

Parliamentary

NCOP Strategic Planning
Session – 02nd March 2021

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Budget
Office



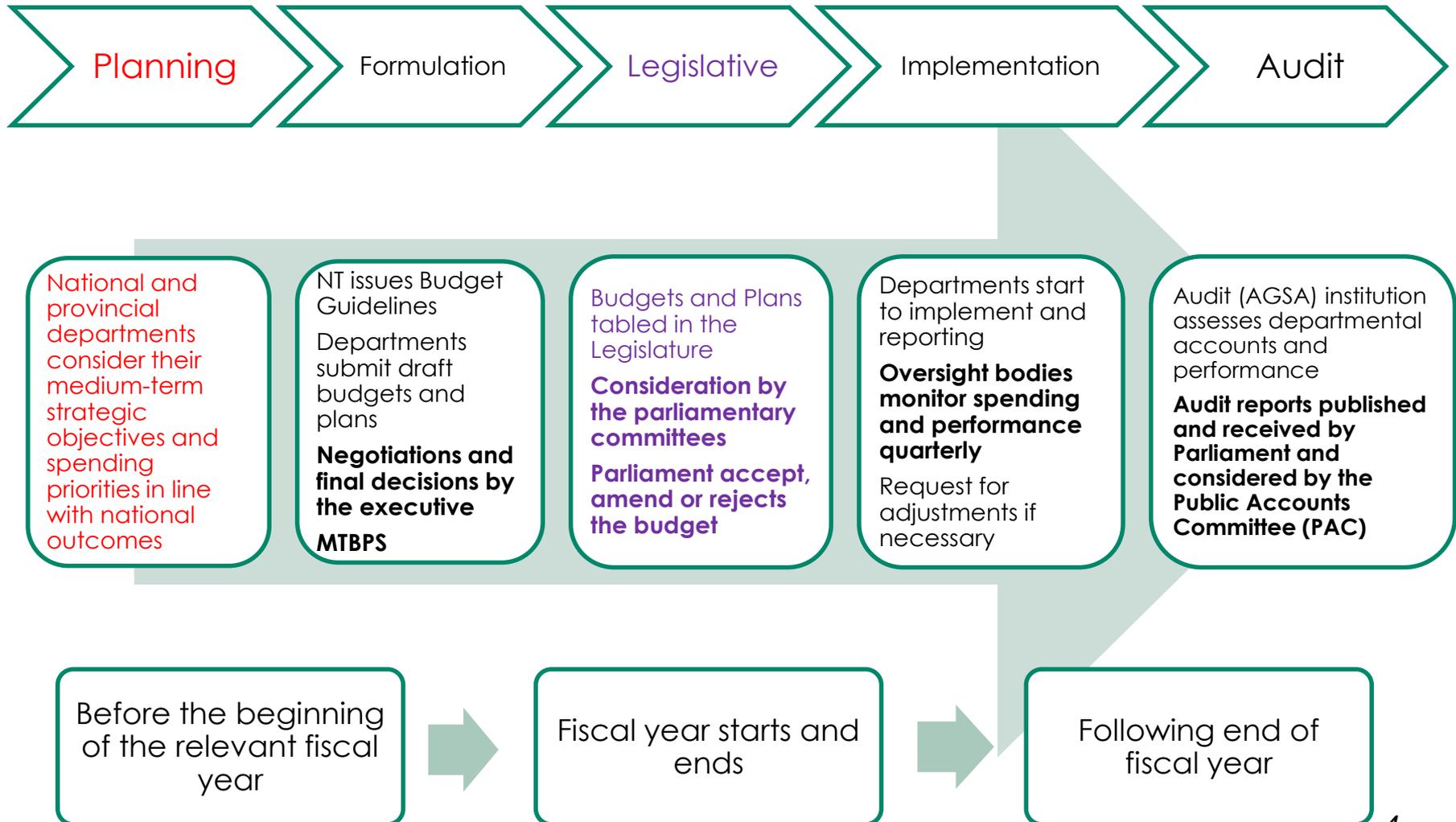
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Introduction

- The Parliamentary Budget Office (PBO) was established in terms of Section 15 of 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 Finance and Appropriations Committees on both Parliament Houses; but other Committees and MPs subject to availability of capacity
- PBO offers independent and objective advice and analysis to on money bills and other bills presented by the Executive; and any other documentation or reports with public finance implications
- PBO conduct research and analysis on behalf of Parliament Committees on matters with public finance implications

National Budget Process



Parliament Budget Process

Executive

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

Finance Committees

- Consider and hold public hearing on proposals by MoF (PBO give input)
- 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 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 Revenue Proposals

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

Money Bills Amendment Procedure and Related Matters Act 2009

- The Act came into effect in April 2009
- It gives Parliament powers to amend the budget and other money bills before it
- Each House established a **Committee on Finance** to consider and report on:
 - The national macroeconomic and fiscal policy
 - Amendments to the fiscal framework, revised fiscal framework and revenue proposals and Bills
 - Actual revenue published by the National Treasury
 - Any other related matter set out in this Act

Money Bills Amendment Procedure and Related Matters Act (cont.)

