



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA



English

The Medium Term Budget Policy Statement (MTBPS)

What is the MTBPS?

The MTBPS is referred to as the “mini budget” that:

- ④ Allows Parliament to approve departmental adjustments to their annual budgets, roll-overs, virements, shifts of funds within programmes and request additional funds for unforeseeable and unavoidable expenditure;
- ④ Indicates how government intends to adjust spending estimates and update the budget and expenditure plans;
- ④ Makes it possible for Parliament and the public to interact with the government's budget plans several months ahead of the budget set for February 2022; and
- ④ Is a mechanism to review the effective and efficient use of available resources.

The MTBPS includes the following information:

- ④ Spending estimates for the first half of a financial year;
- ④ Adjustments to the proposed revenue (income) and spending estimates for the second half of a financial year;
- ④ The Adjusted Estimates of National Expenditure publication, which explains national changes in detail, together with in-year performance and expenditure information. It further provides reasons for virements, shifting and rollovers; and
- ④ Shifts of allocated expenditure and other adjustments that are subject to the Public Finance Management Act (PFMA) and its regulations as well as section 5 of the Appropriations Act, 2021.



Did You Know?



Section 5 of the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 requires that committees annually assess the performance of each national department and thereafter submit a Budgetary Review and Recommendation Report (BRRR).

Section 77 of the Constitution states that an Act of Parliament must provide for a procedure to amend the money Bills (budget). The Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 is used for this purpose.

A Bill is a money Bill if it appropriates (allocates) money, or imposes taxes, levies or duties.

Why is the MTBPS important?

It plays a critical role in the budgetary process because it sets the tone for the fiscal (financial) framework for the next national budget. It provides Parliament and the country with an update on how the National Treasury perceives the present economic situation.

Each year, the President addresses the nation to account for government's programme of action and expenditure in the previous year, and what the government will focus on for the next financial year.

STATE OF THE NATION ADDRESS (SONA)

After the SONA the Minister of Finance presents the Budget Speech that projects how money will be spent according to the priorities determined in the SONA.

BUDGET SPEECH

The National Budget is approved by Parliament and divides money between national departments, provinces and municipalities.

APPROVED NATIONAL BUDGET

BUDGET VOTES

The various government departments table their expenditure forecasts for debate in individual Budget Votes.

WE, THE PEOPLE



The Medium Term Budget Policy Statement (MTBPS)

What legislation is tabled and passed during the MTBPS?

Parliament facilitates budgetary processes through Section 77 Bills, also referred to as “money bills”. There are two key money Bills, namely; the Division of Revenue Amendment Bill and the Adjustments Appropriation Bill, as well as a budget instrument called the Revised Fiscal Framework. In some cases, a Special Appropriation Bill is also tabled.



Division of Revenue Amendment Bill

The Bill highlights mid-year adjustments to allocations to provinces and municipalities, which are set out in the Division of Revenue Amendment Bill. The Bill provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government. It is normally referred to as vertical division of resources amongst three spheres of government.



Adjustments Appropriation Bill

The adjustments budget serves both to effect necessary changes and to contribute to in-year oversight and management. The Adjustments Appropriation Bill provides for increases or decreases to allocations set out in the main Appropriations Act, including shifts in the anticipated economic classification of this spending. The Adjustments Appropriation Bill is an important piece of legislation in our country. It allows the state to react with agility to deploy financial resources to cater for adjustments due to significant and unforeseeable economic and financial events. The Bill allows for adjustments to the appropriation of money from the National Revenue Fund for the requirements of the state. This year, a Second Adjustments Appropriation Bill was tabled for two reasons:



The first is an additional deployment of financial resources towards the sourcing of vaccines against the COVID-19 pandemic. This includes a further R500 million to the National Department of Health to pay for COVID-19 vaccines and associated costs of logistics. In addition to the devastation to the economy brought by the pandemic, additional funding has been availed to address the recent floods in parts of the North West Province and KwaZulu-Natal. Secondly, the Special Appropriations Bill deployed financial resources to South African Special Risk Insurance Association (SASRIA), as a result of the 2021 July civil unrest in Gauteng and KwaZulu-Natal.¹



Revised Fiscal Framework

The Revised Fiscal Framework presents revised projections on broad budgetary total revenue, expenditure and borrowing for a given year, based on current and projected economic conditions.



Special Appropriation Bill

The Bill is distinguishable from ordinary “money bills” in that it appropriates the Consolidated Revenue Fund to meet expenditure for specific needs. The second Special Appropriation Bill was tabled last year by the Minister of Finance. The purpose of this Bill was to propose an urgent allocation of R32.85bn to SASRIA to meet the insurance claims due to the unrest in Gauteng and KwaZulu-Natal as well as the COVID-19 pandemic.

Section 214 of the Constitution and the Division of Revenue Act provide for equitable shares and allocations of revenue. It takes into account factors such as national interests, needs of national government and allocation of resources to provide basic services, among other things. It must be passed 35 days after Parliament adopts the Fiscal Framework.

The 2021 Appropriations Act, in relation to the February State of the Nation Address (SONA) and Budget Speech, enabled the Minister of Finance to approve expenditure, which could not reasonably be delayed without negatively affecting service delivery. Parliament must pass the Bill with or without changes within four months of the start of a financial year i.e. by the end of June.

⁽¹⁾<https://www.gov.za/speeches/minister-mondli-gungubele-debate-second-adjustments-appropriation-bill-14-jun-2022-0000>

When is the MTBPS tabled?

It is tabled 3 months before the national budget, in October every year, and after the Budget Review and Recommendations Report (BRRR) process. The national budget is tabled in February, after the State of the Nation Address (SONA).

Who tables the MTBPS?

The Minister of Finance

Where is the MTBPS tabled?

The National Assembly

What is the role of Parliament in the MTBPS?

Parliament is elected by the people to represent the people. Therefore, it authorises the executive to spend, tax and oversee executive action on behalf of the people of South Africa. Through effective budgetary oversight, Parliament can address poverty, inequality and unemployment and ensure that government remains accountable to the people.

What happens after the tabling of the MTBPS?

After the tabling of the MTBPS, the Appropriations and Finance committees must conduct public hearings with relevant stakeholders.

Did You Know?



Thirty days after the tabling of the MTBPS, the Finance committees of the National Assembly and National Council of Provinces must report on the proposed Fiscal Framework and the Appropriations committees must report on the proposed division of revenue and grant allocations to provincial and local governments. The Division of Revenue Amendment Bill (DORA) is then considered.

What is the difference between the Finance and Appropriations committees?

The Appropriations committees focus on actual expenditure and changes to the Division of Revenue and Appropriation Bills. The Finance committees focus on the revised and proposed fiscal framework and the tax Bills. These committees are the mediator and final authority in reporting to Parliament. There are Finance and Appropriations committees in the National Assembly and the National Council of Provinces.

Glossary of terms

BRRRs: Budget Review and Recommendations Reports are tabled by the respective chairpersons of the Finance and Appropriations committees for discussion, debate and adoption in the National Assembly. The BRRRs are compiled every year after reviewing the annual performance, strategic plans and proposed medium-term expenditure of departments and state-owned entities.

Fiscal Framework: The fiscal framework refers to the broad budgetary total revenue, expenditure and borrowing for a given year.

Portfolio Committee: a committee of the National Assembly (NA).

Select Committee: a committee of the National Council of Provinces (NCOP).

Finance Standing Committee: The Finance Standing Committee oversees National Treasury and other state entities.





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