

Legislatures  
AND the  
budget process

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*An International Survey*

*Legislative Research Series*

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## 1. INTRODUCTION

In almost all political systems, it is generally accepted that the executive has the primary role in developing an annual budget and presenting it to the legislature. The legislature has the right to review, debate, in some cases amend, and approve or reject the spending plan proposed by the executive. Within this broad framework, the actual workings of the budget process vary from nation to nation based on the constitution, laws, legislative rules of procedure, balance of political power, tradition, and expectations of the political actors and the people.

This paper reviews the trends in developed democracies and in countries making the transition to democracy. It provides examples of nations seeking to alter and improve the process by which they develop and implement their annual budgets. It examines a range of issues that affect legislature's ability to play a role in influencing the budget.

The spectrum of themes, factors, and mechanisms that influence executive-legislative branch relations in budgeting include the following:

- \* Because national budgets touch the lives of nearly everyone and are one of the most important tools for implementing public policy initiatives, executives and legislatures seek to **increase their level of influence over budgeting**.
- \* Executives enjoy some natural advantages in budgeting, but around the world **legislatures are developing means for asserting their prerogatives**.
- \* Constitutions assign to the executive and legislative branches certain rights and responsibilities in budgeting, but the **relative power of the legislature and executive may ebb and flow** as public opinion, individual personalities, or political fortunes change.
- \* Most parliaments have **between two and four months to deliberate** on and pass the annual budget.
- \* Greater emphasis is being placed on **multi-year budget plans** and many legislatures are playing an active role in developing these plans.
- \* Detailed, relevant, and easy to read **budget documentation is important** for legislative and private sector involvement in the budget process.
- \* Most legislatures that are active in the budget process have **strong and active committee systems** and a variety of committee structures appear to be effective, including vesting principal responsibility in a budget or finance committee or sharing power with portfolio committees.
- \* Time constraints, responsibility for other issues, limited staff, and limits on amendments place **limitations on the ability of committees to play a major role in the budget process**.
- \* Many legislatures have created **an independent budget office responsible to parliament** to assist in analyzing the budget, developing alternatives, and performing oversight duties.
- \* **Adequate staff, office space and equipment, and technical expertise** are critical for legislatures to fulfill their constitutional responsibilities.
- \* A legislature's **standing rules** can be drafted to enhance or impede its ability to play an active role in budgeting.

- \* The ability to **amend the government's budget proposal is an important tool** for legislatures.
- \* Most parliaments place reasonable **limitations on members' amendment power** to ensure organized, informed debate, and to minimize negative fiscal results.
- \* Opportunities for **meaningful public involvement in the budget process** are an important component of stable democracies.
- \* **Ongoing, proactive parliamentary oversight** of the executive's handling of the nation's resources is an important duty of every national legislature and many legislatures use their committees and independent auditors to do so.

Several nations highlighted in this paper, including Australia, Canada, and India, draw heavily on the British Westminster traditions. However, these nations have developed unique practices and institutions to fit their circumstances and democratic goals. Sweden, a longstanding democracy, has in the last 10 years instituted substantial reforms in its budget and affords its parliament a strong hand in budgeting while maintaining close legislative-executive cooperation. As they consolidate their democratic transitions, the parliaments of Namibia and Poland have taken very different tracks in oversight and legislative activism. Germany provides an example of a powerful legislative body with extensive amendment power over the budget and strong ties to its provinces, through its second chamber. The United States is a unique example of a national budget process propelled by the legislature.

The next chapter of this paper reviews the legislative role in budgeting, including the importance of the constitution and barriers legislatures face. Chapter 3 discusses time constraints on legislatures in reviewing and approving the budget.

Chapter 4 covers legislative procedures, including how amendments are handled, and structures, including the role of committees. Chapter 5 addresses the resources legislatures need for budget review. Chapter 6 covers legislative oversight of the executive branch.

## 2. LEGISLATIVE ROLE IN THE BUDGET PROCESS

The development of a nation's budget is usually the government's single most important activity in any given year. The budget determines who gets what and when, provides funds to implement new initiatives, and often sets policy. In most countries, the executive has the upper hand in the budget process, although there is often room for the legislative branch to also play an important role. Because of its nationwide importance, political sensitivity, and complexity, establishing the legislature's role in a predictable, transparent, and participatory process for budgeting a nation's financial resources is one of the most critical components of reform, and often one of the most contentious.

Executive domination over budget preparation is common. The budget is seen as a legitimate opportunity for the government to state its policy agenda and priorities. Moreover, preparing a budget is so complex that most legislatures do not have the capacity to undertake this effort.<sup>1</sup> The executive also is usually responsible for collecting revenues and distributing funds, and has direct access to most of the information needed to prepare a budget. Still, some legislatures are beginning to play a more active role in shaping the outlines of the budget submitted to them by the government.