Each house established a **Committee on Appropriations** to consider and report on:

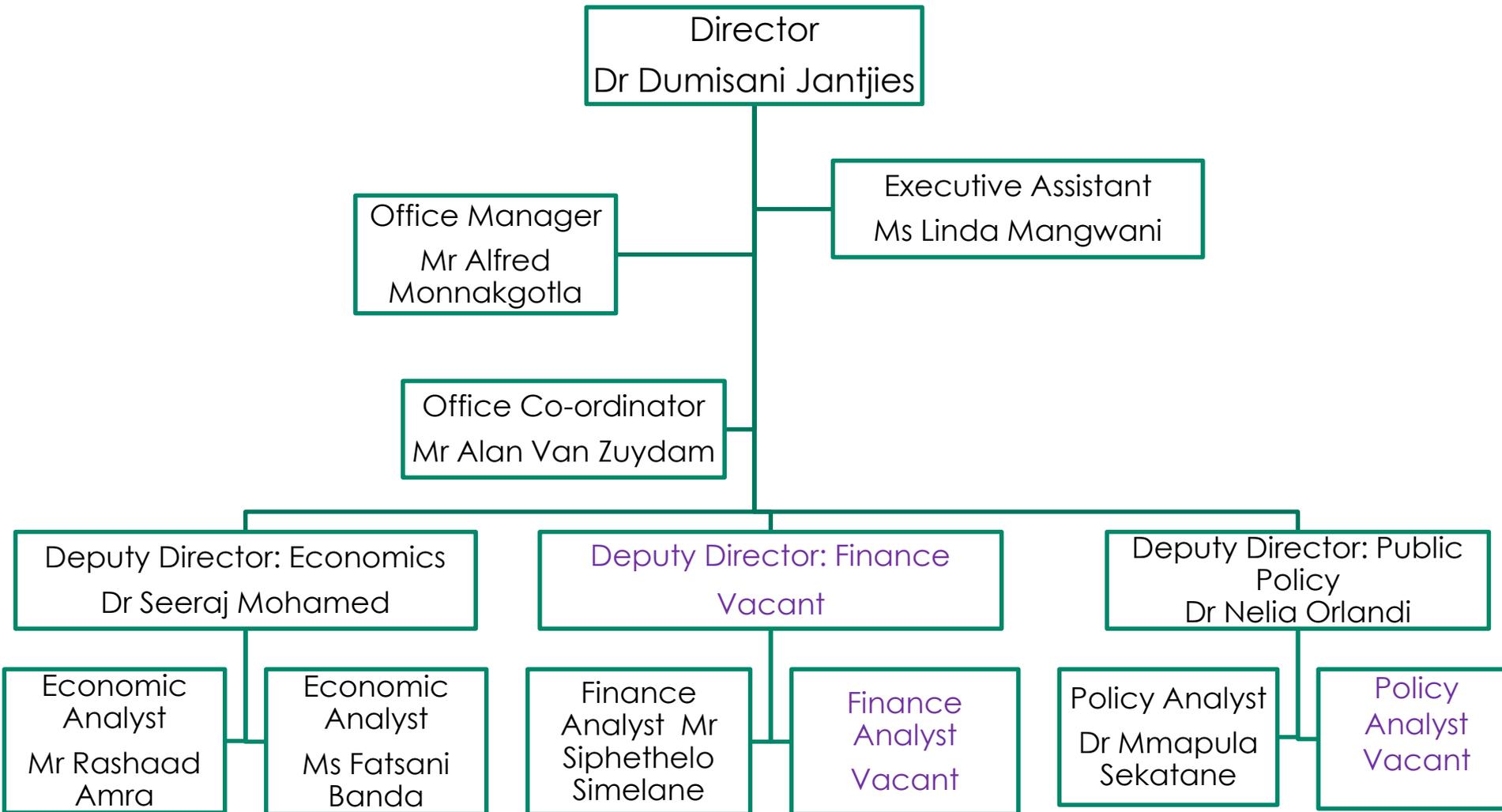
- Spending matters
- Amendments to the Division of Revenue Bill, the Appropriation Bill, Supplementary Appropriations Bills and the Adjustments Appropriations Bill
- Recommendations of the Financial and Fiscal Commission
- Reports on actual expenditure published by the National Treasury
- Any other related matter set out in this Act

The Act also establishes a Parliamentary Budget Office (PBO) to assist Members with the implementation of the Act in terms of the Parliamentary budget process

Money Bills Amendment Procedure and Related Matters Act (cont.)

