

**“Mapping out the Budget Process”  
Financial and Fiscal Commission**

**Dr. Dumisani Jantjies –  
Director: Parliamentary Budget Office-  
November 2021**

Budget  
Office



Parliamentary

# Outline

- Introduction
- Parliamentary Budget Office Strategic Outlook
- Parliamentary Budget Office and Parliament Oversight
- Budget Process and Parliament Oversight
- Financial and Fiscal Commission and Strategic Session

# 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 the Finance and Appropriations Committees in both Houses of Parliament; as well as other Committees and Members of Parliament (MPs) subject to the availability of capacity
- The Money Bills and Related Matters Act of 2009 guides Parliament's approval process 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

# PBO Strategic Outlook

The pillars underpinning the 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) and understandable by all MPs
- There is reasonable balance between responding to the 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 remains independent, objective and professional;

# PBO Strategic Outlook (cont.)

We aim to always recognise that MPs come from diverse backgrounds and join Parliament from different political formations, however they are all concerned about improving development indicators (common to all political parties)

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

- To shape our research and analysis to support the 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 its role in assessing budget efficacy
- Our work to further provide capacity building and development for Members of Parliament and Committees

# Parliamentary Budget Office and Parliament Oversight

## National Level

Government uses the 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 priorities to be realised by 2024. Government aims to use the budget and other policy instruments to realize these MTSF Outcomes



## Parliament Level

Parliament' oversight process in terms of Money Bills and Related Matters Act 2009 to 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.

PBO role in assisting MPs to assess budget efficacy

# Parliamentary Budget Office and Review Process

- The Office established by the original Money Bills and Related Matters Act of 2009, in operation since 2013
- The 5<sup>th</sup> Parliament amended the Money Bills and Related Matters Act,
  - to also confirm a clear governance framework, establish a juristic person
  - and provide PBO with powers to request information
- National Assembly and National Council of Provinces in December 2020 appointed second Director of since establishment
- The Office to consider embarking on a review process since the establishment to;
  - Review of products and service, and Parliament oversight
  - Service delivery models
  - Give effect to amended Section 15 of the Money Bills and Related Matters Act

# Budget Process and Parliament Oversight



# 2019-2024 Medium Terms Strategic Framework

The budget process start with an understanding and clear policy priorities set out in various policy documents e.g. Constitutions, NDP, MTSF, SONA and etc.

This process has to also give meaning to the budget, as this budget would then be used to realise these policy priorities

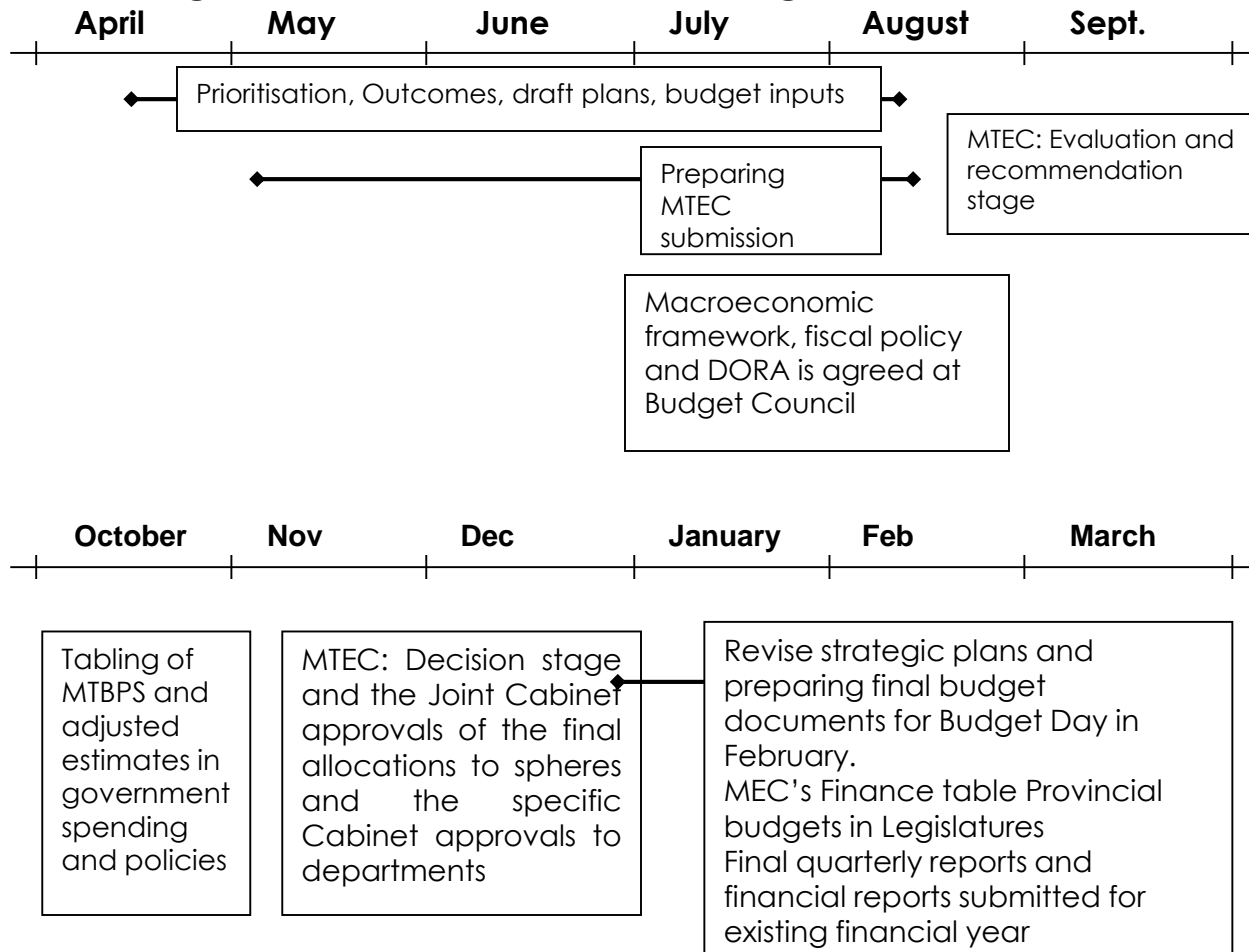
Therefore, the main question for oversight mode is to determine whether government uses the budget to realise these policy priorities? Including the MTSF seven priorities;