A variety of means may be available to legislatures to influence the financial operations of the government. They include considering and enact-

ing the budget bill (or bills), helping to set tax policy, and engaging in oversight of the executive’s use of appropriated funds. These are all important and potentially powerful tools for a legislature. The focus of this paper is primarily on issues surrounding consideration and enactment of the budget bill, only lightly touching on other legislative means of directing government financial and budget activities.

The budgetary role of legislatures varies from country to country and, within each country, the relative balance of influence in the budget process between the legislature and executive may ebb and flow over time. Nevertheless, nearly all democracies today have opportunity for active, meaningful legislative participation in the budget process.<sup>2</sup> And legislators in several developing democracies are making strides in this area.

***Sharing Power and Responsibility***

In general, legislatures have played three types of roles in the budget process: budget making, budget influencing, and budget approving. At its most basic level, a national budget is an estimate of public expenditures and revenues over a given

period, usually a year. However, the budget is also a high-profile political document that creates a blueprint for allocating available resources among competing demands. As such, it is perhaps the most public barometer for gauging the executive and legislature’s relative priorities and the single most powerful tool for accomplishing public goals. It is no wonder that executives so frequently exercise a strong hand in the budget process and that legislatures seek to play an active role.

In developed presidential and parliamentary systems the executive and legislative branches have traditionally struggled to find an equitable balance of power over financial matters. That struggle continues today as executives and legislatures seek to exercise their budgetary prerogatives, fashion new ones, and mold policy through the allocation of the nation’s resources to priority programs. Developing democracies have seen much less legislative involvement in the budget, but that is changing.

Legislatures in presidential systems have more potential influence over the budget and funding allocations than in parliaments. Weaker party dis-

**LEGISLATIVE BUDGET ROLES**

<b>Role</b>	<b>Characteristics</b>	<b>Examples</b>
<b>Budget Making</b>	Capacity to amend or reject the executive’s budget proposal and capacity to formulate a budget of its own.	United States
<b>Budget Influencing</b>	Capacity to amend or reject the executive’s budget proposal, but lacks capacity to formulate and substitute budget of its own.	Germany, Philippines, Poland, Hungary, India
<b>Budget Approving</b>	Lacks capacity to amend or reject the executive’s budget proposal or to formulate a budget of its own. Confines itself to assenting to the budget that is placed before it.	South Africa, Israel, Namibia, United Kingdom, Canada

Adapted from: Krafckik, Warren and Joachim Wehner, “Empowering the Representatives.” South African Journal of Economics, vol. 66(3) 1998. pp. 512-541.

cipline inherent in the presidential system is one of the reasons for the enhanced legislative role. In addition, checks and balances built into the presidential system encourage members of the legislature to play an active, sometimes adversarial, role vis-à-vis the executive, even when they are of the same party.

However, most parliaments also have formal and informal processes by which they can influence the final profile of the nation's budget. In Germany, for example, parliament has institutionalized processes by which its members gain extensive expertise on various aspects of the federal budget. This enables parliament to make informed decisions when amending the executive's annual budget proposal.

Within presidential and parliamentary systems worldwide there are significant variations, based on constitutions, laws, and traditions. And some systems, such as that employed in France, are difficult to characterize as presidential or parliamentary. Throughout this paper the words legislature and parliament are often used inter-

changeably, as are the words executive and government.

### ***Recent Legislative Trends in Budgeting***

Ample anecdotal evidence suggests that legislatures throughout the world are increasing their role and influence in the budget process, both in long-standing democracies and in nations undergoing the transition to democratic systems. A study by the Organization for Economic Cooperation and Development (OECD) has identified areas of change in the role of legislatures in its member countries, which include economically and democratically developed nations and emerging democracies and economies such as Brazil, Chile, and South Korea, and Turkey.<sup>3</sup> These trends include:

- \* Increased coordination between government and the legislature on **aggregate fiscal policy statements** where overall spending, revenues, borrowing, and debt are clearly outlined. In some cases, these aggregate amounts are formally debated and approved by the legislature well in advance of the introduction of the budget and serve as binding limitations for the government.
- \* Increased **role of committees**, thereby strengthening the analysis of budgets, bolstering the legislature's expertise, and enhancing oversight. This trend has included an increased division of responsibilities between budget and policy or sectoral committees.
- \* Improved **reporting to the legislature**, including more user-friendly budget formats and new types of analyses such as inputs, outputs, and outcomes. OECD finds that this type of information "is especially relevant in countries where the legislature has eliminated various controls on inputs [e.g. amendments to the government's budget proposal]. The *quid pro quo* for this is to provide the legisla-



