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060324 JCBUDGET

**STRATEGIC PLAN OF THE JOINT BUDGET
COMMITTEE (JBC)**

*(INCORPORATING REPORT ENVISAGED IN ITEM 9 OF THE
COMMITTEE'S TERMS OF REFERENCE)*

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Strategic Plan for the Joint Budget Committee

The Joint Budget Committee (JBC) was constituted by a resolution of Parliament in 2003 to give effect to several aspects of Parliament's oversight responsibilities regarding the public finances. The current JBC was convened in 2004 and its co-chairpersons elected later on that year. This document is the result of a 4 month long process in the first half of 2005 to map out a way forward for the duration of the current parliament in the form of a rolling strategic plan. The document, which will be updated in 2006, sets out the JBC's strategy for developing its role in the budget process in practice, and for engagement in the current MTEF and budget cycle.

In compiling the document the JBC set itself the task of being brief, activity-focused and transparent. While a conceptual framework and the necessary background information is provided therefore, the JBC endeavoured to be concise and clear in setting out a work plan for 2005 and 2006. The document is set out in four main sections. Section one provides the conceptual framework for the JBC's strategic decisions by formulating its vision, mission and core goals for the strategic plan period (2005 to 2007), the second frames the strategy by providing information on background factors such as the JBC's Terms of Reference (TORs) and parallel processes elsewhere in Parliament affecting the JBC's work, the third sets out the activities the Committee will undertake to achieve its objectives and the fourth discusses how it will organize itself to undertake the activities.

1. Vision, mission and core goals for the strategic plan period

The JBC's vision is to have an effective role in budget management, facilitating improved spending outcomes in terms of (i) aligning spending with government priorities, and (ii) ensuring value for money.

JBC's mission is to practice effective oversight over state spending on the consolidated budget (ie national and provincial spending).

The JBC's **goals** to reach this mission are

- To review and provide meaningful recommendations aimed at improving spending effectiveness and efficiency to parliament on budget allocations in Appropriation Bill and the MTBPS
- To review actual expenditure reports on a monthly and quarterly basis for spending effectiveness and efficiency
- To engage the executive effectively in a dialogue on spending effectiveness through the above two tasks.
- To engage with, coordinate and guide portfolio and select committees work on the budget in order to streamline parliament's role in budget management
- To put in place a structure and work method that will effectively make use of committee capacity
- To build its own resources in order to fulfill its mandate.

2. Background

2.1 Terms of Reference

The TORs of the JBC for 2005 – as passed by the NA in concurrence with the NCOP – specify the structure of the Committee (in terms of political party shares and number of members from the two Houses respectively) and mandates it to undertake specific tasks. These tasks are

1. Consider the proposed allocations in the Medium-term Expenditure Framework and Appropriation Bill (and whether these are in keeping with Government policy directions)
2. Consider the Medium-term Budget Policy Statement (MTBPS), with *the exception of those sections dealing with the macro-economic situation and revenue*
3. Conduct hearings on the MTEF and the Budget Policy Review document, with *the exception of those sections dealing with the macro-economic situation and revenue*
4. Monitor published actual revenue and expenditure per department (to ascertain whether they are in line with budget projections)
5. Report on the MTBPS (regarding the matters referred to under 2 above) and quarterly on actual revenue and expenditure per department (as in 4 above)
6. Make proposals regarding
 - a. The processes Parliament should follow with regards to its role in the development of budgets in accordance with the Constitution
 - b. The nature of its functions relative to those of other committees in respect of the budget process and conducting oversight
7. Report on its functions from time to time as necessary, but submit a final report not later than the end of the next budget cycle in Parliament.

The TORs, as they currently stand, therefore mandate the JBC

- to engage with the *distribution of expenditure* (in relation to spending effectiveness and efficiency) rather than with the aggregate level of expenditure or how the expenditure is to be financed (revenue and borrowing);
- to interact with three important sets of executive budgetary documentation, the MTBPS, the budget documentation and the monthly and quarterly National Treasury (NT) reports on actual expenditure;
- to make recommendations as to the nature of its functions relative to those of other committees

This strategic plan addresses when and how the JBC will engage with the budget process in order to fulfill these mandates.

