PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

PBO
PARLIAMENTARY
BUDGET OFFICE

PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

PARLIAMENTARY BUDGET OFFICE
ANNUAL REPORT
2022-2023
FINANCIAL YEAR

Independent Budgetary Analysis and Advise for Stronger Fiscal oversight

The Parliamentary Budget Office is a juristic entity of Parliament headed by a Director as its Accounting Officer. The Parliamentary Budget Office is established by section 15 of the Money Bills Related Matters and Procedures Act no 09. of 2009 as amended by the Money Bills Act no 13 of 2018.

The Parliamentary Budget Office is required by the Money Bills Act to provide independent, objective, and professional advice and analysis to Parliament on matters related to the budget and other money Bills. The PBO supports the implementation of the Money Bills Act by undertaking research and analysis for the Finance and Appropriations Committees located in both Houses of Parliament including ad-hoc support to other parliamentary committees.

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To obtain additional copies of this document, please contact:

Parliamentary Budget Office of Republic of South Africa

Physical & Postal Address
4th Floor Parliament Towers
103-107 Plein Street
Cape Town
Western Cape Province
South Africa
Parliament of the Republic of South Africa

Telecommunication
Tel: +27 (0)21 403 2360 or +27 (0)21 403 2911 (Parliament RSA Switchboard no)
Fax: NA
Email address: pboinfo@parliament.gov.za
Webpage: https://www.parliament.gov.za/parliamentary-budget-office

PARLIAMENTARY BUDGET OFFICE
PARLIAMENT OF THE REPUBLIC OF SOUTH AFRICA
REPORT ON THE ACTIVITIES OF THE PBO
(2022-2023)

Ms. NN Mapisa-Nqakula, Speaker of the National Assembly (NA) and Mr. AN Masondo, Chairperson of the National Council of Provinces (NCOP)

In terms of section 15(11) of the Money Bills Amendment Procedure and Related Matters Act, no 09 of 2009, as amended, the Director of the Parliamentary Budget Office is required to annually provide a report on the activities of the Parliamentary Budget Office.

I have the honour of submitting the report on the activities of the Parliamentary Budget Office, for the period of 2022-2023 financial year.

.... 23 August 2023

Dr. DJ Jantjies
Director: Parliamentary Budget Office

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Date of submission

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GLOSSARY OF TERMS

AN-PBO	African Network of Parliamentary Budget Offices
APP	Annual Performance Plan
DD	Deputy Director: Senior Analyst in the South African Parliamentary Budget Office
Director	Head and Accounting Officer of the South African Parliamentary Budget Office
FY	Financial Year
GN-PBO	Global Network of Parliamentary Budget Officers
IFI	Independent Fiscal Institution
Money Bills Act	Money Bills Amendment Procedure and Related Matters, Act no. 9 of 2009 as amended
MP(s)	Member(s) of Parliament
MTBPS	Medium Term Budget Policy Statement
NA	National Assembly
NCOP	National Council of Provinces
ODD	Organisational design and development
OECD Network for PBOs-IFIs	Organisation for Economic Cooperation & Development Network for Parliamentary Budget Officials & Independent Fiscal Institutions
Parliament	Parliament of the Republic of South Africa
PBO	Parliamentary Budget Office
QEB	Quarterly Economic Brief

FOREWORD BY

THE EXECUTIVE AUTHORITY OF PARLIAMENT

The Executive Authority of Parliament presents the 2022/23 Annual Report of the Parliamentary Budget Office as a full account of the analysis and research that the Office has conducted over the financial year.

Ms. NN Mapisa-Nqakula, MP

Mr. AN Masondo, MP

One of the priorities of the 6th Parliament is to strengthen oversight over the Executive in order to increase the responsiveness and accountability of government. Amongst other actions conducted on the part of the Office, the implementation of this priority requires the institution to conduct deeper scrutiny of executive action and so improve the research and information services provided to Members of Parliament (MPs). The central concerns set out in Parliament's strategic plan address the persisting high levels of poverty, inequality and unemployment in our country. Parliament's response is hence to pursue its established long- and medium-term strategy by monitoring the implementation of the NDP Vision 2030 more effectively and holding the Executive accountable for its implementation.

The Parliamentary Budget Office was established by the Money Bills Amendment Procedure and Related Matters Act of 2009 to provide independent, objective and professional advice to parliamentary committees on matters related to the Budget and other financial Bills. The Parliamentary Budget Office hence plays a key role in supporting Parliament through technical support in exercising oversight of public finances. The Office also provides independent economic, policy and fiscal advice to Parliamentary Committees to ensure informed recommendations when exercising oversight over Public Finances. Since its establishment in 2013, the specific contribution of the Office has been to enhance and deepen Parliament's role in promoting fiscal oversight in South Africa.

The upshot is that Members of Parliament require credible and reliable information and research to fulfil Parliament's key functions here: building an accountable and responsive government; providing a forum for rigorous debate; asking all the relevant questions; and addressing the concerns of citizens including those referring to the triple challenges of inequality, poverty and unemployment. The PBO makes research and analysis available to the Finance and Appropriations Committees in both Houses of Parliament in accordance with the requirements of the Money Bills Amendment Procedures and Related Matters Act of 2009. In addition, the PBO continues to channel its research and analysis into reporting progress on the implementation of the priorities of the country as stated in the SA government's 2019-2024 MTSF.

The Executive Authority has requested that Members of Parliament and other Parliamentary Committees make use of the Parliament Budget Office's research and analysis as part of their oversight process. The Executive Authority has also noted the challenges facing the Parliament Budget Office in delivering its mandate and fulfilling the requirement of Money Bills and Related Matters Act. In particular, the Executive Authority has requested review and consideration of Parliament budget allocation. The budget requirements of the Parliamentary Budget Office will also be taken in to account in this process.

Ms. NN Mapisa-Nqakula, MP
Speaker of the National Assembly

Mr. AN Masondo, MP
Chairperson of the National Council of Provinces

FOREWORD BY

THE ADVISORY BOARD CO-CHAIRPERSONS

The Parliamentary Budget Office Advisory Board has been constituted in line with the 2018 amendments to the Money Bills Act of 2009, providing support to the Executive Authority of Parliament in its oversight and governance of the Parliamentary Budget Office. The oversight provided by the Advisory Board then ensures that the Parliamentary Budget Office implements the Money Bills Act and that the Office receives budget transfers to fulfil its mandate.

Mr CT Frolick, MP

Mr AJ Nyambi, MP

The Advisory Board notes that the process conducted by the Parliamentary Budget Office and Parliament Administration Services remains ongoing in fulfilling the requirements of the amendments to Section 15 of the Money Bills Act. These amendments are then clarified by the Office governance and reporting framework in stipulating that the Office become independent while remaining accountable to Parliament Houses through the Executive Authority. The full implementation of the amended Money Bills Act is long overdue, requiring careful and better coordination between the Office and the Parliament Administrations Services in a complex, ongoing process to ensure that the Parliamentary Budget Office continues to fulfil its mandate with the requisite budgets and human resources capacity. This process ensures that the Parliamentary Budget Office will rebuild its organisational structure to ensure ongoing administrative and operational effectiveness. The Advisory Board has hence noted the progress made with regard to the organisational review process yet remains very concerned about the pace on this progress. The Board is looking forward to more progress being achieved in this restructuring in the year ahead.

The Parliamentary Budget Office continues to provide professionalism and due rigour in reporting on its operations and finances. Moreover, the Office has performed well in terms of meeting the performance and reporting standards required by the Money Bills Act. The Advisory Board will thus continue to monitor their performance and expect the same standard of professionalism during the organisation's realignment and restructuring.

The Office also provides technical support on public finances, including money bills and other policy matters before the Parliament that have budgetary implications. This technical support is provided in particular to the finance and appropriations committees of the National Assembly and National Council of Provinces. Moreover, the Advisory Board is happy to report that the Parliamentary Budget Office continues to fulfil its role in support of these Parliamentary Committees. Notwithstanding the ongoing organisational changes required by the amendments to the Money bills Act, the Office has been successful in continuing to provide high-level, professional technical advice.

In addition to the presentations and reports associated with the Budget - notably the Medium-Term Budget Policy Statement and Appropriations Adjustments - the Parliamentary Budget Office has also responded effectively to requests for reports and briefings from the Finance and Appropriations Committees. The Office also continues to produce useful updated information to aid oversight and produce several annual Policy Briefs on the performance of government departments, regular fiscal briefs and quarterly economic briefs. These briefs are distributed to all the Committees of Parliament and are available to the public on the Office webpage. The Advisory Board also notes the Office's responsiveness to requests for briefings by the Committee of Chairpersons and the Executive Authority, as well as from the Provincial Legislatures.

The Office continues to engage constructively with stakeholders within South Africa. Its work is also to build and strengthen its links with PBOs and other similar organisations involved in fiscal support on the African continent and globally through its involvement in the African Network of Parliamentary Budget Offices (AN-PBO) and the Global Networks of PBOs. The Advisory Board thus welcomes the election of the Director, Dr Dumisani Jantjies as the Chairperson of the AN-PBO.

The Parliamentary Budget Office has the necessary experienced and well-qualified technical staff necessary to help it achieve a high level of support for the Finance and Appropriations Committees. The Board indeed recognises that there is demand for experienced and skilled analysts from within the public and private sectors, but this demand has created problems with regard to retaining staff of the calibre required by the Office. While the Office is in a process to fill the Deputy Director Finance role during this period, the Advisory Board has encouraged the Director and the Office to redouble its efforts to fill all the posts currently vacant. It has congratulating the Office and its Director on their success in filling their analyst posts with talented, highly skilled professionals so far. Now the Board is looking forward to the further capacitation of the Office as part of the organisational review and restructuring process mentioned earlier.

The Advisory Board commends the Director, Dr Jantjies, and his team for the Office's achievements over the past year. The Board wishes the Office to build on these successes going forward, while recognising that the Office will require additional resources and professional, skilled staff to build on these achievements. The Office will also have to develop strategies and measures to retain skills in recognition that the competition for skilled professional remains high in South Africa. Our view on behalf of the Advisory Board is that the retention of these skills by the Office will enhance its long-term ability to support the oversight capacity of Parliament over the Executive.

Commenting on behalf of the Advisory Board then, we are pleased with the enormous and visible strides made by the Finance and Appropriations Committees of Parliament including other Parliamentary Committees in holding the Executive to account on public finance matters. It is our hope that the oversight capacity of Parliament will become even stronger in the 7th Parliament and beyond. Moreover, the Advisory Board recognises that the Parliamentary Budget Office continues to play a valuable role in providing technical support to Parliament.

The considered view of the Advisory Board is thus that the technical support provided by the Parliamentary Budget Office during the reporting period - and since the establishment of the Office in 2013 - has indeed supported Parliament in its legislative and oversight functions related to public finance.

Mr CT Frolick, MP
Co-Chairperson PBO Advisory Board

Mr AJ Nyambi, MP
Co-Chairperson PBO Advisory Board

STATEMENT OF THE ACCOUNTING OFFICER

I am pleased to present the 2022/23 Annual Report on the activities of the Parliamentary Budget Office, as outlined and amended in the Money Bills Amendment Procedures and Related Matters Act of 2009.

The role of the Parliamentary Budget Office is to support MPs with research and analysis in order to inform their oversight. I was appointed by Parliament as the Office Director in December 2020 in accordance with the Money Bills and Related Matters Act of 2009. The Office provide independent economic and fiscal advice to Members of Parliament that enriches and supports informed recommendations in their oversight function as the Executive.

Dr. DJ Jantjies

1. Office Service Delivery - Overview

The Parliamentary Budget Office has scaled its research and analysis in the domain of economics, finance and policy support to Parliament within a changing working environment, be that in the virtual or hybrid model. This approach has led to several operational challenges for the Office. In response to the health crisis and declining developmental indicators, we have now settled in our new working environment and continue to make every effort to provide the best possible research and analysis to Parliament and its committees as per the Money Bills Act.

The PBO team has worked tirelessly to meet and exceed the ambitious targets of the Office's 2022/23 performance targets. Despite our changing working environment, the Office has continued to serve Members of Parliament with integrity and professionalism through the provision of independent, credible and objective financial and economic research & analysis on a timely basis. We have continued to look for better ways to become more efficient and effective in delivering our value proposition, which includes identifying collaborative opportunities with other similar entities.

I continue to view the role of the Director to ensure that the PBO remains a strong and independent voice in the budget process in support of Parliament's role of fiscal oversight. The goal in particular is to ensure that four fundamental objectives are achieved:

- that all our major research, analysis, reports and briefs for MPs are written and presented in a manner that is both accessible and comprehensible;
- ensuring a good balance between responding to requests from committees and MPs for research & analysis and other projects initiated within the PBO;
- ensuring that the PBO utilizes a fair, clear, transparent and practical workflow and analysis methodology to guide its work; and
- ensuring that the Office continues to be highly respected, particularly by the MPs and the Executive, while remaining independent and objective.

We have taken these fundamentals as a guide for providing research and analysis in support of Parliament oversight over the Executive through the past financial year. Some of the key research and analysis work include the following as outlined below.

1.1 2023 Budget Analysis

Here the purpose of our budget analysis was to provide the context of government service delivery for sharing the Budget 2023 with members of Parliament within different spheres of government (national, provincial and local).

National sphere of government: Social protection

South Africans are experiencing a heightened cost-of-living crisis. A large proportion of the South African population is subject to debilitating poverty and unemployment, regarding which institutional support remains inadequate. According to the Stats SA General Household Survey, the percentage of households that had limited access to food increased from 17.8 per cent in 2019 to 20.9 per cent in 2021. The percentage of persons with more limited access to food then increased from 19.5 per cent in 2019 to 23.8 per cent in 2021. Meanwhile, vulnerability to poverty in South Africa is gendered, racial and geographic. In 2022, President Cyril Ramaphosa highlighted that "African women are the face of poverty". According to Stats SA, the profile of a subjectively-poor household in South Africa in 2021 is typically one which includes the following characteristics:

- headed by a black African female who is younger than 35;
- resides in a rural area that is located in a rural-based province and has lower levels of education;
- in these households, it is more likely that all economically active individuals (age 15 years and above) are unemployed, while on the income distribution these households are located in the lower quintiles.

The extensions to the COVID-19 SRD grant have provided a lifeline to millions of South Africans. As of December 2022, the Department of Social Development (DSD) had spent 48.2 per cent of the 2022 Budget. The new eligibility criteria for qualifying for the grant have led to the exclusion of millions of needy people who fall below the upper-bound poverty line. In the 2022 MTBPS, DSD declared a total R1.8 billion of unspent funds and projected underspending. A further R3.7 billion was shifted away from DSD, while more than R9 billion of the estimated expenditure was not spent in 2022/23.

We have shown in our analysis that the average Household Food Basket falls below the minimum wage (R4 917,40,44 a month). Moreover, an average of one waged worker in a household of 4.4 individuals within that household falls below the upper-bound poverty line (R1, 335).

We made committee members aware that grants have had a significant impact on poverty and hunger in South Africa. A study by Bhorat and Kohler (2021) on the fiscal incidence of the COVID-19 SRD grant suggests that the grant reduced poverty by 5.3% amongst the poorest households. In 2020, household income inequality remained at 1.3-6.3% depending on the measure. Hence, although it doesn't reach the food poverty line (R663.00), the SRD grant has made a significant impact on household consumption.

Justice and Protection Services

We cautioned MPs of the worrying increases in crime reported in the crime statistics. On average, crime increased by 9.55 per cent (year-on-year) between December 2021 and December 2022. In 2022/23, the biggest increases within the crime category were incidents of attempted murder (24.3%), shoplifting (23.3%) and common robbery (21.2%). Police Minister Bheki Cele had previously expressed concern about the high levels of gender-based violence in the country. Budget 2023 has thus proposed an increase in the police budget of R7.8 billion to make provision for 5,000 additional police trainees annually over the next 3 years. However, the 2023 Budget proposals have stayed silent on funding to implement the National Strategic Plan on GBVF (NSP on GBVF).

Provincial sphere of government: Education

Socio-economic indicators remain a significant determinant of educational attainment in South Africa. Children from poorer households are more likely to stay at home with parents or guardians than to attend Earlier Child Development (ECD) centres. According to Stats SA, the number of children aged 0-4 years' old who have attended Grade R and preschool fell from 36.8 per cent in 2019 to 28.5 per cent in 2021.

The quality of education thus remains a significant challenge. New data published by Oxford University Press on early grade reading in South Africa reports that fewer than 50 per cent of Grade 1 children had learnt the letters of the alphabet by the end of Grade 1. Furthermore, a Progress in International Reading Literacy Study (PIRLS) estimates that the number of Grade 4 children who cannot read for meaning is predicted to increase from 78 per cent pre-pandemic (2016) to an estimated 82 per cent in 2021 (final results to be published in May 2023).

Massive gains have been made in the number of people accessing basic education since 1994. Stats SA data shows that the percentage of individuals aged 5 years and older who attended schools but did not pay tuition fees significantly increased from 0.4 per cent in 2001 to 70.2 per cent in 2022. Although the percentage of individuals attending non-fee-paying schools has increased, socioeconomic background remains a significant determinant of educational attainment. According to Stats SA, the percentage of individuals aged 18-24 who were still attending secondary school in 2021 was higher for households in poorer income groups than for households in higher income groups. Today, approximately 22.5 per cent of females and 15.5 per cent of males between the ages of 7-18 state that they do not attend an educational institution because they cannot afford the fees. The youths aged 18-24 coming from the highest income households were then more likely to attend university than those from lower quintile groups.

Although educational attainment levels have increased, they remain low and unequal. On the positive side, the percentage of individuals aged 20 years and older who have attained at least Grade 12 in their schooling has increased from 30.5 per cent in 2002 to 50.5 per cent in 2021. The percentage of individuals without any schooling then decreased from 11.4 per cent to 3.2 per over the same period. Moreover, by 2021 the percentage of individuals with some post-school education increased to 14.6 per cent from its level of 9.2 per cent in 2002.

However, Stats SA concludes that "[e]ven though most students are black African, the education participation rate of this population group remained proportionally low in comparison with the Indian/Asian and white population groups". The problem is that school attainment levels have a direct impact on employment. Of the 7.8 million unemployed in Q4 2022, 40.1 per cent of these individuals had education levels below matric. Only 34.4 per cent then held a matric, while 10.6 per cent were graduates and 21 per cent had other tertiary qualifications.

Provincial sphere of government: Health

The public healthcare system remains overstretched and underfunded. According to the South African Nursing Council, the current nurse-to-patient ratio is 1:218 patients in comparison to the ideal ratio of 1:16. In March 2022, Health Minister Joe Phaahla revealed that there were 10,831 vacancies in state hospitals, citing budget cuts as a significant challenge. The Minister also highlighted that in 2019 the doctor-to-patient ratio was 0.79 doctors per 1000 patients.

According to StatsSA data, in 2020 South Africa's average Life Expectancy (LE) at birth was 65.5 years, to be compared with the MTSF target of at least 70 years by 2030. South Africa's Infant Mortality Rate (IMR) was 24.1 in 2021 compared to 22.1 per 1,000 in 2019, while the infant mortality rate increased from 23.6 deaths per 1,000 live births in 2020. The under-5 mortality rate (U5MR) was then estimated to be 30.8 deaths per 1,000 live births in 2021, while the country's U5MR was 28.5 per 1,000 in 2019. This is an improvement from 34.1 deaths per 1,000 live births in 2020. The MTSF target is now to reduce the IMR to less than 20 deaths per 1,000 live births by 2024 and decrease the under-5 mortality rate to less than 25 deaths per 1,000 live births by 2024.

Primary Health Care (PHC) has also deteriorated. The preliminary outcome for the number of public health facilities that qualified as 'ideal clinics' of 1,928 in 2021/22 was lower than the 2,035 clinics that achieved an ideal clinic status in 2019/20. Primary health care is thought to be the foundation of a health care system, while the failure to provide quality and accessible primary health has long-term ramifications, including significant fiscal consequences.

Local sphere of government

Local government (LG) plays a critical role as a first line of interaction between citizens and government. The current business model for LGs is actually untenable for most LGs because it depends upon an inadequate of funding, entailing that inadequate levels of free basic services are supplied at a poor level. Frustration with service delivery is often cited as a crucial reason for the high number of service-delivery protests in South Africa. According to Municipal IQ[5], service delivery protests have returned to pre-Covid-19 levels, prompting 193 recorded protests to take place nationwide in 2022. Municipal IQ now forecasts regular service-delivery protests to continue in 2023 owing to raised levels of frustration caused by load-shedding.

The 2022 report of the Non-Financial Census of Municipalities (NFCS) then shows that fewer consumer units received free basic services in 2019 than 2018. In 2019, a million fewer people received free basic water, while 645,866 fewer received free sewerage and sanitation, and 132 303 fewer citizens received free electricity. In the light of these figures, we are concerned that there has been a decline in the percentages of households receiving free basic services.

The upshot is that the millions of households eligible for free services will not receive them due to the registration system of indigent households being dysfunctional, and entailing that millions of households will be forced to choose between feeding their children and paying for municipal services. According to research by the Public Affairs Research Institute, LGs have been unable to fulfil conflicting objectives of financial viability through self-financing and service delivery. Their efficacy and financial viability have also suffered due to these conflicting goals.

In our analysis then, we have shown a significant difference between the number of households funded for free basic services and the number of households that actually receive these services. In doing so, we have also shown the total value difference in funding.

Access to basic services should also be considered in terms of availability and affordability. It is estimated that as many as 80 per cent of South Africans cannot afford services like electricity and water. According to the South African Reserve Bank, municipal service costs experienced an enormous increase from 2010 to 2020:

- Rates and taxes increased by 118 per cent
- Electricity tariffs increased by 177 per cent
- Water tariffs increased by 213 per cent

The free utilities available to households are insufficient to meet basic needs. An average household needs around 200 kWh of electricity, where the free quota is 50 kWh. Hence, the 10 Kl of free water is only around two-thirds of what is required.

Poor service delivery then has a disproportional impact on different households (along racial, gendered and geographic lines) because it is predicated upon a set of distributive relations across different social groups. COVID-19 has then highlighted the centrality of (social) reproduction and the gendered nature of household duties such as cooking, cleaning, water and fuel collection, child-care and care of the elderly. In undertaking vital household duties, so many women and girls are doing unpaid work but this is not recognised in Gross Domestic Product (GDP) calculations. The reality is that insufficient and poor-quality basic services leave women and girls from poorer backgrounds spending more and more time on these duties.

The social wage and actual access to services

The National Development Plan 2030 aims to eliminate poverty and reduce inequality by 2030. According to the NDP:

- "Part of our approach to social protection is through a social wage, which includes no-fee schools, free basic services and subsidised public transport" (p. 43)
- "To promote sustainable livelihoods, it is important that individuals or families, irrespective of income, can access services" (p. 31)
- One of SA's nine primary challenges is "public services are uneven and often of poor quality" and adds that "Citizens have the right to expect government to deliver certain basic services" (p. 15, Exec. Summary)

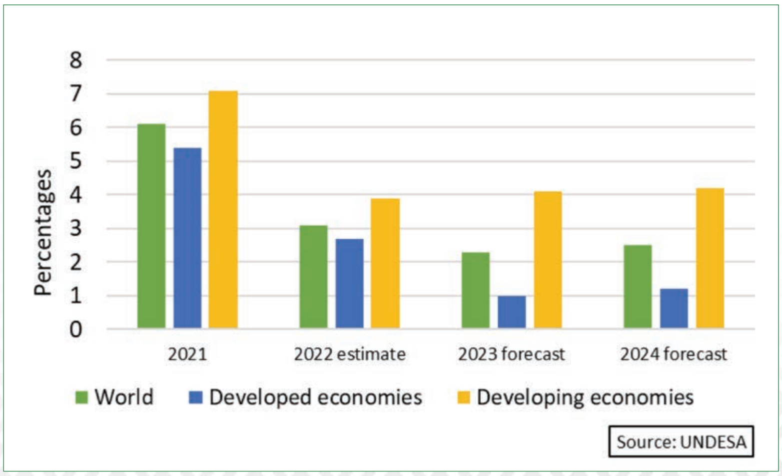
The 2023 Budget claims that even though it follows a fiscal consolidation framework, the social wage continues to be protected. In fact, it reports that 51 per cent of the Budget over the MTEF will be on the social wage. However, for some years in South Africa the level of spending on the social wage seems to have been quite inadequate across the entire country, including in the 2023 Budget, because unemployment poverty and inequality have increased since the NDP was published. Here, continued backlogs and "uneven and poor quality" of services remain primary challenges. The problem has not been "incrementalism" in budgets as claimed by the National Treasury, but that over many years' budget provisions have been insufficient for local governments to operate properly.

Government's efforts to improve access to services fail because they do not provide ample free services and most households cannot afford them. Even with increased electrification, the majority of households have had much more to worry about than just load shedding. Households have been forced to choose between buying food and paying for water and electricity. For a significant number of households, service non-payment is due to poverty and not an unwillingness to pay. Local governments are forced to increase utility costs, even though they are aware that households cannot afford services because their business model depends on raising tariffs and not increasing levels of free services. The principal sources of local government revenue are property rates, taxes and services, such as electricity and water. These revenues are meant to fund nearly three-quarters of all operating expenditure requirements, which means that tariffs have to be increased in line with them.

Global Economic Outlook

The global economy is experiencing many difficulties as countries attempt to rebuild and recover from the Covid-19 pandemic. Geopolitical conflicts, including the conflict in Sudan and the ongoing war in Ukraine, have further increased the economic impact of global climate change and continued to raise interest rates, reflecting the slow recovery over the rest of 2023 and promised to continue for 2024. The financial sector seems to have returned to business as usual after the collapse of a few US banks and the need for the Swiss Government to broker a takeover of Credit Suisse Bank earlier this year. Nonetheless, there has been much unease over the major negative consequences traditionally associated with interest rate hikes.

In developed countries, many financial, real estate and industrial businesses borrowed heavily during the period of quantitative easing (QE) when interest rates were very low. Concerns exist that the fallout of higher interest rates across businesses has yet to occur. The global business media has thus been speculating about the next 'shoe to drop' in terms of strained economic sectors and the potential dangers to banks. In turn, they have been pointing to risks of higher interest rates in the US$5.6 trillion commercial real estate markets in the USA (Financial Times, 23 March 2023). Meanwhile, there is a



possibility that the slow post-pandemic recovery of developed countries may falter if financial conditions become increasingly volatile.

Many developing countries, including countries in Africa, were recipients of increased capital flows from developed countries during the period of quantitative easing. Quantitative easing in developed countries has led to increased liquidity in their financial sector, with some financial institutions exploring developing countries for higher short-term returns on some of their funds. In too many cases, however, increased capital flows into developing countries did not support economic activity outside of their financial sectors. In fact, the absorption of increased capital inflows into developing countries has caused their exchange rates to appreciate and increase inflation. Moreover, the stronger currencies have suppressed exports from many countries.