#### **FRANCE: A HYBRID SYSTEM**

The French system is not strictly based on the presidential or parliament model and thus can be characterized as a "hybrid." In France, the voters directly elect the parliament and the president. The president, in turn, appoints the prime minister and a cabinet based on proportional party representation in parliament. This may result in a prime minister and president from different parties. The French system synthesizes elements of both presidential and parliamentary systems and reflects many of the characteristics of one or the other depending on whether the president and the parliamentary majority are of the same party. This paper focuses on the budgetary dynamics between the executive and legislative branches primarily in presidential or parliamentary systems, under the assumption that hybrid systems will resemble one or the other depending on electoral circumstances.

ture with information on what has been achieved in terms of results for each appropriation.”<sup>4</sup>

- \* Greater **resources for the legislature**, specifically professional committee staff, independent legislative budget offices, legislative auditors, and funding for budget expertise within parliamentary political parties.

### ***Constitutional Underpinnings of Legislative Budget Authority***

A legislature’s budget power is usually based on the constitution under which it operates. In the case of democracies with no written constitution, such as the United Kingdom, tradition and precedent dictate parliament’s prerogatives in the budget sphere.

Most constitutions specify that the executive prepares and submits a budget and that no funds may be taken from the government’s coffers unless authorized by an act of the legislature. Beyond these fundamentals, constitutions range from vague to relatively specific regarding the role of the legislature in budget process. Where specific responsibilities are assigned to the executive or withheld from the legislature, the line is distinct. Where there is ambiguity, prerogatives are up for grabs and the more assertive, determined, or politically powerful branch can bolster its influence if conditions are right.

### ***Restrictive Constitutions***

Constitutions in developing democracies often are highly restrictive on the legislature. Even where constitutional authority exists, parliaments may be hesitant to use such powers.

Malawi is an example. Its constitution gives the executive a strong hand in the annual budget process. The constitution flatly prohibits parliament from considering any bill or amendment

“for the imposition of any charge upon the Consolidated Fund, or any alteration of such charge” unless the government recommends it.<sup>5</sup> This effectively prohibits amendments to the finance minister’s budget.

Ghana’s Constitution contains nearly identical language, but with the addition of four words that greatly empower the Ghanaian parliament. The constitution prohibits bills and amendments not offered by the government that would create “the imposition of a charge on the consolidated fund of Ghana of the alteration of any such charge *otherwise than by reduction.*” This minor addition enables parliament to play an active role in the legislative process by offering cutting amendments.

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***Seemingly small constitutional provisions can greatly affect a legislature’s prerogatives***

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### ***Constitutional Role Not Developed***

The Namibian Constitution affords the parliament broad powers to increase and decrease the government’s budget and to initiate new areas of spending. But parliament has not fully used these powers and since the nation’s founding in 1990 has made few changes to the government’s annual budgets. The ineffectiveness of parliamentary scrutiny of the budget has been so extreme that errors identified by parliament in the government’s budget documents have not been corrected.<sup>6</sup>

The South African situation typifies a parliament not yet finding its role. Under the 1996 constitution, parliament has the power to offer amendments to the executive’s budget. But parliament must “provide for a procedure” to exercise this power. To date, no law creating such a procedure has been introduced, partly because the government enjoys a substantial majority in parliament



## NAMIBIA: A PARLIAMENT WITH LIMITED ENGAGEMENT IN THE BUDGET PROCESS

Namibia is a relatively new country and its parliament has yet to play a substantial role in the budget process. This lack of legislative activism is based in practice and tradition -- albeit short -- rather than any constitutional impediment or restrictions in the standing orders. In fact, parliament would appear to have at its disposal extensive powers to modify the president's budget by increasing or reducing spending for certain programs or creating new programs.

The Namibian Constitution requires that the finance minister submit annual budgets to the parliament which, in turn, is mandated to "consider such estimates and pass pursuant thereto such Appropriation Acts as are in its opinion necessary to meet the financial requirements of the State from time to time."<sup>7</sup>

To date, the budget process has received limited review. One impediment to careful review is the short timeframe afforded to the parliament. The government has presented the budget as late as March, less than one month before the beginning of the fiscal year. National Assembly committees are also limited in the role that they play in considering the budget. The estimates for the various ministries have been reviewed by the Committee of the Whole House during the second reading of the bill, which lasts about 15 days. Much of this debate involves broad policy issues rather than the specific spending proposals outlined in the budget. Most members lack the background, access to information, or staff resources to assess the government's proposals and formulate amendments. In addition, organized civil society is still evolving in Namibia.