- Priority 1: A capable, ethical and developmental state
- Priority 2: Economic transformation and job creation
- Priority 3: Education, skills and health
- Priority 4: Consolidating the social wage through reliable and quality basic services
- Priority 5: Spatial integration, human settlements and local government
- Priority 6: Social cohesion and safe communities
- Priority 7: A better Africa and world

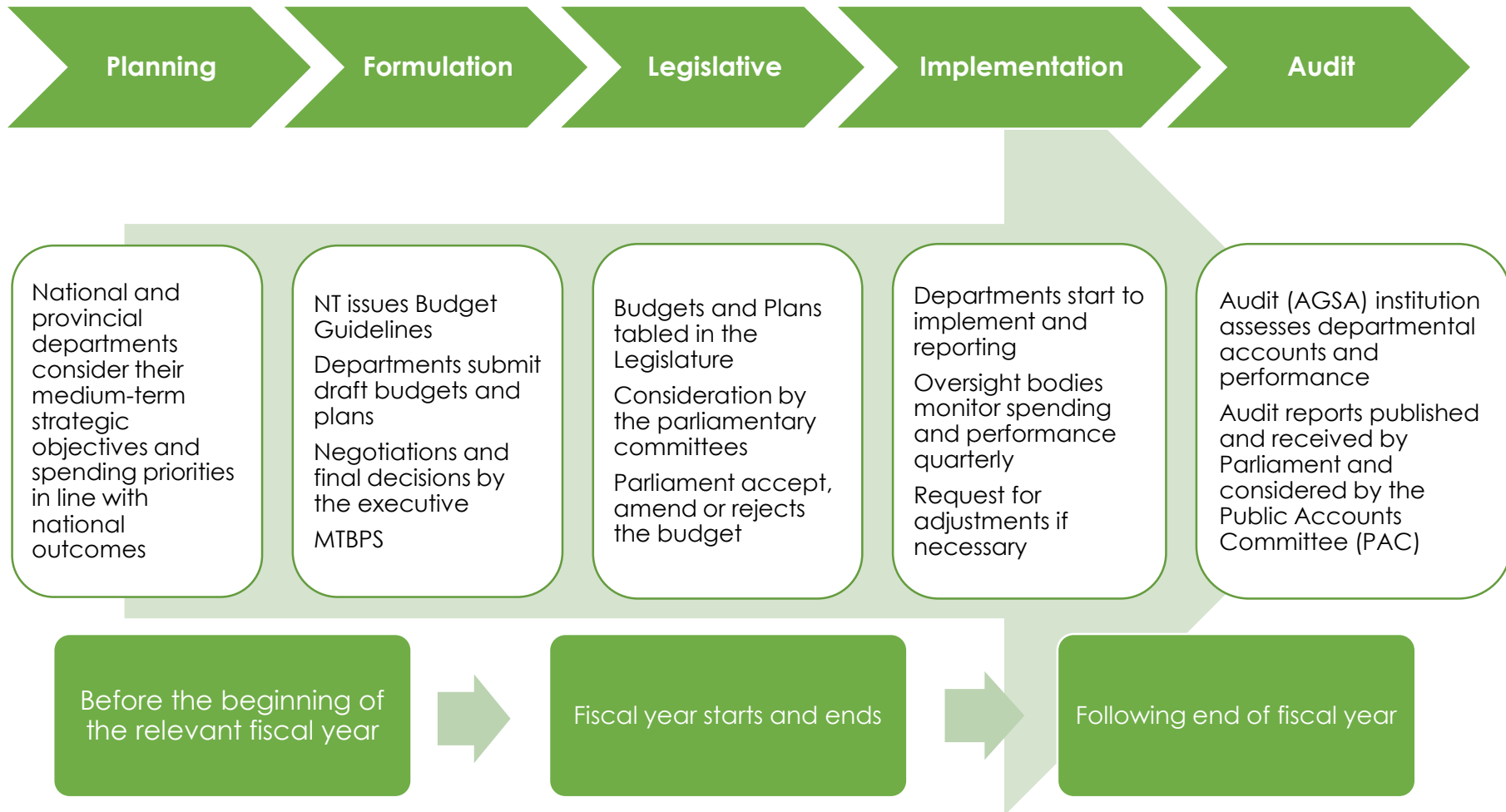
How has the budget and its process has be seen within the lenses of being a means to realise these developmental aspirations?