The response of the central banks of many developing countries to higher inflation has been to keep interest rates high. The recent rise in inflation and the end of quantitative easing have led to the central banks in developing countries acting to increase their interest rates. These interest rate increases have aimed not only at fighting inflation but at keeping up with the rate increases in developed countries. Overall, the impact of QE and the monetary policy choices of developing countries have suppressed development and growth in developing countries over the past decade.

The economies of many developing countries during the COVID-19 pandemic has involved private companies increasing debt significantly. Yet their public sectors have also increased expenditure and debt in response to the pandemic. In all, since quantitative easing ended in developed countries the potential damage to developing countries of the rising interest rates is not yet clear.

The adoption of fiscal consolidation over the past decade has also acted as a damper on economic growth in many developing countries. The possible intensification of fiscal consolidation by developing countries in response to the higher debt levels that incurred during the pandemic will likely present an obstacle to development and growth. In general, fiscal consolidation over the past decade has been negative in terms of delivering services and extending social security to poor households in the developing world. It is also associated with increased inequality, while the impact of rising interest rates and fiscal consolidation has caused a slower recovery in employment levels in much of the post-pandemic developing world.

Certainly, developed countries have experienced some rebound in employment, although they have not yet fully returned to pre-pandemic levels. While unemployment levels have decreased compared to the peak of the pandemic and the pace of recovery has been faster than during previous crises, estimated global unemployment levels are still slightly lower than before the pandemic.

South African economic situation: Gross domestic product

% change q/q	Agriculture	Mining	Manufacturing	Utilities*	Construction	Trade	Logistics**	Business services***	Government	Personal services	GDP
2020 Q3	1.5	45.5	35.5	12.6	14.8	26.0	13.1	6.2	0.3	4.6	**13.7**
2020 Q4	8.1	-1.3	5.5	0,5	2.0	1.3	4.6	2.9	0.2	1.4	**2.7**
2021 Q1	5.0	4.1	0.1	-0.8	0.3	0.8	-2.5	0.6	0.1	1.0	**0.6**
2021 Q2	10.1	2.0	-1.3	0.6	-1.3	3.3	6.6	-0.9	-0.5	2.5	**1.3**
2021 Q3	-25.8	-1.2	3.7	0,3	-1.1	-4.6	-1.5	0.8	0.3	0.2	**-1.9**
2021 Q4	15.3	-3.2	1.9	-3.1	-2.7	4.0	2.6	-0.5	-0.2	2.6	**1.4**
2022 Q1	0.9	-2.6	4.3	2.5	-0.6	2.9	.1.3	1.9	1.3	0.2	**1.5**
2022 Q2	-11.8	-3.1	5.6	-1.4	-2.6	-1.1	2.7	2.1	-1.5	0.3	**-0.8**
2022 Q3	31.4	1.9	1.6	-2.6	4.1	1.2	3.4	1.1	0.4	-1.0	**1.8**
2022 Q4	2.4	-3.0	-1.2	-2.0	0.4	-2.2	0.9	-1.6	-0.7	-0.1	**-1.1**
2023 Q1	-12.3	0.9	1.5	-1.0	1.1	0.7	1.1	0.6	0.2	0.8	**0.4**

Source:StatsSA

*Utilities includes electricity, gas and water

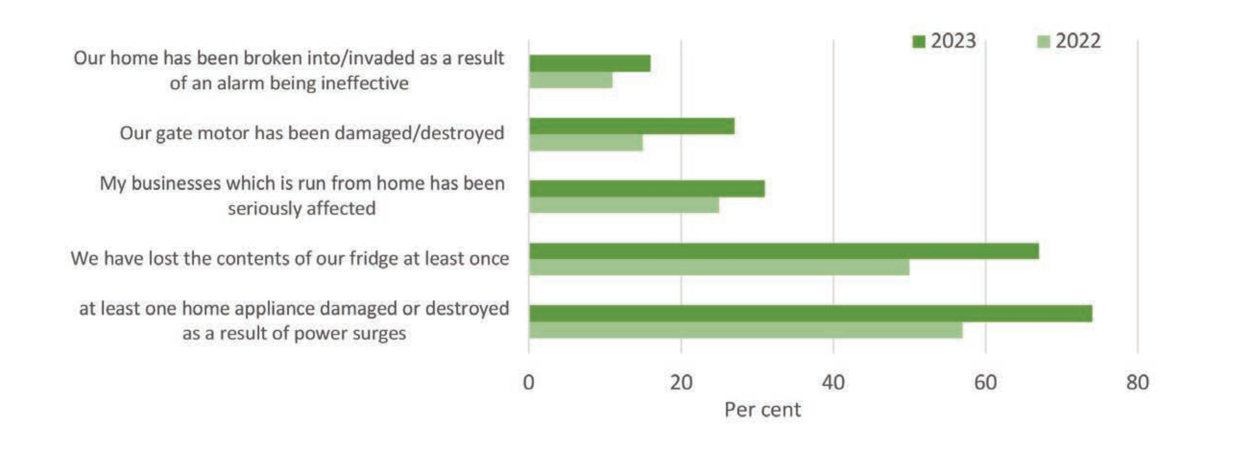
**Logistics includes transport, storage and communication

***Business services includes finance, real estate and business services

The South African economy avoided a technical recession in the first quarter of 2023 despite a further worsening in the power constraint. With a cumulative 5,751 gigawatt-hours (GWh) shed in the first quarter of 2023, load-shedding was significantly more intense than the 3,934 GWh shed in the fourth quarter of 2022. Gross domestic product (GDP) then increased by 0.4 per cent on a quarter-on-quarter seasonally adjusted (qqsa) basis in the first quarter, following a 1.1 per cent contraction in the previous quarter.

Eight of the ten economic sectors recorded positive growth rates in the first quarter, with manufacturing, finance, real estate and business services making the biggest contribution to growth. The positive performance of manufacturing and mining may suggest that these energy-intensive sectors are building resilience to operate under the current conditions of intense power cuts. However, sustaining operations through alternative energy provision comes at excessive costs and will likely have a negative effect on the profitability of these economic sectors.

In contrast, the value added by the agricultural sector decreased by 12.3 per cent, weighing most of the first quarter GDP. The combination of flooding in parts of the country in early 2023, the struggles with irrigation and the experience of poultry farmers amid more intense load-shedding, as well as foot and mouth disease hampering cattle-slaughtering activity, may help to explain this significant decline.



The impact of load-shedding on the South African economy

Load-shedding continues to have negative ramifications for South Africa's economy. In a contractionary macroeconomic (fiscal and monetary) environment, the impact of load-shedding wil be more pronounced. According to the May 2023 Financial Stability Review of the South African Reserve Bank (SARB), load-shedding is "expected to detract two percentage points from overall growth this year (assuming 280 days of load-shedding at varying stages, but predominantly at stage 4)".

Load-shedding has caused widespread disruptions to productivity, business closures and job losses. The impacts of load-shedding on business, particularly small, micro and medium enterprises (SMMEs), have been widely documented. In recent remarks, the Electricity Minister Kgosientsho Ramokgopa stated that "In 2022, we lost more than 650 000 jobs as a result of load-shedding. The projection, at the current rate of load-shedding, is that SA might lose 850 000 plus jobs". In a context of high unemployment, poverty and inequality, load-shedding continues to exacerbate the already dire macroeconomic conditions.

According to the SARB, load-shedding may increase headline inflation by 0.5 per cent in 2023. They attribute the inflationary impact to the high operational costs driven by powering of diesel generators. The SARB states that these costs are passed on to customers. Increasing inflation remains a concern given the protracted cost of living crisis that South African citizens have endured. In addition, the SARB suggests that high levels of load-shedding have led to higher rates of wastage and spoiling, particularly throughout food value chains, which might result in shortages of certain items. Although it is unknown how likely this phenomenon will be, the prospect should still cause alarm.

Households are also bearing the brunt of load-shedding. In 2022, Mamatlwe Sebei the President of labour union Giwusa's stated that "Stage 6 load-shedding means that in addition to load reduction programmes, black working-class communities are forced to stretch the incomes already burdened by intolerable levels of inflation, to survive another week under load-shedding. This occurs in households that are already struggling to meet their daily needs, where savings are a luxury and every source of income is essential". These households have had to resort to firewood to cook, pointing to a crisis of social reproduction that working-class households are facing, particularly women who disproportionately bear the burden of care work. A 2022 report by the University of Johannesburg (UJ) Centre for Sociological Research and Practice (CSRP) titled "Energy Racism: South Africa's electricity crisis in Black working-class communities" showed that load reduction disproportionately affects impoverished black areas. Load-shedding exacerbates these conditions.

Load-shedding has also had ripple effects on safety, appliance durability, wastage and spoilage for households and home-based businesses. A small study (300 people sample) by TrendER/infoQuest in 2023, shows increases in the negative impacts to households. While this study has a small sample, it gives insight into some of the issues facing households. The figure below summarises their findings.

For the majority, sustainable alternatives are still not attainable. The SARB states that "[t]here is growing evidence to suggest that households and firms are investing in alternative energy sources to mitigate the effects of more severe load-shedding, although at the expense of other priorities". However, there is a significant inequality gap between those who can afford these alternatives and those who cannot. The Budget 2023 proposed R13 billion in tax relief, of which 69 per cent of the proposed tax relief is from renewable energy incentives. Studies then show that clean energy subsidies disproportionately go to higher-income and wealthier people. The bottom 50 per cent of the South African population has negative wealth, which the National Treasury acknowledged in its response to the public hearings. Similarly, those businesses with greater access to capital will be more likely to take greater advantage of the solar panel tax incentives than small and micro businesses.

Load-shedding hence continues to be a significant threat to South Africa's socioeconomic system. As well as resolving the issues that Eskom faces, concerted efforts to mitigate the impacts of load-shedding remain more urgent than before as load-shedding continues to rage on at higher levels and for longer periods.

The fiscal policy framework: A primary budget surplus but at what cost?

The 2023 Budget has maintained the government's long-standing fiscal consolidation stance through reducing government consumption spending. It seeks a primary fiscal surplus that the government is unlikely to achieve in the current fiscal year and over the MTEF. According to the NT, this "critical policy stance" to stabilise debt will improve market sentiment. In reality, however, it merely hurts the real economy, eroding the state's capacity to deliver services and risks higher debt which means fewer resources for teachers, doctors, nurses and policing services to serve a growing population. In all, the risks to the credibility of the fiscal policy framework listed by the NT far outweigh the potentially dangerous and destructive socioeconomic risk of not adequately investing in society.

The PBO analysis has shown that total real per capita expenditure of the government has declined over the medium term. Only expenditure on economic development and community development has increased marginally in real terms. In 2016/17, total real expenditure per capita was R23,116, but by 2025/26 this will decline to R22,747.

Total real per capita expenditure on health has declined in the medium term. Expenditure has declined after the increases during 2020/21 and 2021/22. In 2016/17, total real expenditure per capita was R3 133, but in 2025/26 it was estimated to be R3 151. The estimated decline over the MTEF means that the government will on average be spending less per person R243 (8 per cent) in 2025/26 than it spent in 2019/20. In terms of households' buying power, the real declines are likely to be even larger given that medical price inflation is higher than consumer price inflation (CPI). The government's real disinvestments in health might have long-term socio-economic and fiscal implications for the state and society.

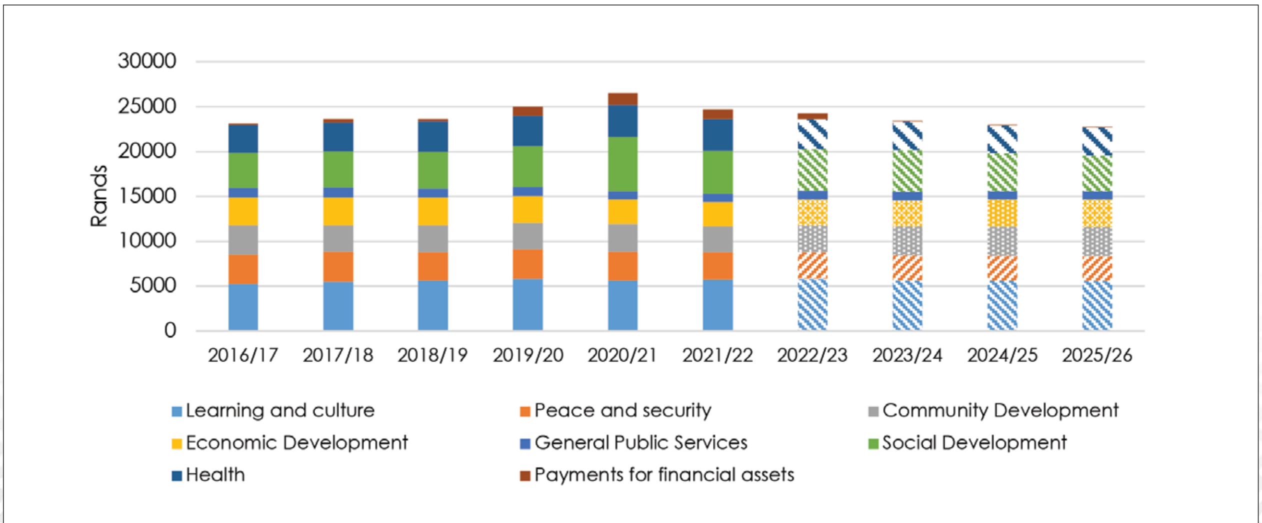
Pressures on government finances: State Owned Enterprises (SOEs)

Budget 2023 shows that the contingent liabilities have increased above R1 trillion in 2019/20 and are set to decline to R904.1 billion in 2025/26. The total amount of approved guarantees to public institutions is expected to decrease by R81.4 billion to R478.5 billion by 31 March 2023, whilst the total exposure is expected to increase by about R800 million to R396.1 billion. Moreover, the Eskom guarantee is projected to decline by R118.9 billion by the end of 2025/26 and its exposure has actually increased as the utility has drawn down on its guarantees entailing that Eskom now accounts for 85.3 per cent of total exposure.

Furthermore, many state-owned companies remain unable to fund their operations and debt obligations adequately and are even less able to optimally invest in infrastructure. There is much frustration and concern about corruption, inefficiency, large debts and contingent liabilities, and bailouts of state-owned enterprises (SOEs). Poor performance and the inefficiencies of SOEs have real economic implications for the quality of life for businesses and households alike. According to the 2023 budget the two largest SOEs were the following:

- Eskom remains reliant on continued state support to operate and meet its financial commitments
- Transnet, port and rail infrastructure requires large-scale investment due to historical underinvestment

As listed under Schedule 2 of the Public Finance Management Act (1999), major public entities are required to operate as sustainable profit-generating businesses that borrow on the



strength of their balance sheets. The National Treasury is then concerned that this debt and corresponding bailouts of SOEs both pose a substantial risk to the fiscal framework. The Treasury is hence in the process of developing a new framework for managing bailouts to SOEs to reduce fiscal risks and promote long-overdue reforms.

Moreover, these developments raise important questions in the light of concerns about the negative implications of an austerity mind-set on broader socio-economic outcomes:

- Should the term 'credible' be applied to a fiscal policy framework that may be biased toward achieving a surplus and debt reduction in the short-term, even if that fiscal framework means that the government does not provide enough resources for key SOEs to avoid large-scale economic damage in the short-term and affect their long-term viability?
- The experience of Eskom raises the questions of whether, several years ago, larger targeted and conditional financial support from the government to Eskom could have prevented prolonged load-shedding and the need for relief of todays' significant public and private debt.
- Should the PFMA requirement that Schedule 2 public entities operate as sustainable profit-generating businesses borrowing on the strength of their balance sheets then be reconsidered, given the state of key SOEs and socio-economic costs of their poor performance and high levels of debt?

Does the National Treasury have the specialised expertise to assess the unique, detailed operations of different SOEs to fulfil the important tasks of providing detailed requirements for SOEs to improve business efficiencies and finances?

1.2 Update on Government Underspending Analysis

In September 2022, Parliament raised concerns about underspending of the government budget. During this meeting, which involved briefing the Committee about the fourth quarter expenditure report for the 2021/22 financial year, the National Treasury identified underspending across all government departments and state-owned entities. The actual expenditure by national departments at the end of the financial year was R1 011.4 billion from the projected expenditure of R1 026.3 billion, equating to underspending of R14.9 billion or 1.5 per cent compared to the overall budget. The Parliamentary Committee stated that "apart from denying the citizens critical service delivery, underspending undermines the Economic Reconstruction and Recovery Plan, localisation and job creation".

We provided a summary of findings from the Office analysis of trends in government underspending between 2011/12 and 2020/21. These briefs analyses of the official data of public finance and related information on government spending were able to provide MPs with an evidence and the extent of the underspending of government budgets.

The annual budget is a key policy tool used by government to implement strategies, policies and programmes. Generally, adherence to planned budgets is an important indicator of the overall ability of the government to deliver on the programmes as per commitments. Over the years, government underspending of the budget has been highlighted as a weakness in government expenditure, although the extent of underspending by government is understudied in South African context. In its fourth quarter expenditure report for the 2021/22 financial year, the National Treasury identified underspending across all national government departments. The actual expenditure at the end of that financial year by departments was R1 011.4 billion on aggregate from the budgeted expenditure of R1 026.3 billion, entailing that R14.9 billion or 1.5 per cent was under expenditure compared to budget. Although the overall total underspending was within an acceptable 2 per cent, some departments continued to underspend by more than this nominal threshold.

These briefs provide an analysis of government spending in order to explore and understand spending trends in the Departments of Health and Social development. It also explores the reasons for the underspending as the first of a series of briefs examining concerns about underspending.

So far, our analysis has shown that in terms of expenditure outcomes against adjusted budgets between 2011/12 and 2020/21, underspending has on aggregate been recorded every year except in 2019/20. In fact, underspending by departments was 2.3 per cent in in 2011/12 and 2.0 per cent in 2020/21. All other years were below the 2 per cent thresholds. Overall, total government underspending has been below 2 per cent for all the years under consideration.

Our analysis has further shown that underspending in current payments was above 2 per cent in 2011/12 (2.8%), 2012/13 (2.5%) and 2020/21 (3.5%). Current payment underspending was largely driven by Goods and Services, where there has been underspending over the past 10 years.

While underspending on Transfers and Subsidies has not exceeded 2 per cent, underspending was more than 10 per cent in Payment for Capital Assets in the last three years covered by the analysis (2018/19 to 2020/21). Finally, underspending in Payment for Capital Assets was largely driven by underspending in Buildings and Other Fixed Structures and Machinery and Equipment.

Key issues for further considerations for oversight purposes by Parliament:

- The phenomenon of underspending in government budgets is not unique to South Africa, as the literature shows that other countries also struggle with budget underspending. The literature further shows that weaknesses in budget-planning and execution processes & procedures are a critical contributor to underspending the government budget.

- Complex procurement processes (e.g. issues relating to non-compliance with SCM policy & regulations and inadequate monitoring & evaluation of SCM) have been cited by many government entities as reasons for underspending. Promoting procurement best practices of supply chain management system should be prioritized within government departments and entities.

- Delays in the payment of supplier's invoices or claims by government departments and entities are one of the major reasons for underspending in government. It is therefore worth highlighting that delays in invoice payment are in breach on Treasury Regulation, which states that "Unless determined otherwise in a contract or other agreement, all payments due to creditors must be settled within 30 days from receipt of an invoice or, in the case of civil claims, the date of settlement or court judgement".

- Vacancies in critical posts in government departments and entities have contributed to delays in spending budgets. Compensation of employees' expenditure is linked to government service delivery, entailing that failure to fill critical posts has direct impact in the government's ability to use the budget to delivery much required government services. For instance, it would be difficult to complete a project without having appointed a project manager to run and oversee the project implementation.

- Interdepartmental systemic issues need to be addressed which drive inefficiencies in Interdepartmental projects, particularly within infrastructure,

- Failing to comply to conditions grants leads to underspending of conditional grants and funds being returned back to the national department. Therefore, it is important always to link the conditional grants budget to specific service-delivery goals.

- Inadequate needs assessment and project planning, along with ineffective monitoring of project milestones and contractors/ implementing agents, have all led to underspending budget in government departments and entities.

Our analysis has raised the important issue of whether in the face of the problem of showing significant levels of underspending, should we not be raising more questions about budget adequacy, quality of expenditure and performance outcomes? These questions become particularly pertinent in the light of the government's decisions with regard to reducing the growth of spending.

1.3 Effectiveness of Government - Progress on the implementation of the 2019-2024 MTSF

Our assessment of the progress of the 2019-2024 MTSF implementation plans used the 2022 Departmental annual performance plans (APPs) and, in some instances, the quarterly performance reports for 2021/22. This assessment has focused on five 2019-2024 MTSF priorities: 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; and Priority 6: Social cohesion and safe communities.

The assumption is that if performance indicators are included in departmental APPs, then they should be automatically linked to a budget program and therefore funded, monitored and audited through the standard government performance management system. The following challenges have been identified in line with the implementation of the 2019-2024 MTSF:

- Slow progress on annual targets already set and towards targets set for 2024.

- Performance indicators to measure performance of the 2019-2024 MTSF are not presented in departmental APPs:
  - As a consequence, oversight bodies cannot determine the progress made on the priorities if regular reports are not available;
  - If priority indicators are not reflected in APPs, then government funds may be allocated to non-priority outputs;
  - If the MTSF indicators are not reflected in the APPs, then they will not be audited either.

- Some departments have also introduced several new indicators in the MTSF which do not contain historic information.

- Reporting on specific indicators is not in line with the targets set.

- Departments have concluded that "reports have been produced on specific targets":
  - These reports are submitted to Cabinet but are not published or made available to the public and oversight bodies.

- Several departments are responsible for reporting on interventions that contribute to the same outcome,
- This may result in duplication.
- Departments have indicated that they've made progress with specific outcomes such as unity in diversity, job creation and in the ease of doing business in South Africa:

▶ This progress is not visible in the current macro-economic indicators measured on a quarterly basis;

▶ It is acknowledged that the performance of specific interventions will not be visible in macro-economic indicators, but it should improve the quality of living and access to services such as the eradication of the bucket system.

▶ One of the main concerns within the safety sector is the continuous increase in crime rates reported by the SAPS, despite the progress being made on interventions identified as priorities for the sector.

▶ In many instances, the failure of Departments to include the 2019-2024 MTSF priorities in their APPs are visible in the environment, such as:

- The failure to report on municipal capacity (adequate resources and infrastructure) for implementing climate change programs to deal with disasters.

▶ The interventions required to implement the priorities over the MTSF are in many instances funded by transfers to other spheres of government or institutions:

- The transferring department should then be expected to coordinate and ensure the consolidation of the outputs for credible reporting;
- Conditional grants are in many instances allocated to fund government priorities where close monitoring of this source of funding is required.

▶ The transfer of funds to implement government priorities should not just play a role in ensuring government effectiveness but should also contribute to the efficiency of government spending.

1.4 Tongaat-Hulett Financial Situation Briefing

Tongaat-Hulett is a major regional sugar producer with operations in Zimbabwe, Botswana, Mozambique and South Africa. It has more than 25 000 employees and purchases the outputs of more than 10 000 cane growers. About 43 per cent of sugar cane is sourced from black farmers and black-owned land. It is among South Africa's largest sugar producers supplying roughly one-third of the sugar in the country. It is an important player in the Province, particularly, northern KwaZulu-Natal and in the sugar production and distribution value chains.

Tongaat-Hulett's current financial problems seem to be a culmination of several events over the past few years. An investigation by audit firm PWC found that the company under a previous leadership team inflated its profits as well as misstated certain assets in its financial statements between March 2015 and September 2018. The company was forced to restate previous financial results, including for the six months to the end of September 2018. That restatement resulted in reported total assets decreasing by about R12 billion. As a result, the company was shown to be highly overleveraged with a debt stockpile to the value of R6.6 billion.

The company's revenue and cash flow situation was further negatively affected by the negative economic impact of Covid-19, the floods in KwaZulu-Natal and the fallout of the July 2021 protests. The challenge for Tongaat-Hulett is that it requires approximately R1.7 billion to ensure that it has adequate working capital to continue operations during the current sugar milling season and maintain equipment to undertake the next season. Upon realisation that its debt levels were well in excess of what could be serviced, the company's board approved a restructuring plan, which includes disposing of its non-SA operations, securing investment for its SA business, introducing a five-year debt instrument that would be repaid through land disposals, as well as continuing to recoup money related to its accounting scandal. Tongaat-Hulett's lenders rejected the proposed restructuring plan.

The company managed to secure a short-term R600 million borrowing base facility from its existing South African lenders. However, without alternative funding solutions to support its restructuring plans, the company's board resolved that it should move into a legal business rescue process. The board appointed Metis Strategic Advisors as the business rescue practitioners who are tasked with the responsibility of facilitating the rehabilitation of the financially distressed company to proactively protect suppliers, jobs, creditors and other stakeholders. Its non-South African operations are still operating and are not included in the business rescue.

Since the appointment of the business rescue practitioners, Tongaat has managed to secure an additional R300 million in debt and has paid most growers for cane delivered in September 2022. Furthermore, the representative body SA Canegrowers and the business rescue practitioners have managed to agree on payment terms for sugar that was delivered in October 2022. As part of the agreement, larger growers will receive staggered payments while smaller ones will be paid in full. SA Canegrowers has also agreed to waive claims for interest due on delayed funds owed to the cane growers. Growers have resumed deliveries to the mills in Felixton, Maidstone, and Amatikulu, enabling Tongaat to resume operations at its mills and refinery and to once again generate cash flow.

Pressure to secure funding to finance working capital

Despite this positive development, the company remains under pressure to secure the funding needed for operational purposes as well as to complete the off-crop maintenance that is required to operate its mills in the next milling season. Failure to secure these funds poses a risk that Tongaat would not emerge from business rescue, which would again plunge the industry into crisis. The Durban Chamber of Commerce and Industry has cautioned that "if Tongaat's business rescue failed

- The Government Sugar Master Plan could be derailed,
- South Africa could experience an influx of imports leading to an estimated 700 000 jobs being lost,
- All these challenges will make the local market less competitive".

The impact of this failure and the associated job losses would ripple through the sugar value chain and the KZN economy, particularly northern KZN.

Request to extend business rescue process (publishing business plan in January 2023)

On 8 November 2022, the business rescue practitioners indicated that they requested the lenders to allow about a two-month extension for publishing their business plan, seeking to deliver it by the end of January 2023, while also indicating that talks on further post-commencement financing continued. A response from lenders, which includes most of SA's major banks, was expected by Friday (11 November 2022).