Parliamentarians may also have less political motivation to carefully scrutinize the budget. Members are elected through a party list system, which rewards party discipline. Perhaps more important, a substantial percentage of parliamentarians are ministers or deputy ministers. Although these individuals presumably have some level of involvement in budget formulation, they have little incentive to amend the budget after introduction.

The second chamber, the National Council, plays a role in the approval of all legislation, but a lesser role in budgeting. The Council must report money bills back to the Assembly within 30 days or it is deemed to have confirmed them. If the Council reports back a money bill with proposed amendments, the Assembly may adopt or reject the changes and forwards the bill directly to the president.

Despite this limited engagement, the National Assembly's economics committee has demonstrated the role the Assembly and its committees can have on Namibian economic policy. The committee holds public hearings, including field hearings, and consults extensively with interest groups, private citizens, government ministries, and trade unions. The committee played an active and constructive role in amending the Value Added Tax, with more than 60 of its amendments incorporated into the legislation. While this level of committee activity and influence is not the norm in Namibia, it does indicate the potential for a more equal partnership between the legislative and executive branches on budget issues.

and because such legislation, which would substantially empower the parliament, requires the approval of the president to become law. Without this important legislative tool, the South African parliament remains one of the least empowered national legislative bodies on budgetary issues, debating, but never amending, the government's budget proposal.

Still, an enhanced legislative role in South Africa may be forthcoming. In his 1999 budget speech,

the finance minister stated that, "Our interactions with parliament have strengthened our performance considerably this year."<sup>8</sup> This led, in that year, to somewhat enhanced parliamentary involvement during the budget drafting period and may portend other participation by parliament in the future.<sup>9</sup> In addition, the recent formation of the Joint Budget Committee also holds promise for a more active role for parliament in the budget process.

### *Changing Constitutions*

Constitutions are not static, and shifts in legislative and executive influence over the budget may be set in motion by constitutional amendments (perhaps initiated by the legislature) or by whole-scale redrafting. The Brazilian Congress traditionally played a very minor role in budget and tax policy. The 1988 Brazilian constitution greatly expanded the Congress' role and today all issues relating to appropriations, taxes, and national debt are deliberated and voted on in that body.<sup>10</sup> Using the powers from the new constitution, government and non-government members of Congress find their amendments routinely adopted.

Similarly, prior to 1982, the Portuguese constitution limited parliament's role in budgeting to discussing and voting on a statement of intentions for the impending annual budget. Constitutional revisions in that year greatly expanded the parliament's power in the budget arena to debating, amending, and approving the budget.<sup>11</sup> Today, the Portuguese parliament is quite active in the budget process and regularly offers over 100 amendments to the government's annual budget.

Poland provides an example of the importance of constitutional reform. As this country emerged from communism, the constitution was amended in 1992 to make it more democratic. But the ex-



#### **POLAND: A NEW CONSTITUTION ENHANCES PARLIAMENT'S ROLE**

Poland's parliament has greatly enhanced its role in influencing the nation's budget since the first free parliamentary elections in 1989. Under communism, budgeting was largely a top-down exercise that combined all government spending at the national and local level. In 1990, administration of local government was decentralized and the next year the national and state budgets were separated. By 1997, the process of democratization was well underway and the nation turned its attention toward economic and social development and improving the efficiency of the public sector. This change in focus necessitated a new constitution.

The 1997 constitution gives the Polish House of Representatives broad power to increase or decrease spending and revenues in the executive's budget. The only limitation is that the changes may not increase the budget deficit (or decrease the surplus) proposed by the executive.

The constitution requires the government to submit its budget no later than three months before the beginning of the fiscal year. Elements of the budget are referred to the House committees with jurisdiction over them under the coordination of the finance committee. The finance committee considers budgetary issues that cut across various jurisdictions and reviews amendments proposed by the Senate. (The Senate has 20 days after introduction of the budget to make its recommendations to the House.)

In 1999, House members offered some 500 budget amendments, of which about a quarter were adopted. The Senate offered a similar number and a similar proportion were incorporated. While these amendments did not change the bottom line of the budget, they substantially altered budget priorities.

Parliament's hand in budgeting is further enhanced by a constitutional requirement that the president sign the parliament-approved budget within seven days. He cannot resubmit the bill to parliament for reconsideration, as with ordinary bills. The government's proposed budget takes effect in the interim if parliament does not complete its work on the budget prior to the beginning of the fiscal year.

The House has a relatively well developed independent research capacity. The Research Bureau's Budget Analysis Division is available on a non-partisan basis to all committees and members. The division consists of about ten attorneys and economists. It assists in researching budgetary related issues, drafting amendments, and analyzing the budgetary effect of proposed policy changes.

perience soon made clear that an entirely new document was needed. Under the 1997 constitution, parliament’s role in budgetary oversight has been significantly enhanced.