# Preparation of the MTEF Cycle

- April starts new budget cycle
- August tables reports for prior financial year
- Each of the stages is illustrated in the diagram:



# National Budget Process- PFMA



# Money Bills and Related Process

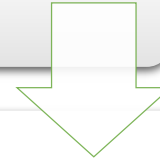
## Executive

- 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



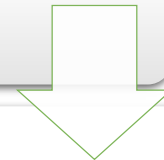
## Finance Committees (Both Parliament Houses)

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



## Appropriations Committees

- 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

# Financial and Fiscal Commission and Strategic Session – PBO Inputs

# Financial and Fiscal Commission and Strategic Session

- The FFC is established in terms of Section 220 of the Constitution of the Republic of South Africa Act No. 108 of 1996 as amended
- The Constitution pronounces, among other responsibilities, that the FFC is an independent and impartial advisory institution to Parliament, provincial legislatures, organised local government and other organs of state
- Since its establishment, it has gone through various reviews which also looked at assessing the Commission' impact
- This inputs has taken into account reviews and comments from previous reviews of the FFC
- Providing evidenced-based policy advice on Intergovernmental Financing Innovation for Moving People out of Poverty under the following sub-themes
  - Supporting Inclusive Growth: Jobs, Knowledge and Regional Development
  - Climate change and environmental sustainability: Opportunities and risks for inclusive growth and innovation
  - Institutional development for inclusive growth and innovation
- How has the FFC been able to make progress in pursuing these objectives?

# Financial and Fiscal Commission and Strategic Session

Previous reviews highlighted some key issues related to the conceptualisation of the FFC;

- The need for equitable distribution of resources lay at the root of the genesis of the FFC in the initial documentation surrounding the Constitutional negotiations
- The concept of a FFC on intergovernmental finance initial appears in early drafts of the *ANC Regional Policy*, adopted in March 1993 at a special ANC Policy Conference dedicated to the issue of regional government
- The ANC proposed then the creation, by means of a statutory act of parliament, a permanent and independent Advisory Commission on Fiscal Decentralisation

# Financial and Fiscal Commission and Strategic Session

- The principle established was that national government should take the FFC recommendations into account -
  - when determining a province's equitable share
  - when empowering provincial governments to impose taxes or service charges or guaranteeing provincial loans, and
  - in the design of a borrowing framework for provincial governments
- The 1993 Constitution immediately included local government into the mandate of the FFC by requiring its advice on -
  - equitable share allocation to local government;
  - legislation concerning local government's taxation powers (some of which were later elevated to 'original' powers); and
  - guaranteeing municipal loans
- The pre-democratic processes and conceptualizations emphasize the importance of the FFC in the budget process



## An advisor or decision maker

- FFC was conceptualised so that its powers should be limited to advice
- The justification was that it would be counterproductive to inspire the FFC with decision making powers
- How has this shaped the work of the FFC over the years?