IDC and other dev finance supporting the business rescue process

In a separate process, the Industrial Development Corporation (IDC) together with its development finance partners are currently engaging the business rescue practitioners on the possibility of injecting working capital to ensure that the business can complete the current sugar milling season. The IDC also seeks to engage Tongaat on its current business restructuring to contribute towards the sustainability of the business. The outcomes of these engagements will only be known once the business rescue process has been finalised.

Tongaat-Hulett has an existing asset base and is part of an existing value chain that seems worth saving, particularly to protect thousands of livelihoods in KZN. The Parliamentary Budget Office is of the view that the government through the IDC and its DFI partners are making an effort to ensure the survival of the company. The IDC and its partners are in discussion with Tongaat-Hulett and the business rescue practitioners to explore opportunities out of the immediate difficulties and to identify options for the longer-term survival of the company. We are of the opinion that the IDC and DFIs should be supported to play a larger role in driving the recovery of Tongaat-Hulett because the state is more likely to have a longer-term perspective with regard to livelihoods in KZN and the future of the sugar industry (as proposed in the Sugar Masterplan). Against this backdrop, we would recommend that the Committee allow the business rescue process to be finalised to assess whether or not any further government intervention will be required in this regard. The PBO will continue to monitor developments and update the Committee as the need arises.

1.5 Analysis of a proposals for the establishment of a Parliamentary Committee to oversee Vote 1: The Presidency

This brief was a response to the request on the part of the Subcommittee on the Review of the National Assembly Rules for advice regarding the oversight over Vote 1: Precedency. In line with the request, a member of the National Assembly Rules has proposed that a parliamentary committee be established to oversee Vote 1: The Presidency. The Subcommittee on the Review of the National Assembly Rules has then requested that the Parliamentary Budget Office(PBO) identify whether or not aspects of Vote 1 are being correctly overseen by existing structures, and if such gaps currently exist, how then could they be closed.

In preparing this brief, the Parliamentary Budget Office has relied upon previous research and analysis conducted for the 2019—2024 Medium Term Strategic Framework (MTSF) and budget programmes, as well as revisiting 2021 research and analysis on the progress made in implementing the Economic Reconstruction and Recovery Plan (ERRP). The Office has also looked at existing literature as well as published annual audits and reports from both the Presidency and the Office of the Auditor General of South Africa.

Given the pressing nature of the Subcommittee on the Review of the National Assembly Rules 's request, the Office has asked for more time and resources to conduct comprehensive research and analysis. This brief may thus be treated as an initial draft, being that more work will be required to complete the request.

The Office was particularly interested in reviewing the extent of the role of the Vote 1: Presidency in overseeing service delivery in its entirety for the Executive, while assessing how economic development measures and processes are linked with the national budget and determining how this process can be interfaced with Parliament's existing model of oversight. Different to other jurisdictions, the Presidency's coordination of government service delivery and other functions of economic development remains at the forefront of governance in terms of leading with key policy provisions. In this vein, the PBO will continue to identify lessons from other valuable international experience when providing legislative oversight over the somewhat unique role retained by the office of the Presidency.

Leader of government business

As prescribed by section 91(4) of the Constitution of the Republic of South Africa, the President appoints the Deputy President as the Leader of Government Business. The office of Leader of Government Business is then responsible for:

- The affairs of the National Executive in Parliament
- Programming the parliamentary business initiated by the National Executive within the time allocated for those matters
- Ensuring that Cabinet members attend to their parliamentary responsibilities
- Performing all the other functions provided for by the Joint Rules, or by a resolution of the National Assembly, or by the National Council of Provinces, or by resolutions adopted in both Houses.

In line with these duties, the Leader of Government Business has undertaken the following tasks:

- Monitoring the implementation of the legislative programme
- Introducing measures to monitor and improve the quality of legislation

According to the legal framework, it is clear that the Budget of the Vote 1: The Presidency is not excluded from any of the applicable regulatory and legislative prescripts currently in existence. It is therefore reasonable to expect that the oversight processes applied to the Vote 1 programme be similar to those of other Votes forming part of the entire budgetary framework.

The function of the National Assembly is to oversee the responsibilities of committees which, amongst others, includes oversight of the departmental budget votes. The specific expectation of the committees is to use the Money Bills and Related Matters Act of 2009 to assess the use of budgets granted by various votes to realise service delivery and economic development aspirations.

The drawback to the current make-up of the Parliament Committees system is that parliament lacks a specific committee to provide performance oversight to the service delivery commitments constituting Vote 1: The Presidency. In terms of the functions of the Presidency(Vote 1 and other Votes within the functions), the office is currently a collection of various government functions (votes), including the Ministry for Women, the Ministry for Youth and Persons with Disabilities, the Ministry responsible for the Department of Planning, and for Monitoring and Evaluation (DPME), Statistics South Africa (Stats-SA) and the Government Communication and Information System (GCIS) with its entities, as well as providing the Chairperson of the National Planning Commission (NPC) and the Ministry of State Security. In accordance with the above, all the ministries that include Vote 1 have appointed an Accounting Officer to support their Executive Authority. According to the National Assembly Committees, all the ministries under the function of the office Presidency have now been allocated an oversight committee with the exception of Vote 1.

With regard to the Executive and Presidency then, the Zondo Commission of Inquiry into State Capture (the Zondo Commission) has made recommendations to Parliament to consider applying measures strengthening oversight of government. It is thus crucial to acknowledge that Parliament has already established an oversight mechanism over other ministries in the Presidency function, with the exception of Vote 1 relating specifically to the support or coordination of government activities by the President in realising, amongst others, the outcomes of the Medium-term Strategic Framework.

The Presidency 2022 MTEF Spending priorities

The Presidency (Vote 1) has received a total budget allocation of R614 million in the 2022/23 financial year. This amount is made up of 85.9 per cent allocated towards the Administration Function. In terms of its economic classification, the Presidency is estimated to spend 62.1 per cent of the total budget on the compensation of employees. Over the 2022 MTEF period, the activities of the Presidency will focus on leading and supporting the following:

- Implementation of South Africa's economic reconstruction and recovery plan
- Coordination of the National Coronavirus Command Council
- Operationalisation of the e-Cabinet system.

Leading South Africa's reconstruction and economic recovery

According to the Presidency's key objective, creating employment and retaining jobs are both paramount to rebuilding and growing South Africa's economy. To advance the government's efforts in this regard, the Presidency will support other government departments in developing programmes with a particular focus on providing young people with management, mentoring and business skills, as well as access to market and network opportunities. To this end, a key focus over the medium term will be on coordinating and facilitating the implementation of the second phase of the Presidential Employment Initiative. This work will be carried out through the Support Services to the President sub-programme in the Administration programme. The spending in the sub-programme will be comprised of an estimated 15.3 per cent (R243.7 million) of the Administration programme's budget over the medium term.

Coordinating the government's response to the COVID-19 pandemic

The National Coronavirus Command Council has been at the centre of decision-making in the government's efforts to curb the spread of COVID-19 and limit the impact of the pandemic upon South Africa. Over the medium term, the Presidency will continue to ensure the coordination of the government's efforts to curb the spread of the virus. In addition, the Presidency will support the Deputy President as the Chairperson of the COVID-19 Inter-ministerial Committee. This is committee facilitating the roll-out of government's vaccination programme to ensure that South Africa's emphasis on saving lives is fully realized and that any challenges encountered during the implementation of this vision are suitably addressed. This work will be funded through allocations of R243.7 million over the MTEF period through the Support Services to the President sub-programme, and with an allocation of a further R179.4 million to the Support Services to the Deputy-President sub-programme, both of which are in the Administration programme.

Operationalizing the e-Cabinet system

The Presidency plans to continue implementation of the e-Cabinet system, which is a collaborative platform for members of the Executive, heads of departments and Executive Support staff to share, manage and store information securely. According to the Presidency, this platform is intended to ensure greater coordination between national departments. Over the medium term, the Presidency will ensure that the system is in full use, which will be achieved by ensuring that training is provided to all users, including the executives and limited support staff in managing, capturing and distributing classified information for the overall optimal functioning of Cabinet and its committees. An allocation of R83.9 million has been provided over the MTEF period for the software licensing, training, security and maintenance of the system in the Cabinet Services sub-programme of the Executive Support programme.

Looking at these three strategic areas, it is clear that the Presidency can and does play an important role in leading and coordinating the function of the State. It is also evident that over the medium term, a budget has been allocated within the Vote 1 to these strategic objective. The Parliament oversight process does require the President and the Deputy President to attend Questions and Answers Sessions in both Houses of Parliament. It is in these quarterly sessions that Members of Parliament(MPs) are able to pose questions to the President and Deputy President on the Commitments made in various policy provisions.

It is unclear, however, whether or not the current oversight mechanisms outlined above can provide a real opportunity for the MPs to pursue regular requested oversight with regard to the specific performance and financial management commitments made in the Vote1: The Presidency. The experience of other Budget Votes is that the Accounting Officers are required to produce specific performance and financial reports on regular bases for accountability purposes. According to the reports of the Office of the Auditor General of South Africa (AGSA) then, in other budget votes the Presidency's Accounting Officer did produce regular reports on the performance and financial activities of the Presidency. The question is thus whether -not having an Oversight Committee on the Presidency denies Parliament access to these reports and prevents MPs engaging with the Presidency' Accounting Officer. Alternatively, it could be determined whether or not other oversight mechanisms can be used by Parliament to receive such regular briefings, or to account for specific performance and finance activities in the Presidency Vote.

The allocation of the budget to these three strategic priorities in the Presidency - leading South Africa's economic reconstruction and recovery; coordinating the government's response to the COVID-19 pandemic; and operationalising the e-Cabinet system - may then set expectations that the Accounting Office will report on the further use of these funds, to the extent that the budget would have been appropriated through an Appropriations Act of Parliament.

Monitoring of the Vote1 performance and spending priorities

According to the Presidency performance indicators set out in the Annual Performance Plan, to fulfil its mandate the main function of the office of the Presidency is to produce a series of agreed reports. For example, under Priority 2 of the 2019-2024 Medium Strategic Framework (MTSF), the Presidency establishes as its performance indicator

"(a) number of economic reconstruction and recovery plan reports on the implementation of the country's socioeconomic transformation programme per year."

The progress made on those outputs required to make an impact on the 2019-2024 MTSF priorities then requires some form of Parliamentary "oversight and interrogation on these reports". There is concern here that these progress reports are not published and therefore unavailable from the Leader of Government Business in the name of monitoring the implementation of the legislative programmes of the Presidency. The subsequent question is whether or not a specific oversight mechanism should be made available, requiring the Presidency or its Accounting Officer to submit these progress report to Parliament, or else invite the Accounting Office to provide specific reporting or briefings to Parliament on such progress.

Parliamentary Budget Office prior analysis and reviews

To take one example, the Parliamentary Budget Office has received requests on several occasions from the Finance and Appropriations Committees to provide briefings on the progress with the implementation of the Economic Reconstruction and Recovery Plan (ERRP). However, such requests are almost impossible to fulfil without the Parliamentary Budget Office having access to the progress reports produced by the Presidency. This discrepancy is due to the structure, content and the transversal nature of the ERRP.

In its May 2021 briefing, the Parliamentary Budget Office was requested by the Select Committee on Finance to provide an update on the progress made on ERRP. As shown in the brief, the nature of this request highlighted that some aspects of the ERRP fall outside the parameters of the PFMA. The unfortunate consequence of having commissions or committees appointed outside the PFMA process, while still being required to provide support or coordinate, is that the ERRP has limited oversight over such activities. One explanation of this problem is that Parliament's oversight may not automatically be extended to activities performed by structures outside government. The upshot is that the current Parliament oversight mechanism may have to be reformed to ensure that all the activities supporting or coordinating ERRP for example are now included.

The Parliamentary Budget Office has emphasised the importance of the Parliamentary oversight mechanism ensuring that the functions of the Presidency and other branches government all meet the requisite quality. The measurable indicators in the Annual Performance Plans (APPs) should all constitute relevant performance measurement systems able to provide efficient performance evaluation. So far, however, the analysis conducted by the Parliamentary Budget Office has shown that in many instances the indicators measuring the implementation of the 2019-2024 MTSF are not included, for example, in the current APPs. This omission of key strategic indicators has also been identified by the Office where departments have identified needs in the environment, communities and economy without developing indicators to track the improvement of their situation over time.

Office of the Auditor General of South Africa Reviews on Vote 1: Presidency

The Office of the Auditor General is required by law to audit the performance and financial information of all government departments and entities. The audit process includes the tabling of audit reports or outcomes to Parliament and the National Assembly (NA) by the AGSA. As part of the oversight process, the NA refers these tabled AGSA reports to their respective Functions Committees for consideration and reporting – for example, the audit outcome report for Department of Education is referred to Portfolio Committee on Education. The process of considering these audit reports involves the relevant committee inviting the department or entity Executive Authorities and Accounting Officers to give a further account of the audit outcomes of their entities. According to law, the AGSA audit reports contains opinion on financial information of a given government department or entity being audited. However, the AGSA does not express an opinion of performance information but issue findings on the review on such information. Therefore, unlike in the case of assessing financial probity the oversight mechanism on performance information has to rely more on regular reporting on specific indictors and also direct interaction between the parties involved, accounting office and the oversight mechanism.

In terms of the Money Bills and Related Matters Act of 2009, Parliamentary Committees are then required to prepare Budget Review and Recommendations Report (BRRR). In part, the function of the BRRR is to provide an assessment of service delivery while making recommendations for future budget allocations.

In accordance, the Presidency reports making up Vote 1 are tabled in the NA. Unfortunately, an oversight committee is currently lacking which would allow the referral of such a report once tabled in the House. It is further unclear, as to whether the performance information on the Vote 1 requires further interaction with between the accounting officer and oversight mechanisms.

International experiences on oversight over the Office of the Presidency (or similar office)

In many jurisdictions, the plenary chamber (or National Assembly) remains a key forum for parliamentary oversight over the Executive. In these sessions, classic tools such as parliamentary questions and debates are used to hold the government accountable. The frequency of these sessions varies from country to country. In the United Kingdom, for example, the Prime Minister has to respond to weekly questions (known as Prime Ministers' Questions). In other countries, 'question time' takes place during most parliamentary sittings where, for instance, the Global Parliamentary Report shows oral questions are common "where plenary sessions are broadcast live to the general population, oral questions can be confrontational and controversial".

However, the converse is also true that "written questions are a core parliamentary activity in a number of countries but are used marginally or not at all in others". Nonetheless, the challenge with written questions and answers is the length of time it takes to receive a response and allow for a follow-up question. Regardless of the approach, question-and-answer sessions remain a fundamental tool for legislative oversight over the Executive.

When undertaking an initial scoping of the literature exploring oversight over the Executive for the purposes of this brief, it was found that various jurisdictions make use of permanent and ad hoc committees as forums of inquiry. However, there is not generally a stand-alone committee dedicated to the presidency, which is currently the case in South Africa. However, it is worth cautioning that understanding this inference we should also take into account the jurisdiction context of the role or functions (government programs) assumed by the office of the Presidency. A 2018 paper by Andualem Ferede scoping the parliamentary democracies of the United Kingdom (UK), Germany, India and Ethiopia provides an insight into how their parliaments account for their Executive with the purpose of achieving better governance. These countries were selected because the "UK is the oldest parliamentary democracy, Germany [has a] handy parliamentary democracy and functional federalism and India is the largest parliamentary democracy". The findings of this paper hence show that in India, Germany and Ethiopia parliaments have a duty to establish standing and ad hoc committees which they deem necessary to fulfil their functions.

By and large, the broad approach to executive oversight rests on the assumption that existing legislative committees and plenary chambers are not inherently focused on the presidency, yet as a collective they still provide oversight over the office of the Presidency. In this sense, through their processes parliaments generally have sufficient constitutional power to remove office holders in the Executive branch, which is also true for South Africa.

1.6 Overview of Conditional Grants-Social Development, Health, Basic Education, Transport and Human Settlement

Performance on Basic Education Conditional Grants

In the financial year 2020/21, the National Department of Basic Education has transferred six conditional grants to provinces:

- Education Infrastructure Grant (EIG), which has resulted in overspending despite underspending by the entity in the Limpopo Province.
- HIV and AIDS Life Skills Education Grant, where output targets have had to be revised to accommodate COVID-19 response and budget adjustments. The grant has an underspending of 8.3 per cent by the end of the financial year.
- Children/Learners with Severe to Profound Intellectual Disability (C/LSPID) Grant has also resulted in underspending. Through the monitoring mechanism, challenges were identified, and support and advice was provided to PEDs.
- The Mathematics, Science and Technology (MST) Grant recorded an overspending of 4.7 per cent, with eight provinces having completed their outputs for the financial year under consideration. The Western Cape experienced delays on supply chain processes due to COVID-19.
- National School Nutrition Programme (NSNP) Grant spent only 93 per cent of the transferred funds. The reason for the funds being unspent was due to the COVID-19 lockdown.
- The School Infrastructure Backlogs Grant (SIBG) underspent due to the disruption of construction sites by community-based business and the overall effect of the COVID-19 lockdowns on business operations.

Performance on Agriculture Conditional Grants, 2020/21

The 2019/20 analysis of these conditional grants has identified several structural matters that might influence implementation and cause inefficiencies. Firstly, the relevant set of generic/common outputs have not been reported; and secondly, duplication of outputs seems to have taken place. From the reporting on outputs, it is clear that clarity is required about the purpose and outputs of the CASP and the Ilima/Letsema conditional grants. Alternatively, the merging of these two conditional grants could be considered in order to improve efficiency and effective performance. The 2020/21 analysis shows that reporting has not been adjusted according to the outputs reflected in the schedules to the 2020 DORA. Although funding has been decreased, provinces have increased their output when compared to the previous financial year. Despite the different purposes of the grants, duplication of outputs is still a concern.

1.7 Briefing on the 2022 draft Preferential Procurement Regulations ±Public Procurement Bill 2023

The brief expressed the PBO's assessment of changes to the practice of state procurement that would affect the redistributive and developmental role of fiscal policy that could affect achieving the state's developmental objectives such as the deep level of disadvantage in society due to unfair discrimination and achieving other goals of the Reconstruction and Development Programme, including support for economic transformation, industrial policy and support for small, medium and microenterprises. The brief further provided analysis of the draft Preferential Procurement Regulations that the National

Treasury (NT) has requested public comments on following the Constitutional Courts ruling on the Minister of Finance vs Afribusiness NCP CCT279/20.

In response to the majority judgement of the Constitutional Court, the NT has drafted Preferential Procurement Regulations (draft PPR 2022) and requested public comments on the draft. The PBO is concerned that there is a lack of evidence that, NT had, discussed or agreed with other government departments before the drafted PPR 2022 being publicly released for comment.

The PBO is further concerned that the NT's draft PPR 2022 is based mainly on their interpretation of the judgement handed down by the Constitutional Court on 16 February 2022. In that the NT' main concern seems to be to ensure that the regulations suggested by the Minister of Finance cannot be challenged on the basis that the Minister is "overreaching" his power in cases where organs of state have the right to develop policies with regard to preferential procurement.

The response of the NT to the ruling has been to propose new regulations that omit previous regulation that they interpret could be challenged as Ministerial overreach that impacts on the right powers of organs of state to formulate preferential procurement policy. The PBO provided that Parliament to matters to consider when considering the proposed Public Procurement Bill of 2023;

- The Constitution of South Africa requires national legislation to prescribe a framework for organs of states to implement preferential procurement
- Fragmented Preferential Procurement Framework (Public Procurement) will delay realisation of Nationally coordinated policies like, BBBEE, Industrial Policy and other development policies
- Due to lack of capacity and capabilities organs of state always relied on the preferential procurement system prescribed by the Minister of Finance
- Requesting each organ of state to have own approach to preferential procurement is divergence from international norms
- The omission of Local procurement and content in the 2022 draft PPPFA have far reaching implication for industrial policy (Industrialisation) in South Africa
- Foreign and domestic investors have invested and created jobs in South Africa because of government's preferential procurement regulations
- Omitting local content may lead to organs of state procuring imported goods instead of domestically produced goods

1.8 Brief on Business Bounce-back Support and the Credit Loan Guarantee Schemes for Small, Micro and Medium Enterprises (SMMEs)

The brief provided an update on the impact of government's support interventions to businesses following the COVID-19 pandemic. One of the main objectives of the ERRP was to re-industrialise the economy, focusing on growing small businesses. More than 2.6 million SMMEs were counted during the first quarter of 2020. 66.9 % were classified as informal, and 28.9 % were classified as formal. 74.8 % of the formal SMMEs were black-owned. Small businesses contributed R2.3 trillion (22 %) of the R10.5 trillion total turnover for industries in the South African formal business sector. The interventions introduced in the ERPP were linked to the vision of the country set out in the National Development Plan.

Our analysis has shown that the COVID-19 Loan Guarantee Scheme worth R200 billion had been a failure. First, there was a minimal take-up by small, medium and micro enterprises (SMMEs) that amounted to a mere R13.5 billion. There had been an intervention by the National Treasury in July 2020, with minimal changes, and a similar lack of acceptance. A "Bounce-Back" support scheme has since been launched in April 2022 to help small businesses recover from COVID-19, the violent unrest in July last year, and the KZN floods.

1.9 Policy Briefs; 2019-2024 Medium term strategic framework (MTSF)

2019-2024 MTSF, Priority 5: Spatial Integration, Human Settlements and Local Government:

The PBO analysis notes that to make an impact on economic growth and spatial transformation, the spatial integration programme aims to institutionalise a coordinated, integrated and cohesive National Spatial Development Framework (NSDF). It is therefore vital that the Department of Planning Monitoring and Evaluation (DPME) ensures that all government departments are capable of reporting on projects spatially, although guidelines were not issued by March 2022 as otherwise planned.

It should instead be noted that the Department of Cooperative Governance has made progress towards the redesign and refurbishment of large urban centres as 'smart cities' with the corresponding development of One Plans. The implementation of these plans should be monitored to ensure that they make an impact on spatial integration.

The Department of Public Works and Infrastructure (DPWI) plays a major role in spatial transformation, requiring prioritisation of the release of land and the identification of government buildings that can be used to catalyse spatial transformation. To be able to make an impact on environmental management and climate change, sectors and municipalities are required to deal with climate change and improve the state of ecological infrastructure. Performance on this requirement over the 2019-2024 MTSF is not clear due to the failure to report on municipal capacity (adequate resources and infrastructure) for implementing climate change programmes to deal with disasters.

The ability to make an impact on the government of the rural economy requires a commitment to contribute to rapid land and agrarian reforms. However, current performance figures from the Department of Agriculture, Land Reform and Rural Development on redistribution or on the land acquired for agrarian transformation have proven to be insufficient for making an impact on the rural economy.

The human settlements programme aims to achieve spatial transformation through the provision of adequate housing and an improved quality of living environment. This function is mainly provided by provincial departments of human settlements and other institutions. The national Department of Human Settlements provides limited reporting on these outputs.

The basic services programme aims to improve access to Basic Services, which involves access to safe drinking water, access to adequate sanitation and hygiene, wastewater treatment works and households with access to electricity. Access to these services requires the improvement in the capacity to deliver by providing quality infrastructure. The Department of Mineral Resource and Energy has made progress by providing electricity to connections for households. At the same time, it's impossible to measure progress in the maintenance and refurbishment of the municipal electricity network without reports on the targets set in the MTSF.

Nonetheless, the Department of Water and Sanitation has made progress with the eradication of the bucket system and here the targets for 2024 should be achieved. A National Sanitation Integrated Plan has also been drafted, but implementation has not been monitored. The understanding here is that a national municipal self-assessment tool has been developed for water services authorities, but it is not clear whether these assessments are being done annually. Draft regulations for water allocation reform is due to be completed by the end 2021/22, for finalisation by 2024. Continuous monitoring is then required to ensure a positive impact at the end of the MTSF.

However, it is neither possible to measure progress on the performance on the implementation of Provincial Integrated Water Resource Plans, nor measure progress made in the rehabilitation of dams or feasibility studies on the building of new dams. Hence, significant progress is yet to be reported in the APP of the Department of Cooperative Governance as regards the planned 52 projects to identify new water resources.

More positively, progress has been made with the implementation of the Bus Rapid Transit system and the Integrated Public Transport Network (IPTN) Programme. The aim is to reach 100 per cent compliance with the spatial referencing of the IPTN programme in 2024. Current performance levels remain at 25 per cent although an annual progress report by PRASA shows that more stations have been modernised than what was planned for. Furthermore, in terms of upgrading the Metrorail fleet, only 40 new trains were procured against a target of 218 new trains by 2024.

2019-2024 MTSF, Priority 3: Education, Skills and Health (2)

The PBO analysis has revealed that the technical findings show that the Department of Health identified a total of 31 indicators to measure the performance impact of the interventions taken on unemployment, poverty and inequality. Here, 22 of these indicators are yet to be reflected in the 2022/23 APP of the Department. Moreover, the public bodies engaged in oversight - including Parliament - cannot determine mid-term progress on 71 per cent of health indicators for the implementation of the National Development Plan (NDP)/MTSF. Yet it has also been acknowledged that most of the outputs in the 2019-2024 MTSF reflect statistical data on health conditions in South Africa where so far targets have only been set for 2024.

To achieve universal health coverage for all South Africans by 2030, the Department of Health aims to maintain the ideal clinic status in 3,467 PHC facilities. Over 2021/22, 1,928 clinics achieved ideal clinic status. Here the performance analysis shows that the MTSF targets have been achieved to establish nursing colleges in all nine provinces. However, slow progress has been made in the establishment of the National Health Insurance Fund. For this reason, the strategic purchasing platform for primary healthcare providers is still funded by the NHI conditional grant. The APP of the Department does not reflect an indicator to be able to determine whether or not the 2020/21-2024/25 Human Resource Health strategy has been completed.

To improve the total life expectancy of South Africans from 65 in 2019 to 67 by 2024, the Department aims to vaccinate 22.5 million people over the age of 18 during the Covid-19 vaccination programme. The preliminary number reported at the end of 2021/22 was 19.5 million. Another intervention contributing to the improvement of the life expectancy rate is to improve the TB treatment success rate. The aim is to reach a 90 per cent TB treatment success rate while performance is currently at 85 per cent. However, the majority of the outputs that should make an impact on life expectancy rate are not in the APP of the department.

In many instances, the nine provinces provide the services on behalf of the national Department of Health. In such instances, it is anticipated that the national DoH will consolidate the standard outputs of the 9 provinces to reflect the total performance on health services. Hence, reporting on consolidated data on health might assist Members of Parliament in their oversight role.

