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BUDGET PROCESS

Widening the purse

Parliament may soon have a greater say in the formulation of the national budget — a step that would effectively strengthen the ANC's hand on the financial levers of government.

The Money Bills Amendment Procedure & Related Matters Bill, now being debated in parliament, is in fact a requirement of the constitution and regarded as being long overdue.

It would allow parliament to change all bills that levy taxes, raise revenue and allocate money — most notably taxation bills — as well as the budget as tabled by the finance minister every February.

But its political significance extends well beyond mere legislative process. Since taking over national treasury in 1996, Trevor Manuel has effectively been commander in chief of the state purse strings, with parliament relegated, at best, to an advisory role without power to amend the final numbers.

The bill would change the dynamics radically and elevate the proposed budget committees to arguably the most powerful position in parliament.

Nhlanhla Nene, chair of the portfolio committee on finance, says the legislation would allow parliament to help shape the fiscal framework earlier in its drafting rather having them merely vote on it at the end of the process. At present, parliament can vote to either wholly accept or to reject a departmental budget vote, a situation Nene describes as untenable, because it leaves ANC MPs with, at best, a spectator's role over budget votes.

The bill would also presumably give a stronger role in budget making to opposition parties, with their objections carrying more weight.

The money bill would require parliament to set up committees in both the national assembly and the national council of provinces to interrogate the budget.

The joint budget committee would continue to exist alongside the departmental budget committees. The legislation also requires the secretary of parliament to set up a budget office with economic analysis and research capacity to support the budget committees.

The committees would be tasked with considering government's fiscal policy framework, macroeconomic policy and public finances, as well as recommendations of the Financial & Fiscal Commission. The bill requires the finance minister to furnish the committee with statements, including medium-term budget policy statements, draft departmental budget votes and finance statements for various spheres of government at least three months before the budget's tabling.

Parliament would have to allow the minister a full month to consider proposed amendments. Nene says the deliberation would flesh out time frames regarding public consultation and interaction with other committees within the budget cycle.

In its submission, national treasury cautiously welcomes the new environment in which it would have to operate, but stresses the need for "fiscal discipline". Treasury points out that parliament already has the power to change taxation bills, and calls for the legislation to specify the time frame to be allowed to alter various kinds of bills. It then presents alternatives to the new parliamentary powers contained in the bill — ranging from no power to change bills, to powers to move money within a programme without changing the total, and the power to change fiscal stance on spending.

The head of treasury's budget office, Kuben Pillay, called on parliamentarians to consider a clause that keeps indicators such as national debt and interest cost under control and to bear in mind factors such as high commodity prices, which are cyclical, when debating changes to the fiscal framework. Nene says the committee will take treasury's concerns into account.

The Finance & Fiscal Commission points out in its submission that the parliamentary budget office will need to be properly resourced, with the ability to generate its own macroeconomic forecasts. The Applied Fiscal Research Centre noted that "invoking parliament's ability to amend the budget should be seen as the last resort once all other measures have been exhausted".

These include changing the second- and third-year allocation of the medium-term expenditure framework rather than current allocations. The centre also calls for a "compelling rationale" for why the benefits of an amendment should outweigh the risk of disruptions to the budget process.

The IFP's Narend Singh says his party welcomes the bill's intent to strengthen parliament's role in the budgetary process, which has largely been the preserve of the executive.

Asked if he feared that the proposal would allow majority party MPs to press populist causes and please party bosses, Singh replied: "That is the nature of democracy."

Nene says the process is in no such danger, as the governing fiscal framework is voted for by parliament as a whole and not just by the ruling party. But the Federation of Trade Unions of SA (Fedusa) expects the bill to advance parochial interests — and unleash a bout of public-sector lobbying for higher civil service salaries.

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