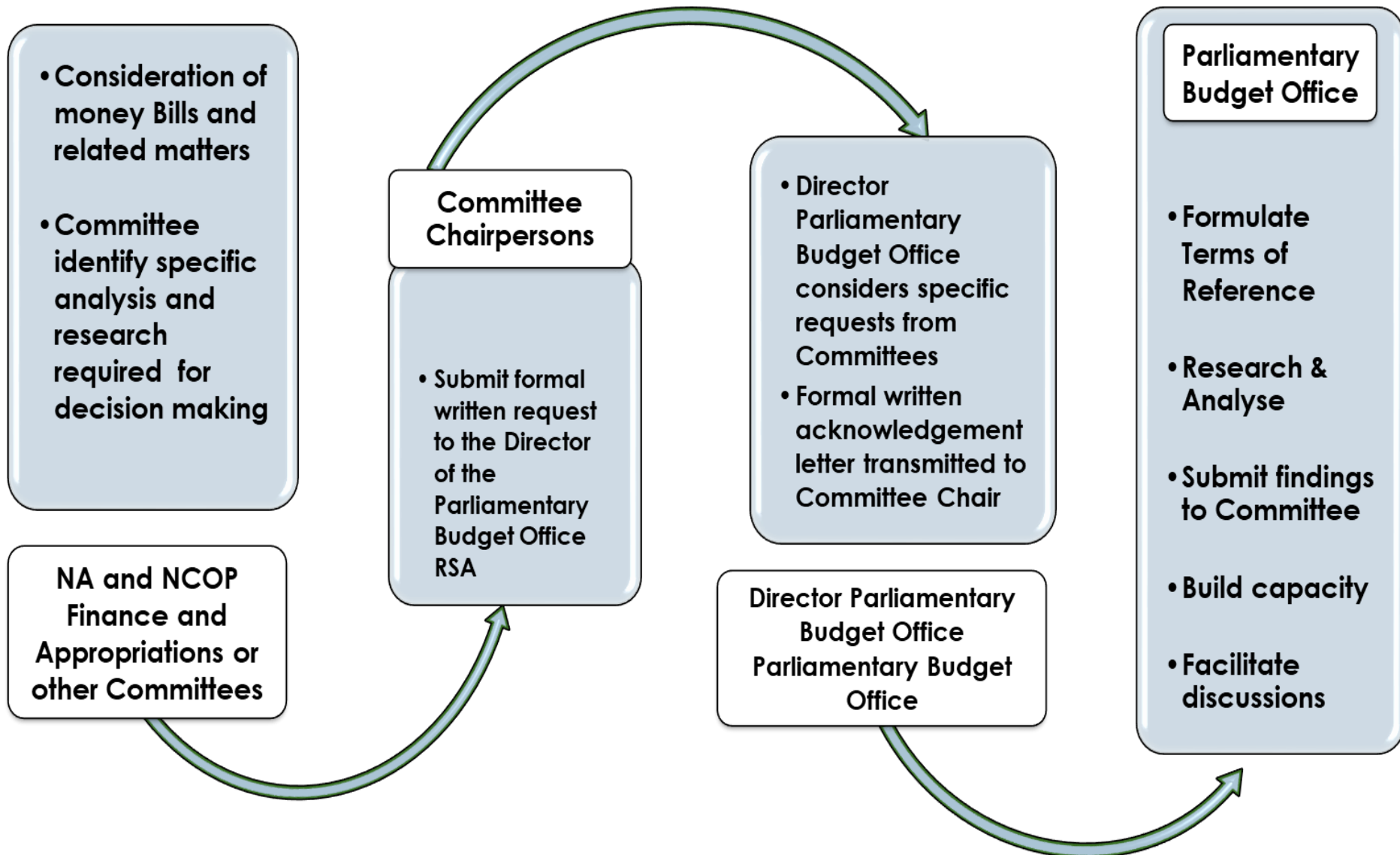
Establishment of the South African Parliamentary Budget Office

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

Money Bills 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 situation, 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
- The Director, in consultation with the Advisory Board determine the structure and conditions of service of the Office
- The transfer of funds to Parliamentary Budget Office to fulfil its mandate from Parliament budget is in accordance to the Financial Management of Parliament and Provincial Legislatures Act
- Parliamentary Budget Office may obtain information from any organ of state or person that derives funds from the National Revenue Fund;

Research and Analysis Requests Workflow Process



Parliamentary Budget Office and Parliament Oversight

National Level

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



Parliament Level

Parliament' oversight process in terms of Money Bills and Related Matters Act 2009 to assess how government' proposed budgets contribute to the realization 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.

