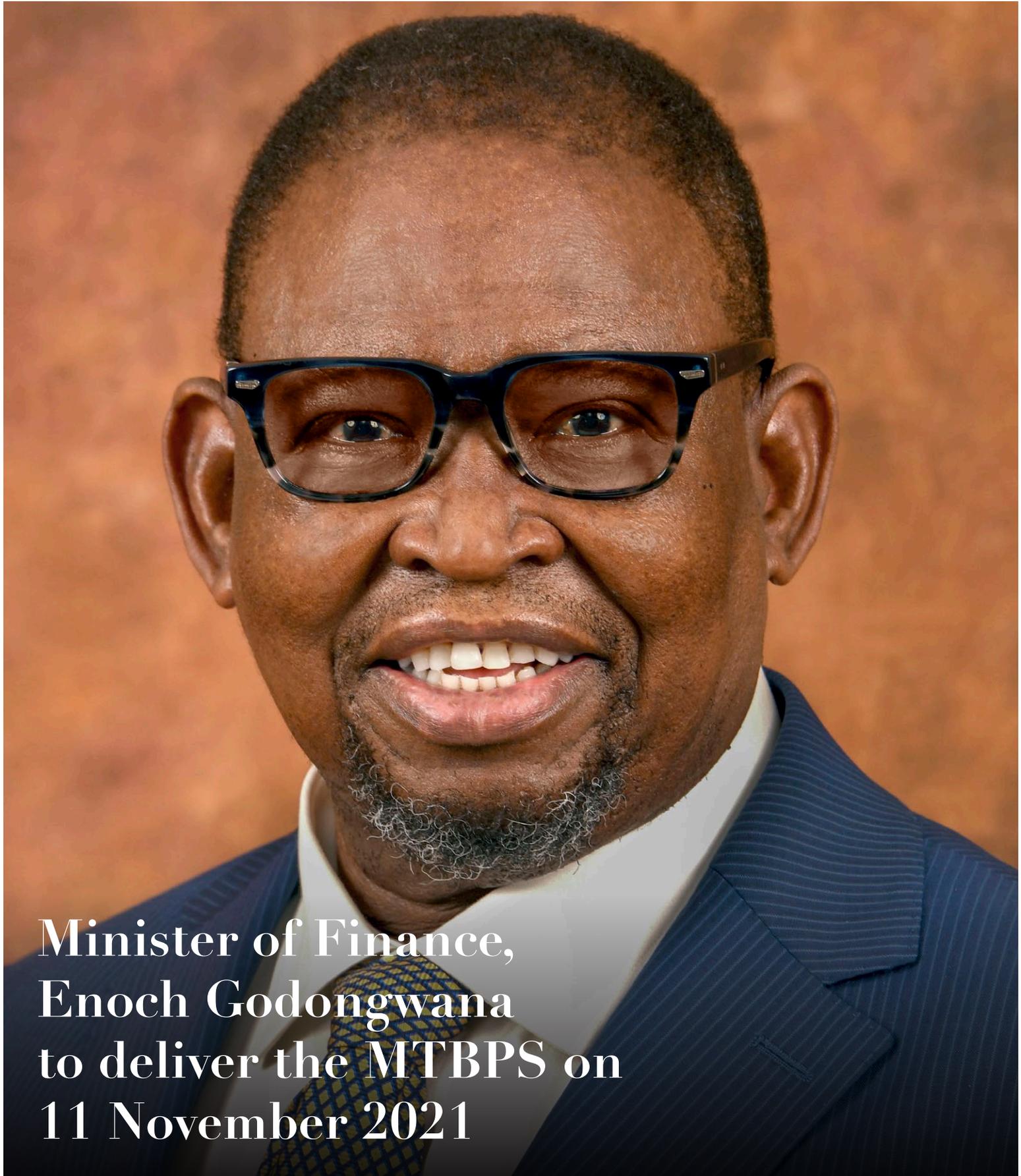




PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

MEDIUM TERM BUDGET POLICY STATEMENT

11 NOVEMBER 2021       PARLIAMENT.GOV.ZA

A close-up portrait of Minister of Finance Enoch Godongwana. He is a middle-aged Black man with short hair, wearing black-rimmed glasses, a white shirt, a blue patterned tie, and a dark blue pinstriped suit jacket. He is smiling slightly and looking directly at the camera. The background is a warm, textured brown.