- Established the PBO as a *juristic person*
- The Director is the Accounting Officer of the PBO, and accountable to Parliament
- The Director, in consultation with the Advisory Board (2 House Chairs and 4 Chairs of Finance and Appropriations Committees) determine the structure and conditions of service of the PBO
- The transfer of funds to PBO from Parliament will be in accordance to the Financial Management Act of Parliament
- The PBO may obtain information from any organ of state or person that derives funds from the National Revenue Fund

PBO Organisational Structure

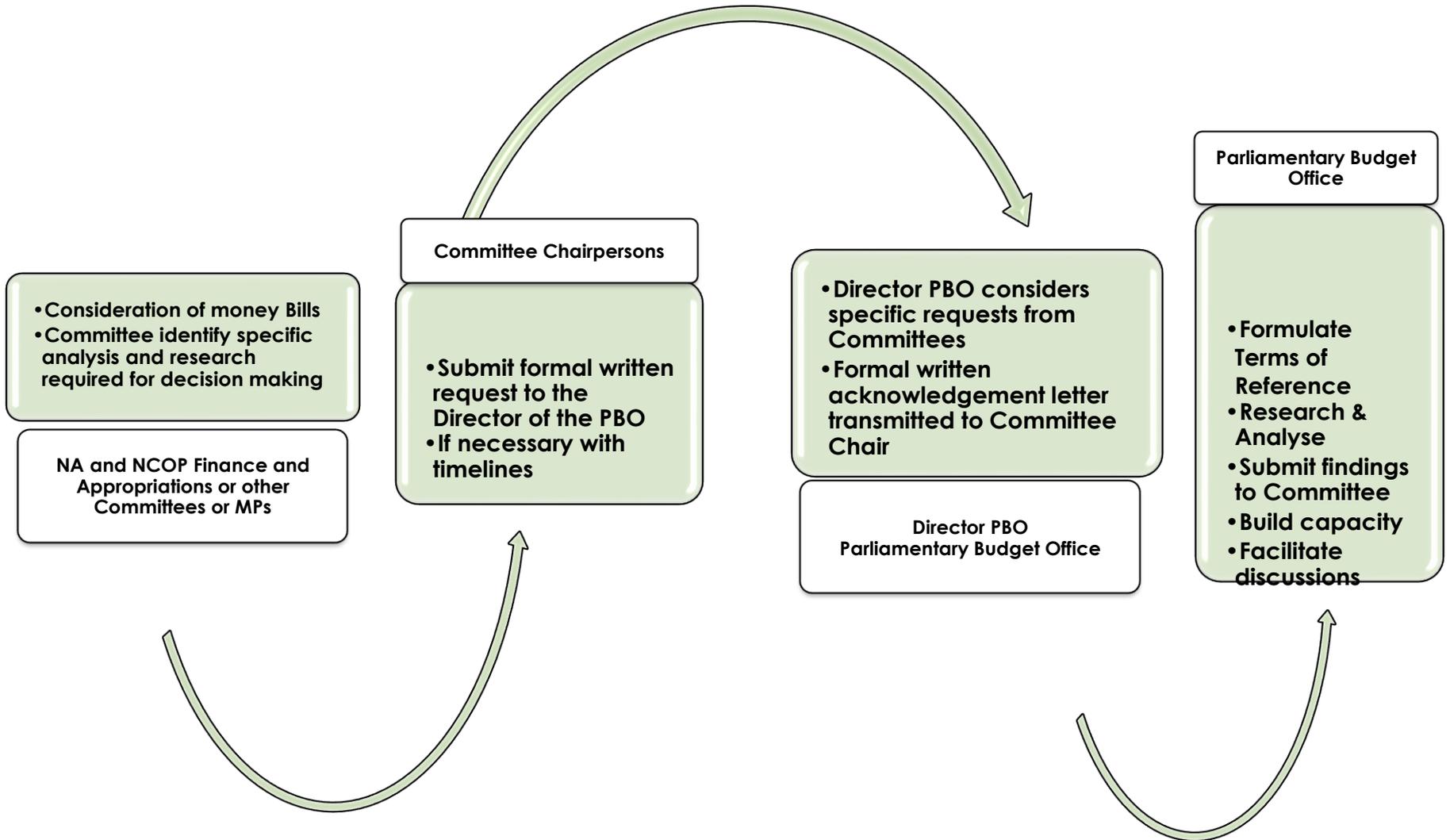


Core functions of the PBO

- Undertaking research and analysis for the 4 Committees, and other MPs
- Annually providing reviews and analysis of the documentation tabled in parliament by the executive in terms of the act
- 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

Outputs for Committees	Description of the Output
Pre-Budget and Pre-MTBPS briefs	Provides analysis to Parliament about 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 adopt or amend or reject the budget and MTBPS proposals, the PBO provides analysis on economic and fiscal issues to be taken into account;
Policy Analysis including 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 appraise 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 provides 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. E.g. Digital Economy and Tax Policy considerations, VAT Increase brief, Base Erosion and Profit Shifting Brief and etc.
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 and etc.