PBO role in assisting MPs to assess budget efficacy

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

PBO Strategic outlook

Pillars underpinning Parliamentary Budget Office role in providing useful insight in support for Parliament oversight:

- Our research, analysis, reports and briefs are reported and presented in a form that is accessible (readable) or understandable by all MPs
- Reasonable 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
- The 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

PBO Strategic Outlook (cont.)

Our approach recognizes that MPs come from diverse backgrounds enjoined in Parliament from different political formations, but all concerned about improving development indicators (common to all political parties)

Some of our key considerations during PBO support for oversight process:

- To shape our research and analysis to support Parliament process of determining the budget efficacy
- To ensure our research and analysis projects are informed to ensure fiscal oversight is geared towards assessing the impact of the budget on service delivery, transformation of the economy (inclusiveness), dealing with poverty, unemployment and inequality
- The Office research and analysis are accessible to MPs understanding of it role in assessing budget efficacy
- Our work to further provide capacity building and development for Members of Parliament and Committees

Stakeholder Engagement Considerations

- 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, FFC, 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

Parliament and Fiscal Oversight process

Parliament and Fiscal Oversight process

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
- 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 it is own revenue) key revenue sources

Parliament and Fiscal Oversight (cont.)

Some of the key challenges facing South African Parliament Oversight

Improved and meaningful public participation, improved scrutiny over the Executive in service delivery and to ensure improved developmental indicators

Access for better information and analysis to ensure deeper scrutiny by the legislature

Integration of technology and new business models into the oversight process without exaggerating inequality in accessing Parliament by citizen in our unequal society

Limited facilities, resources and budget available to Parliament and oversight process

Need to improving quality of life of South Africans

Increasing the pace and quality of service delivery will require a more responsive and accountable government

Greater responsiveness and accountability by the Executive requires Parliament to strengthen oversight and involvement

Deeper scrutiny by Parliament Committees, more effective public involvement and hearings, and more effective recommendations and resolutions by the Houses. Further need for follow through on oversight processes

More time allocated for oversight activities, enhanced MPs capacity to ensure effectiveness, deeper insights into issues at hand,

Parliament and Fiscal Oversight (cont.)

Provincial legislature and National Council of Provinces oversight for provincial and local spheres

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 that 80% of government expenditure in the provincial sphere
- Budget or Appropriations Committee to include other functional Committees
MPs for better fiscal oversight
- 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
- 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

Conclusion

- International experiences has shown that many Parliaments do not require their MPs to have technical expertise, as a result MPs receives technical support for their fiscal oversight process
- Post-2008 GFC era has seen proliferation of PBOs to support fiscal oversight in many countries. And PBO continue to provide much needed technical support to Parliament during Covid-19 pandemic
- South African PBO was established by an Act of Parliament in line with international best experiences while taking into account the Country' context
- The PBO provide research and analysis about macroeconomic, fiscal policy and other policies is support of MPs in oversight over the Executives
- The PBO mandate is set-out in the Money Bills and Related Matters Act 2009, which is to useful macroeconomic and fiscal policy insight in support for Parliament fiscal oversight
- The PBO produce standard outputs related to the budget process as well as demand driven research and analysis, and the Office has a workflow processes to manage requests from committee chairpersons

Enkosi, Ndiyabulela!