**Minister of Finance,
Enoch Godongwana
to deliver the MTBPS on
11 November 2021**



Profile of the Minister of Finance, Mr Enoch Godongwana

MINISTER OF FINANCE OF THE REPUBLIC OF SOUTH AFRICA

(term in office: 05 August 2021 to date)

Mr Enoch Godongwana was appointed Minister of Finance of The Republic of South Africa on the 5th of August 2021. He holds an MSc degree in Financial Economics from the University of London and is a member of the National Executive Committee of the African National Congress (ANC) since 1997.

He is the current chairperson of the ANC's Economic Transformation sub-committee. Prior to his appointment as the Minister of Finance, Godongwana was the Chairperson of the Board of the Development Bank of Southern Africa. Among others, he has also been appointed to the Boards of the New Development Bank and Mondi plc, CEO of the Financial Sector Charter Council and Member of the Policy Board for Financial Services

and Regulation. He served in government as the Deputy Minister of Economic Development, Deputy Minister of Public Enterprises, Member of Parliament, Member of the Eastern Cape Provincial Legislature, and a Member of the Executive Council in the Eastern Cape responsible for Finance, Economic Affairs, Environment and Tourism.

Godongwana has a solid background in the trade union movement; having served in various leadership positions in one of South Africa's largest industrial unions – the National Union of Metal Workers of South Africa – including being its General Secretary from 1993 to 1997. He also served on the Congress of South African Trade Unions (COSATU's) Executive and Central Committees from 1992 to 1997 and was the chairperson of COSATU's Economic Development Task Force. He is one of the founding members of the National Economic Development and Labour Council (NEDLAC) and participated in the drafting of a number of progressive labour legislation including the Labour Relations Act.

source: <http://www.treasury.gov.za/ministry/minister.aspx>



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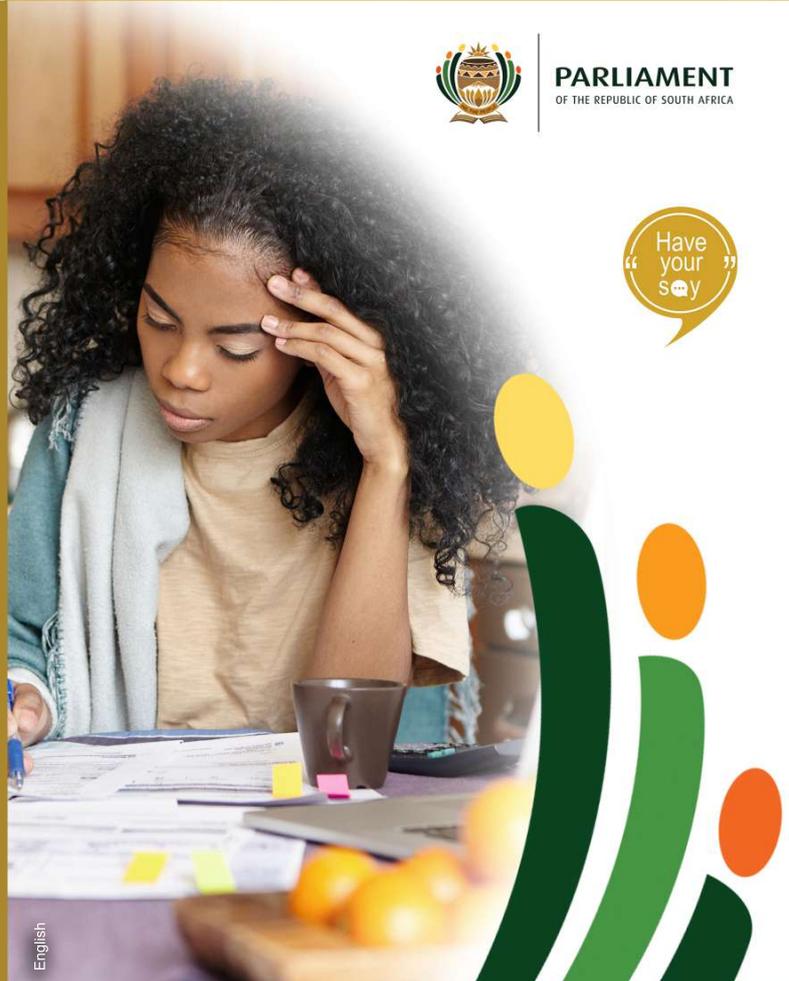
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PARLIAMENT
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The Role of Parliament in the Budget Process