2019-2024 MTSF, Priority 4: Consolidating the Social Wage through Reliable and Quality Basic Services

The 2019-2024 MTSF seeks to expedite the process of absorbing trained social work practitioners to address social ills, with a particular focus on vulnerable groups such as orphaned children in need of foster care alongside substance abuse victims and victims of gender-based violence. However, this process will not be achieved if the Department of Social Development does not include these objectives in the APP as a performance indicator within a specific programme. For the moment, there is not yet an indicator to measure the number of victims of substance abuse accessing support group programmes. Nor did the department include the measure for the percentage increase in the number of women who accessed psychosocial support because they suffered from violence against women, nor the percentage of districts that have shelters for GBV, nor the increase in the number of people accessing prevention programmes.

The omission of these indicators from the APP of the Department of Social Development might well affect delivery of these outputs, while making it difficult to analyse and assess whether progress is being made. The 2019-2024 MTSF states that government should both define a basket of social entitlements guaranteed for the poor (through a social protection floor) and reduce the administrative barriers to access these entitlements. The aim is to avoid exclusions that vulnerable people often experience. Yet in its partnership with the National Planning Commission (NPC), the Department of Planning, Monitoring Evaluation (DPME) has not included an indicator in the APP to define the social protection floor, as required by the MTSF.

Two performance indicators linked to the MBOD/CCOD were not included in this analysis because the APP for the MBOD/CCOD could not be traced, nor could these indicators be traced in other APPs (APPs of other Departments linked to this analysis).

2019-2024 MTSF, Priority 2: Economic Transformation and Job Creation

The PBO analysis has revealed that in many instances more than one department has been responsible for the same priority outcome. When different interventions have been implemented, this can easily lead to duplication of reporting. The Departments of Employment and Labour, Planning Monitoring and Evaluation and Public Works and Infrastructure are all in turn responsible for reporting on job creation, for instance. Performance measures on the implementation of interventions such as the Jobs Summit, the Mass Employment Stimulus Programme (MESP) and Operation Phakisa have not been included in the relevant departmental APPs.

To report progress on investments for accelerated growth, the Department of Trade, Investment and Competition (DTIC) has mainly produced progress reports on their interventions, without showing progress on the targets set for the planned outputs. To be able to expand the small business sector, the Department of Small Business Development supports small businesses, specifically in townships and rural areas. Hence, access to funding is a focus area of the DTIC. Subsequent to the review of the APP of the Department, almost all of the historic performance information has been omitted from the APP. It has subsequently been impossible to measure the progress made since 2019.

The National Treasury is responsible for reviewing macroeconomic and microeconomic policy, creating an enabling environment to crowd-in private investment, reducing illicit financial flows and ensuring that investment in infrastructure is secured and implemented. The investment in infrastructure needs to be executed by the relevant government departments.

The Department of Communications and Digital Technologies (DCDT) is responsible for the improvement of competitiveness and access to communication technology, but progress has been slow on the interventions identified. The Departments of Public Enterprises and Mineral Resources and Energy are both responsible for the outcome to secure the supply of energy, while the Department of Public Enterprises produces progress reports on the legal separation and the Eskom roadmap for a reformed electricity supply industry. The specific status of the unbundling process has not yet been presented in the quarterly performance report on the APP.

The focus of the Department of Mineral Resources and Energy has been to increase energy availability including alternative energy sources and the reserve margin. Current progress shows that a renewable energy sector master plan report is under review, while the gas master-plan is undergoing stakeholder consultation and the completion of an Integrated Energy Plan is estimated to be completed in 2023/24.

The Departments of Transport and Public Enterprises are responsible for increasing access to affordable and reliable transport. The two main outputs identified here are a Private Sector Participation (PSP) Framework to identify 13 PSP transactions in ports and freight and the Economic Regulation of Transport (ERT) Bill, which needs approval.

To ensure water security, the Department of Water and Sanitation updates the National Water and Sanitation Masterplan (NWSMP) annually, while producing progress reports on different programmes including the ground-water programme. Regular monitoring of these programmes might be required to ensure timely interventions when needed.

2019-2024 MTSF, Priority 6: Social Cohesion and Safer Communities

In order to improve investor confidence, government plans have been made to achieve progress with regard to fighting corruption, reducing levels of contact crime, ensuring a well-defended and secure cyberspace, defending, protecting, safeguarding and securing communities, and ensuring the social reintegration of offenders. The government departments charged with the safety of all South Africans and with improving investor perception in South Africa has thus identified 30 outputs to measure performance on their interventions. It should be noted that 11 outputs are linked to the National Prosecuting Agency (NPA), the State Security Agency (SSA) [which does not publish an APP] and the Civilian Secretariat of Police Services (CSPS), which were not included in this analysis. This exclusion is due to the purpose of this analysis to focus on national departments.

One of the main concerns within this sector is the continuous increase in crime rates reported by the SAPS, despite the progress made on interventions identified as priorities for the sector. Another concern is the availability of data on the conviction rate for serious corruption in the public sector. The SAPS have only reported on the percentage of trial-ready case dockets for serious corruption within the public sector.

2. Stakeholder engagement and developments

SA Top Women Recognition: PBO awarded certificate for Top Women Empowerment

During the year under review, the Parliamentary Budget Office has been recognised as leading the legislative sector in women an empowerment, more specifically in a very technical and highly analytical field in macroeconomic and fiscal policy space. The Office has a 46 per cent to 54 per cent gender parity to women and men. And this means there are women representatives in all the Office levels of employment.

This achievement was granted by the Standard Bank through their Top Women Virtual Conference and Awards which will took place virtually on 12 to 13 October 2022, and on 10 November 2022, respectively. The Standard Bank Top Women is endorsed by the South Africa' Commission for Gender Equality and the United Nations Women. This programme recognises over 10 000 women entrepreneurs in Africa annually.

The Office, led by Dr Dumisani Jantjies, was also feature in their Top Women Leaders Publications and online profiles. This is South Africa's leading gender-empowerment publication, listing and celebrating visionary organisations that prioritise gender empowerment as integral to their growth and success. The publication, along with its valued partners, is dedicated to showcasing these organisations as thought leaders in their industry.

5th AN-PBO Conference in Harare, Zimbabwe-2022

The purpose of the AN-PBO is to convene annual conferences serving as a platform for information-sharing among African countries and providing a forum for debate on key issues of economic development. Such conferences are attended by PBO Heads, senior officials and other countries debating whether or not to establish a Budget Office. To date, the AN-PBO has convened four annual conferences in different countries across the continent. The Zimbabwean PBO then agreed to host the 2022 5th Annual AN-PBO Conference.

The African development agenda set out in the African 2063 Strategy provided a fitting context to the establishment of the AN-PBO. This new network aims to develop human and institutional capacity, strengthening the capacity of PBOs to provide useful insights to national Members of Parliament (MPs) into how budgets impact upon economic and societal development. Meeting these objectives will enable national PBOs to provide the analysis and research able to drive the economic and human development goals sought by African Agenda 2063 while achieving other continental developmental targets, including sustainable development goals.

The anticipation was that the 2022 AN-PBO Annual Conference would build up from resolutions established in the 2019 Accra-Ghana Conference. Although a range of topical themes was covered at the 5th AN-PBO Annual Conference, the principal overarching theme of the network is the role of PBOs in their support for legislatures seeking to achieve Continental developmental outcome. Subsequently, there has been a particular focus on Africa Agenda 2063 and other developmental objectives, with the sub-themes for the 5th Annual Conference being entitled as follows:

- Parliament fiscal oversight during uncertainties and emergencies: Challenges and innovations
- Scrutinising and costing of policy measures of the Budget: Key areas to consider
- Increasing public participation in the budget process
- Maintaining cooperative relationships with the media and Executive without compromising independence: Lessons and best practices
- Bridging budgetary information asymmetry between the Executive and Legislature: The products and services of the PBO
- Assessing governments' economic and fiscal forecasts
- Dynamic scoring: Estimating the budgetary impact of changes in policy
- Building effective PBOs: Best Practice for parliaments in budgeting.

The 2019 AN-PBO Annual Conference held in Accra, Ghana took up a resolution to institutionalize the network further, so enabling it to function as a recognised entity separate from its individual member PBOs. Following on from the 2019 Accra resolution, the 2022 AN-PBO Conference formalised the network by adopting a Charter governing the network, while also adopting a network Logo to realise the envisaged network functions.

Another of the 2019 AN-PBO resolutions was for a Governing Council to be elected during the 2022 AN-PBO. The 2022 Conference then adopted a Charter and Logo for final consideration by the respective PBOs and Parliaments. It was agreed that the member PBOs would report to the parliaments of their respective country concerning the Charter and Logo. The Governing Council will then determine the date when the Charter comes into force, although this is expected to be from 30 September 2022.

The 5th AN-PBO Conference resolutions for the AN-PBO Annual Conferences are as follows:

a) That the 6th and future AN-PBO Annual Conferences should invite and include more technical experts in the relevant programs, and that future conferences should continue to focus upon building technical capacity for both officials and MPs

b) That future AN-PBO conferences should focus on a narrow range of conference topics and themes to enable participants to share their national experiences exhaustively. This approach will ensure better capacity-building for AN-PBO members

c) That member PBOs participating in the Conferences should be required and encouraged to share practical experiences and challenges for the benefit of all PBOs old and new

d) That infographics and dashboards of metrics be developed to provide a comparative analysis of PBOs across the continent

e) That gender representation within the Network should be enhanced in view of the fact that the 5th Conference had only four women in attendance

f) That the network should prepare a media statement to be released at the end of the Annual Conference. The media statement should aim to share the network's perspectives on Continental economic and human developmental issues and how to improve legislative oversight.

For the PBOs participating at the Conference, there is agreement that the following developmental themes and objectives will be included:

Need to focus on the established mandate: Member PBOs were asked to ensure that they have a clear mandate and will always work towards attaining this mandate. In that, the PBO cannot and should not comment upon or analyse any government process and activities. Having a clear mandate should further help PBOs to establish formal and informal networks to provide better access to information. Given that many PBOs in the Continent are in their infancy, highly technical analysis should be avoided until such time as there is sufficient capacity and skills to do so; for example, in Dynamic scoring analysis.

Venture into new territories: PBOs were encouraged to venture into green recovery pathways to ensure that African countries can respond quickly and build long-term resilience in the wake of natural disasters induced by climate change. This approach will ensure that PBO staff continuously upgrade themselves technically.

Support Parliament in complementing the Executive: PBOs were encouraged to support their Parliaments to complement rather than compete with the Executive in ensuring developmental objectives are realised. The PBOs should then establish relationships with government departments and related entities with regular engagement.

Disseminate information extensively: Given that PBOs constitute a fairly new concept and remain a recent phenomenon in many of the countries of the African continent, they are to be encouraged to conduct their research and analysis extensively in a concise and simple form using various platforms regardless of the complex methodologies through which this work may be generated.

Peer learning amongst members: PBO were encouraged to continue peer learning within and beyond the continent. Bilateral relationships and other forms of engagements are also to be fostered among members.

The AN-PBO Charter requires that the network must have a Governing Council elected from among the Heads of the member PBOs. The role of the Governing Council is to lead the network and manage the activities of the network. The Governing Council is made up of a Chairperson, Deputy Chairperson, Secretary and Deputy Secretary, Treasury and Deputy Treasury and three additional members. It will then be appointed to serve a three-year term. Membership is voluntary and will not be remunerated.

The 2022 AN-PBO Conference in Harare elected the following members to be the Governing Council of the network:

- **Chairperson** - South Africa- Dr Dumisani Jantjies
- **Deputy Chairperson** - Gambia- Ms Naffissa Njie
- **Secretary** - Kenya- Dr Martin Masinde
- **Deputy Secretary** - Uganda- Mr Sulaiman Kigundu
- **Treasurer** - Zimbabwe- Mr Pepukai Chivore
- **Deputy Treasurer** - Malawi- Ms Sangweni Phiri
- **Additional Members:** Ghana - Mr Nyagsi Mahomed,
  Sierra Leone - Mr Faiz Rawhman
  Zambia - Mr Masiel Kateshi

The AN-PBO Governing Council has resolved to take a rotational approach to organising the annual network meeting. Two regions were nominated to be eligible to host the 2023 and 2024 Conference in East and West Africa: namely Kenya and Uganda, and Gambia respectively. South Africa may then host the 2025 AN-PBO Annual Conference in line with the rotational principle noted above.

14th Annual OECD meeting of Heads of PBOs and IFIs, Dublin, Ireland -2022

The OECD Network of PBOs and IFIs provides an annual forum in which Head Parliamentary Budget Officials can work together to share experiences and seek solutions to common developments and challenges.

The 2022 meeting covered a variety of matters affecting the global economy and requiring PBOs to support legislation oversight, matter affecting global economic recovery (including Covid-19 and Russian-Ukraine conflict), Oversight Green Budging, Independent Estimates of the Costs of Policy, Getting the Message Out and many other issues affecting the PBOs and IFIs globally.

I shared with the meeting that South Africa is one of the few countries around the world that has significant progress in using the budget to deal with climate change impacts. In particular, I noted that Parliament has passed legislation that imposes taxation on economic sectors that adversely impact the climate, 2019 Carbon Tax. The carbon tax enables economic sectors that pullet the climate to transit to cleaner economic activities. The current energy sector is one of the sectors that has to be affected significantly by carbon tax measures. I further cautioned that the climate fighting measures introduced by governments around the world must never disproportionally affect the low income households. I reminded the meeting that when the South African government introduced the carbon tax in 2019, the intention was to avoid passing on the added cost of the carbon tax to consumers through higher electricity prices and more expensive goods.

The Heads of PBOs and IFIs deliberated about a need for these offices to be present in the public debate (on key economic and social issues) in order to remain relevant. The messages of the PBOs and IFIs, in the often complex and technical economic and fiscal analysis they produce, are most often distilled for non-specialist stakeholders and the public through the media. The session looked at strategies for communicating more effectively with the media, especially in today's rapidly changing media landscape.

Much emphasis is put on the importance of PBOs and IFIs developing skillful communication with key stakeholders and the public. This led to many questions including: How equipped are these offices to reach out to a wider public that lacks expertise and interest? Is the public even listening? Should PBOs and IFIs focus more on reaching constituencies who serve as intermediaries of information to the public such as the media? The session drew to a close by examining the feasibility and potential benefits of speaking to the public, and how PBOs and IFIs might and should improve public engagement.

Other stakeholder engagements

During the year under review, the Office was involved with other bilateral engagements including the Financial and Fiscal Commission; the South Korea National Assembly Budget Office; Uganda PBO; Somalia PBO; Gambia PBO; Tanzania PBO; and Brazil Independent Fiscal Institution.

3. Office Governance and Developments

The Director as the Accounting Officer together with the Advisory Board and the Executive Authority constitute the core governance and accountability structure. The roles and responsibilities of the governance structure have been explicitly reflected in the PBO organizational design and development.

The Money Bills Act requires the Accounting Officer to "report on the activities" of the PBO annually to Parliament within five months after the end of each financial year. This report provides an account of the activities undertaken by the PBO during the 2022/23 financial year. Over and above the Money Bills reporting requirements, the Office has provided monthly financial reports and quarterly reports during the year under review.

Since my appointment in December 2020, in consultation with the Executive Authority and Advisory Board I have put in place process and measures that will enable the Office's transition to giving full effect to section 15 of the Money Bills and Related Matters Act. Given the lack of capacity, in order to give effect to key governance and accountability process I have entered into a service-level agreement (SLA) of cooperation with the Secretary of Parliament to co-share the corporate service functions of Parliament Administration Services. In this way, the Office was able to continue to deliver its mandate and comply with governance and reporting requirements. In consultation with the Executive Authority and the Advisory Board, I have initiated an organisational design and development (ODD) process to map out the governance and accountability, and business and operations requirements imposed by the amended Money Bills Act.

The ODD process commenced in the second quarter of the financial year proposing two frameworks that would enable Parliament to give full effect to section 15 of the Money Bills Act, Governance and Reporting Framework (GARF) and Business and Operations Management Framework (BOMF). The GARF clarifies the roles and responsibilities of the key role players involved in the Office governance and reporting functions. In particular, it articulates whom the ultimate decision-maker is for a particular function, in addition to clarifying the contribution of the remaining role players in the process. It should be read in conjunction with the BOMF which provides further clarity on how the Office will execute the core business and governance and reporting functions assigned to it.

In particular, the BOMF summarizes the Office's business and operating model and its resultant organisational design. The Advisory Board has been consulted on the ODD outputs, while legal opinion has been further obtained to ensure that the ODD process is in line with the Money Bills Act and, in general, are legally sound. The Director is in the process of seeking the Executive Authority to consider and guide the Office about the ODD outputs, including budget considerations and the phase process inherent to the approaches proposed.

Over the past financial year, the PBO has continued to leverage its strong research and analytical capacity to provide pertinent analysis to support Members of Parliament and their Committees in gauging and assessing the potential implications of the government budget on South African society, economy and the government's finances. The Office research and analysis are published on the Office webpage. We aim to invite Members of Parliament to provide feedback on our support to their oversight process, as well as review and evaluate our organizational design. I am proud of all that the Parliamentary Budget Office has achieved in the 2022/23 financial year. We look forward to continuing to provide relevant, useful and accessible research and analysis about macroeconomic and fiscal policy to Members of Parliament.

Despite a limited complement of technical staff comprising of two deputy-directors, three corporate support staff, five analysts, two graduate trainees, with three posts remaining vacant, the Parliamentary Budget Office has nonetheless been able to fulfil its mandate and exceed performance target for the 2022/23 financial year. The unwavering dedication and professionalism of the Parliamentary Budget Office team members have ensured that the Office continues to deliver customer-centric service to Members of Parliament. In this vein, we are committed to amplifying and expanding our service delivery in areas in which a need has been identified to provide enhanced technical support to Members of Parliament.

The Secretary to Parliament and Senior Management Team and Parliamentary Staff have continued to provide much needed support to the Parliamentary Budget Office during the year under review. I will continue to strengthen the strategic working and collaboration relations between Parliamentary Budget Office and Parliamentary Administrative Service, as this is important for strengthening the oversight capacity of Parliament.

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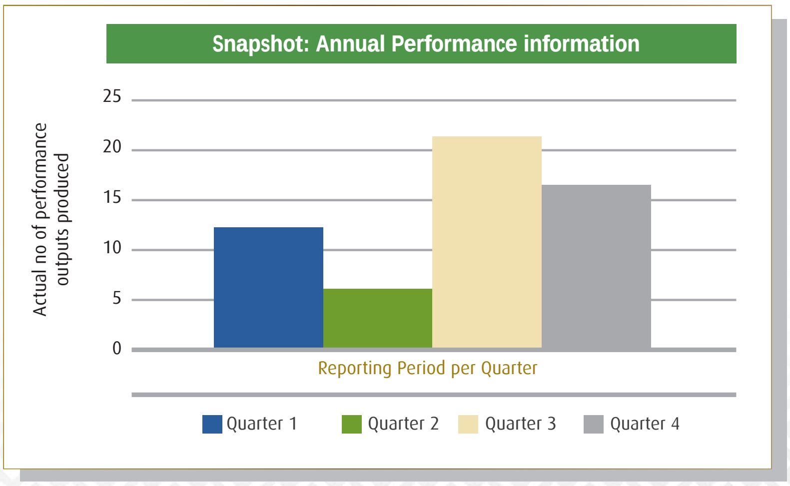
Dr. DJ Jantjies

Director: Parliamentary Budget Office

QUICK FACTS

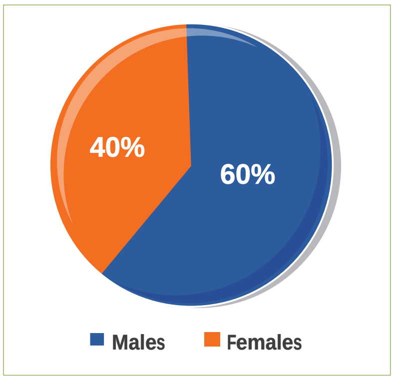
LEGISLATIVE FRAMEWORK	
Enabling Legislation	□ Money Bills Amendment Procedure and Related Matters Act, no 09 of 2009, referred to hereinafter as the Money Bills Act. □ Principal legislation amended by the Money Bills Amendment Procedure and Related Matters Act, no 13 of 2018. The two acts should be read together interchangeably
Legislated core Parliamentary Committees	NA Standing Committee on Finance (SCoF) NCOP Select Committee on Finance (SCoF) NA Standing Committee on Appropriations (SCoA) NCOP Select Committee on Appropriations (SCoA)
Legislated functions of the PBO	□ Codified in sub-section 15(2) of the Money Bills Act no 09 of 2009
ORGANISATIONAL STRUCTURE	
Head of the South African PBO	□ **™Director∫** of the South African Parliamentary Budget Office
Organisational structure & Staff Complement as @ 31 March 2023	□ 1 x Director □ 2 x Deputy Directors (Senior Analysts): Policy Analysis & Economic Analysis □ 5 x Analysts □ 3 x Corporate Services Staff □ 2 x Graduate Trainees
Appointments, Resignations & vacancies: movement on the staff complement	□ **Vacancies** a) 1 x Deputy Director Finance a) 1 x Economic Analyst
Functional Areas	□ **Policy, economic & finance analysis** a) Policy Analysis b) Economic Analysis c) Finance Analysis □ **Corporate Services** a) Office Manager b) Office Coordinator c) Personal Secretary to the Director
HIGHLIGHTS	
PBO organisational design and development (ODD) project	During the reporting period, the PBO undertook an organisational design & development project through the Government Technical Advisory Centre (GTAC) to give effect to the provisions contained in section 13 of the amended Money Bills Act, no 13 of 2018. The ODD process has not been implemented as yet, it is still undergoing consideration from the PBO Advisory Board and Executive Authority.

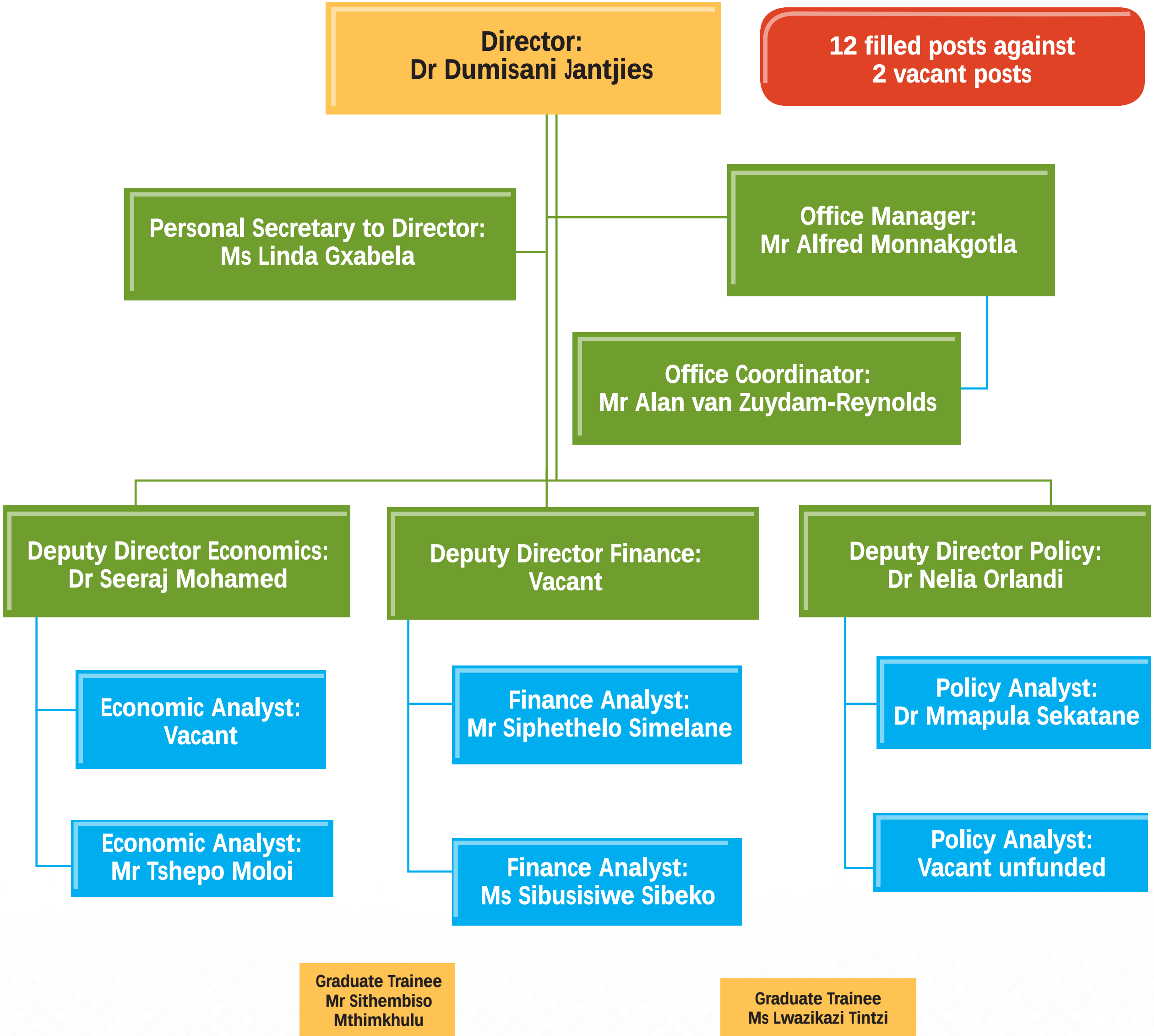
International and Continental PBO related stakeholder engagements	**Engagements with Uganda PBO, Tanzania PBO and Somalia PBO** - In line with the strategic objective of strengthening strategic relations with fellow PBOs from the continent, the PBO hosted the Uganda Parliamentary Budget Office in Cape Town where the two offices exchanged best practices on technical and organisational matters. The Office also had a stint interaction with the Tanzanian Parliamentary Budget Office during their visit to South Africa. - The Director of the PBO also had an engagement with the newly appointed Director of the Somalia Parliamentary Budget Office, who was keen to learn best practices from the South African PBO. **African Network of Parliamentary Budget Offices (AN PBO)** - Numerous virtual meetings were held with other African PBO Offices with the objective of planning for the hosting of the 5th AN-PBO conference by the Kenya Parliamentary Budget Office in 2023. **14th Meeting of the OECD Network for Parliamentary Budget Offices (PBO's) and Independent Fiscal Institutions (IFI's)** - The Director of the PBO participated at the above meeting in Dublin, Ireland during the reporting period. **Study visit to South Korea: The Standing Committee on Appropriations** - During the reporting period, Dr. Jantjies was part of parliamentary officials who accompanied the Standing Committee on Appropriations on a study visit to South Korea. Dr. Jantjies also separately with his counterpart in the Korean National Assembly Budget Office (NABO), Director of the NABO.
Intergovernmental relations in the legislative sector	At the invitation of the Eastern Cape Provincial Legislature (ECPL), the Director of was requested to make a presentation at the ECPL capacitation workshop for the newly established Budget Committee. The PBO agreed to render the support to the legislature as requested.
Stakeholder engagements with key national departments and/or constitutional institutions	During the reporting period, the Director of the PBO held meetings, amongst other high-level stakeholders, with the Auditor-General, Statistician-General (Stats South Africa), Department of Planning, Monitoring and Evaluation (DPME), National Planning Commission (NPC) and other key stakeholders.
Other key highlight(s)	During the reporting period, the PBO was bestowed with a **Standard Bank Top Women award where the Office was recognized as leading the legislative sector in women empowerment,** more specifically in a very technical and highly analytical field. This programme annually recognises over 10 000 women entrepreneurs in Africa. The Standard Bank Top Women is South Africa's leading gender-empowerment publication, listing and celebrating visionary organisations that prioritise gender empowerment.
PERFORMANCE ENVIRONMENT: Service Delivery	
Performance information at a glance: actual no of performance outputs produced, 2022/23 FY. **55**	

CURRENT DEVELOPMENTS & FUTURE PLANS	
PBO organisational design and development (ODD) project	During the reporting period, the PBO embarked on an ODD process to implement measures that will give effect to section 15 of the amended Money Bills Act, no 13 of 2018. The ODD project aims to ensure that the PBO has the requisite organisational capacity to give effect to the governance and accountability requirements imposed by the amended Money Bills Act.
Filling of critical posts	To strengthen the service delivery capacity of the Office, recalibrated measures will be activated by the PBO to fill the critical Deputy Director Finance post.
Strengthened stakeholder relations	**African Network of Parliament Budget Offices (AN-PBO)** The South African PBO spearheaded efforts to revive the AN-PBO with the hosting of several virtual meetings which ultimately led amongst key deliverables, to the hosting of the AN-PBO physical conference in Zimbabwe during the 2022/23 FY. The **14th Meeting of the OECD Network for Parliamentary Budget Offices and Independent Fiscal Institutions (IFI's):** The Director will partake at the above multilateral to be hosted in Reykjavik, Iceland during the first (1st) quarter of the 2023/24 FY.