**Barriers to Legislative Involvement**

Legislatures often face hurdles when they attempt to become involved in budgetary decision making. These barriers include executive branch resistance, legislative hesitancy to take on new tasks, and outside factors.

**Executive Dominance**

The primacy of the executive in preparing and presenting the budget has been generally accepted. In 1986, the Inter-Parliamentary Union wrote, “In all countries, there is an unusual measure of agreement that the government alone has the right to draw up and present the budget.”<sup>12</sup>

The executive commonly seeks to concentrate power in its own hands in order to facilitate implementation of its priority policies, strengthen its party’s chances of reelection, and simplify the budget process. Unilateral decision making is less time-consuming than building broad-based

political consensus with the legislature.

Ishmael Roett, a parliamentarian from Barbados, has expressed a frustration that is often held by opposition members and backbenchers in parliamentary systems where there is a very limited role for parliament:

Under the present parliamentary system [in Barbados], governments have come to be regarded as elective dictatorships, the public having no influence on the conduct of affairs between elections and parliament having become powerless to exert any meaningful restraint as long as the government commands a majority.<sup>13</sup>

Perhaps the most important factor in executive dominance is the level of political support the executive enjoys in the legislature. Governments with supermajorities often are able to achieve legislative approval for their budget proposals essentially unchanged and are much less likely to face parliamentary efforts to modify the budget.

Conversely, when the majority is small or the government is in the minority the legislative role may be enhanced. In 1998, the government of Norway held just 42 of 165 seats in the parliament. An observer wryly noted that this situation, “probably gives the legislature a more important role in the budget process.”<sup>14</sup> In the 1990s, Nor-

**PARLIAMENT OF PORTUGAL  
PROPORTION OF ARTICLES AND AMENDMENTS APPROVED**

<b>Bills and Amendments</b>	<b>IIIrd Legislature 1983-1985 (Majority Govt.)</b>	<b>IVth Legislature 1985-1987 (Minority Govt.)</b>	<b>Vth Legislature 1987-1991 (Majority Govt.)</b>
Government’s Articles	100	99.5	100
Majority Party Amendments	100	82.1*	96.9
Opposition Amendments	5.5	56.2	5.1

Adapted from: The Role of the Portuguese Parliament Based on a Case Study: The Discussion of the Budget, 1983-1995 by Cristina Leston-Bandeira. The Journal of Legislative Studies, Vol. 5, No. 2, Summer 1999, p. 65.

\* This percentage refers to a small number of amendments: 39

wegian government compromises with opposition parties accounted for budgetary shifts of between 1 and 5 billion NOK annually (between US\$105 million and US\$530 million).

Portugal provides another such example. In 2000, the government held 115 seats in the parliament and the four opposition groups, which united to oppose the budget, also held 115 seats. The government was able to secure one renegade opposition vote – and therefore support for its budget – by promising that member economic development funding for a large town in his electoral district.<sup>15</sup>

As the chart on the previous page shows, opposition amendments in Portugal were more than ten times more likely to be adopted under a minority government than under a majority government. Clearly, minority or coalition governments are in a much weaker position and find compromise and conciliation a useful lubricant for passage of a budget.

Governments with a large majority in the legislature may permit a small number of opposition amendments to be adopted, sometimes as a sign of goodwill. In South Korea, for example, negotiations between the government and opposition parties after the introduction of the budget are common, although they seldom result in more than minor changes in the government's budget.<sup>16</sup>

The executive may dominate the budgetary process by characterizing legislative initiatives as ill-informed, illegitimate, destabilizing, and even, paradoxically, anti-democratic. Frequently, one of the most powerful tools an executive has is its control over information. As a result, legislators are often perceived as being unable to develop a comprehensive understanding of the scope and range of government activities and needs within the country. The executive may create the impression that there is only one way to construct a

budget, thereby freezing non-experts out of the process.

### *Legislative Hesitancy to Become Involved*

Historic inertia and uncertainty about untried institutions and systems sometimes serve to undermine a legislature's will to be assertive on budget policy. In emerging democracies with a history of anti-democratic governments, there may simply be no precedent or clear path for legislative assertiveness in the budgetary sphere. Constitutional provisions may be vague and the rules of procedure for the legislative may be new, incomplete, or non-existent.