The Role of Parliament in the Budget Process

What is the Budget?

The budget is a key statement of government policy with a financial plan. Financial choices are made about competing priorities to ensure fiscal sustainability, allocative efficiency and value for money through this process.

Main functions of the budget

-  The National budget is a public document and a key tool to hold government accountable;
-  Resources must be allocated to where identified priorities are; and
-  Spending, taxation and borrowing must support economic and social objectives.

Where and when is the Budget tabled?

The budget is tabled by the Minister of Finance in the National Assembly in February every year, two weeks after the State of the Nation Address (SONA). Some of the bills tabled on the day by the Minister are:

01 **The Division of Revenue Bill** which specifies how the money will be divided among the three spheres of government for the coming year.

02 **The Appropriation Bill** which sets out how the money will be divided among national departments and state institutions.

03 **The Income Tax Laws Amendment Bill** which indicates the changes to the different tax laws so that the government can raise the income.





What is Parliament's role in the Budget Process?

Parliament is elected by the people to represent the people and therefore it authorises the executive to spend, tax and oversee executive action on behalf of the people of South Africa. Through effective oversight of the executive, South Africa can address poverty, inequality and unemployment, which are key objectives of the National Development Plan's Vision 2030.

NB: The Budget is not just about numbers and statistics; the budget is about ensuring service delivery to the people.

Parliament is mandated by:

 Section 77 (3) of the Constitution of the Republic of South Africa, 1996 that states: "All money Bills must be considered in accordance with the procedure established by Section 75".

 The money Bills Amendment Procedure and Related Matters Act of 2018 authorises Parliament to amend the budget.

The Budget Process

The national and provincial budget process is a continuous cycle of four stages that runs for a financial year beginning in April and ending in March the following year.

Budget stages

1 Drafting: Parliament influences this stage indirectly through its oversight work for example, through the Budgetary Review and Recommendation Reports (BRRRs). These reports require committees of Parliament to annually assess government performance and audit outcomes.

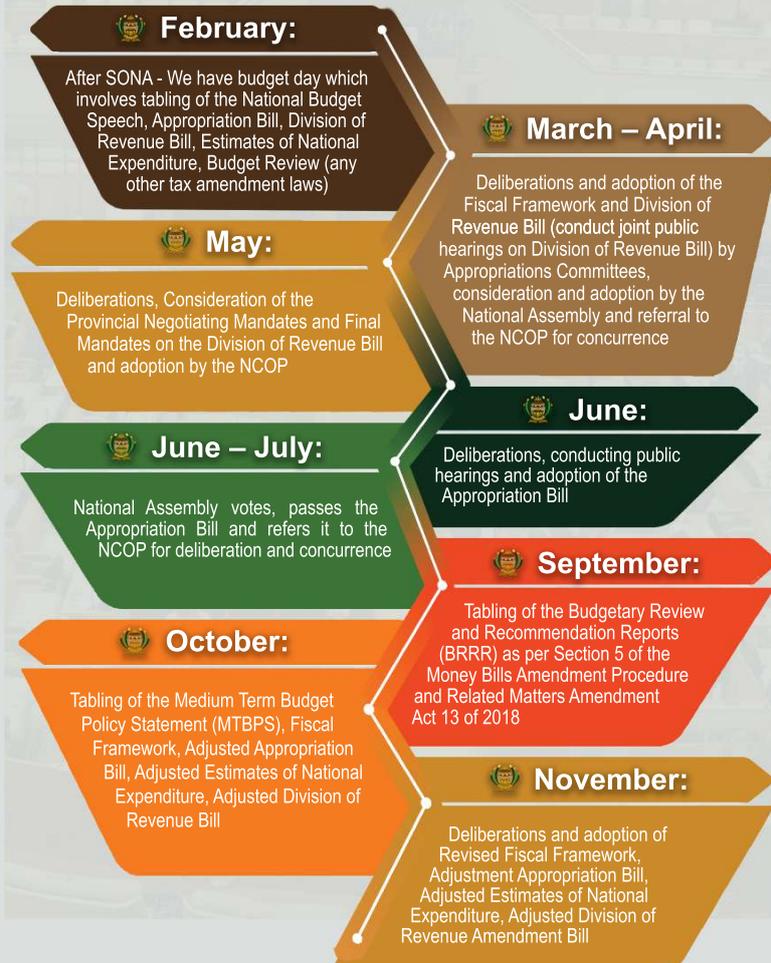
2 Legislative process: Parliament considers, debates and makes recommendations, before approving money and related Bills tabled by the Minister of Finance.