ORGANISATIONAL STRUCTURE AS AT 31 MARCH 2023

Females=5 Males=7 = 12 filled posts





CHAPTER 1

INTRODUCTION AND OVERVIEW

INTRODUCTION AND OVERVIEW

This report is the 9th annual report of the Parliamentary Budget Office. The report highlights the activities of the PBO for the period 1 April 2022 to 31 March 2023.

Where applicable, the report covers some of the key activities carried out since the establishment of the Office in 2013. The annual report provides progress on the strategic goals for the first nine years of existence and progress made by the Office since the beginning of the 6th Democratic Parliament in 2019.

The Parliamentary Budget Office is a juristic entity ("juristic person") of Parliament headed by a Director as its Accounting Officer. It was established by section 15 of the Money Bills Amendment Procedures and Related Matters and Procedures Act no 09. of 2009 as amended by the Money Bills Act no 13 of 2018. The PBO is legislatively required to provide independent, professional, objective research, analysis, and advice in support of Parliament's fiscal oversight processes.

As a juristic office, the Director accounts to the two Houses of Parliament through the Executive Authority of Parliament i.e., the Speaker of the National Assembly (NA) and the Chairperson of the National Council of Provinces (NCOP). The PBO further provides account to an "Advisory Board" (AB) established by sub-section 1(b) of the amended Money Bills Act no 13 of 2018.

The AB with codified legislative functions and responsibilities comprises of the NA House-Chairperson for Committees, NCOP House-Chairperson, and the Chairpersons of the Finance and Appropriations Committees in the NA and NCOP.

The Money Bills Amendments Procedures and Related Matters Act is the PBO' primary legislation. The Act provide for the Office' mandate, governance and reporting framework and for the business operating and management framework. However, during the reporting period, the Office has used SLA between the Director and the Secretary of Parliament to give effect to some provisions of the governance and management frameworks.

To give effect to the governance and accountability requirements prescribed in section 15 of the amended Money Bills Act and fulfil mandate, the Office embarked on an organisational design and development (ODD) process through a contracted external government technical agency. The ODD project outputs, Governance and Reporting Framework (GRF) and Business Operational Management Framework (BOMF) must still undergo high-level internal stakeholder engagement processes.

The PBO, located in Programme 3: Transfers under the Joint Support Services sub-programme, is legislatively required to provide technical support to the Finance and Appropriations Committees of Parliament. Additional, the Office required to provide support to other parliamentary committees and members of parliament subject capacity and the request terms of reference.

Fifty-five cumulative annual performance outputs against twenty-eight core annual performance targets were produced during the 2022/23 financial year (FY). The performance outputs were produced in the main to support the public finance work of the finance, appropriations and other committees of Parliament. These outputs further include work the Office undertook during various stakeholder engagements and capacity building sessions for members of parliament.

In essence, the fifty-five performance outputs comprising of demand and supply-driven outputs, produced by analysts within the policy, economic and finance clusters. The outputs are categorized under the following five performance indicators as follows;

1. Budget analysis reports
    a) Main budget and related instruments (Budget Review)
    b) Adjustment Budget and related instruments
    c) Medium Term Budget Policy Statement (MTBPS)
2. Economic, policy, and fiscal briefs produced for keeping Members abreast of current affairs
    a) Fiscal briefs
    b) Policy analysis briefs
    c) Quarterly Economic Brief (QEB)
3. Special reports: demand-driven requests from Committees
4. In-year revenue forecast analysis
5. Papers/presentations delivered to national and international forums and/or stakeholders

Overall, the role of the Parliamentary Budget Office was anchored on providing research and analyses that supported Parliament's process of assessing the potential societal, economic and developmental impact of the budget. The Office's research and analyses outputs aims to provide relevant and necessary knowledge and insights that support and empower MPs in their public finance oversight role; to strengthen the scrutiny and oversight capacity of Parliament over the Executive on complex public finance oversight matters.

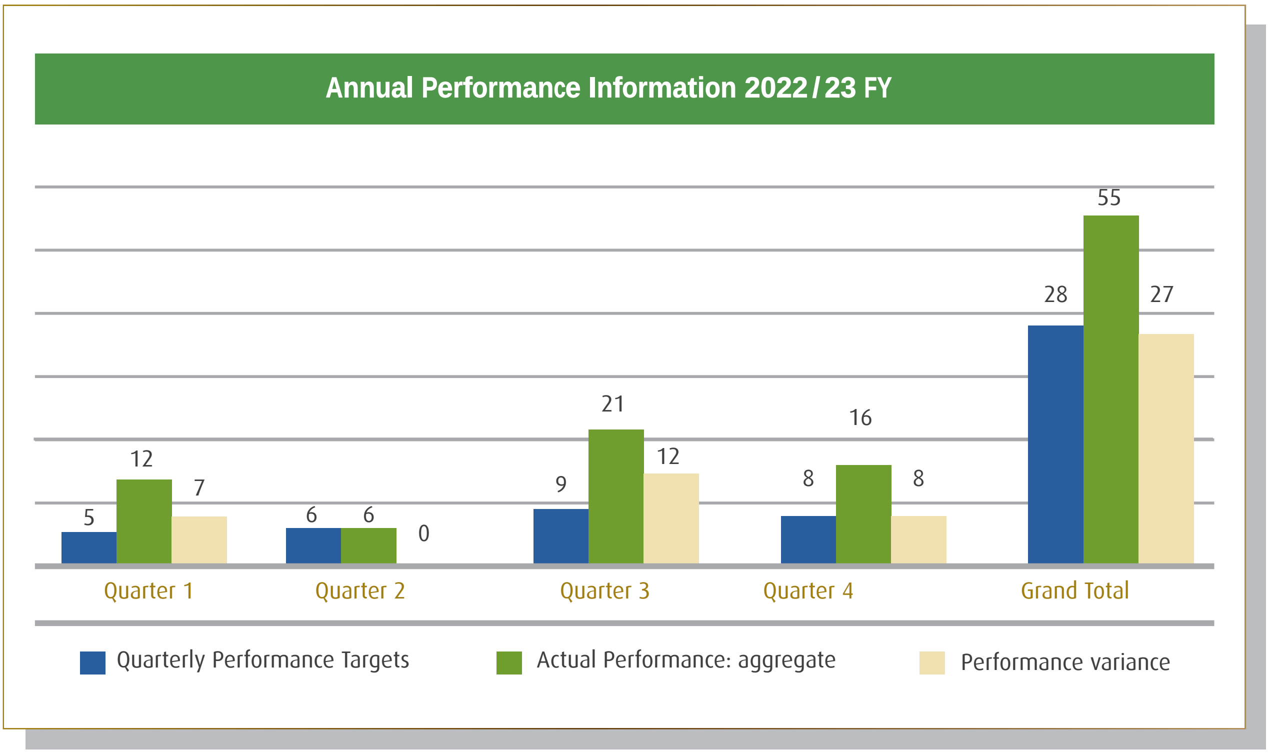
The economic, fiscal and policy briefs produced served as information inputs in the overall public finance oversight decision-making process of parliamentary committees during the reporting period: they assisted members with their oversight responsibilities.

Furthermore, the research and analyses assisted MPs in their consideration of tabled reports and their understanding of potential financial implications for the budget. The topical research and analysis further kept MPs abreast of relevant developments in the public finance and broader economic landscape.

An integrated matrix workforce configuration was adopted to maximise the Office service delivery throughput to mitigate against limited workforce. The service delivery capacity was further strengthened by the its experienced workforce, timely access to credible & reliable information & data as well as valuable benchmarking best practices obtained from key domestic and international stakeholders.

Overall, a hundred percent performance rate was attained during the 2022/23 FY, a similar performance rate was achieved by the Office during the 2021/22 FY. The annual performance information aggregated per quarter is highlighted in the Figure 1. The quarterly performance picture indicates that the highest proportion of performance outputs were produced during the third and fourth quarters with the lowest production concentrated in the second quarter. Twelve outputs were produced in the first quarter which represented the third highest producing quarter. Aggregate cumulative quarterly performance targets were met.

Figure 1 PBO Annual Performance Information 2022/23 FY



Apart from the current financial year performance, the Office performed consistently well over the years. The multi-year annual performance information depicts a cumulative total of 245 performance outputs were produced by the Office. The numeric performance information should not undercast the enriching qualitative impact of the technical work produced by the Office in support of Parliaments fiscal oversight processes.

The Office takes pride to have provided the quantitative and qualitative demand and supply driven technical outputs that empowered members of parliament to discharge their constitutional public finance oversight work over the Executive equipped with quality research, analysis, and advice. The Office continue to build on the strong multi-year performance to provide members of parliament in the medium term, with refined evidence-based advisory services that contribute toward Parliament's role of building an accountable and responsive State.

The Parliamentary Budget Office is required to report on the activities of the Office as prescribed by subsection 15(11) of the Money Bills Amendment Procedure and Related Matters Act, no.09 of 2009.

1.1 Strategic Planning Framework

The Parliamentary budget Office derives its functional mandate directly from the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act no. 9 of 2009), as amended, hereinafter referred to as the Money Bills Act. The Money Bills Act is an act of Parliament enacted by Parliament to give effect to a constitutional provision contained in section 77 of the Constitution.

In terms of the Money Bills Act, the Office is required to provide the relevant technical support to Parliament by undertaking research, analysis and advice for the Finance and Appropriations Committees of Parliament, specifically to:

a) Review and analyse the documentation tabled in Parliament by the Executive (Minister of Finance) in terms of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act no. 9 of 2009)

b) Provide advice and analysis on proposed amendments to the fiscal framework, the Division of Revenue Bill, and money Bills and policy proposals with budgetary implications

c) Monitor and synthesise matters and reports tabled and adopted in a House with budgetary implications, with particular emphasis on reports by other committees

d) Keep abreast of policy debates and developments in key expenditure and revenue areas

e) Monitor and report on potential unfunded mandates arising out of legislative, policy or budgetary proposals

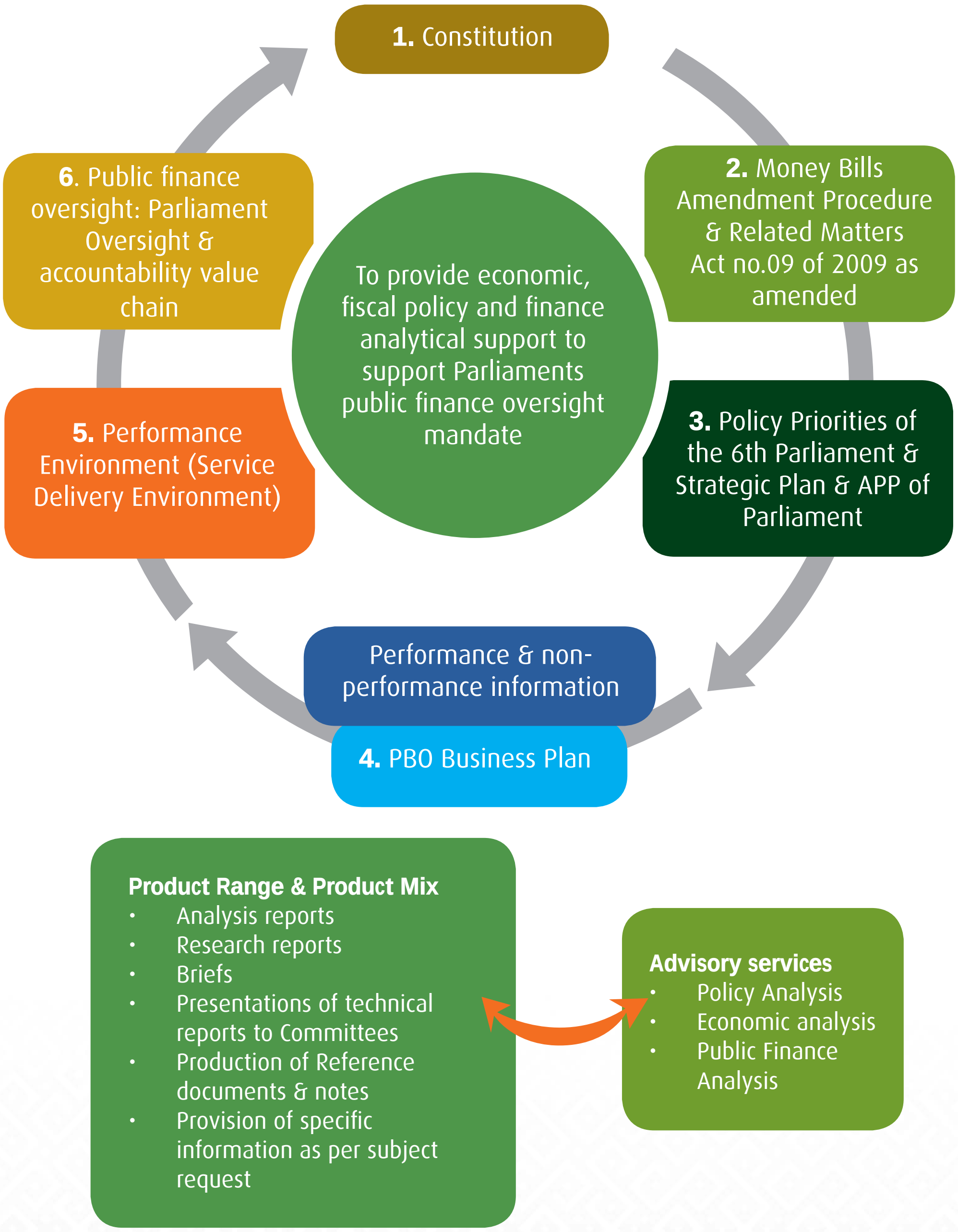
f) Conduct research on request by the Houses, other committees, or members of Parliament on matters related to the budget and other money Bills.

The 2022/23 FY PBO strategic planning framework delineates the legislative mandate of the office into five main performance indicators with associated demand and supply-driven performance outputs.

The performance information (service delivery environment) seeks to fulfil the constitutional public finance oversight mandate of Parliament through the provision of timely evidence-based research, analysis and advice to client parliamentary committees. The PBO performance indicators and associated performance outputs and performance targets are aligned with the mandate of the Office as set out in section 15 of the Money Bills Act

The PBO continuously scans the domestic and international environments to keep abreast of evolving public finance oversight matters. The scanning capacitates the Office to provide MPs with topically refined and amplified technical support, to empower MPs to discharge their constitutional oversight mandate armed with evidence-based analysis. The Offices' broad strategic planning framework is reflected in Figure 2.

Figure 2 Strategic Planning Framework



Source: PBO RSA Supplied Data

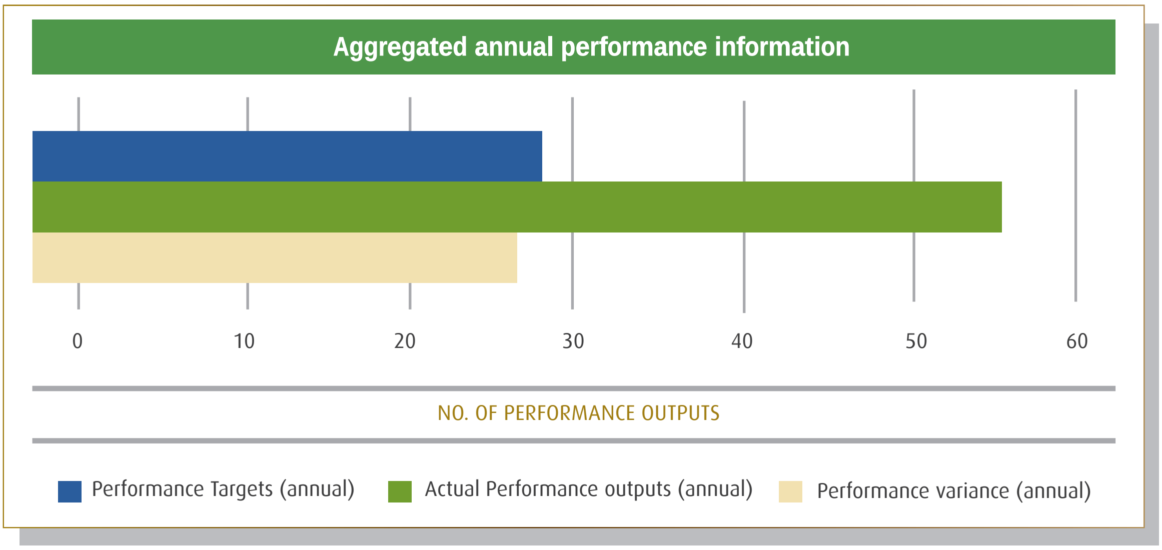
This strategic planning framework highlights the range of products and services provided by the Office arising from the Constitution, Money Bills Act as well as the alignment thereof with the policy priorities of the 6th Parliament and strategic plan of the 6th Parliament and the PBO Business Plan.

1.2 An overview of the service delivery environment

1.2.1 Background information

Twenty-eight annual performance targets were set for the 2022/23 FY. In line with this target, fifty-five annual performance outputs were produced resulting in a nett performance variance of twenty-seven outputs. The performance environment is predominantly influenced by cyclical variations in demand-driven requests. The annual performance information is re-summated in Figure 3.

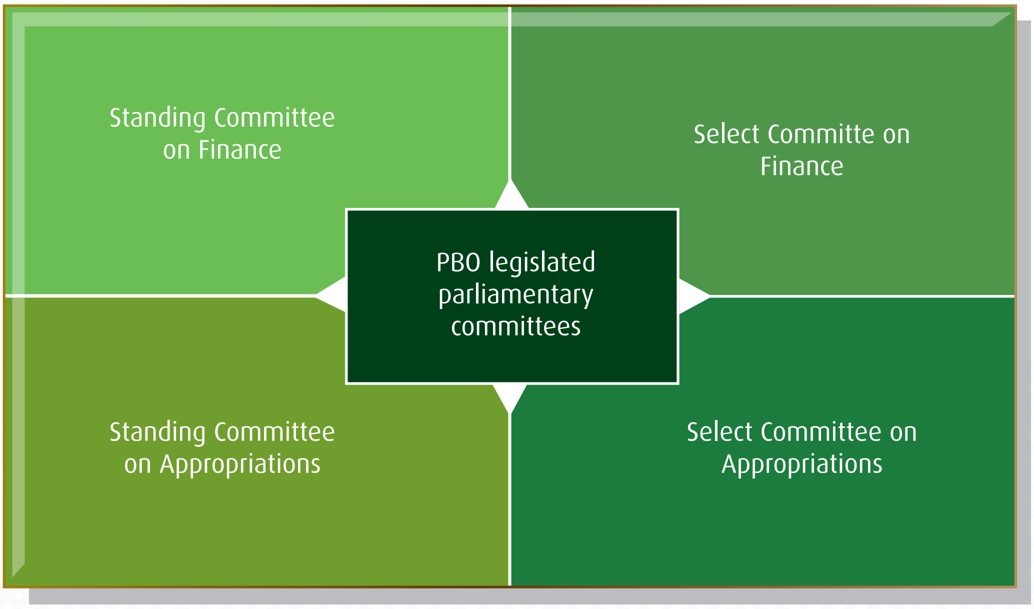
Figure 3 Aggregated annual performance information



1.2.2 The Primary Clients as per section 15(2) of the Money Bills Act

In terms of section 15(2) of the Money Bills Amendment Procedure and Related Matters Act no 09 of 2009, the finance and appropriations committees from both Houses of Parliament are the legislated and primary committees to which the Office must provide technical support. However, additional technical support been provided to other Parliamentary Committees subject to human resources capacity and the request terms of reference. The Director has also initiate own research analysis deemed nessary to support fiacal oversight.

Figure 4 Primary Clients as per section 15(2) of the Money Bills Act

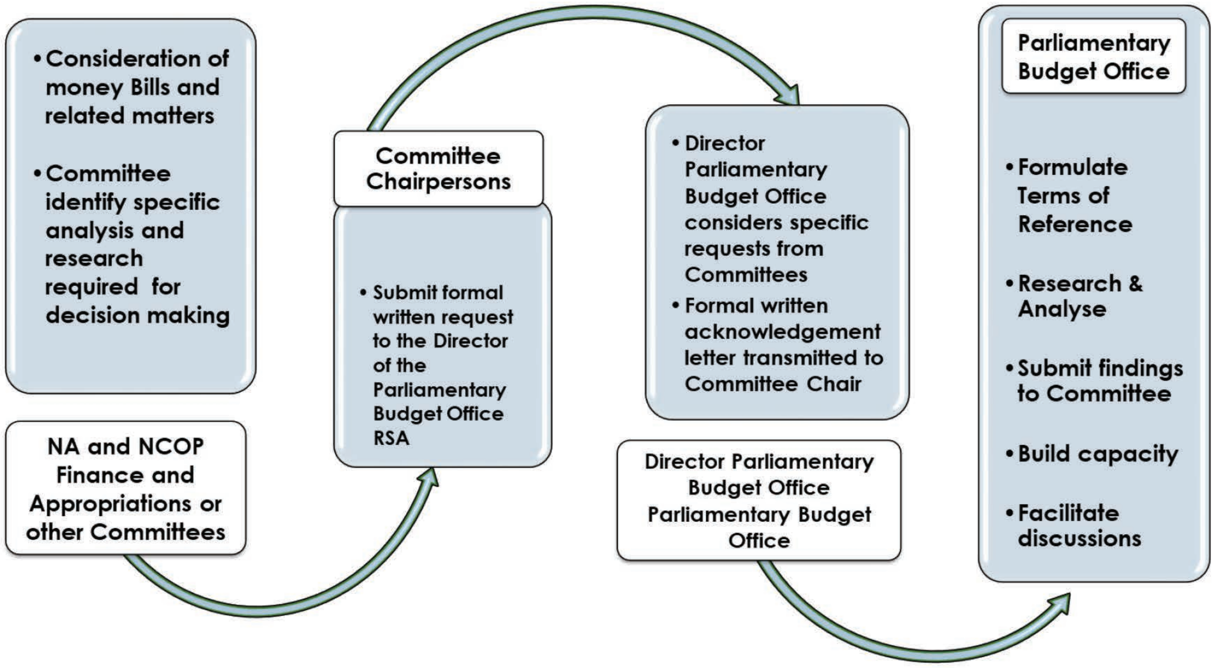


Capacitating evidence-based technical support was provided to the primary client committees during the reporting period, to support the public finance oversight mandate of Parliament over the Executive.

1.2.3 PBO workflow process

To give effect to operational efficiency and effectiveness, the Parliamentary Budget Office operated through a workflow process during the period under review. The workflow process manages the flow of research and analysis requests emanating from requesting parliamentary committees. As the primary legislated client committees, the Finance and Appropriations committees are accorded primary service delivery status notwithstanding the occasional technical support provided to other parliamentary committees. A schematic representation workflow process is depicted in Figure 5.

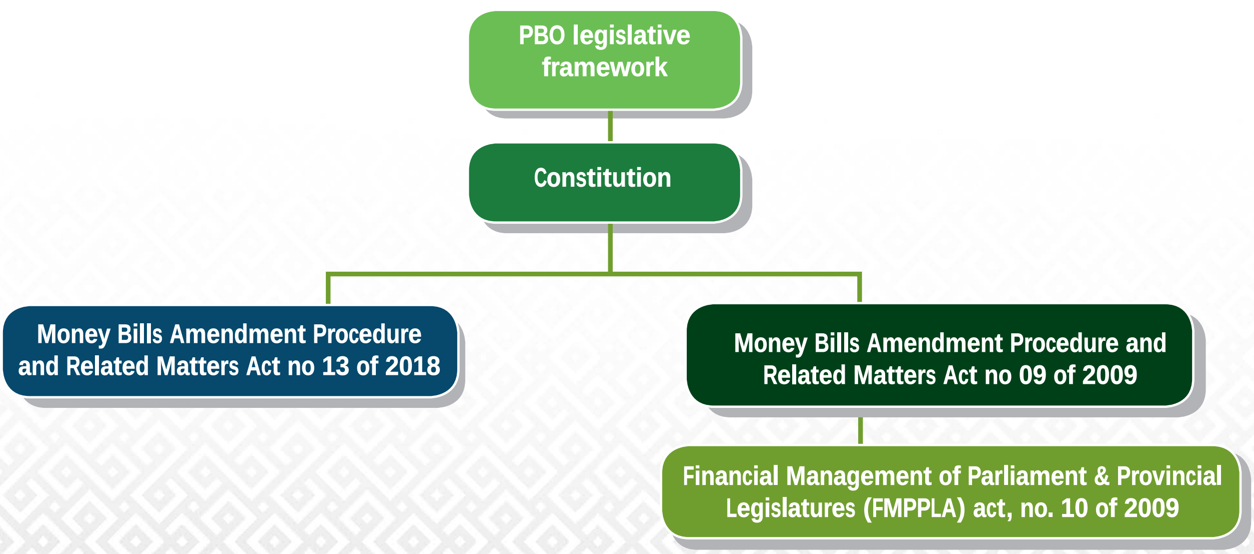
Figure 5 PBO workflow process



The workflow operating framework manages demand driven requests, that is, requesting emanating directly from parliamentary committees. The workflow framework has been operational since 2013.