For decades the legislature of Mexico, which has a presidential system, exercised much less influence over budgeting than it was permitted in the constitution. It has had the right to "reallocate, create, or increase expenditure as long as it establishes new sources to finance them whenever such modification would have more than a minor impact."<sup>17</sup> Despite these powers, for

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***In Mexico, an increase in opposition legislative strength led to the government's conciliatory approach toward the budget.***

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many years the Mexican Congress served essentially as a rubber stamp for the powerful presidency. An evolution began in 1997 as opposition parties made electoral gains. The government's proposed budget incorporated a number of ideas popularized by the opposition parties and negotiations between opposition members and the president during the formal budget consideration period resulted in important changes in the budget adopted by the Congress.<sup>18</sup>

Legislatures, particularly in developing nations, may be hindered from influencing budget policy because they lack "the organization, financial

resources, equipment, experienced members and staff to serve as an autonomous point of deliberation in the policy process.”<sup>19</sup> The constitution, laws, or standing rules of the legislature may also impose restrictive timelines for legislative consideration of the budget. As discussed in Chapter 5, legislatures are often reluctant to press for the resources they need to play a fully-informed and active role in policymaking and executives frequently consider other items a higher priority for scarce government resources.

### *External Forces*

Outside groups can have a chilling effect on legislative assertiveness in budgeting, particularly in emerging democracies. International organizations, such as the International Monetary Fund, and donor governments may indicate that certain policies are prerequisites for the nation to access desperately needed financial assistance. In doing so, the groups may implicitly endorse the executive budget and make it politically untenable for the legislature to act. Legislative budget committees may not have direct channels of communication with donor nations and international institutions, resulting in unnecessary tension and confusion.

Despite these impediments, legislators in emerging and established democracies have developed means for exercising their legitimate constitutional prerogatives to become involved in the budgetary process in a range of meaningful and constructive ways. Although governments differ widely, a number of common factors influence the legislature’s ability. These factors include adequate time to deliberate on the budget, a structure to consider the budget, and resources to analyze the budget. They are the focus of the following chapters.

## **3. TIMETABLE FOR THE BUDGET PROCESS**

In most democratic countries, the budget process is on an annual cycle<sup>20</sup> with prescribed activities relating to budget preparation, analysis, deliberation, approval, and oversight taking place on a recurring schedule. Within this cycle, three factors have a distinct effect on the legislature’s ability to analyze, debate, and influence the contents of the budget: (1) a regular, recurring budgetary process that allows input prior to introduction; (2) adequate time for legislative consideration; and (3) continued legislative involvement if the deadline is not met.

### *Involvement before Introduction*

The first opportunity for legislative involvement is at the early stages when executive agencies are given policy direction by the executive as to their budget requests. Here, legislative involvement can be informal, through personal relationships, or more formalized through members who are also ministers. Informal interaction between the legislative and executive during the budget drafting process is difficult to measure, but appears to be common in many countries.

In countries where significant numbers of parliamentarians also may serve on the cabinet, the line between the legislative and executive is less distinct and informal budgetary interactions may almost entirely eclipse a formal legislative process. In Namibia, for example, a substantial number of the members are ministers or deputy ministers. These individuals presumably have an opportunity for early involvement in the budget drafting process. And this situation may account for the lack of formal processes for pre-tabling by members and the lack of active legislative review of the government’s budget in the years since Namibia’s independence.

There appears to be a small, but growing trend toward developing more formal structures for legislative involvement at an early stage. Today, at least nine national legislatures (and probably more) conduct a formal, pre-budget debate based

on a report provided by the government prior to introduction of the budget. Four of these legislatures – Hungary, Italy, Portugal, and Sweden – conduct a vote on the specific level of overall spending proposed by the government.<sup>21</sup> The



### SWEDEN: SPRING BUDGET BILL

Sweden undertook major reforms in its budget process in the mid-1990s precipitated by the worst economic recession since the 1930s. The budget process was partly blamed for the economic decline. Although budget reform had been proposed earlier, the crisis enabled widespread reform to be implemented quickly.

The major elements of budget reform in Sweden consisted of adoption of a legally binding multi-year budget framework and a top down budget process. All open-ended appropriations were brought under the annual appropriation process. Programs that had been off-budget (primarily social security) were incorporated into the budget, and revenues and expenditures were clearly separated for all functions, enhancing transparency. The 1997 law and changes in parliament's standing orders in many instances involved codifying practices that had been carried on informally.

Sweden has a long history of minority governments, which has strengthened the role of the unicameral parliament in the budget process, particularly members of minority parties. Prior to reforming the process, members were free to offer amendments, which commonly resulted in increases of as much as 0.5% in overall spending over the amount proposed by the government.

Today, the budget process consists of two phases that determine in increasing detail the specifics of government spending. On April 15, the government presents parliament with the Spring Budget Bill. This document contains the government's proposal for aggregate overall spending and revenues for the coming year and the following two years. Parliament may amend this bill without restriction. Once passed, however, the aggregate numbers become legally binding. The Spring Budget Bill also contains the government's estimates for 27 expenditure areas, but these are only informative and do not legally bind the government at this stage.

