

NATIONAL COUNCIL OF PROVINCES
QUESTION FOR ORAL REPLY
QUESTION NUMBER: 294 [CO627E]

★294. Mr F Essack (Mpumalanga: DA) to ask the Minister of Finance:

What mechanisms are in place to (a) assist provinces with adjusting budgets accordingly in light of the current fiscal crisis and (b) mitigate the long-term fallout that results from their incapacity to do this adequately?

CO627E

REPLY

It is not clear what fiscal crisis the Honorable Member is referring to. We are aware of fiscal challenges as outlined in Medium Term Budget Policy Statement (MTBPS). All provinces and national departments have to spend within their budgets (as per Public Finance Management Act).

The National Treasury in-year monitoring mechanisms which focus on the budget implementation in the short term, and budget preparation mechanisms focus on the long term.

Budget implementation

The in-year monitoring reports submitted by provinces are analysed to identify in-year pressures and the general financial performance of provincial departments. The National Treasury normally visits provinces between July and August each year to discuss previous year performance and current fiscal year first quarter expenditure. This visit is done in collaboration with sector national departments with concurrent functions in provinces such as Health. The additional visits depend on challenges identified in each province or the province specific budget process. Subsequently, provincial allocations consider the agreed pressure areas.

Budget preparation for medium term

The National Treasury issue Medium Term Expenditure Framework (MTEF) guidelines to provinces advising on how provinces should budget for different items within their budgets. The first and second drafts of provincial departments budgets are assessed based on the recommendations in these guidelines. National Treasury officials also attend provincial medium term expenditure committee meetings in each province at which provincial departments will details the new MTEF plans, and how these plans should be funded. The National Treasury also have benchmark exercise meetings with each provincial treasury where recommendations are made on policy priorities, encouraging cost containment and efficiencies on rationalization of provincial entities. Normally National Treasury recommendations are taken into consideration by provinces before finalisation of their medium term budgets. After tabling of provincial budgets, the National Treasury assesses whether the recommendations were considered and if not addressed what are the areas of budget pressure.