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

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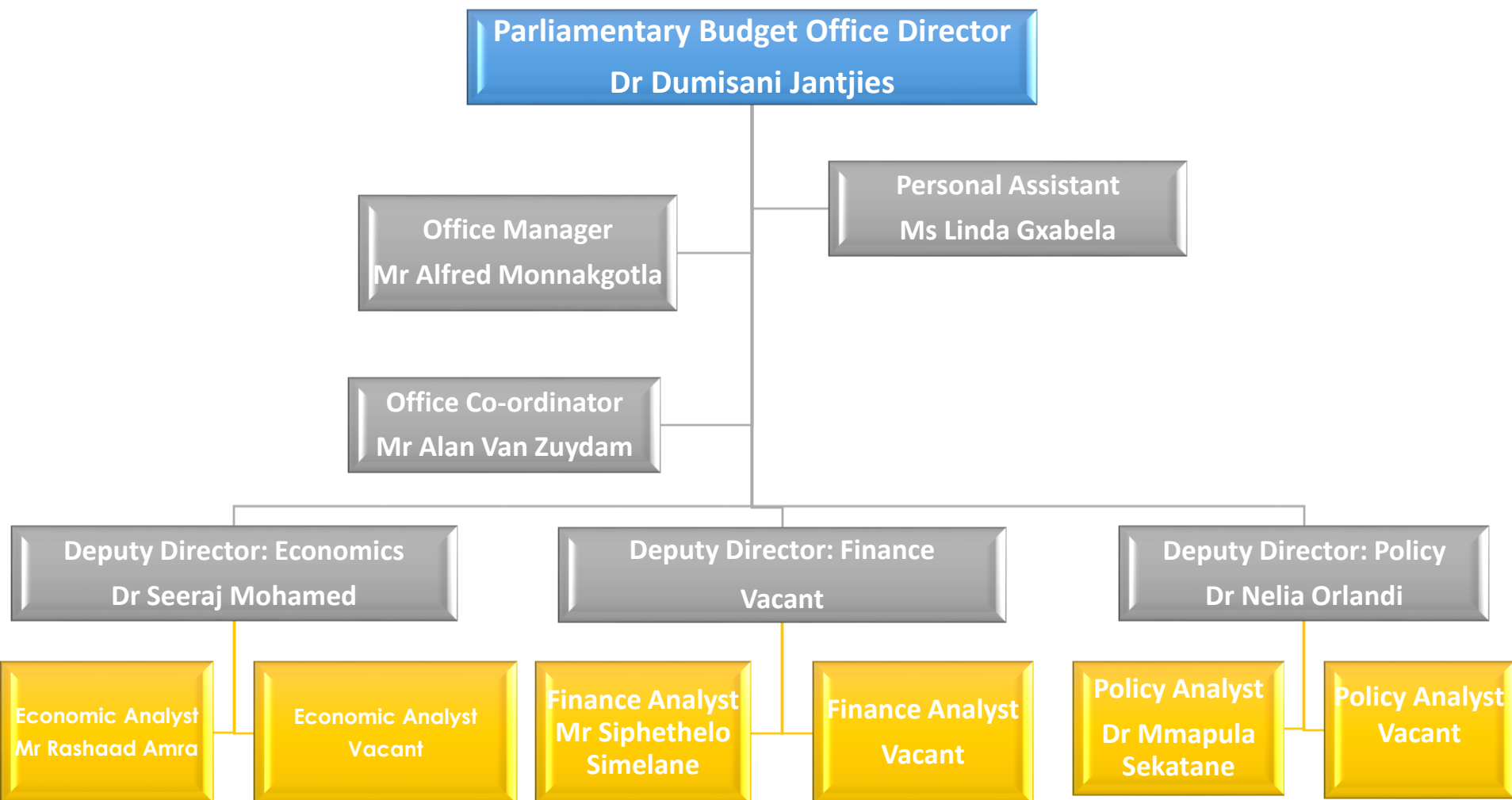
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Additional slides