Based on the aggregates approved in the Spring Budget Bill, the government prepares the budget and presents it to parliament on September 20. This bill assigns specific amounts of proposed spending to the expenditure areas, which are divided into about 500 individual appropriations. Aggregate spending for the expenditure areas is about 1.5% less than the overall spending cap contained in the Spring Budget Bill, creating a "budget margin" in case estimates prove inaccurate. Individual members have until October 7 to propose amendments to the government's bill, but no amendment may cause the budget to exceed the agreed upon limits. Hundreds of amendment motions are commonly offered by members.

Responsibility for budget review is shared by the Finance Committee and sectoral committees. The Finance Committee recommends the division of overall spending in the 27 expenditure areas, which parliament approves by vote at the end of November. Then the 13 sectoral committees determine how funds should be allocated to the individual expenditure areas in their jurisdiction. At the end of December, parliament approves individual appropriations with one vote for each expenditure area.

Swedish parliamentarians have access to budget assistance through three types of staff: each party caucus has between five and ten staff responsible for budget issues, the parliament's budget office has three staff to help members and party staff with technical issues, and each committee has between three and seven staff to deal with the budget. Committees hold hearings, which are usually closed to the public. Ministers rarely testify, but the heads of agencies or deputy ministers commonly do. In addition, Sweden has a history of strong informal cooperation and sharing of information between the government and parliament.

government is then bound to these levels in preparing its budget.

Sweden is rather advanced in this aspect of budgeting. By April 15<sup>th</sup> each year the government submits to parliament what is known as the Spring Budget Bill. It is not a budget *per se*, but rather a proposal for broad outlines of the budget the government wishes to propose more than five months later. The Spring Budget Bill proposes an expenditure ceiling for the coming fiscal year and the following two years and contains preliminary allocations for each of 27 areas of expenditure. Then, the government is required to produce a budget, which is submitted to parliament in September, based on the ceiling and allocations contained in the Spring Budget Bill. In this way, months before the tabling of the government's budget, parliament participates in the process of deciding magnitude of the overall budget and the allocations for the major areas of spending.

***Time Between Budget Introduction and the New Fiscal Year***

Many nations, by constitution or law, require the executive to present its budget to the legislature a certain time before the beginning of the fiscal year. Other countries base the timing of the budget process on tradition. This practice is designed to give the legislature adequate time to review the budget, formulate amendments (if permitted), and pass it into law before the beginning of the fiscal year.

The timing of the budget process can have a major effect on the quality of analysis and deliberation undertaken by the parliament. The amount of time varies from as little as 15 days in Mexico (in election years) to as much as eight months in the United States. An average in parliamentary-type systems seems to be about two months, with periods between two and four months being common.

South Africa's parliament has between three and four months to consider the executive's budget prior to the beginning of the fiscal year. This falls within international norms. But the finance committee, which is responsible for reviewing the budget, is required to analyze the budget and report back within seven days. Under almost any system this would be much too short a timeline, and given the limited resources and other jurisdictional responsibilities of this committee, this appears to be a significant impediment to effective parliamentary review of the budget. Other legislative bodies have similar constitutional or statutory requirements that may impede full and detailed analysis of the government's budget by the legislature.

**ARRANGEMENT WHEN BUDGET IS NOT APPROVED BEFORE FISCAL YEAR**

Type of Arrangement	Number of Countries
Legislature approves temporary funding (provisional grants)	27
Previous budget is continued	22
Executive authorizes expenditure	13
Limited statutory provision	4
No arrangements exist	12
Total	78

Source: adapted from *Parliaments of the World* (Inter-Parliamentary Union, 1986), table 37b.

\*Excludes Comoros, Liechtenstein, Mongolia, and Romania for reasons of missing data, and Nicaragua, where the budget is not voted by parliament.

### *Dealing with Deadlines*

An ideal process permits the legislature enough time to adequately evaluate and approve the budget prior to the beginning of the fiscal year. But many countries have in place mechanisms to temporarily fund the government if the deadline is not met. They often specify the amount of time the legislature can deliberate on the budget and some put pressure on the legislature to act quickly or may give the executive little incentive to be receptive to the legislature's wishes. These mechanisms are usually contained in the constitution or law, but some have evolved through necessity.

In situations where the executive's budget takes effect on an interim basis until the legislature passes the annual budget, the government may

find no reason to negotiate with the legislature, depending on the contents of the previous budget. The legislature has the most control and can set its own timetable in situations where it passes short-term appropriations until the annual bill is complete. In several countries, notably Australia, Canada, New Zealand, and the United Kingdom, failure to pass the government's budget on time would be seen as a vote of no confidence and would precipitate the resignation of the government and new elections.