3 Implementation: Parliament will monitor how government departments and organs of state use their budgets.

4 Auditing and assessment: At this stage, Parliament monitors spending and performance of government departments and organs of state for the financial year. Parliament considers:

-  Annual reports from the Auditor-General.
-  In-depth analyses and oversight reports by committees of Parliament e.g. Standing Committee on Public Accounts, Appropriations and Finance Committees.

Budget Process in Parliament



Public Participation in the Budget

After the tabling of the Budget, the committees of Parliament on Appropriation and on Finance must conduct public hearings with relevant stakeholders. Submissions from stakeholders are received and considered by the committees. After the public hearings, the committees prepare a report and table it in the National Assembly that further scrutinises expenditure and revenue proposals.

Did You Know?



A Bill is a Money Bill if it:

-  appropriates money;
-  imposes national taxes, levies, duties or surcharges;
-  abolishes, reduces, or grants exemptions from, any national taxes, levies, duties or surcharges; or
-  authorises direct charges against the National Revenue Fund, except a Bill envisaged in section 214 authorising direct charges.

Glossary of terms

- Appropriation:** is when money is set aside for a specific and particular purpose.
- Fiscal sustainability:** refers to the ability of government to sustain spending, tax and other policies in the long run without threatening government solvency or defaulting on liabilities or promised expenditure.
- Allocative efficiency:** ensures that resources are allocated where the need is greatest or where the utility (advantage or fulfilment from using the resources) is maximised.
- Surcharges:** is an extra fee, charge, or tax that is added on to the cost of goods or services, beyond the initial quoted price.



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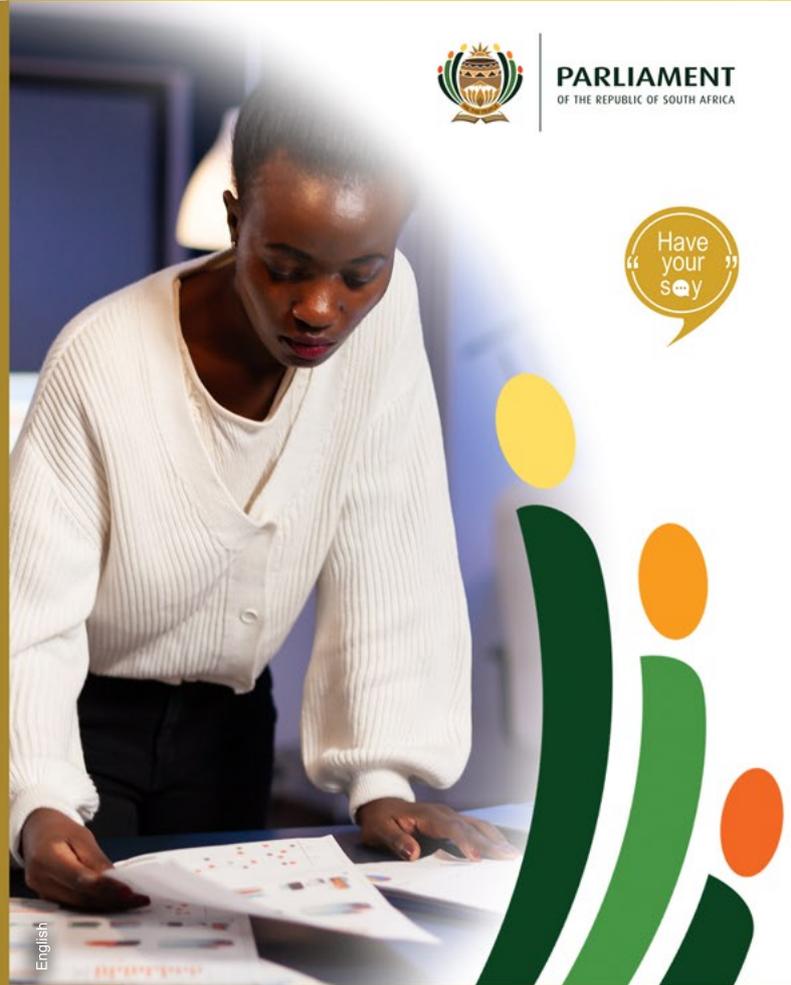
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The Medium Term Budget Policy Statement (MTBPS)

