

Parliamentary

PBO and AGSA Workshop-

Dr. Dumisani Jantjies

Director: Parliamentary Budget Office-

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Budget
Office



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

Outline

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- Background
- South African Parliamentary Budget Office
- Research and Analysis Areas
- Potential Collaborations Areas
- Conclusion

Introduction

- The Parliamentary Budget Office was established in terms of 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 Parliament's consideration and 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

Background

- The scale of capability or technical expertise or knowledge varies amongst Members of Parliament
- On the other hand, government require and possess highly skilled human capital and institutional capacity to deliver services and governance purpose
- To keep up with the legislative role of oversight, Parliament also require administrative capacity (human capital and institutions capacity)
- International experience has shown that the level of human capital and institutional capacity requirement at legislature level is largely dependent on whether Parliament is
 - Budget making legislature, or
 - **Budget amending legislature, or (also South African Context)**
 - Budget rubber stamping legislature
- Parliaments have enacted laws to ensure such capacity is in place, e.g. specialised research units or budget offices or fiscal advisory councils or audit offices
- 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 budget office has been in existence since 1936 with Belgium having the oldest structure, and Uganda having the oldest in the continent 2001

Background (cont.)

Post 2008 Global Financial Crisis (GFC):

- Fiscal challenges increased because governments had to address the economic, fiscal and socioeconomic difficulties
- Many Parliaments established Budget Offices 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 Parliamentary Budget Offices were also established on the African continent, 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

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

South African Parliamentary Budget Office

Money Bills and Related Matters Act 2009

- The establishment was 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 and fiscal policy and other policies in support of MPs to fulfil their oversight role over the Executives
- The Director is the Accounting Officer, and accountable to Parliament (both Houses) through EA
- The Director, in consultation with the Advisory Board determines the structure and conditions of service of the Office
- The transfer of funds to Parliamentary Budget Office to fulfil its mandate from Parliament's budget is in accordance to the FMPPLA
- Parliamentary Budget Office may obtain information from any organ of state or person that derives funds from the National Revenue Fund;

Strategic Outlook

The Office goal to remain a strong and independent voice within the budget process in supporting Parliament's role in fiscal oversight. To ensure four fundamentals are attained and maintained:

- Our research, analysis, reports and briefs are reported and presented in a form that is accessible or understandable by MPs
- Good 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
- 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

Strategic Outlook(cont.)

Our approach recognises 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 the Parliament oversight process:

- To shape our research and analysis to support Parliamentary processes of determining the budget efficacy
- To ensure our research and analysis projects are prepared to support fiscal oversight process that is geared towards assessing the impact of the budget (e.g. on service delivery, transformation of the economy, 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

Strategic Outlook (cont.)

National Level

Government uses Budget to address the Country's Socio Economic Developmental Needs that improve the citizens 'quality of life. This are also in line with Sustainable Developmental Goals set at United Nations. 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 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.