The TORs also mandate the JBC to make recommendations regarding its role in the development of budgets in accordance with the Constitution. This strategic plan does not address this mandate directly, on account of a separate process in Parliament that is developing proposals in this regard under the auspices of the Task Force on Accountability and Oversight. The JBC will however stay abreast of developments in this process, and will share how it intends shaping its role in practice with the Task Force.

- iv. Parliament deliberations on the budget should focus on the financing of existing legislation and policy objectives (the link between policy and spending), and on the quality of spending and service delivery (on what is achieved with spending).
- v. Parliament should intervene if there is a mismatch between policy and budget, and between budget and spending (when budgets do not result in service delivery), when spending and financial management is poor and when there is wastage.
- vi. The JBC's role should be formulated in line with the Constitutional framework regarding the respective roles of the executive and the legislature on the one hand, and to the rights and obligations of Parliament on the other. This means that Parliament *will not duplicate or take over the executive's role* of drafting and implementing the budget. Parliament's role in the budget is primarily one of the integrity of the expenditure management system. The executive has superior
- xii. The JBC's process should make full use of other parallel processes, within Parliament and in relevant institutions outside of Parliament, such as the Financial and Fiscal Commission (FFC) and the Office of the Auditor-General (OAG). The JBC should endeavour to liaise with these institutions, and ensure that it receives the full benefit of on-going work in these institutions.
- xiii. The JBC process should respect the NCOP's unique role in terms of presenting provincial interests. The NCOP's role does not need to mirror or duplicate that of the NA, but should be complementary.

2.3 Strategic Plan process

This document is the result of a two-day workshop held on 20 and 21 May 2005 in Gordonsbay. At the workshop the JBC received briefings from the National Treasury, the FFC and the Office of the Auditor General. The workshop was the culmination of a process started in February 2005 with a first working session regarding the TORs of the JBC.

3. Activities

The JBC is facing the challenge of developing its role and work methods from the current state of affairs to its vision: playing a substantive and meaningful role in a fully developed parliamentary budget process. The activities set out below are therefore undertaken with the strategic intent of expanding its role while paying due attention to capacity constraints. For convenience its activities are arranged against the budget cycle – budget preparation, budget approval, budget execution, and audit. In deliberating its activities for each phase, the JBC developed a set of guiding decisions that demarcated its scope of work. For each phase these decisions are recorded first, followed by the resulting activities, which are set out in numbered format in a table.

3.1 Conceptualising the JBC's role in budget preparation

Guiding JBC decisions for activities

Budget preparation refers to the prioritization and allocation phases of the budget process (as set out in the diagramme below) that lasts from April in previous year until the budget is tabled in Parliament.

- The JBC will not actively participate (ie have a decision-making role) in the budget preparation process: that is the prerogative of the executive.
- In order to prepare thoroughly for its role in reviewing the MTBPS, the MTEF and the Appropriation Bill, the JBC will request briefings from the Executive at key points in the process.
- Also, the JBC will attempt to influence in the preparation process. For this the JBC will submit a pre-budget report to Parliament, which will set out issues of concern on account of Parliament's oversight over spending and spending departments, e.g. under spending in votes, poor implementation of policies, poor service delivery, unauthorized spending etc. JBCs work on quarterly reports and its engagement with Portfolio and Select Committees' oversight work, will determine content of pre-budget report
- It is important for JBC to slot into earliest feasible slot on 2006/7 process which is already underway.