## Role beyond Division of Revenue?

- The precise forms of the FFC's mandate have always been a matter for debate
- *One example, in 1996, the FFC drafted a document, criticizing government's macroeconomic policy, "Growth, Employment and Redistribution (GEAR)" and that it was subsequently put under pressure by the Ministry of Finance to refrain from releasing the document. This sent out a clear signal to the FFC that it should not consider macro-economic policy as part of its mandate*
- The earlier debates even today perhaps, are that the FFC should limit itself to issuing advice on the division of national revenue and taxing powers
- However, strong arguments were that the FFC is not limited to the allocation of revenue and taxing powers but should advise on the broad spectrum of issues related to the financing of public services
- How are these debates and discussion have shaped the approach and the role of the FFC?

# Financial and Fiscal Commission and Strategic Session

## Role beyond Division of Revenue?

- Consensus among previous Commissioners was that the FFC work is not just a mechanistic production of recommendations on the technical side of the division of revenue
- There is a question about developmental impact: to look at whether government expenditure produces required value? For example;
  - To look at how the money is spent
  - the FFC should also assess the efficiency of national government departments
- This further puts a spotlight in relation to who must act, respond to FFC recommendations and is it the Commission who is to enforce them

## The independence of FFC

- The independence of the FFC is seen as absolutely central to its mandate and as something that needed to be asserted more, particularly in light of the need to expand its focus from division of revenue to 'value for money'
- However, the management of the appointment procedure by the Treasury and the Presidency had in earlier years raised concerns on how this process challenges its independence
- This perspective evolved over time, and MPs have invited FFC more often for advise on fiscal issues

# Financial and Fiscal Commission and Strategic Session

## Engagement with Parliament

- Parliament required to consult the FFC in financial and fiscal matters
- Money Bills and Related Matters Act 2009 and local government legislation requires Parliament to consider the FFC's recommendations in matters related to the assignment of functions to local government in particular
- Parliament annually appropriates funding, on application by the FFC Chairperson and the FFC must present its annual report to Parliament
- Parliament' Finance and Appropriations Committees Reports on fiscal issues includes FFC recommendations
- Therefore, the legislative framework recognizes the FFC role as an advisor to Parliament budget process
- However, the question is has the impact of the advise been achieved automatically and how has the relationship evolved
  - 5<sup>th</sup> Parliament has seen debates on how should FFC be involved in the fiscal framework debate and process
  - But also the FFC sharply raises concerns about how Parliament uses its recommendation
  - as one Committee Chairperson has noted;
    - *"The FFC inputs in the budget process is treated like many other stakeholders"*

# Financial and Fiscal Commission and Strategic Session

## Engagement with Parliament

- Therefore, does it mean that the extent to which parliamentary committees draw on the work of the FFC vary and is highly dependent on the extent to which the MPs engage the FFC
- SALGA also maintain a permanent presence in Parliament and, at a minimum, share a concern with the FFC on the health and equity of subnational finances
- Therefore, the question is whether there are potential collaborative relationships with other stakeholders?

## Provincial legislatures vs Money Bills Legislation

- The FFC is constitutionally mandated to make recommendations to the provincial legislature
- Does the Constitution envisage a relationship of accountability between the FFC and the provincial legislatures? How has this been maintained in practice, given that the FFC is funded by the national government?
- How has continuous engagements with the provincial legislatures enabled the adoption of the FFC recommendations
- Some provincial legislatures are establishing their own money bills and related matters act, which also establish structures like budget office, e.g. GP, EC and recently WC conducting the study
- Does this mean legislatures requires dedicated budget process or money bills process with dedicated technical or research structures?

# Financial and Fiscal Commission and Strategic Session

## Impact of the FFC

- Before the enactment of the IGFR, the National Treasury was not required to respond to the FFC recommendations by way of showing to what extent it has taken the recommendation into account
- Post IGFR in instances where the National Treasury responded, it was largely in agreement with the FFC. How is government's responses to the FFC recommendations evolved?
- Does government respond to all recommendations by FFC?
- How has provinces and local governments influenced the allocation formulae
  - Is the debate about the need to change the formula justified
  - On 23<sup>rd</sup> November SCOA members are asking for specific recommendations
- This lead to a questions around, has the FFC had to argue their recommendations, both before you table them and afterwards, to draw attention to them and unpack how the Commission move ahead with them

# Enkosi, Ndiyabulela!

Dr Dumisani Jantjies

Director, PBO

[djantjies@parliament.gov.za](mailto:djantjies@parliament.gov.za),

4th Floor, Parliament Towers 103-107 Plein Street, Cape Town, 8000

[http://www.parliament.gov.za/live/content.php?Item\\_ID=7207](http://www.parliament.gov.za/live/content.php?Item_ID=7207)