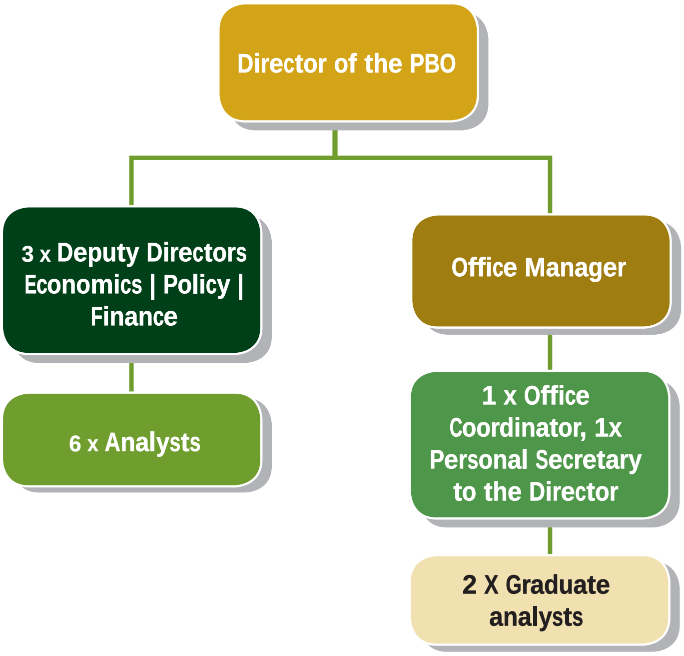
1.3 Legislative Mandate of the Parliamentary Budget Office

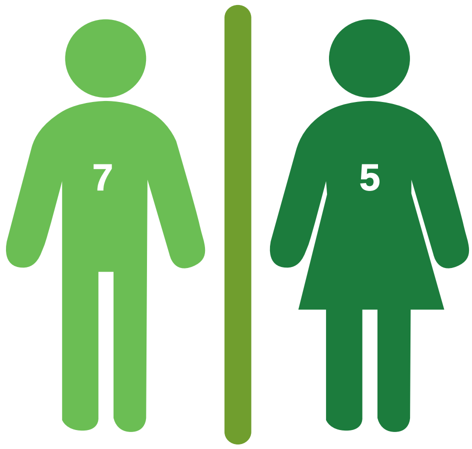
The amended Money Bills Act, no 13 of 2018 Act, determines the Office governance and reporting framework and business operating and management framework. The act stipulated that the Office is to receive a budget transfer from Parliament budget baseline to fulfil its mandate. The transfer is to be done in line with the section 35 of the Financial Management of Parliament & Provincial Legislatures (FMPPLA) act, no. 10 of 2009.



1.4 Organisational structure

The Parliamentary Budget Office current operational organisational structure makes provision for the following positions:





As at 31 March 2023, the PBO had a total staff complement comprising of twelve officials comprising of seven males and five females. The staff complement composition per gender is highlighted below.

The vacant funded Deputy Director Finance and Economic Analyst posts were where in the process of being filled. An economic analyst is expected to start on the 01 June 2023. The Policy Analyst post remained vacant unfunded as at 31 March 2023. The current organisational structure is highlighted in Figure 6.

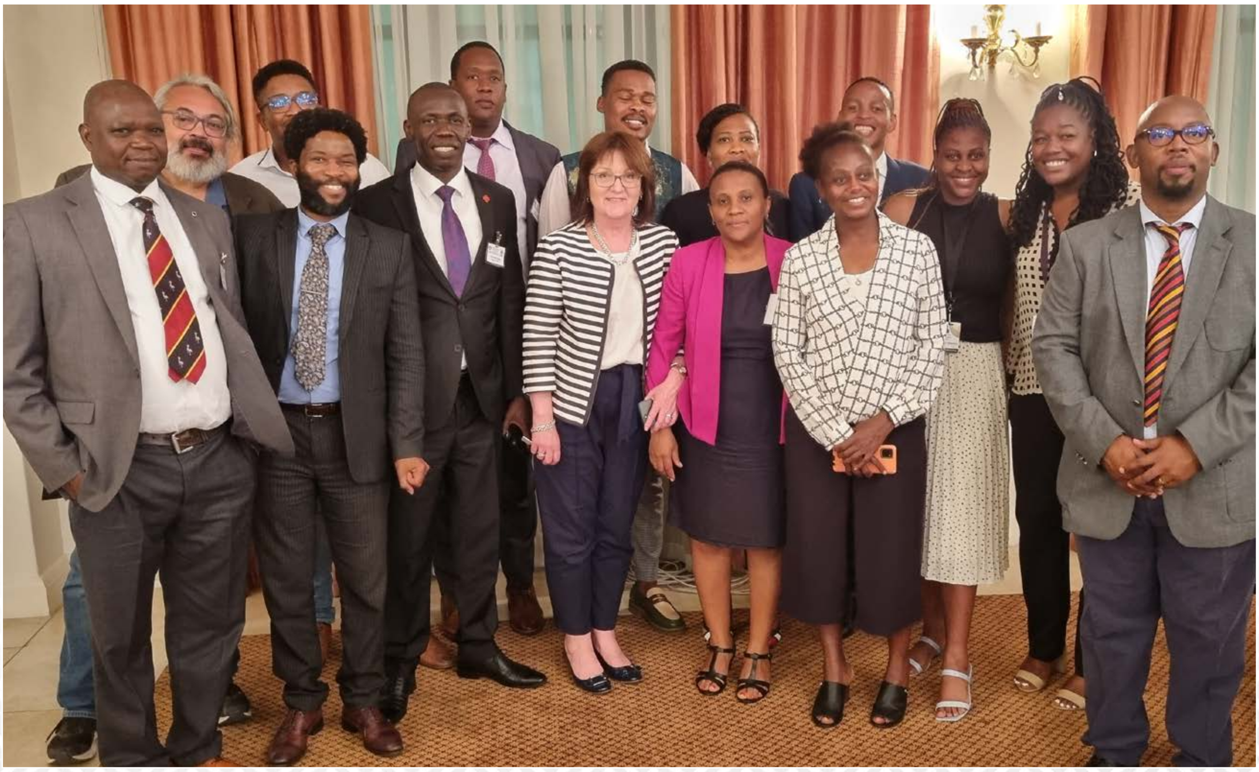
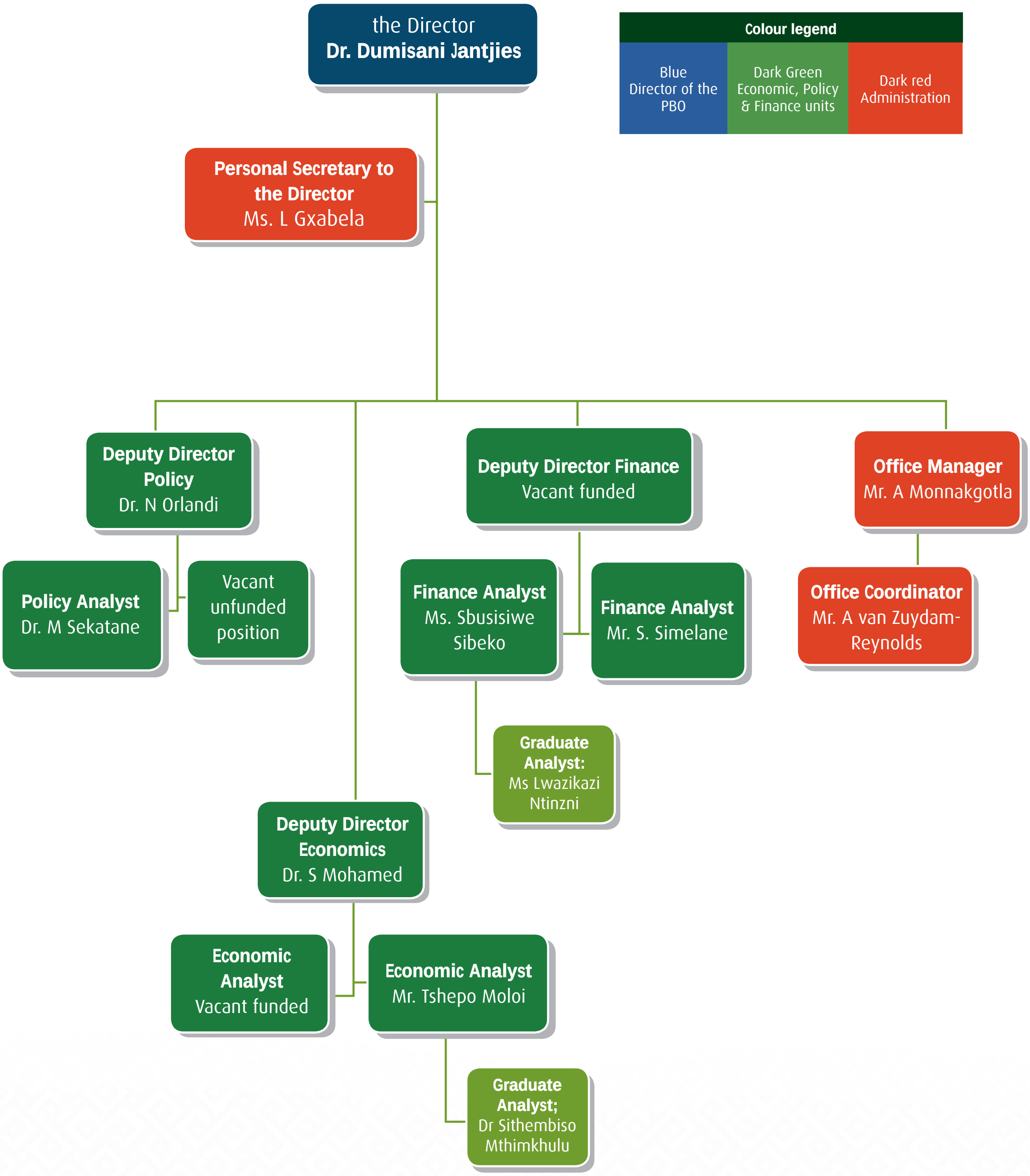


Figure 6 Current organisational structure with appointed personnel & vacant posts as at 31 March 2023



Source: PBO RSA Supplied Data

1.4.1 Functional organisational configuration

The Director is supported by Deputy Directors: Senior Analysts to carry out the legislative mandate and management of the Office. Deputy Directors are in turn supported by Analysts located in the economics, policy, and finance units. The Director together with the Deputy Directors and Analysts are individually and collectively responsible for discharging the legislative mandate of the Office to support Members of Parliament in their public finance oversight of the Executive.

To optimise service delivery throughput, the Office operates in a matrix organisational configuration to mitigate against the effects of the small staff complement the office has. This operating method enables the Office to provide amplified technical support to Parliamentary Committees. To give effect to operational and organisational efficiency and effectiveness, the Director is supported by a staff complement of three officials to carry out varied corporate services functions.

The following table highlights the functional areas performed by the research, analysis and advisory units and corporate services.

Table 1 PBO Functional Configuration as at 31 March 2023

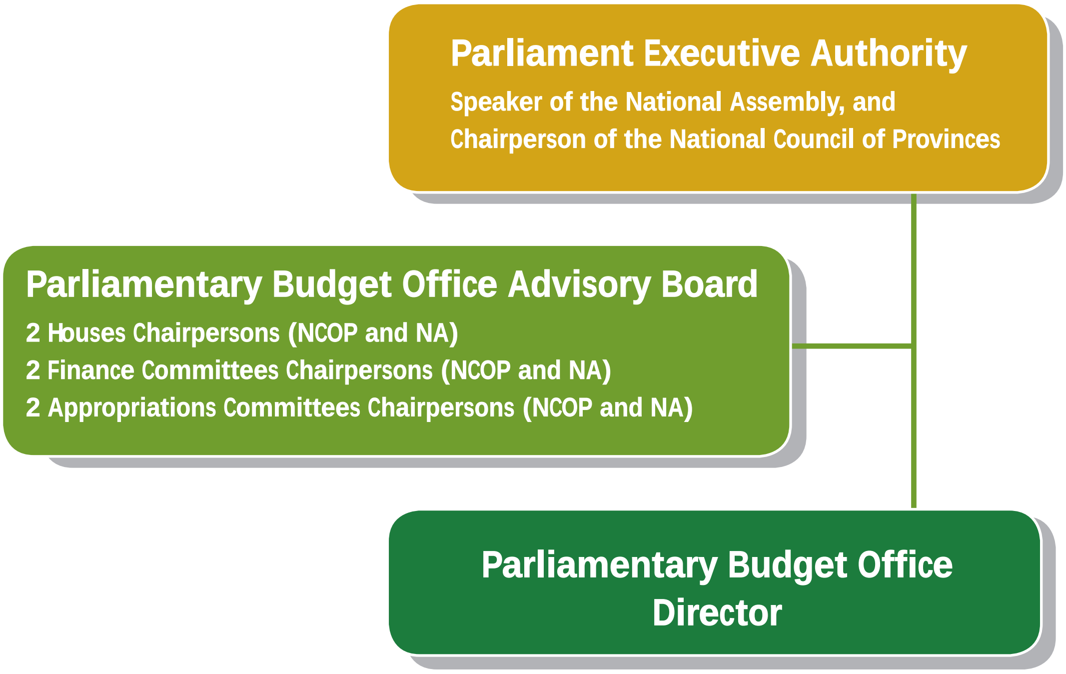
Economic Analysis	• The organisational structure makes provision for a Deputy Director: Senior Analyst and two Analysts. • The Deputy director economics post was filled during the 2016/2017 financial year, in June 2016. • An Economic Analyst post was vacant and was at advanced stages of being filled, with the projected timeframe of filling the post in the first (1^{st}) quarter of the 2023/24 financial year. • The Economic Analysis unit operated on a partially full staff complement as at 31 March 2023 with two filled posts and one vacant post.
Finance Analysis	• The organisational structure makes provision for a Deputy Director and two Analysts. The Deputy Director Finance was appointed during the 2015/16 financial year. The Deputy Director Finance post became vacant in December 2020 when the incumbent in the post Dr. Dumisani Jantjies was promoted and appointed as Director. After three (3) recruitment rounds, the Office has struggled to fill the post that has been re-advertised. It is anticipated. • The Finance Analysis unit operated on a full staff complement as at 31 March 2023.
Policy Analysis	• The organisational structure makes provision for a Deputy Director and two Analysts. The Deputy Director policy analysis was appointed during the 2015/16 financial year. • Only one policy analyst post has been filled—the other Policy Analyst position was declared vacant unfunded during the institutional review of critical posts process which transpired several years ago. • A full staff complement has not been realised under the policy analysis unit.
Administration - Corporate Services	• The organisational structure makes provision for a Personal Secretary to the Director of the PBO, an Office Manager, an Office Coordinator. The corporate services unit operated under a full staff complement. • Substantial additional human resources capacity is required to fulfill the governance and accountability requirements imposed by the amended Money Bills Act no 13 of 2018.
Graduate Analysts	• The organisational structure makes provision for two graduate analysts. • With the support of Parliament Human Resource department, the Office has appointed two graduate analysts.

1.5 Accountability Lines

The Director accounts to the two Houses of Parliament through the Executive Authority of Parliament i.e., the Speaker of the National Assembly (NA) and the Chairperson of the National Council of Provinces (NCOP). The PBO is additionally accountable to an "Advisory Board" (AB) established by sub-section 1(b) of the amended Money Bills Act no 13 of 2018.

The AB that has codified legislative functions and responsibilities is an important governance and accountability structure that comprises of the NA House-Chairperson for Committees, NCOP House-Chairperson, and the Chairpersons of the Finance and Appropriations Committees in the NA and NCOP. The Advisory Board acts as an interlocutor between the Director and the parliament Executive Authority. The Advisory Board meets periodically with the Director to engage on various pertinent matters affecting the Office. A schematic depiction of the PBO accountability lines is reflected on Figure 7.

Figure 7 Accountability lines of the Director of the Parliamentary Budget Office



The Advisory Board and the Executive Authority of Parliament constitute the core governance structure of the Parliamentary Budget Office.

CHAPTER 2

PERFORMANCE INFORMATION

2. PERFORMANCE INFORMATION

2.1 Introduction

The Parliamentary Budget Office derives its mandate from the Money Bills Act, as amended, by the Money Bills Act no 13 of 2018.

The PBO is mandated to:

a) Review and analyses the documentation tabled in Parliament by the Executive (Minister of Finance) in terms of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act no. 9 of 2009), as amended by Act 13 of 2018.

b) Analyse and advise on proposed amendments to the fiscal framework, the Division of Revenue Bill, and money Bills and policy proposals with budgetary implications

c) Monitor and synthesise matters on reports tabled and adopted in a House with budgetary implications, with particular emphasis on reports by other Committees

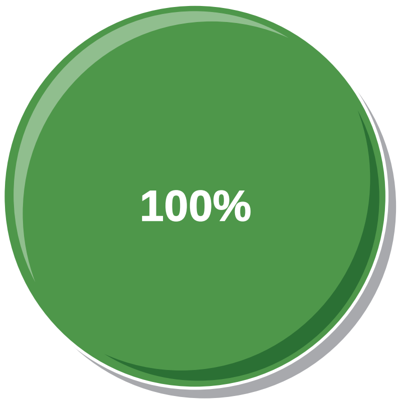
d) Keep abreast of policy debates and developments in key expenditure and revenue areas

e) Monitor and report on potential unfunded mandates arising out of legislative, policy or budgetary proposals

f) Conduct research on request by the Houses, other committees, or members of Parliament on matters related to the budget and other money Bills.

The Office supports the implementation of the Money Bills Act by undertaking indepenent and objective research, analysis and advice for the Finance and Appropriations Committees of Parliament and other Committees of Parliament subject to capacity and the scope of the request.

Programme 1
2022/23 FY Performance
April 2022 to March 2023



A 100 per cent performance rate was achieved during the 2022/23 FY where the Office produced fifty-five performance outputs against twenty-eight performance targets. The performance environment is influenced largely by cyclical variations arising from demand-driven requests. The strategic outcome and the performance indicators against the mandate during the 2022/23 FY is reflected in the tables below.

Table 2 Office Strategic Outcome

Strategic outcome	Strengthening the capacity of Members and Committees in exercising oversight of Public Finances.

Table 3 Office Performance Indicators

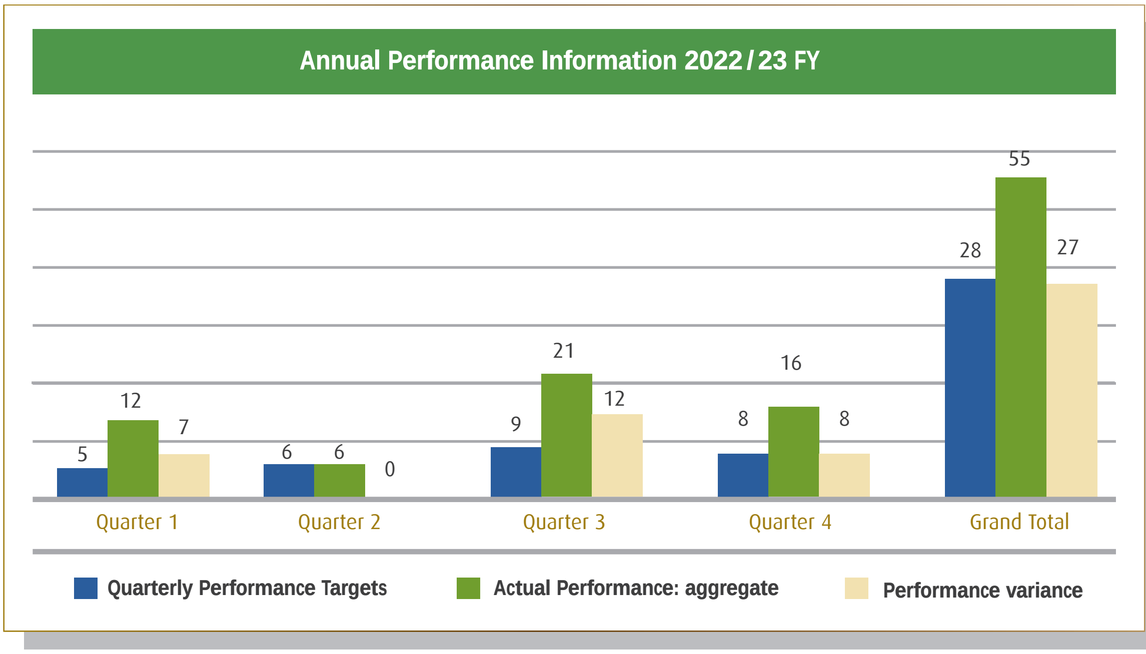
Performance Indicators		Annual Target	Actual annual performance	Variance	Reasons for variance & mitigation factors
2.2	Number of analytical reports per year	28	55	+27	Cyclical variations in performance outputs arising from demand-driven requests

The Office annual performance information for the 2022/23 FY is highlighted in the table below:

Table: Performance output indicators: annual and quarterly targets 2022/23

Table 4 Annual Performance Information

Performance indicator		Reporting period	Annual target 2022/23	Quarterly targets			
				1st	2nd	3rd	4th
Programme 2: Economic, Policy and Fiscal Advice and Analysis							
2.1	Budget, MTBPS, Adjusted budget and Supplementary budget analysis presented to Committees (Including relevant legislation)	Bi-annually	4			2	2
2.2	Number of economic, policy and fiscal briefs produced and presented for keeping Members abreast of current affairs	Bi-annually	10	3	2	3	2
2.3	Number of special reports based on discussion with Members	Quarterly	10	2	2	3	3
2.4	Number of forecast audits produced informing the budget analysis	Annually	1				1
2.5	Number of papers/presentations delivered to national and international forums and/ or stakeholders	Quarterly	3		2	1	
			28	5	6	9	8
Annual performance target				28			
Actual annual performance outputs				55			
Annual performance variance				+27			



The PBO annual performance information depicts a positive performance information comprising of 55 actual annual performance outputs produced against 28 performance targets. The PBO performance information is influenced by cyclical variations in demand-driven requests, this resulted in a performance variance 27 performance outputs.

The 55 performance outputs enabled the PBO to discharge its legislative mandate in support of the public finance oversight mandate of Parliament over the Executive.

The PBO annual performance information depicting monthly performance is reflected in the table below.

The quarterly annual performance information for the 2022/23 FY is reflected in the Table 5.

Table 5 Performance information ±monthly distribution

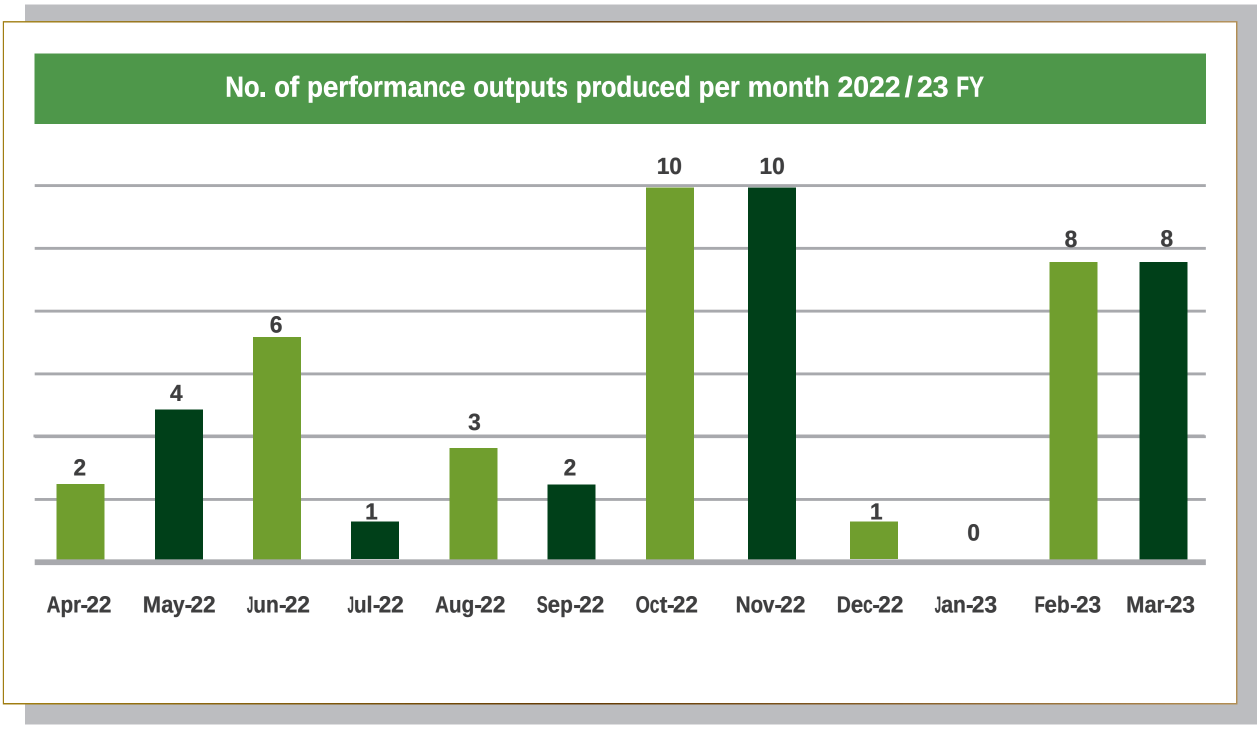
	Quarter 1 Q1			Quarter 2 Q2			Quarter 3 Q3			Quarter 4 Q4		
Reporting month	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual outputs produced per month												
Quarterly performance outputs (actuals)	12			6			21			16		
Quarterly performance targets	5			6			9			8		
Quarterly performance variance	7			0			12			8		
Total annual outputs: total of Q1+Q2+Q3+Q4	55											

2.2 Performance trends

The quarterly performance information reflected in the above diagram highlights that a total of twelve, six, twenty-one and sixteen performance outputs were produced respectively during the 1st, 2nd, 3rd, and 4th quarters of the FY.

Overall, a 100% annualised performance rate was attained.