Activities in the Budget Preparation Phase

Objective
Input into and early view on policy priorities, new spending policies and outstanding issues
Activities
2006/7 – 2008/9 drafting cycle
1. The JBC will be briefed by National Treasury at earliest possible point on <ul style="list-style-type: none"> • Budget process and Treasury Guidelines • Cabinet’s guidelines regarding budget priorities • Outstanding issues on spending departments’ budgets The JBC will receive further briefings on outcomes of executive processes as cycle unfolds
2. The JBC will receive briefings by Finance and Fiscal Commission on its recommendations on the Division of Revenue Bill; and the outcome of FFC research in other areas
3. The JBC will continue to work with the NT to maintain and develop observation status in key executive events
4. The Portfolio and Select Committees will be briefed by spending departments on new spending policies submitted to Treasury in terms of the budget process guidelines.
5. The Portfolio and Select Committees will channel comments / concerns to JBC for inclusion in pre-budget report to executive
6. The JBC will provide a pre-budget report to executive in time for meeting of Ministers’ Committee on Budget in October. The JBC will design a process for this report, including whether it will be tabled in the main House, and whether a response will be requested from the executive and when.
7. The JBC will meet on the MTBPS, consider whether its concerns have been addressed and report to Parliament. The JBC will decide closer to the time whether to conduct hearings.
2007/8 – 2009/10 preparation cycle
8. The JBC will review the effectiveness of its activities in the 2006/7—2008/9 cycle early in 2006 and develop a programme for 2007/8 to 2009/10 along similar lines.
9. In addition the JBC will identify key issues for in depth research (Public Expenditure Review style) in the 2007/8 to 2009/10 cycle in <i>October 2005</i> in order to inform its engagement in this cycle
10. The JBC will highlight areas of concern for drafting 2007/8 to 2009/10 in its report after the first reading of 2006/7 Budget

3.2 Conceptualising the JBCs role in the Legislative phase

Guiding decisions

1. The legislative phase starts when the Budget is tabled and ends when the relevant Acts are passed.
 - Parliament has the strongest constitutional mandate in the legislative phase of the budget process.
 - The JBC will review allocations in line with government’s spending priorities and existing legislation.

- The JBC will however not attempt in depth engagement with all spending. Given current capacity constraints, the JBC will rather focus on specific, substantive spending areas or departments. These areas will be identified in advance of the budget being tabled, on account of its oversight over actual expenditure and its interaction with Portfolio and Select Committees. The JBC will also use its interaction with the executive in the budget preparation phase to identify priority focus areas. These might be in line with the executive's spending priorities.
- In the legislative phase the JBC will utilize the budget documentation to
 - Relate past performance to spending plans
 - Ascertain whether concerns in drafting phase have received attention
- The JBC will coordinate its investigation into specific spending areas with relevant portfolio and select committees
- In engaging with the budget as tabled in the immediate future, the JBC would pay particular attention to
 - Funding of new spending policies
 - Changes over baseline
 - Capital projects funding and implementation
 - Intergovernmental issues (FFC report)
 - Financial management issues

Activities in the Legislative Phase

Objective
Meaningful engagement with budget in approval phase, facilitation of public debate and budget transparency on budgeting issues
Activities
For Budget 2006/7
1. The JBC will develop a process and discuss it with stakeholders in Parliament at the end of 2005 to include Portfolio Committee and Select Committee input into its activities for Budget 2006/7.
2. The JBC will hold hearings on selected issues after budget day.