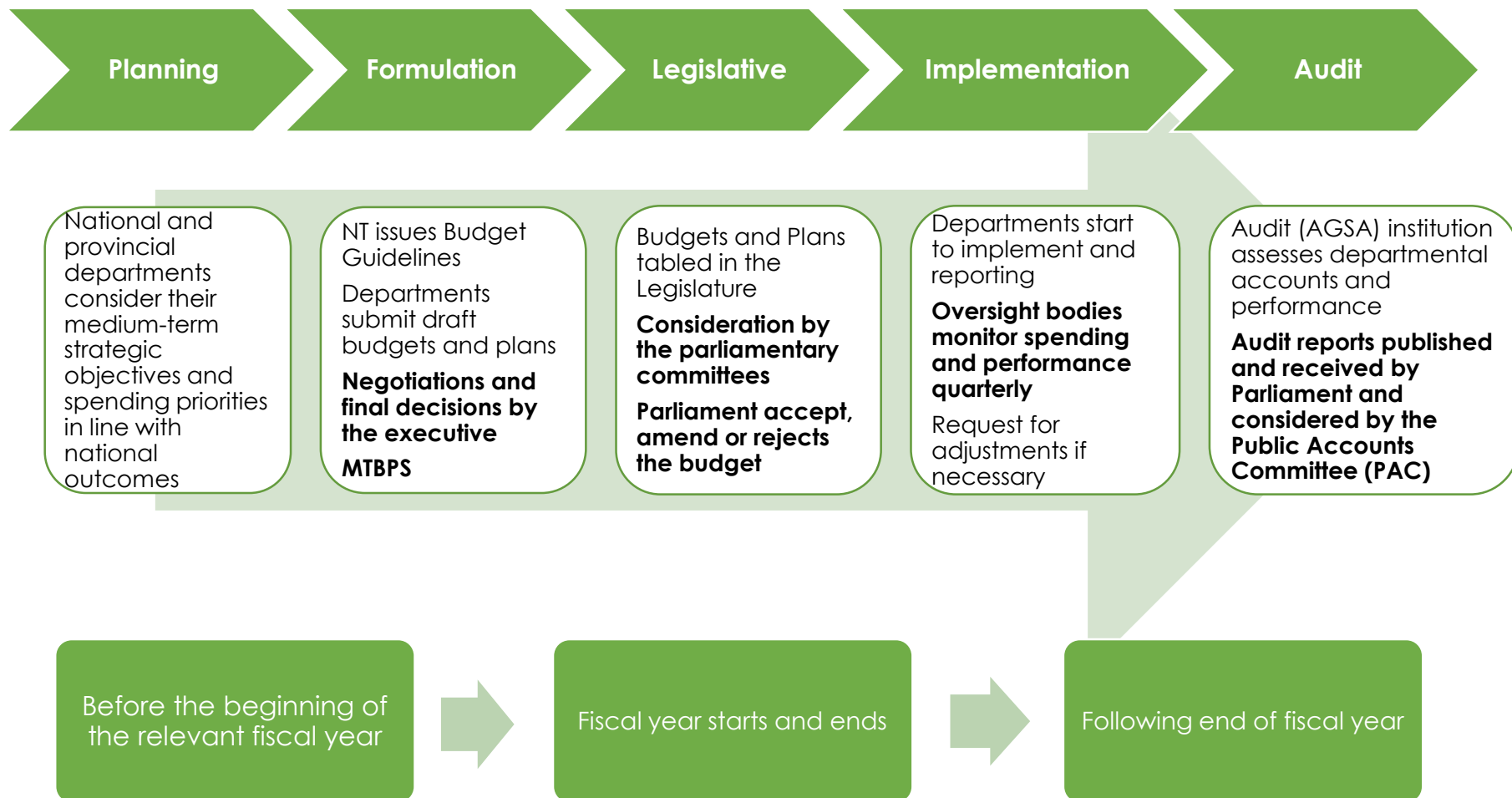
Money Bills and Related Matters Act 2009

- Preceded by national and international broader consultation process
- Established the Parliamentary Budget Office as a *Juristic Person*
- The Director is the Accounting Officer of the Office, and accountable to Parliament
- The Director, in consultation with the Advisory Board (2 House Chairs and 4 Chairpersons of Finance and Appropriations Committees) determine the structure and conditions of service of the Office
- The transfer of funds to Parliamentary Budget Office from Parliament will be in accordance to the Financial Management Act of Parliament
- Parliamentary Budget Office may obtain information from any organ of state or person that derives funds from the National Revenue Fund;
- The Office provide research and analysis about macroeconomic, fiscal policy and other policies in support of MPs in oversight over the Executives

PBO: Organisational Structure



National Budget Process



PARLIAMENT BUDGET PROCESS- MONEY BILLS AND RELATED MATTERS ACT 2009

Executive

- Minister of Finance (MoF) tables budget documentation in February:
 - Fiscal Framework, Tax and other revenue proposals, Division of Revenue Act (DORA), Appropriation Bill, Estimates of National Expenditure and Budget Review

Finance Committees (Both Parliament Houses)

- Consider and hold public hearing on proposals by MoF (PBO also give input)
- Report to accept or amend Fiscal Framework, in reasonable time after of budget presentation, usually in March

Appropriations Committees (Both Parliament Houses)

- Report to adopt DORA, 35 days after adoption of Fiscal Framework; in April
- Hold public hearing on DORA, FFC give input (PBO also give input)
- Adopt Appropriations bill within 4 months, usually after June

Mid-year -(Finance and Appropriation Committees)

- Mid year adjustments in October;
- Medium Term Budget Policy Statement (MTBPS)
- Revised Fiscal Framework (Finance Committees)
- Tax and other revenue proposals proposals Laws

Auditing

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

PBO 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 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

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

Parliament Committees and PBO

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;