What is the MTBPS?

The MTBPS is also referred to as the “mini budget” that:

- Allows departments to apply for adjustments to their budgets, roll-overs, and request additional funds for unforeseeable and unavoidable expenditure;
- Indicates how government intends to adjust spending estimates and update the budget and expenditure plans;
- Makes it possible for Parliament and the public to interact with the government’s budget plans several months ahead of the budget set for February 2022; and
- Is a mechanism to review the effective and efficient use of available resources.

The MTBPS includes the following information:

- Spending estimates for the first half of a financial year; and
- Adjustments to the proposed revenue (income) and spending estimates for the second half of a financial year.

Did You Know?



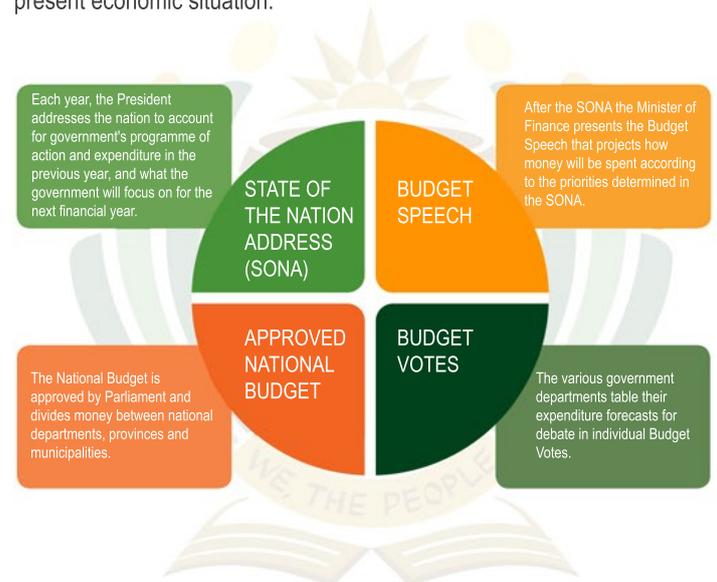
Section 5 of the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 requires that committees annually assess the performance of each national department and thereafter submit a Budgetary Review and Recommendation Report (BRRR).

Section 77 of the Constitution states that an Act of Parliament must provide for a procedure to amend the money Bills (budget). The Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 is used for this purpose.

A Bill is a money Bill if it appropriates (allocates) money.

Why is the MTBPS important?

It plays a critical role in the budgetary process because it sets the tone for the fiscal (financial) framework for the next national budget. It provides Parliament and the country with an update on how Treasury perceives the present economic situation.





What legislation is tabled and passed during the MTBPS?

Parliament facilitates budgetary processes through Section 77 Bills, also referred to as “money bills”. There are two key money Bills, namely; the Division of Revenue Amendment Bill and the Adjustment Appropriation Bill, as well as a budget instrument called the Revised Fiscal Framework. In some cases, a Special Appropriation Bill is also tabled.



Division of Revenue Amendment Bill

The Bill provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government.