3. The JBC will compile a report for Parliament

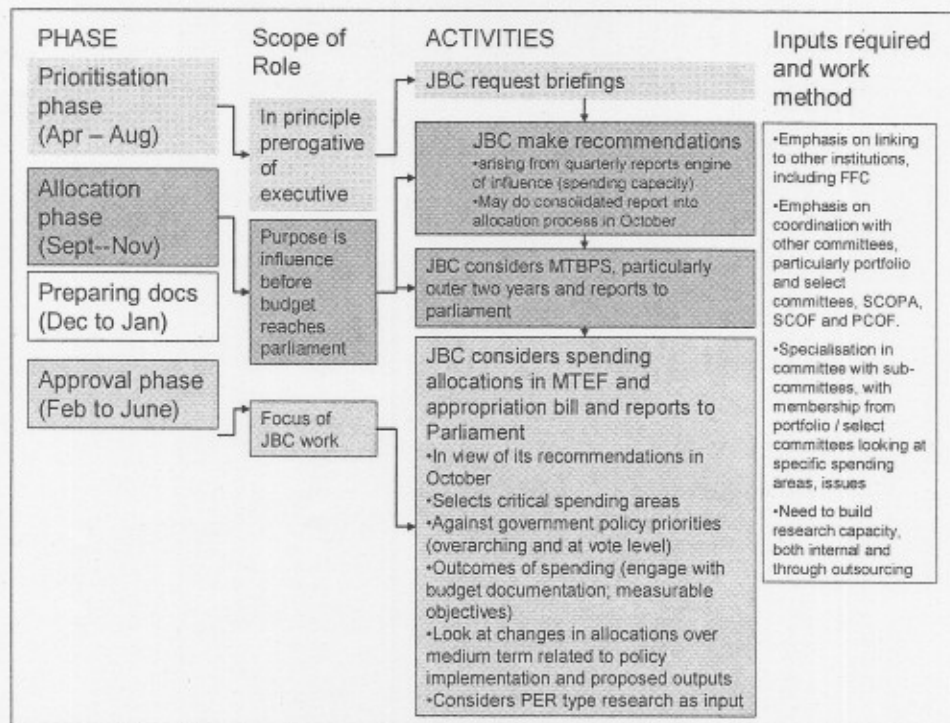
- The Report will present findings and make recommendations on the effectiveness and efficiency of spending in specific areas as investigated over the course of the budget cycle.
- If relevant, the report will also make recommendations on new issues arising from the Committee's deliberations
- If relevant, the report will make recommendations on budget allocations more broadly (with other words on the distribution of expenditure between spending areas) relating to the executive's overall policy priorities and relating to existing legislation.
- The report will include recommendations not only on budget policy issues, but also on issues of financial management where relevant
- These recommendations will be aimed at
 - Addressing progress on concerns highlighted in pre-budget report
 - Highlighting areas of concern for upcoming budget (for which preparation in executive is just starting), with other words, engage with forward treatment in budget preparation of allocations in outer years
 - Highlighting areas of concern for engagement with actual expenditure reports
 - Highlighting areas of concern for Portfolio and Select Committee follow-up

For Budget 2007/8

4. The JBC will review its set of post-budget activities in the course of 2006 for Budget 2007/8, taking into account the outcome of the Taskforce on Oversight and Accountability.

The Diagramme below sets out role and activities up to point of budget approval.

Diagramme 1: JBC Role and Activities in Budget Preparation and Approval Phases



3.3 Principles for JBC activities during Budget Execution

Guiding Decisions

- The JBC has a mandate to monitor the actual revenue and expenditure reports published by the National Treasury. In fulfilling this task the JBC will
 - Link up its monitoring with its pre-budget work. With other words, it will track spending areas and issues it highlighted in the pre-budget and budget report.
 - Coordinate with Portfolio and Select Committees by
 - Alerting these committees to issues that should be tracked or that arise from the actual revenue and expenditure reports
 - Coordinating oversight on actual revenue and expenditure with oversight of Annual Reports and Strategic Plans
 - Target specific spending areas and departments on account of
 - Experience with quarterly reports (year-on-year)
 - Scopa and OAG
 - From government policy priorities (eg DTI re job creation)
- In order to practice effective oversight the monthly and quarterly reports on their own are not enough. They need to be complemented by additional information from departments (through sector committees)
 - the JBC would need monthly cash flow projections and the operational plans of spending departments.
 - It would also need additional information on the strategic plan linkages to budget and the quarterly reports.

Given current capacity, it is clear that the JBC will not be able to engage in depth with all spending areas. It will therefore focus on specific spending areas to investigate beyond the numbers.