PBO Work Flow Process



Strategic Considerations for Research and Analysis

- Fiscal Policy: Fiscal consolidation and efficiency measures
 - The effectiveness of efficiency measures
 - Risks
 - Debt
 - Capital spending
 - Expenditure trends
- Strategic direction: NDP and SONA
 - Policy expenditure priorities
 - Shift in expenditure per function
- Government service delivery development
- Economic performance: The budget depends on the economy to generate the resources to finance expenditure
 - Forecast audits of the growth rate
- Topical from risks: Credit rating, wage bill, infrastructure spending and performance, SOEs and contingent liabilities

PBO-2021 Budget Analysis

- Budget proposal provide for spending increase for consultants than employees, 3.7 per cent vs 1.5 per cent
- Direct budgetary interventions to grow aggregate demand & drive investment, jobs & growth is not visible in the budget proposals
- Key components of government's approach are off-budget, these include structural reforms and a fund to leverage private infrastructure investment
- More unemployment, poverty and inequality have increased the risk of social and political instability
- Expansionary fiscal and monetary policy can be used in a mutually reinforcing way to boost Aggregate Demand
- Adjustment of the personal income taxation brackets by 5 per cent, will ensure that taxpayers continue to pay tax liability similar or slightly lessor than the 2020/21 financial year
- Tax increase, previously announced, amounting to R40 billion over four years has been withdrawn to support households, businesses and the economy
- Lowering the corporate income taxation rate or giving taxation relief does not always lead to increasing investment levels, but government investment in the economy has potential to crowd-in private investment
- Large and persistent increases in budget deficits – resulting in higher debt and debt-service costs – compromise the sustainability of the public finances
- Eskom guarantees, which constitutes the largest exposure at 77.2 per cent guarantees, decreased by R10.1 billion due to maturing guaranteed debt

Key Consideration for NCOP

- Mid-March 2021 PBO planning session to take into account NCOP Strategic Outcomes
- PBO to support NCOP Committees on specific research and analysis on request
- Opportunity for NCOP Committees to engage more with the PBO Research and Analysis
- PBO research and analysis data sources and working with other entities within oversight;
 - Treasury and Entities
 - Office of the Auditor General
 - Statistics South Africa
 - Department of Planning Monitoring and Evaluation
 - Department of Cooperative Governance and Traditional Affairs
 - Department of Public Enterprises (SOE)
- PBO to focus on the budget outcomes in the society and the economy, e.g. effect on households and poverty, inequality and unemployment (investment)
- Usefulness of information provide by government to ensure oversight envisage in the Constitution of the Republic

Thank you
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Money Bills or fiscal instruments	Concept Explanation
Economic Overview	Government analysis and description of the international, regional and South African economic situation at a give point in the fiscal year. The analysis is intended to provide the understanding of the assumptions and global factors (including policies) or activities that underpins the international and domestic economic performance; and further provides explanation or potential implication for the fiscus.
Macroeconomic Policy	Government economic strategy intended to provide an understand and influence the overall function of the economy. Macroeconomic objectives include, full employment, sustainable economic growth, price stability, balance of payment, fair distribution of income. Macroeconomic policies include taxes, government spending and borrowing, exchange rate determinants, and monetary and credit rules and policies.
Fiscal Policy	One of the policy instruments available for government to realise macroeconomic objectives. Government' deliberate actions to influence the economy by changing the levels of government expenditure, taxation and borrowing and debt levels.
Fiscal Framework	Shows government expression of the fiscal policy over the three year government planning cycle. Showing estimated government expenditure, revenue, borrowing, interest and debt service charges and contingency reserve;
Monetary Policy	Also one of the policy instruments available for government to realised some of the macroeconomic objectives. It entails short term stabilising measures taken by the central bank to manages the size and growth rate of the money supply in an economy.
Revenue and Tax proposal,	Government income raised using tax policy and other measures; Revenue and tax proposals forms part of fiscal policy which is also intended to realise some of the macroeconomic objectives.
Tax Expenditure 5/19/2021	Government tax deductions or allowances, and tax incentives given to corporate taxpayers to encourage investments or absorbed more labour forces and other conditions.