Adjustment Appropriation Bill

The Bill allows for adjustments to the appropriation of money from the National Revenue Fund for the requirements of the state.



Revised Fiscal Framework

The Revised Fiscal Framework presents revised projections on broad budgetary total revenue, expenditure and borrowing for a given year based on current and projected economic conditions.



Special Appropriation Bill

The Bill is distinguishable from ordinary “money bills” in that it appropriates the Consolidated Revenue Fund to meet expenditure for specific needs. The second Special Appropriation Bill was tabled recently by the Minister of Finance. The purpose of this Bill was to propose an urgent allocation of R32.85bn to the South African Special Risk Insurance Association (SASRIA) to meet the insurance claims due to the unrest in Gauteng and KwaZulu Natal as well as the COVID-19 pandemic.

Section 214 of the Constitution and the Division of Revenue Act provide for equitable shares and allocations of revenue. It takes into account factors such as national interests, needs of national government and allocation of resources to provide basic services, among other things. It must be passed 35 days after Parliament adopts the fiscal framework.

The 2021 Appropriation Act, in relation to the February State of the Nation Address (SONA) and Budget Speech, enabled the Minister of Finance to approve expenditure, which could not reasonably be delayed without negatively affecting service delivery. Parliament must pass the Bill with or without changes within four months of the start of a financial year i.e. by the end of June.

When is the MTBPS tabled?

It is tabled 3 months before the national budget, in October every year, and after the Budget Review and Recommendations Report (BRRR). The national budget is tabled in February, after the State of the Nation Address (SONA).

Who tables the MTBPS?

The Minister of Finance

Where is the MTBPS tabled?

The National Assembly

What is the role of Parliament in the MTBPS?

Parliament is elected by the people to represent the people. Therefore, it authorises the executive to spend, tax and oversee executive action on behalf of the people of South Africa. Through effective budgetary oversight, Parliament can address poverty, inequality and unemployment and ensure that government remains accountable to the people.

What happens after the tabling of the MTBPS?

After the tabling of the MTBPS, the Appropriation and Finance committees must conduct public hearings with relevant stakeholders.

What is the difference between the Finance and Appropriation committees?

The Appropriation committees focus on actual expenditure and changes to the Division of Revenue and Appropriation Bills. These committees are the mediator and final authority in reporting to Parliament. There are Finance and Appropriation committees in the National Assembly and the National Council of Provinces.

Glossary of terms

BRRRs: Budget Review and Recommendations Reports are tabled by the respective chairpersons of the Finance and Appropriation committees for discussion, debate and adoption in the National Assembly. The BRRRs are compiled every year after reviewing the annual performance, strategic plans and proposed medium-term expenditure of departments and state-owned entities.

Fiscal Framework: The fiscal framework refers to the broad budgetary total revenue, expenditure and borrowing for a given year.

Portfolio Committee: a committee of the National Assembly (NA).

Select Committee: a committee of the National Council of Provinces

Finance Standing Committee: The Finance Standing Committee oversees National Treasury and other state entities.

Did You Know?



Thirty days after the tabling of the MTBPS, the finance committees of the National Assembly and National Council of Provinces must report on the proposed fiscal framework and the appropriation committees must report on the proposed division of revenue and grant allocations to provincial and local governments. The Division of Revenue Amendment Bill (DORA) is then considered.





OUR SOUTH AFRICA – THE SUN

The sun heals the divisions of the past, improves the quality of life of all South Africans, frees the potential of each person and builds a united and democratic South Africa, taking its rightful place as a sovereign state in the family of nations.



OUR PEOPLE – THE PROTEA LEAVES

Our people, building on the foundation of a democratic and open society, freely elect representatives, acting as a voice of the people and providing a national forum for public consideration of issues.



OUR PARLIAMENT – THE DRUM

The drum calls the people's Parliament, the National Assembly and the National Council of Provinces, to consider national and provincial issues, ensuring government by the people under the Constitution.



OUR CONSTITUTION – THE BOOK

Our Constitution lays the foundation for a democratic and open society based on democratic values, social justice and fundamental human rights. It is the supreme law of our country, and ensures government by the people.