3. The JBC will utilise monthly and quarterly cash flow reports to
 - Watch for implementation of new spending policies (request additional information from identified departments)
 - Underspending / savings
 - Pull through issues id-ed into implementation
 - Identify areas for closer focus
 - Personnel spending (vacancies and filled posts; particularly where personnel sizable portion of budget)

Activities in the Execution Phase

Objective
Effective parliamentary oversight over the implementation of the budget, service delivery in line with plans
Activities (2005/6)
1. The JBC will request aggregate monthly cash flow projections for all spending departments as soon as possible, plus updates during the year where relevant
2. JBC will request more detailed cash flow projections and operational plans from specific spending departments, in coordination with the relevant Portfolio and Select Committees
3. The JBC will request briefings from specific departments, in coordination with the relevant Portfolio and Select Committees, on Strategic Plan linkages to budget and operational plans and to the cashflow projections.
4. The JBC will request follow-up briefings, in coordination with the relevant Portfolio and Select Committees, on implementation in line with Strategic Plan and Budgets, and on the achievement of spending undertaken for specific spending departments.
5. The JBC will commission research on budget implementation in specific spending areas and departments (in coordination with the relevant Portfolio and Select Committees), piloting in 2005 – if funds can be raised – and extending the programme in 2006.
6. The JBC will compile quarterly reports for Parliament that relates the actual revenue and spending reports to budget implementation and service delivery. The reports will comment on progress with budget implementation overall. The reports will draw on investigations into specific spending areas by commenting on <ul style="list-style-type: none"> • The timeliness of activities of the spending department • The efficiency of spending and the speediness and quality of service delivery (JBC not only to investigate whether spending is taking place, but to which effect)
7. At end of fiscal year the JBC will compile a briefing report to SCOPA highlighting areas of high concern on account of its engagement with budget implementation.

The JBC expects to make slow progress in moving from commenting on spending to coordinate work on and commenting on the timeliness, quality and efficiency of service

delivery on back of the actual revenue and expenditure reports. However, it will endeavour to shift its practice in this direction from the 2005/6 spending year.

4. Committee structure and work method

The following principles were formulated for how the committee will work to fulfill the tasks set out above.

1. There will be specialization within the committee. Specific members will be assigned to specific sub-committees charged with engaging with specific spending areas, Portfolio and Select Committees and spending departments.
2. The Committee will deliberate further as to whether this specialization in the current cycle will be in line with the identified areas of investigation, or whether it will organize itself immediately in broad functional sub-committees, to which specific spending area issues will be assigned. The latter carries the benefit of being permanent for this Parliament, and of more in-depth engagement over time.
3. The sub-committees will be the engines of the JBCs work. With other words, the committee will meet mainly as a full committee
 - a. In September/October to agree and compile the pre-budget report
 - b. At the time of the MTBPS
 - c. After the Budget has been tabled
 - d. On a quarterly basis (see point 6 below)

However, the JBC Chair may call a full committee meeting at any point.

4. Portfolio and Select committees will be invited to delegate a 'budget specialist' who will
 - a. act as 'floating' members of the JBC, that is join the JBC and relevant JBC sub-committees
 - b. be the liaison with the JBC
 - c. facilitate joint sittings of the Portfolio and Select Committees and the JBC sub-committee to undertake the activities as set out above.

The JBC will work through the Chairs of the relevant committees to agree and operationalise the system. Part of this process would be to agree what level of representation the 'budget specialist' will enjoy on the JBC: whether as observers or full members.

5. The JBC will undertake in full committee and as sub-committees joint sittings -- albeit in the budget preparation and approval or implementation phases -- with Portfolio and Select Committees to
 - a. Deliberate on areas highlighted and formulate report findings and recommendations
 - b. Receive briefings from spending departments and National Treasury on specific spending areas and issues

The JBC may at times formulate findings and recommendations not in a joint sitting, but with the participation of the 'budget specialist' only.

6. On a quarterly basis the JBC will have extended meetings to
 - a. Agree on forward work of sub-committees
 - b. Report back on on-going work in sub-committees
 - c. Agree on Quarterly report to Parliament.

