



For an Equitable Sharing
of National Revenue

BUDGET AND FISCAL OVERSIGHT WORKSHOP

“Accountability in Public Expenditure through effective Parliamentary Fiscal Oversight”

5 May 2021

Programme Director and hon Chairperson of the NCOP, hon. Masondo
Deputy Chairperson of the National Council of Provinces
Honourable House Chairpersons
Honourable Chief Whip
Honourable Members of Parliament and Delegates of the NCOP
Ladies and Gentlemen

Thank you for the opportunity to be part of this important workshop. The primary focus of the Financial and Fiscal Commission is the equitable division of nationally collected revenue among the three spheres of government and any other financial and fiscal matters. In the execution of our mandate, we interact regularly with the Standing and Select Committees on Appropriations and Finance, with more specific and focused engagements on the Division of Revenue bill, the Appropriations and Adjustment Appropriations bills and, of course, the FFC’s annual submission on the division of revenue. The FFC also interacts with various others Committees of the National Assembly and the NCOP and is often requested in these engagements to focus on the financial and non-financial performance of national government departments and their entities. Our engagements with provincial legislatures mostly focus on matters relating to money bills and our Annual Submission.

We welcome the opportunity to contribute to the discussion on effective fiscal oversight, particularly within the context of the Money Bills Amendment Procedures and Related Matters Act. Fiscal accountability and / or the lack thereof will continue to be critical in the pursuit of effective service delivery, maximizing value for money and the prudent and efficient management of public expenditure.

Parliaments across the world are asserting their “power of the purse” i.e., showing increased activism in public budgeting and demanding more intense scrutiny, not only of the budget but for increased accessibility and transparency regarding the performance of the executive branch of government in managing public resources. Most democratically elected legislatures require revenue and spending measures to be approved by parliament as the apex law making body. To fulfil this obligation, parliament must ensure that the revenue (tax and borrowing) and spending measures it authorizes are fiscally sound, match the needs of the population with available resources, and are implemented effectively and efficiently. The increasing role of parliament in budgetary issues emanates from the realisation that fiscal oversight is necessary for growth, development and fiscal sustainability.

Recurring global incidents of economic and public finance crises demands of Parliaments and Legislatures to take an even greater interest in the formulation and execution of the budget than ever before. The outbreak of the Covid-19 pandemic and the resulting widespread budget adjustments is a recent example of one such crises that has ignited legislatures across the globe to prioritize and strengthen fiscal scrutiny. Parliaments are a key factor in the system of budget checks and balances, not only in the debate and approval of the annual budget, but also in the ex-ante analysis of fiscal reforms and their fiscal impact, auditing public spending, monitoring public investment, and ex post accountability for executing the budget.

Effective fiscal oversight commences with the delicate division of responsibilities between parliament and the executive budget office. The absence of a balance between the two often creates unnecessary tension and competition for control that may be misconstrued as legislative interference or executive disobedience. Further, effective fiscal oversight is also dependent on the information and time available to examine the budget: limited information and time to scrutinise the budget puts

Parliament at a disadvantage. Our reference to time in this context refers to the timeframe within which Parliament is expected to conclude its consideration of the relevant money bills by the relevant Standing and Select Committees, the Committees to formulate and finalize its reports, including recommendations, and for Parliament to conclude its processes to approve or reject the relevant money bills.

Parliamentary committee structures are also central to the budget influence and fiscal oversight. The sheer complexity and details of the modern-day budget necessitates that committees must be well structured, resourced and equipped to review the budget. To discharge their budget scrutiny roles, committees must have access to information from the finance ministries and line ministries as well as access to independent expertise. Frequent consultations between committees and ministries on budget implementation outside the normal process of budget cycle are desirable – as this will provide the legislature with sufficient information to consider the budget or hold the executive accountable.

As we deliberate around ways to improve parliamentary fiscal oversight, it is important to reflect on some of the ongoing challenges that impacts on parliament's accountability role. Some of these challenges include synchronising different aspects of the accountability chain, addressing performance information management weaknesses and striking a balance between short-term delivery focused oversight and long-term outcome focused oversight.

Parliament can rely on a range of legislatively enshrined mechanisms for budget oversight support, including detailed audit reports by the statutory bodies, reports generated by the IGFR forums, softer intervention to provide capacity where it is lacking and a more intrusive approach of taking over functions when the executive is unable to fulfil assigned constitutional obligations.

The Money Bills Amendment Procedures and Related Matters Act has indeed improved and streamlined parliament's *ex-ante* and *ex-post* processes for scrutinising the budget. It appears that an aspect that could be considered for strengthening is the institutional structures to ensure improved and coordinated oversight between committees responsible for the budget between the two houses. Section 5 of the

Money Bills Amendment Procedures and Related Matters Act provides for various committees to assess the performance of national departments and to inform their recommendations on approving or amending the budget. The Parliamentary Budget Office (PBO) must be adequately resourced to ensure that it provides committees with quality research and budget analysis to execute these functions, particularly with regard Budget Review Recommendations Reports. Research performed by institutions supporting democracy and other constitutional institutions (such as the FFC, PSC, HRC, CGE) could further support and strengthen the work undertaken by the PBO.

One of the notable challenges of the Act is that the prescribed processes and activities are time consuming while determining rather short timeframes within which Parliament is required to respond to budget documentation tabled by the minister of finance. A well capacitated PBO can mitigate this timing challenges.

To conclude. Parliament scrutiny of the budget should be seen as an iterative yearlong process rather a one-off event linked to the budget speech. Budget committees must endeavour to aggregate reports from the various committees responsible for the budget, especially, the select committee on public accounts and BRR reports from the various portfolio committees.

Importantly, parliament must be clear about its fiscal oversight agenda and utilise its powers to seek remedial actions. The agenda for fiscal oversight, especially in relation to the Money Bills Amendment Act need not always be about amending the budget tabled by the minister but ensuring that the fiscal variables are sustainable and the MTSF goals are realised. An all-encompassing budget and fiscal oversight framework will ensure that the implications of budget amendments (as and when they are made) are fully understood by all stakeholders involved so that fiscal integrity is maintained.

Thank you once again for the opportunity to be part of this panel discussion.