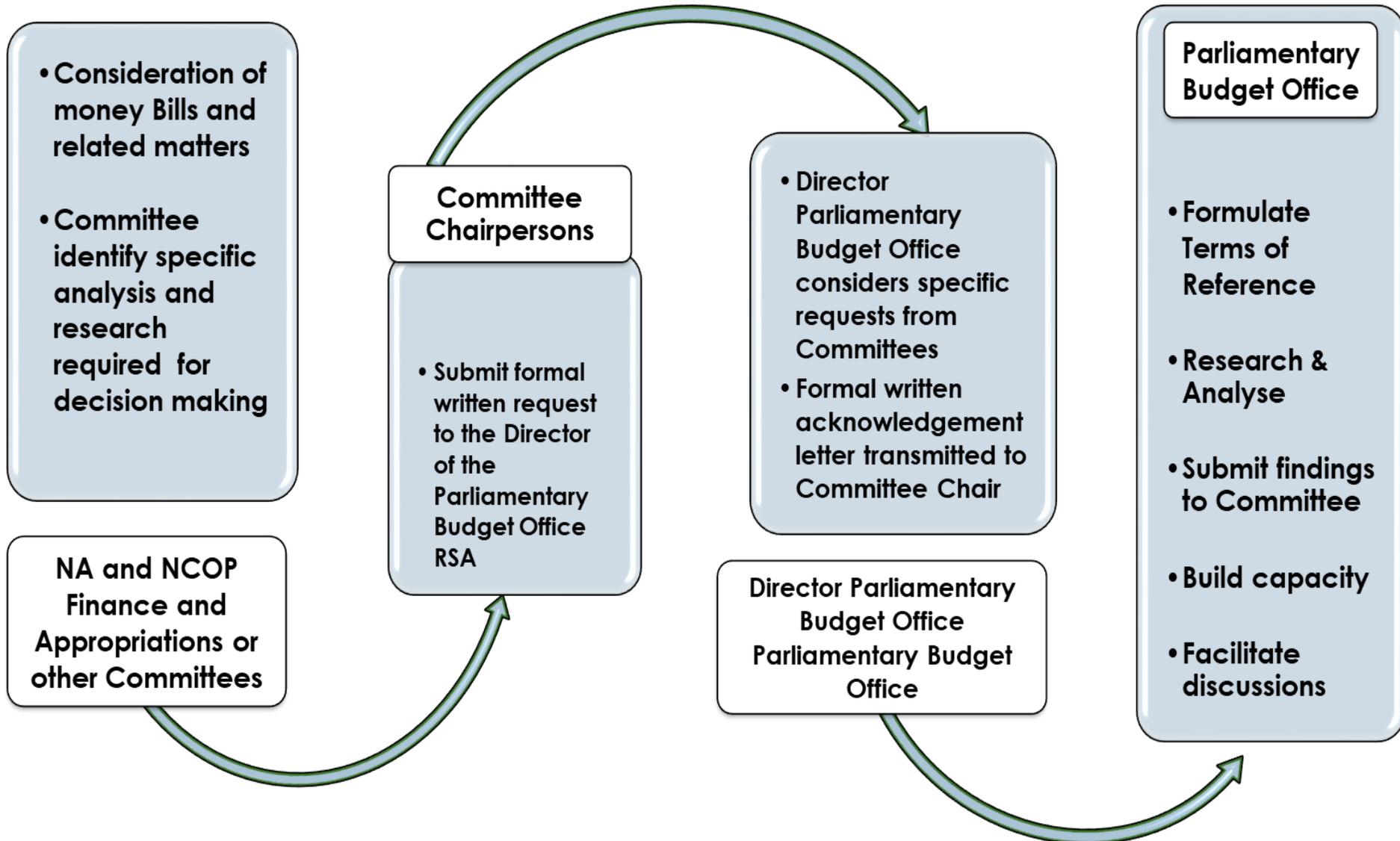


PBO role in assisting MPs to assess budget efficacy

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 Workflow Process



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 implications. 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

Research and Analysis Areas

Potential Collaborations with the Office of the Auditor General

Research and Analysis Areas for consideration

- Research and analysis areas for oversight and consideration
 - NDP/MTSF- Targets, Budget and Outcomes
 - State of South African Households and Private Sector and Investment-
 - Economic Reconstruction and Recovery Plan (and related economic development measures)
 - Basic Income Grant and Poverty
 - Local government fiscal and governance challenges
 - State Owned Entities – Financial Positions and Contingent Liabilities
 - Tax and other revenue measures – e.g. Corporate taxation reform
- The research and the analysis, amongst others, advise MPs about the socioeconomic, macroeconomic and fiscal implications
- Prepare briefs or presentations or both to Committees during their budget analysis process

Potential collaborations areas with AGSA

- National Development Plan and MTSF
- Economic Reconstruction and Recovery Program
 - Government Infrastructure and other investments
- Health and Social Development
 - Basic Income Grant and poverty
 - Health Conditional grants and NHI
- Learning and Culture
 - Financing for Higher Education and Higher Student debts
 - ECD Conditional grants
- State Owned Companies financial situation
 - Contingency liabilities and financial positions of SOEs
- Local Government Fiscal and Governance issues
 - Declining revenue base and increasing bad debts,
 - Municipality indebtedness and implication for service delivery
- District Development Model Readiness

Potential collaborations approach and considerations

- Collaboration to strengthen Parliament oversight process
- Pilot project and joined presentations to Committees
- Both Offices to identify common research or analysis areas
 - May include specific project(s)
- AGSA to add research and analysis areas in the list
- Agree on the research or analysis outcomes
 - Including medium to long term objectives
- Decide on collaboration terms of references,
 - e.g. either a once-off or annual collaborations
- Take into account respective Offices 2021/22 strategies
- Both Offices to dedicate resources for both projects and joined presentation to MPs or committees
- Further identify potential for capacity building areas for MPs and Committees

Thank you

Additional slides

PBO: Organisational Structure

