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Impending legislation will empower Parliament

LEN VERWEY: COUNTERPOINT

A draft law seeks to balance budgetary control between government and Parliament. Also read Nic Dawes's [point](#) to this article

It has taken 12 years but we will soon have the major piece of legislation required by the Constitution which is still outstanding, namely legislation setting out a procedure for Parliament to amend money Bills.

Power over the budget means power over resources and therefore power over the scope and implementation of policy.

It is tempting and correct to attribute the rapid finalisation of the Money Bill to the post-Polokwane political climate, which has seen a reinvigorated legislature willing to assert authority over the executive.

First and foremost, the Bill does not constrain the amendment power of Parliament in any significant way.

Parliament may not only shift funds between departments and make changes to the division of revenue between spheres of government, but may also amend the "fiscal framework", that is, budgetary aggregates such as total revenue, expenditure and borrowing.

In other words, Parliament is given the authority to alter fiscal policy. It may, for example, increase or decrease the deficit and change tax rates.

The Bill sets out what Parliament needs to take account of when making amendments.

Amendments to the fiscal framework, for example, must take into account the implications for the long-term growth potential of the economy and the development of the country.

There is an emphasis on the need for fiscal responsibility. Equally clearly, however, nothing would stop Parliament from arguing that a more profligate budget than that proposed by the executive was desirable and feasible.

The Bill requires that amendments of some aspects of the budget be completed before others are

considered.

Parliament must first adopt or amend the fiscal framework.

Only then can it engage with the Division of Revenue Bill, and only then with appropriations and tax policy.

Such sequencing ensures that amendments do not jeopardise the overall resource envelope of the budget.

Once a set of budgetary aggregates is adopted by Parliament its amendment of departmental allocations, for example, may not result in total spending in excess of that agreed total.

But nothing would prevent Parliament from adopting a more expansionary fiscal framework to accommodate increased departmental allocations.

The finance committees of the two houses are responsible for reporting on and suggesting amendments to the fiscal framework and the revenue Bills.

A new committee, the appropriations committee, will be responsible for suggesting amendments to the Appropriation Bill and the Division of Revenue Bill.

This committee will receive submissions from other committees on departmental allocations and from the **Financial and Fiscal Commission** on the Division of Revenue Bill, and it is assigned a mediation role where committees propose conflicting amendments to the Appropriation Bill.

The question is whether the amendment power given to Parliament in the Money Bill is appropriate, given its current capacity.

At best, if capacity shortages continue Parliament may elect not to exercise its power, for fear of unintended consequences.

At worst, it may exercise power badly, jeopardising macroeconomic stability and the efficiency and the effectiveness of the budget. This would be the downward spiral scenario.

Ideally, on the other hand, a virtuous circle will be created where increased budgetary power results in a greater institutional and political drive to build the requisite research capacity, which, in turn, leads to the successful exercise of such power.

The Bill goes into some detail about the establishment of a parliamentary budget office which will provide Parliament with "independent, objective and professional advice and analysis" on the budget.

Interesting questions here will be the size of the budget allocation to this office, as well as how quickly it will be able to establish itself as an authoritative research and analysis institution.

Some might argue that it would have been better to introduce a phased approach to amendment legislation, for example by initially permitting only appropriation amendments within the fiscal framework proposed by the executive.

One might then have increased the scope of amendment power as Parliament's capacity increased. But those in favour of a strong legislative role in budgeting have clearly seized the day.

It remains to be seen to what extent Parliament elects to use the full force of the authority it has over budgeting in South Africa and to what extent its interventions enhance the impact of the budget in achieving government's goals.

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