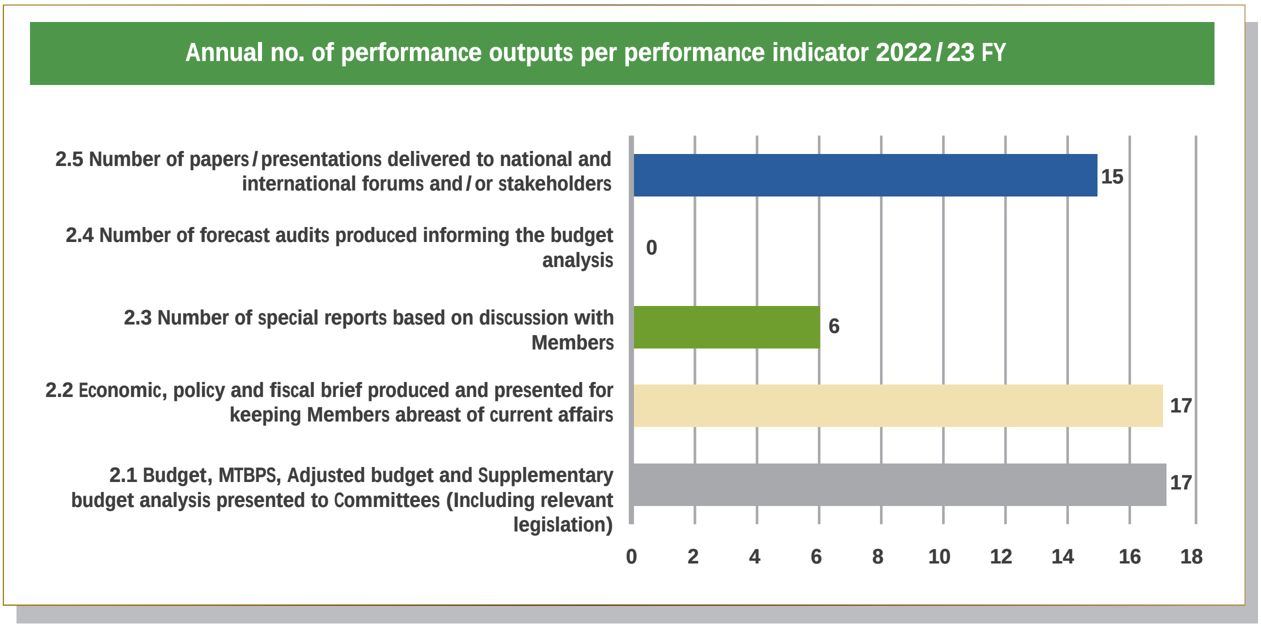
Figure 8 Outputs produced per month



As reflected in Figure 6, cumulative aggregate performance for the year amounted to fifty-five performance outputs. The cumulative aggregate number of performance outputs produced.

The total number of performance outputs produced by the Office per performance indicator is reflected in Figure 9. the largest proportion of performance outputs was concentrated under performance indicators 2.1 and 2.2 were seventeenoutputs were produced respectively under each category. This was closely followed by the production of fifteen outputs under performance indicator 2.5 while the remaining outputs, six were produced under performance indicator 2.3.

Figure 9 Performance output per performance indicator



The annual quarterly performance information depicting the number of performance outputs produced from the 2015/16 FY up to the 2022/23 FY is highlighted in the Figure 10. A comparative glance of the annual performance information per financial year highlights the cyclical variations in the PBO service delivery environment over the years. Lastly, the total number of aggregate annual outputs produced over the years, that is, three hundred is reflected in the Figure 11.

Figure 10 Analytical and Advisory Reports

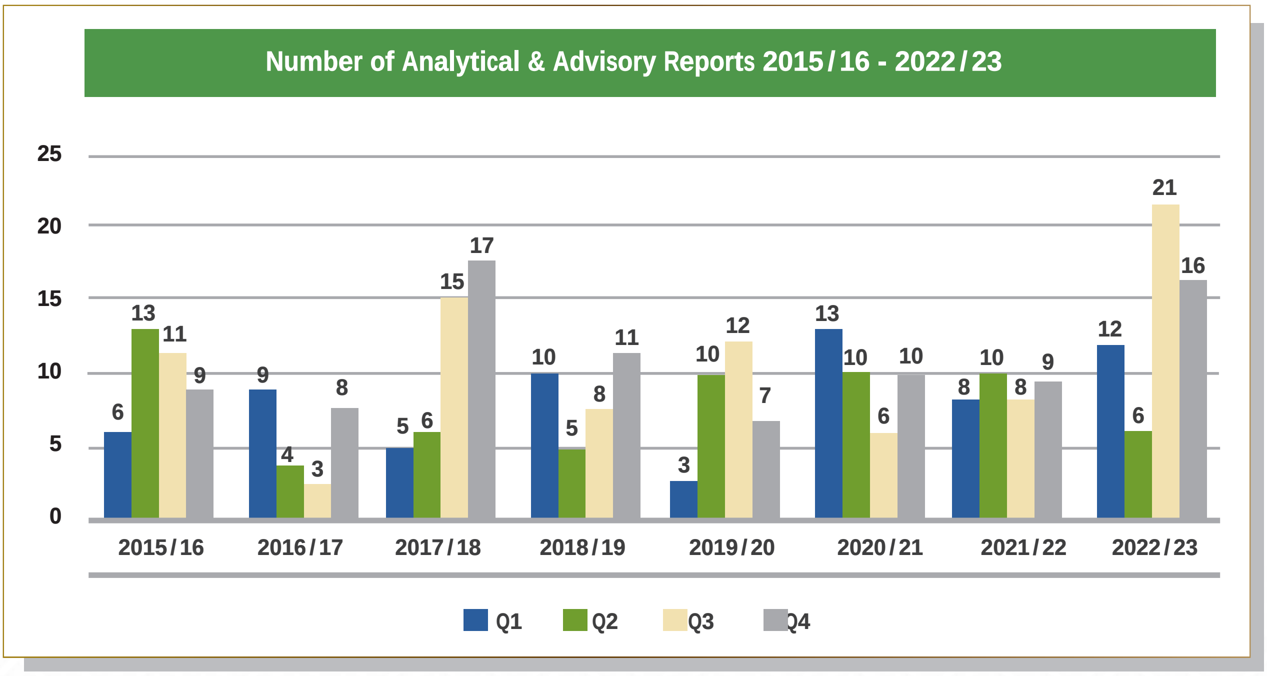
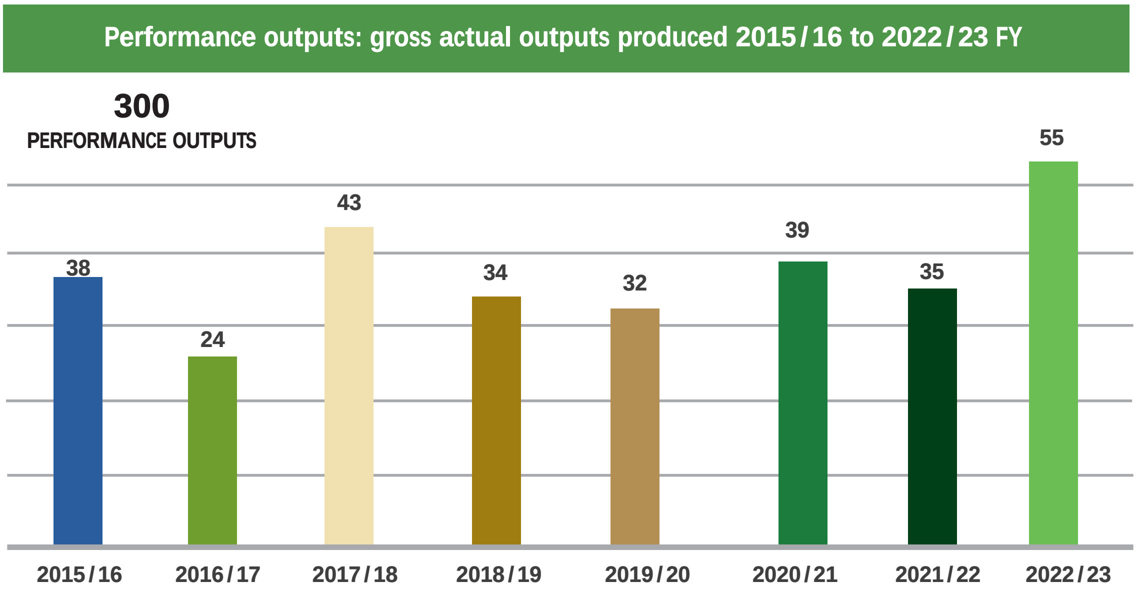


Figure 11 Performance outputs: gross actual outputs produced 2015/16 to 2022/23 FY



The audited PBO performance baseline spans back to the 2015/16 FY. A comparative analysis of the performance outputs produced by the PBO since the 2015/16 FY to the current FY is highlighted in the above diagrams below. To date, the PBO has produced a total of 300 performance outputs since the 2015/16 FY up to the current 2022/23 FY with a linear average of 55 performance outputs produced per annum.

The 2022/23 performance information in terms of the actual number of performance outputs produced by the Office to deliver on its legislative mandate is highlighted in Table 6.

Table 6 Performance Outputs per quarter

No of performance outputs	Performance output	Performance indicator	Reporting month
1	Policy Brief Performance on Agriculture Conditional Grants	2.2	Apr-22
2	PBO presentation on Mar 2022 QEB Speakers Forum	2.5	Apr-22
3	2022 Appropriations Bill Assessment	2.1	May-22
4	2022 Appropriations Bill Assessment	2.1	May-22
5	2022 Appropriations Bill Briefing Additional Notes on Vote 26: Military Veterans	2.1	May-22
6	Policy Brief 2020-21 Performance on Basic Education Conditional Grants	2.2	May-22
7	Quarterly Economic Brief	2.2	Jun-22
8	Taxation Brief - 2022 Taxation and Revenue Proposals	2.2	Jun-22
9	Brief on Business Bounce-back Support and the Credit Loan Guarantee Schemes for Small, Micro and Medium Enterprises (SMMEs)	2.3	Jun-22
10	Briefing on the 2022 draft Preferential Procurement Regulations	2.3	Jun-22
11	Submission on the draft SADC Model law on Public Finance Management	2.5	Jun-22
12	Orientation of the Secretary to Parliament	2.5	Jun-22
13	Eastern Cape Provincial Legislature Budget Committee Workshop	2.5	Jul-22
14	PBO Fiscal Brief 2021-22 Analysis	2.2	Aug-22
15	Members Training	2.5	Aug-22
16	Public Participation AN PBO presentation	2.5	Aug-22
17	Brief on Government Support Interventions	2.3	Sep-22
18	Quarterly Economic Brief	2.4	Sep-22
19	Pre-MTBPS Presentation	2.1	Oct-22
20	Pre-MTBPS Brief	2.1	Oct-22

No of performance outputs	Performance output	Performance indicator	Reporting month
21	Fiscal Brief	2.2	Oct-22
22	Policy Brief- Performance on the 2019-2024 MTSF, Policy Priority 3- Education, Skills, and Health (2)	2.2	Oct-22
23	Policy Brief- Performance on the 2019-2024 MTSF, Priority 4- Consolidating the Social Wage through Reliable and Quality Basic Services	2.2	Oct-22
24	Policy Brief- Performance on the 2019-2024 MTSF, Priority 5- Spatial Integration, Human Settlements and Local Government	2.2	Oct-22
25	Policy Brief- Performance on the 2019-2024 MTSF, Priority 6- Social Cohesion and Safer Communities (Part 1)	2.2	Oct-22
26	Policy Brief- Performance on the 2019-2024 MTSF, Priority 2 Economic Transformation and Job Creation	2.2	Oct-22
27	Policy Brief- Performance on the 2019-2024 MTSF, Priority 3- Education, Skills, and Health (1)	2.2	Oct-22
28	Policy Brief- Performance on the 2019-2024 MTSF, Priority 6- Social Cohesion and Safer Communities (Part 2)	2.2	Oct-22
29	DOR, Adjusted Appropriations & Specl Apprn for SCOA	2.1	Nov-22
30	DOR Presentation to SeCOA	2.1	Nov-22
31	MTBPS Discussion	2.1	Nov-22
32	PBO Briefing -2022 MTBPS	2.1	Nov-22
33	Tongaat-Hullett - the PBO's written answer to the SCOA- Nov 2022	2.3	Nov-22
34	PBO Briefing on Vote 1 Presidency Oversight - November 2022	2.5	Nov-22
35	FFC 23 Nov 2022	2.5	Nov-22
36	Uganda Study Visit	2.5	Nov-22
37	NCOP Legislative Review 25 November 2022- Dr Dumisani Jantjies Presentation	2.5	Nov-22
38	Tanzania Study Visit	2.5	Nov-22
39	Quarterly Economic Brief	2.2	Dec-22
40	Feb 2023 Pre-Budget Brief SONA Policy Priorities	2.1	Feb-23
41	Feb 2023 Pre-Budget Brief Unfunded Budgets in Local Government	2.1	Feb-23
42	Feb 2023 Pre-Budget Brief Macroeconomic Analysis of the Global and South African Economy	2.1	Feb-23
43	Feb 2023 Budget Presentation	2.1	Feb-23
44	Feb 2023 Fiscal Brief	2.2	Feb-23
45	Feb 2023 Eastern Cape Provincial Legislature Budget Training	2.5	Feb-23
46	Feb 2023 NCOP The Committees Review and Planning Session	2.5	Feb-23
47	Feb 2023 Report on the Bilateral Engagement between South African PBO Director and South Korean NABO Chief	2.5	Feb-23
48	March 2023 Brief on 2023 Division of Revenue Bill for Standing Committee on Appropriation - PBO Presentation 8 March 2023	2.1	Mar-23
49	March 2023 DORA and Second Adjustments Appropriations - PBO Presentation 15 March	2.1	Mar-23
50	March 2023 Government underspending analysis 2011 - 2021 the case studies of the Departments of Health and Social Development	2.1	Mar-23
51	March 2023 PBO Fiscal Framework Summary	2.1	Mar-23
52	March 2023 PBO- Quarterly Economic Brief Output	2.2	Mar-23
53	March 2023 PBO's written answer to the question raised by the Select and Standing Committees on Finance on austerity	2.3	Mar-23
54	March 2023 Thinking about Fiscal Consolidation - theory, ideology, and consequences	2.3	Mar-23
55	March 2023 PBO Joint Chair of Chairs Workshop 27-28 March	2.5	Mar-23

2.3 Linkage between performance and expenditure

Detailed information related to the correlation between PBO performance information, and the budget is provided in Chapter 3: Financial Management.

The legislative mandate of the PBO is research based and the Office is a knowledge-based organisation. The main cost drivers incurred by the PBO during the 2022/23 FY required by the Office to discharge its legislative mandate reflected in the Table 7. As a knowledge organisation and as required by the Money Bills Act, the PBO provides independent and objective research, analysis and advice to Parliament on Money Bills and related matters. The PBO discharges its legislative mandate through its workforce i.e., its knowledge workers hence incurring a significant proportion of the allocated budget on compensation of expenditure, thus delineating as a cost indicator linking performance and expenditure. The PBO subscribes to an annually paid economic information system that enables the Office to mine economic-econometric data, package and analyse the data and present the complex data to MPs in an understandable format. The range of other goods and services costs enable the office to operate efficiently and effectively during the reporting period. These costs, the main cost drivers are reflected below as well as historical costs.

Table 7 Five years' financial report comparison

Financial Year	Compensation of employees	Recruitment expenses	Organisational design & development (ODD) costs	Access to information & data	ICT / Communication costs	African Network of PBOs Conference	International & continental travel / engagements	Domestic travel engagements
	Personnel costs: entire staff complement			Subscription expenses	Cellphone, data and landline costs	AN-PBO Conference		Various domestic engagements
2022/23 FY	R15 428 797.24	R68 599.80	R0-00	R128 846	R46 564	R0-00	R369,783.38	R47 325
2021/22 FY	R13 699 433	R264 724	R331 800	R122 705	R66 699	R0-00	R0-00	R0-00
2020/21 FY	R14 181 006	R0-00	R0-00	R131 928	R35 862	R0-00	R0-00	R0-00
2019/20 FY	R14 645 055	R0-00	R0-00	#R125 649	R63 644.61	R0-00	##R0-00	R10 894.54
2018/19 FY	R13 937 589	R0-00	R0-00	R119 669	R61 092	R106 370	R273 472	R40 459
2017/18 FY	R14 657 957	R0-00	R0-00	R112 974	R74 667	R98 394	R256 048	R103 438

CHAPTER 3

FINANCIAL MANAGEMENT

3. FINANCIAL MANAGEMENT

3.1 Financial Information

To fulfill its legislative mandate, the Parliamentary Budget Office required to receive transfers of funds from Parliament baseline. The 2022/23 FY budget allocated enabled the Office to carry-out its legislative mandate and give effect to operational efficiency and effectiveness. However, due to lack of budget allocation as per the Act requirements, the Office is yet to fulfill in complete mandates.

In terms of subsection 15(11) of the Money Bills Act, the Director is required to submit a rolling three-year budget for inclusion in Parliament's main budget and a report on the use of the funds allocated. In terms of the Money Bills Act, the Office must annually receive a transfer of funds from Parliament's budget baseline to carry out its duties and functions. The reports on the use of the allocated funds are submitted on monthly and quarterly bases to the Parliament Financial Management Office (FMO). The budget reports, performance reports, annual report constitute the overall accountability reports submitted to Parliament. This section of this annual report provides an account on the use of the funds allocated for the 2022/23 FY.

This annual report, the financial information section, is prepared to comply with the provisions of subsection 15(11) of the Money Bills Act. The FMO prepares the audited financial statements for Parliament, including PBO activities. The audited financial statements as prepared by the FMO serves as the financial report of Parliament as a whole. The expenditure report for the year-ended 31 March 2023 in Table 8 provides an account of all the aggregate category of expenses incurred showing of expenses incurred by the PBO since the 2014/15 FY.

A gross annual budget amounting to R18 403 330 across the three main expenditure categories was allocated to the Parliamentary Budget Office for the 2022/23 FY. The budget comprised of compensation of employees (COE): R17 118 330 and the goods & services: R1 285 000 and no allocation for capital expenditure (CAPEX). An annual eighty-eight percent aggregate spending rate across the three main expenditure categories materialised.

The actual spending incurred across the three main expenditure categories are reflected in the Financial Table 8. The table provides an easy-to-read comparison/account of the budget allocated to the PBO for each financial year, and actual expenditure against the main expenditure items.

Table 8 Expenditure Report for the year-ended 31 March 2023

Budget line items	2022/23 FY	2021/22 FY	2020/21 FY	2019/20 FY	2018/19 FY	2017/18 FY	2016/17 FY	2015/16FY	2014/15 FY
REVENUE									
BUDGET ALLOCATION	R18 403 330	R16 557 618	R16 193 376	R15 115 000	R14 917 097	R16 059 818	R14 766 317	R14 986 182	R18 333 081
A: OPERATIONAL EXPENDITURE: A1: COE & A2: G&S's	R16 210 463	R14 469 560.49	R14 364 622.70	R14 546 542.99	R14 553 041	R15 401 668	R13 635 235	R12 698 954	R9 858 686
A1: COMPENSATION OF EMPLOYEES	R15 428 797	R13 699 432.52	R14 181 006.38	R14 293 182.96	R13 937 589	R14 657 957	R12 597 720	R10 570 534	R8 644 280
A2: GOODS & SERVICES									
Recruitment expenses	R68 600	R264 724	R0-00	R0-00	R0-00	R0-00	R0-00	R286 820	R258 077
Organisational Design & Development Project	R0-00	R331 800							
Training, Workshops and Seminars	R1 595	R0-00	R0-00	R0-00	R0-00	R79 783	R70 432	R78 640	R200 001
Research: Access to information & data: subscription services	R128 846	R122 705	R131 928	R125 649.00	*R119 669	R112 974	R107 593	R118 739	(16,264)
Communication expenses: Landline, Mobile & data	R46 564	R66 699	R35 862	R63 644.61	R61 092	R74 667	R83 936	R81 467	R55 733
Licenses - Software	R0-00	R0-00	R0-00	R0-00	R0-00	R0-00	R0-00	R0-00	R136 374
Office supplies; Stationery; printing; printing paper and other expenses	R596	R0-00	R0-00	R0-00	R1 795	R8 804	R34 326	R22 647	R43 222
Gifts, Plants, Flowers & Other Decorations	R0-00	R0-00	R0-00	R0-00	R0-00	R0-00	-	R29 202	R39 972
Subscriptions	R0-00	R0-00	R0-00	R0-00	R0-00	R0-00	R0-00	R0-00	R100 095
Repairs & Maintenance	R0-00	R0-00	R0-00	R0-00	R0-00	R0-00	R0-00	R0-00	R13 498

Budget line items	2022/23 FY	2021/22 FY	2020/21 FY	2019/20 FY	2018/19 FY	2017/18 FY	2016/17 FY	2015/16FY	2014/15 FY
A2: GOODS & SERVICES (continued)									
Office Lease & Rentals	R0-00	R0-00	R0-00	R0-00	R15 626	R19 575	R47 026	R43 869	R45 664
Local Travel	R47 325	R0-00	R0-00	R10 894.54	R40 459	R103 438	R201 955	R517 130	R314 768
International Travel	R369 783	R0-00	R0-00	R0-00	R273 472	R256 048	R45 807	R902 483	R802
African Network of PBO's Conference	R0-00	R0-00	R0-00	R0-00	R106 370	R98 394	R447 453	-	-
Catering	R9 585	R0-00	R0-00	R0-00	R2 406	R10 394	(9,851)	R47 424	R22 466
Membership Fees	R0-00	R0-00	R15 826.06	R33 227.05	R14 507	R34 170	R8 838	-	-
Surplus before capital expenditure	**R503 334**	**R1 962 265.51**	**R266 383.68**	**R216 584.97**	**R635 396**	**R798 247**	**R1 037 515**	**R2 128 420**	**R1 214 406**
B: Capital Expenditure	**R0-00**	**R0-00**	**R0-00**	**R0-00**	**R27 889**	**R30 778**	**R56 592**	**R75 206**	**R150 339**
Computer Equipment			R0-00		R24 870	R25 858		(5,397)	R20 053
Computer Software			R0-00		R3 019	-			R87 338
Equipment		R29 980.50	R0-00			R1 932	R31 140	R28 482	R19 847
Audio & Visual Equipment			R0-00					R37 922	R17 338
Furniture & Fittings			R0-00			R2 988	R25 452	R14 199	R5 764
Total surplus for the Year	**R2 192 867**	**R2 042 277.01**	**R1 828 753**	**R568 457**	**R336 167**	**R627 372**	**R1 074 490**	**R2 212 022**	**R8 324 056**

3.2 Supply Chain Management and Asset Management

3.2.1 Supply Chain Management (SCM)

The Service Level Agreement signed between the Director and the former Acting Secretary to Parliament enables the Office to co-share Parliaments SCM regulations, policies, directives, and procurement framework. Therefore, the Office adheres to all procurement regulations, policies, and directives of Parliament.

SCM Regulations of Parliament and the Financial Management of Parliament and Provincial Legislatures Act

Procurement during the 2022/23 FY was carried out entirely within Parliaments SCM framework.

3.2.2 Asset management

The Office co-share the asset management framework of Parliament. Therefore, all assets under the custodianship of the PBO are incorporated on Parliament's main asset database. All ICT assets such as laptops are maintained by Parliament's Information Communications Technology (ICT). The asset management framework within which the Office operates falls within the prescripts of the FMPPLA, the amended Money Bills Act and the SCM Regulations.

3.3 Current Developments and Future Financial Plans

In terms of the amended Money Bills Act, no 13 of 2018, the Office is required to comply with the legislative provisions of section 35 of the FMPPLA regarding transfers of funds. However, due to lack of organisational capacity and transitional period, Office uses SLA to operate within the policies of Parliament. A Service Level Agreement was signed on 04 March 2021 by the Director and the Acting Secretary to Parliament—the SLA came into force on 1 April 2021. The embarked on an organisational design and development project in an attempt to give effect to the governance and accountability requirements contained in section 15 of the amended Money Bills Act.

The Office embarked on an organisational design and development project to give effect to the governance and accountability requirements contained in section 15 of the amended Money Bills Act. The ODD is currently being considered by the Advisory Board and the Executive Authority.

3.4 Concluding remarks

The Parliamentary Budget Office has been operational since June 2013 and operated in accordance with the Money Bills Act of 2009. The passing of the amended Money Bills Act no 2018 resulted in the PBO being established as a juristic entity of Parliament with the Director as its Accounting Officer.

The Office is required to comply with various provisions of the Money Bills Act and the FMPPLA. The amended Money Bills Act requires for the strengthening of the overall governance and accountability framework of the office. This capacitation will enable the office to comply with the legislated accountability provisions of the Money Bills Act and the FMPPLA. In the interim, the SLA serves as a mechanism that allows Office to function efficiently and effectively.

CHAPTER

4

OFFICE MANAGEMENT & ACCOUNTABILITY

4.1 Governance framework

4.1.1 Director of the Parliamentary Budget Office

The Director is appointed by the two Houses of Parliament on a 5-year employment contract, a standard practice for Accounting Officers/Heads of Departments or Entities across the public sector.

The position of the Director as an Accounting Officer is established by section 15(1) of the Money Bills and Related Matters Act 2009, as amended. The Director is accountable to the two Houses of Parliament through the Speaker of the National Assembly and the Chairperson of the National Council of Provinces acting conjointly as the Executive Authority of Parliament.

The Money Bills Act requires that the Director must be a suitably qualified, fit, and proper person whose recruitment must be carried out through an open & transparent recruitment process. The Finance and Appropriations Committees of Parliament must recruit and recommend to the two Houses of Parliament, a person with the requisite experience, qualifications, and leadership skills to manage the Parliamentary Budget Office. The conditions of service including the salary and allowance of the Director must take into account the knowledge and experience of the person and substantially be the same as those of the top rank of the public service

Once appointed, the Director must fulfil the legislated functions (mandate) and the governance and accountability requirements as codified respectively in sub-sections 15(1),15(2) of the Money Bills Act 2009 as amended in 2018. As an Accounting Officer, the Director discharges leadership, managerial, broader corporate services, stakeholder relations, and legislated functions of office. In terms of section 15(12) of the Money Bills Act, the Director is required to appoint Deputy Directors (Senior Analysts) and personnel (Analysts and other staff members) with the requisite experience and qualifications to carry out the duties and functions of the Office. The staff members provide a range of corporate services and content support (advise and analysis) to give effect to organisational efficiency and effectiveness and to ensure that the PBO discharges its legislative mandate.

In terms of section 15(12) and 15(13) of the Money Bills Act, the Director is empowered to appoint personnel and to determine the conditions of service of such personnel. The Director, assisted by a Personal Secretary, Office Manager, and Office Coordinator is responsible for the management and administration of the Parliamentary Budget Office.

The Director also has the core responsibility to provide leadership to the three (3) analysis and research units of the Office headed by Deputy Directors. The three units, headed by Deputy Directors and comprising of two analysts per cluster, are Economics, Policy, and Finance. The Director has overall leadership and management accountability over the administration and core mandate of the Office. The Director must discharge the core legislative mandate including the governance and accountability requirements imposed by section 15 of the amended Money Bills Act with fidelity.