7. The JBC may create ad-hoc sub-committees to look at cross-cutting areas. Members of Portfolio and Select Committees may be invited onto these committees.
8. When the cluster system is in place, the JBC will align its operations to make use of the system.
9. The JBC will commission research into specific spending areas that it targets for engagement.
10. The JBC may undertake oversight visits to spending departments or to service delivery sites as part of its oversight work.
11. The JBC will draft a proposal before end 2005 to establish a Parliamentary Budget Office. To this end it will delegate a sub-committee.
12. The JBC will formulate a strategy to increase financial resources of the committee in the meantime, to undertake research and further development work.

5 Operationalising the Strategic Plan

This strategic plan is at a fairly high level. The JBC needs to undertake further development, as well as monitoring activities in support of strategic plan implementation. This section briefly discusses the further planning and budgeting; and monitoring and evaluation activities that are required.

5.1 Planning and budgeting

The JBC needs to programme steps in specific activity areas – for example getting agreement from parliamentary structures on coordination between the committee and other committees and developing a methodology for undertaking public expenditure reviews. It also needs to develop a guideline financial requirement for undertaking the identified activities, and prioritise its activities against its existing and potential financial resources. These activities will be undertaken in the 3rd quarter of 2005, resulting in an operational plan for 2005/6. A draft implementation plan is provided in Annex 1. This plan will be finalized in the 3rd quarter of 2005/6.

5.2 Monitoring and Evaluation

The JBC will monitor the effectiveness of its Strategy by holding a quarterly review meeting -- in September 2005, November 2005, February 2006 and May 2006 -- to monitor progress with strategy implementation, do a scan for changes in the national budget environment, identify obstacles to strategy implementation and formulate mitigation strategies. The JBC will adjust the strategy in year if required. The meeting in May 2006 will be more extensive, and will be utilized to roll over the Strategy Document for 2007/8 – 2009/10 budget cycle.

4	Receive briefing by NT																			
5	Further events as agreed with NT																			
6	Briefing by FFC																			
7	First Briefing completed																			
10	JBC clarify programme of activities to FFC and discuss budget discussion paper to MCoB																			
11	Discuss relationship between JBC and Portfolio and Select Committees with Parliamentary leadership; Portfolio and Select Committee Chairs																			
13	Portfolio and Select Committees request briefing from JBC; identify areas of concern for JBC																			
15	JBC progress with MTBPS																			
17	JBC preparation for MTBPS																			

		2005			2006				2007			
		Aug-Sep	Sep-Oct	Nov-Dec	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 1	Quarter 2	Quarter 3	Quarter 4
22	ACTIVITIES DURING LEGISLATIVE PHASE BUDGET 2006											
23	Develop and agree process in Parliament for Budget 2006 legislative phase											
24	JBC finalises process											
25	JBC discusses and agrees proposed process with Parliamentary leadership											
26	Joint workshop with Portfolio and Select Committee chairs to discuss process and roles and responsibilities											
27	Parliamentary Budget Process 2006											
28	JBC holds hearings											
29	Compiles report											
30	Review of legislative programme for Budget 2006, recommendations for 2007											
31	JBC reviews successes and failures of process for Budget 2006 and make recommendations for Budget 2007											
32	ACTIVITIES FOR BUDGET EXECUTION PHASE BUDGET 2005, 2006											
33	JBC request spending department cash flow projections for remainder of 2005, and 2006											
34	JBC engages Portfolio and Select Committees to select focus spending departments											
35	JBC requests detailed cash flow projections and operational plans from focus spending departments											
36	JBC, together with focus department Portfolio and Select Committees (if relevant) requests briefings from selected departments on linkages between strategic plans, budgets, implementation plans and spending											
37	JBC Commissions research in selected departments, pilot in 2005, roll-out in 2006											
38	JBC compiles quarterly reports to Parliament											
39	JBC Compiles briefing report to SCOPA											
	JBC Reviews activities for Budget execution											
	JBC reviews engagement with Budget 2005, adjust activities forward											
40	JBC PROCESS, MANAGEMENT TASKS											
41	Finalise programme and budget											
42	JBC submits strategic plan to Parliament											
43	JBC finalises operational plan and prepares budget											
44	JBC prepares funding proposals to Parliamentary Secretariat, development partners, others											