4.1.2 Work structure: accountability lines

To optimise its service delivery throughput, a cross-cluster matrix work-method was adopted by the Office over the years to amplify the service delivery capacity of the Office's small staff complement. In this regard, the Office analysts and Deputy Directors work symbiotically across the three units to provide reinforced research, analysis, and advice to client Parliamentary Committees. All these organisational design measures enable the Director to fulfil the legislative mandate of the office and comply with the core legislated mandate of the Office. A broad overview of the legislative framework within which the Director operates is highlighted in Figure 12.

Figure 12 Work structure: functional and administrative accountability lines for the clusters

Constitutional provision	Section 77 of the Constitution
Founding legislation	Money Bills Amendment Procedure & Related Matters Act, no.09 of 2009 as amended.
Legislated client Parliamentary Committees section 15(2)	Finance & Appropriations Committees of Parliament
Legislated mandate/functions of the PBO	Codified in section 15(2) of the Money Bills Act no 09 of 2009
Head of the PBO/Accounting Officer	Director of the Parliamentary Budget Office
Functional organisational configuration	**Research, analysis, and advisory Units** Policy, (2) Finance & (3) Economics units

WORKFORCE

- 1 x Director
- 3 x Senior Analysts: Deputy Directors (DDs) (DD Finance post vacant)
- 5 x Analysts

Deputy Director: Policy	Deputy Director: Finance analysis (vacant)	Deputy Director: Economics
1 x Policy Analyst	2 x Finance Analysts	1 x Economic Analyst

Overall, the Director as Accounting Officer must provide leadership and fulfil the legislated mandate as well as other prescribed governance and accountability requirements as codified in the amended Money Bills Act.

The Money Bills Act requires the Director to "report on the activities" Office annually to Parliament within five-months after the end of each financial year. This report provides an account of the activities undertaken during the 2022/23 financial year.

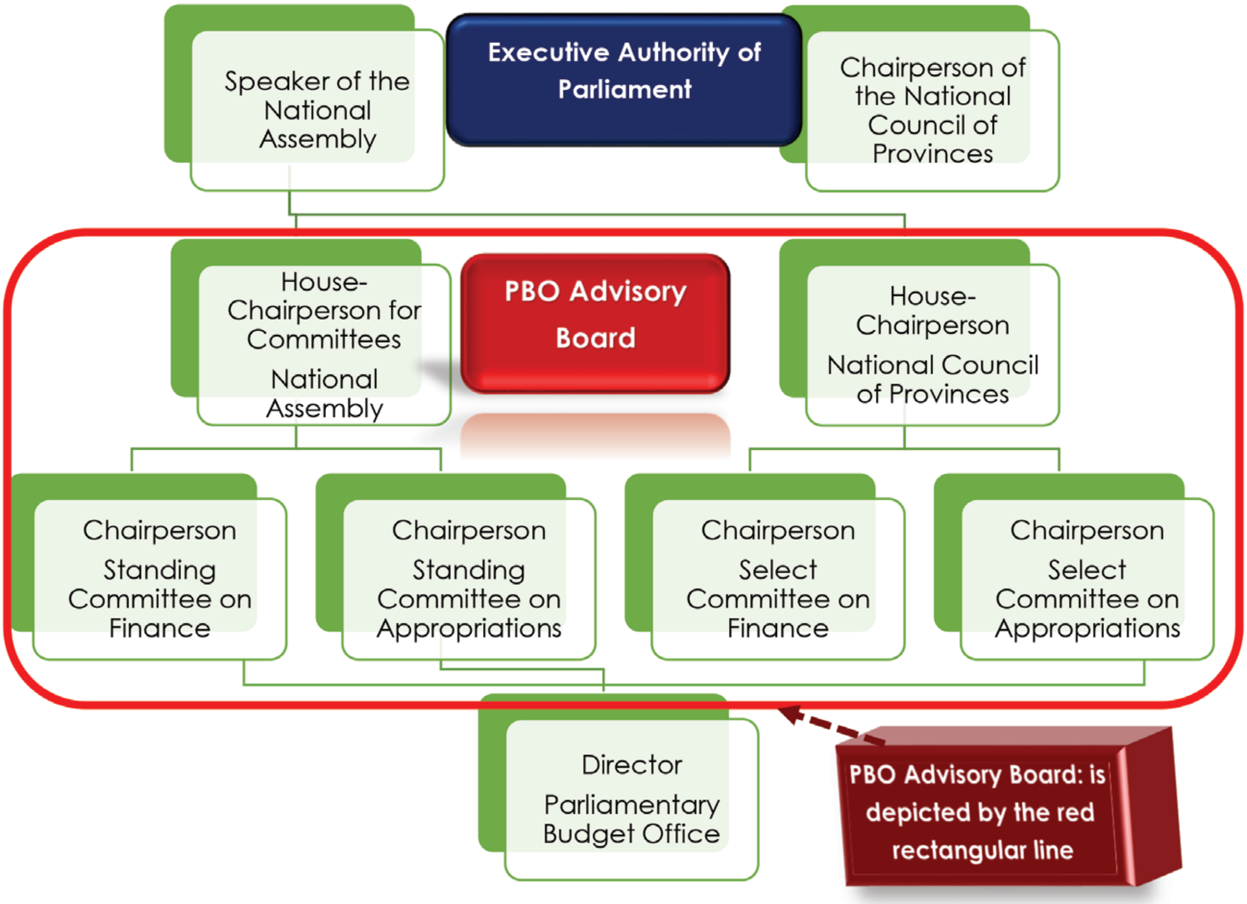
4.1.3 Accountability lines: Advisory Board and Executive Authority

As a juristic office of Parliament, the Director accounts to the two Houses of Parliament through the Executive Authority of Parliament acting conjointly i.e., the Speaker of the National Assembly (NA) and the Chairperson of the National Council of Provinces (NCOP). The Director is required to consult the Advisory Board on specific matters.

The Advisory Board which has codified legislative functions and responsibilities comprises of the National Assembly House-Chairperson for Committees, National Council of Provinces House-Chairperson, and the Chairpersons of the Finance and Appropriations Committees in the NA and NCOP. The Advisory Board is required to perform specific functions and exercise certain responsibilities as prescribed in the amended Money Bills Act.

The Director together with the Advisory Board and the Executive Authority constitute the Office 'core governance and accountability structure. The roles and responsibilities of the governance structure will be highlighted in the organisational design and development (ODD) project. The reporting lines of the Director are mapped out in the figure 13.

Figure 13 Director Accountability Lines



4.1.4 Collaboration relation: The Director and the Secretary to Parliament

To give effect to the amended Money Bills Act, no 13 of 2018 the Director and the Acting Secretary to Parliament entered into a service level agreement (SLA). The objectives of the SLA have already been covered extensively under section 1.3 and 3.3 and will not be repeated here. As an office of Parliament established by Parliament through the Money Bills Act, the Office must be provided with the necessary institutional support to carry out its strategic objectives and operational requirements.

4.2 Human Resources and Development

The PBO organisational structure makes provision for administrative support and core business personnel comprising of thirteen positions. The organisational structure makes provision for a Director, three Deputy Directors, six Analysts, and three corporate services personnel. Filled vacancies (warm bodies) as at 31 March 2023 comprised of eleven filled positions. The PBO post establishment as at 31 March 2023 is highlighted in the Figure 14 and Table 9.

Figure 14 Post Establishment as at 31 March 2023

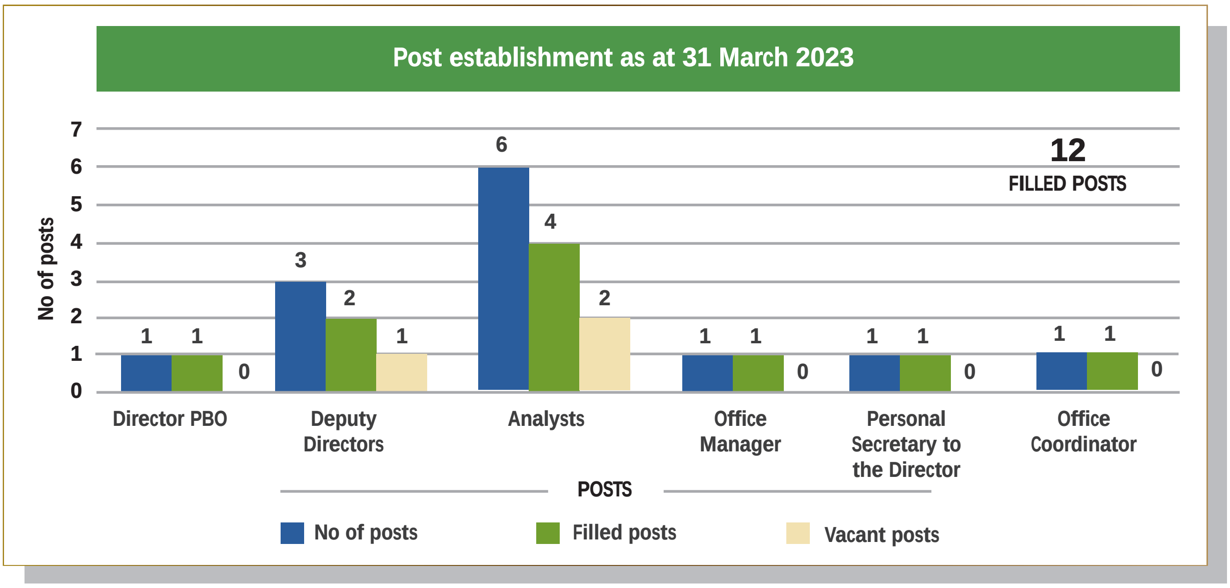


Table 9 Post establishment: full establishment as at 31 March 2023

Post establishment: full establishment as at 31 March 2023			
Director	Deputy Directors: Senior Analysts	Analysts & Graduate Trainees	Corporate Services
1	2	6	3
Total staff complement:12			

The post establishment reflects the total number of posts relating to filled and vacant posts.

Elevated efforts were activated to fill the vacant funded Economic Analyst and Deputy Director Finance posts with the Economic Analyst post estimated to be filled during the first quarter of the 2023/23 financial year. Heightened efforts will be pursued with the HR Division to expedite the filling of the Deputy Director Finance post during the 2023/24 FY. Nonetheless, the Deputy Director Finance, Economic Analyst remained vacant funded as at 31 March 2023 while the Policy Analyst post remained vacant unfunded. The organisational design and development (ODD) process that the Office embarked on, will strengthen, once implemented the technical and administrative capacity of the Office through the enlistment of additional manpower.

As at 31 March 2023, two Graduate Trainees were enlisted in the PBO as part of Parliaments Graduate Development Programme. As at 31 March 2023, seven PBO officials on the D salary band were employed on the 5-year employment contracts framework. Two officials and five officials were respectively employed on the D3 and D1 salary bands with two employees on the C salary band employed on permanent employment contracts.

The Deputy Directors: Senior Analysts and the Analysts constitute the entire PBO workforce responsible for the execution of the legislative mandate of the Office. The renewal and appointment of the Parliamentary Budget Office employees is approved by the Director in line with the section 15 of the Money Bills Act and Related Matters Act.

4.2.1 Human Resources Management

The Director provides strategic leadership by marshalling the personnel towards the attainment of the legislative mandate of the Office. The Director must lead, manage, and administer the Office to ensure that it operates optimally and provides the best possible technical support to Parliament on complex public finance oversight matters.

The Director thus has ultimate service delivery accountability regarding discharging the legislative mandate of the Office.

4.2.1.1 Staff complement and demographic composition as at 31 March 2023

As at 31 March 2023, the PBO has twelve filled posts, that is, warm bodies that comprised of five females and seven males staff members. The overall demographic profile is presented in Tables 10. and 11.

Table 10 Race composition as at 31 March 2023

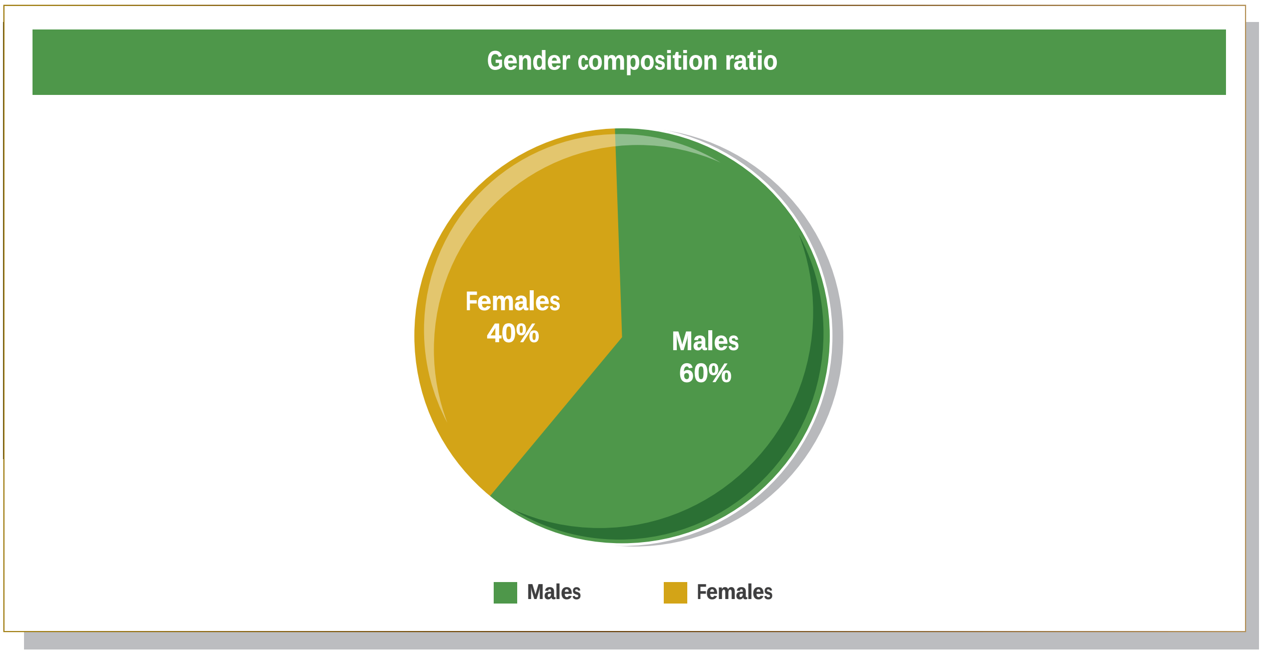
Africans	Coloureds	Indians	Whites	Total staff complement
7	1	0	2	10
70%	10%	0%	20%	100%

2. Gender composition as at 31 March 2023

Table 11 Gender composition

Males	Females	Total staff complement
6	4	10
60%	**40%**	**100.0%**

As at 31 March 2023, the workforce ratio comprised of 60% males (6) and 40% (4)females.



3. People with disbilities

Current no of people with disabilities as @ 31 March 2023.

People with disabilities
0.0%

The workforce as at 31 March 2023 compromised of zero percent of people with disabilities.

Table 12 PBO Staff complement and demographic composition as at 31 March 2023

Categories	Employees	Total	Gender		Demographics			
	Title	Employees	Male	Female	African	Indian	White	Coloured
Director of the PBO & the Policy, Economic & Finance analysis units	Director of the PBO	1	1		1			
	Deputy Directors	2	1	1			1	1
	Analysts	4	2	2	4			
	Graduate Trainees (not counted as part of the PBO post establishment)	2	1	1	2			
Administration	Office Manager	1	1		1			
	Office Coordinator	1	1				1	
	Personal Secretary to the Director	1		1	1			
	Totals	**10**	**6**	**4**	**7**	**0**	**2**	**1**
	Percentage of total		60%	40%	70%	0.00%	20%	10%
	RSA demographics				80%	3%	8%	9%

Source: PBO RSA supplied data using Stats SA Data

4.2.2.2 Vacancy rate as at 31 March 2023

As at 31 March 2023, the PBO has two vacancies, that is, the Deputy Director Finance and Economic Analyst post, against an approved post establishment comprising of 13 posts. Twelve posts were filled (occupied) as at 31 March 2023. The Policy Analyst post remained a vacant unfunded position. The filling of the Economic Analyst post was expected to be concluded in the first quarter of the 2023/24 FY while recalibrated efforts will be activated by the Office to fill the Deputy Director Finance position.

The total vacancy rate as at 31 March 2023 stood at twenty-three percent for 3 posts, against seventy-seven percent filled posts (12 posts)**.** The vacancy rate per demographic composition is reflected in the Table 13.

Table 13 PBO vacancy rate as at 31 March 2023

Position	Number of posts	Number of posts filled	Vacancy Rate	Demographics						
					Male	Female	African	Coloured	Indian	White
Director of the PBO:	1	1	100%	African Male	1		1			
Personal Secretary to the Director of the PBO	1	1	-	African Female		1	1			
Office Manager	1	1	-	African Male	1		1			
Office Coordinator	1	1	-	White Male	1					1
Deputy Directors (Deputy Director Finance post is in the process of being filled)	3	2	33.33%	White Female Coloured Male	1	1		1		1
Analysts (Policy Analyst post is vacant unfunded)	6	4	33.33%	2 x African Females; 2 x African Male	2	2	4			
Total	**13**	**10**	**23.08%**							

Source: PBO RSA supplied data

4.3 Compensation of employees

Gross annual expenditure for compensation of employees (COE) for the 2022/23 FY, for the entire PBO workforce amounted to R15 428 797.24. The COE expenditure was incurred across three salary bands, namely, C band, D band and E band. As a knowledge organisation, a significantly large proportion of the allocated gross budget goes towards COE.

4.3.1 Performance management

For the period 2014/15 FY i.e., since the establishment of the Office up to the 2018/19 FY, no qualifying employee on the D-level salary band ever received a performance bonus. This situation impacted directly (adversely) on the ability of qualifying employees to move upwards, i.e., to qualify for a notch increase if they had received a performance bonus as per the institutional HR policy of Parliament. As a result, the salary level of qualifying employees remained stagnant on the same level except for the living cost adjustment increase (annual salary increase) all State employees receive annually.

Performance bonuses and notch increases were paid for the first time for the 2019/20 FY to all qualifying employees on the C to D salary bands. This was the first time that Office personnel on the D-salary band had received performance bonuses and notch increases since the 2014/2015 FY. At the time of the writing of this report, performance bonuses for the 2021/22 FY had not been finalised by Parliament to all qualifying Parliamentary officials due to ongoing negotiations with the labour union.

The Director has requested the Human Resources Department to prepare an initial performance assessment reports for the workforce from 2021 until 2023 financial years. This report would enable the Director to give full effect to the five-year employment contract terms currently used by the Office. In line with the Money Bills Act, this report is to be presented to the PBO Advisory Board.

Table 14 **Performance rewards matters**

D1 to D3 salary bands										
Financial year	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023
Annual Salary Increase	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Pending
Performance Bonus	NA	No	No	No	No	No	Yes	No	No	Pending
Notch Increase (qualifying staff)	NA	No	No	No	No	No	Yes	No	No	Pending

Despite this peculiar situation, PBO staff members remained committed by discharging their various duties and responsibilities diligently despite qualifying PBO employees not receiving performance bonuses and notch increase since the 2014/2015 up to the 2018/19, 2020/21 and 2021/22 financial years.

CHAPTER 5

CURRENT & FUTURE DEVELOPMENTS

CURRENT DEVELOPMENTS & LONG-TERM CONSIDERATIONS

Over the past years the Office has embarked on a process to strenthen its econoomic modelling and costing capability. In this process, the Office will elevates its economic modelling capability from audit government forecasts to providing own macroeconomic forecasts and estimates. A suitable economic modelling strategy was indentified during the 2022/23 financial year and procurement process was initiated to sucure the modeling capacity building resources. It is therefore expected tha the Office will start provide analysis and research outcputs that enable Parliament to assess potential budget impacts on macroeconomic variables, on society and on public finance status. The Office is looking forward to the years ahead to share such analysis with Members of Parliament and various committtees.

5.1 Organisational Design and Development - amended Money Bills Act

The amended Money Bills Act, no 13 of 2018 establishes the Parliamentary Budget Office as a juristic entity of Parliament. In terms of the amended Money Bills Act, the PBO must receive a budget transfer from Parliament baseline in order to fulfil its mandate set out in the Act. A budget transfer should be done in line with the section 35 of the FMPPLA. Compliance to section 15 of the amended Money Bills Act relates to the governance and accountability provisions, primarily financial accountability prescripts the Office should follow.

A Service Level Agreement (SLA) signed on 04 March 2021 by the Director and the Secretary to Parliament was aimed at enable the Director to fulfil the provision of the Act requiring capacity to fulfil certain corporate functions. The SLA was set up as a temporary measure while the Office was developing own policies and corporate functions in line with the Act.

The organisational design and development (ODD) process initiated by the Director in consultation with the Executive Authority and the Advisory Board was meant to map out the overall governance and accountability framework and business operations and management framework of the Office in line with the amended Act. This process further made provisions for policies and procedures and determine human resources and material requirements to fulfil the Office mandates as set out in the section 15 of the amended Money Bills Act. The outcomes of the ODD project are still undergoing a high-level stakeholder engagement process and consideration by the Advisory Board and the Executive Authority.

The ODD process once implemented will further strengthen the overall service delivery capacity of the Office to provide amplified technical support to parliamentary committees, to empower MPs to make informed oversight decisions over the Executive, armed with technically scrutinised and scientifically analysed information. Furthermore, the governance and accountability capacity will be further strengthened by the implementation of the ODD outcomes.

5.2 Strengthened technical capacity

Concerted amplified efforts will be deployed by the PBO together with the Human Resources Division of Parliament to fill the Deputy Director Finance post. The filling of the Deputy Director Finance post, a critical senior post, will significantly augment the PBO human resources capacity that will assist the Office to provide amplified technical support to client Parliamentary Committees. The Deputy Director Finance will provide leadership & managerial functions and perform senior analyst specialist functions of providing technical support to Parliamentary Committees on Parliaments' public finance oversight mandate. The filling of the post is paramount. The Policy Analyst post which was defunded during the institutional review of critical positions in parliament several years ago, remains a vacant unfunded post.

5.3 Scientific and evidence-based technical support

The constantly evolving nature of modern-day public finance necessitates for Members of Parliament to conduct oversight on complex financial and fiscal matters. The Parliamentary Budget Office stands ready to provide Members of Parliament with quality evidence-based research, analysis and advice, to give effect to informed recommendations by Parliamentary Committees grounded on solid scientific evidence. In pursuit of the objective of providing timely evidence-based research, analysis and advice to Parliament, the PBO will continue to deploy a combination of the following measures,

- strengthened stakeholder relations
  - continued strengthening of existing and establishment of new stakeholder relations to learn best practices through engagements with key national, continental, and international stakeholders.
- subscription to economic and econometric services to access the required data required for mining, synthesizing and analysis purposes.
- Utilisation of sophisticated scientific and evidence-based analytical methodologies, costing methodologies, advanced computational techniques, data-analytics and econometric techniques, statistical modelling, and other tools
- plans to finalise procurement of a dynamical integrated macroeconomic-microeconomic model of South African

economy during the first (1st) quarter of the 2023/24 FY to develop and strengthen the modelling capacity of the Office and that of Parliament.

- participation in relevant workshops, seminars, symposiums, webinars, and other events to keep abreast of evolving developments in the public finance arena.
- upskilling of staff to equip personnel with the latest technical skills.
- optimization of ICT platforms and tools of trade to enhance the service delivery capacity of the PBO.

5.4 COVID-19 lessons on the future of work

- The PBO will continue to utilise the lessons learned from the COVID-19 pandemic in terms of its business operating model, that is, the hybrid operating environment which altered the nature of work globally in terms of the traditional physical confinement of workers in brick and mortar workspaces.
- Parliament should optimise the remote operating framework to minimise costs, to optimise operational efficiency and effectiveness by exploiting and deploying 4th industrial revolution technologies, and to mitigate against future pandemics and unknown occurrences as a means of ensuring business continuity.

5.5 International & continental engagements and participation

As one of the dedicated offices established by some Parliaments in some parts of the world, participation in domestic, continental and international stakeholder engagements provides the PBO with immense opportunities that enables the Office

- to keep abreast of evolving changes in the international public finance oversight landscape
- to exchange best practices under a single roof from other PBOs during multilateral meetings such as the
    - The African Network of Parliamentary Budget Offices (AN-PBO)
    - The Annual Meeting of OECD Parliamentary Budget Officials and Independent Fiscal Institutions
    - The Global Network of Parliamentary Budget Officers (IFSD) and
    - Other key international stakeholder engagements

The PBO has participated consistently in the above continental and international multilateral formations, acquiring valuable best practices, information and data as well as the fostering of invaluable strategic relations. The AN-PBO is a continental multilateral formation whose creation was spearheaded by the South African Parliament in 2016. The network brings several African PBOs and similar offices together annually/periodically to exchange best practices on the technical support African PBOs could provide to their respective parliaments. The South African Parliament hosted the inaugural AN-PBO conference in 2016 and the second and third conferences in 2017 and 2018. The 4th AN-PBO conference which the South African PBO unfortunately did not partake in, was hosted by the Parliament of Ghana in 2019.

The 5th AN-PBO conference was hosted by the Parliament of Zimbabwe during the 2022/23 FY while the PBO plans to participate at the 6th AN-PBO Conference: Kenya during the 2023/24 FY. The Parliamentary Budget Office Director was elected as the AN-PBO Chairperson of the network governing council by the 2022 Harare Conference Resolution. The Director therefore has certain responsibilities at the AN-PBO Meetings and other activities. Participation by the South African PBO at AN-PBO conferences is critical as it enables the Director to fulfil his Chairmanship obligations while concomitantly keeping abreast of developments of the AN-PBO.

While strategic prioritise evolve over time, the PBO will continue to forge strong international relations through future participation at the OECD Network for Parliamentary Budget Officials and participation at other PBO relevant multilateral and bilateral interactions. The South African PBO will participate physically at the 15th OECD Network meeting. Continued participation in the above multilateral formations and other stakeholder relations enables the PBO to acquire evolving best-practices that empowers the Office to provide enhanced evidence-based technical support to parliamentary committees and the strengthening of the organisational efficiency and effectiveness of the Office.

The PBO will utilise the solid ten year's performance baseline through the provision of independent, objective, and professional advice and analysis to Parliament on matters related to the budget and other Money Bills, to strengthen the constitutional public finance scrutiny and oversight capacity of Parliament. The Parliamentary Budget Office places parliamentary committees at the centre of its service delivery model; the Office undertakes to continue to empower Members of Parliament with timely evidence-based analysis and advise that empowers MPs to undertake informed oversight recommendations.

NOTES

PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

PBO
PARLIAMENTARY
BUDGET OFFICE