In India, the budget is usually presented on the last working day in February, giving the parliament approximately one month prior to the beginning of the fiscal year to act. Because of this short timeframe, parliament is routinely unable to complete action on the entire budget before the beginning of the fiscal year. As a consequence, parliament commonly makes provision for "vote



#### **INDIA: TRADITIONAL WESTMINSTER BUDGET SYSTEM**

India's budget process is patterned on the Westminster model. The government presents the Annual Financial Statement to parliament at the end of January. This document contains "demands for grants" which are arranged by ministry and broken down for each major program. The budget for the Indian Railways is presented separately, but its revenues and expenditures are included in the consolidated Annual Financial Statement. The government also submits an outline of expected expenditures and revenues for the current year and the next two.

Budget consideration takes place in two phases in the first chamber. Shortly after the receiving the budget, the House engages in four or five days of general debate on macroeconomic issues and general policy implications of the budget. At this point, the House adjourns for a set time and the budget is referred to 17 joint committees, which consider the ministries and agencies within their jurisdiction. Each committee prepares a report for presentation to both chambers, but the reports may not recommend amendments.

The House considers each report and individual members are free to offer amendments to cut or eliminate items. Amendments are commonly offered, but the process is mostly used by minority members to highlight their priority issues. The lower house debates the outlines of the budget, but does not vote on individual items. After the first chamber completes action on amendments and the ministries' requests, the government submits the formal appropriations bill.

Because of the very short amount of time between the tabling of the budget and the beginning of the fiscal year parliament routinely provides for "vote on account." This mechanism appropriates enough funds for the government to continue its programs for the two months while parliament debates and passes the budget.

Indian parliamentarians have very little staff support for their budget deliberations. Members have access to the parliament's research and reference services, but must essentially develop ideas for amendments on their own.

on account,” which provides temporary funding, usually for two months, to keep the government operational until action on the entire budget can be completed.<sup>22</sup>

The Chilean constitution mandates that the executive provide the legislature its budget 60 days before the end of the fiscal year. While this time-frame is comparable with a number of countries, the consequences of Chilean legislative inaction are especially significant. If the legislature does not approve the budget within 60 days, it automatically becomes law in its entirety, thus undercutting the leverage of the parliament.

In Nigeria’s presidential system, the National Assembly is often afforded only about five weeks to consider the executive’s budget proposal before the fiscal year begins. If the Assembly has not adopted the budget by the beginning of the fiscal year, the constitution provides that the president may continue to allocate funds at the same level as the previous year for up to six months.<sup>23</sup>

This situation has provided little incentive for the president to sign a budget that contains substantial legislative changes. In fact, the Nigerian budget for the fiscal year beginning January 1, 2000 – the first produced under a freely-elected government in over 20 years – was not signed until May 6<sup>th</sup>. Even then, the president specified that his government would implement only those provisions in the budget to which both he and the legislature agreed.<sup>24</sup> Despite these tactics and the seeming lack of constitutional or legal backing for his actions, many believe the president “won” the public relations battle with the legislature, both domestically and internationally, perhaps because of an expectation that the executive in

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***In Nigeria, the executive outmaneuvered the legislature in the court of public opinion.***

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Nigeria should have primary control over the budget.

Of course, the budget process does not occur in a vacuum and public opinion may factor into the situation as the legislative and executive maneuver to explain their positions. In nations with a tradition of strong executive leadership, the public may not place as high a value on legislative activism, putting the legislature at a disadvantage in the public relations arena.

In the United States throughout much of the 1990s, Congress and the president battled over primacy in setting the budget agenda. In 1995, such disagreements resulted in the bulk of the 13 annual appropriations bills languishing, “shutting down the government” until a compromise could be reached. Despite Congress’s strong role in budgeting, through a well-crafted public relations effort and judicious use of the veto, the president was able to secure most of his priority spending items and public opinion largely blamed Congress for the unsettling situation. Memory of this undesirable outcome has resulted in an enhanced incentive for compromise by the legislature as the end of the fiscal year approaches.

#### **4. PROCEDURES AND STRUCTURES FOR LEGISLATIVE BUDGETING**

An organized process for analyzing the government’s budget, preparing amendments to it, deliberating its contents, and approving the document is fundamental to the operation of an effective legislature. This section covers the role of committees, the standing rules, and amendments. It also addresses the role of the second chamber.

##### ***Committee Responsible for Budgeting***

Consideration of the annual budget usually follows essentially the same overall legislative procedures as other bills. But because budgets gen-

erally cut across the jurisdictions of all committees, special provisions must be made for their consideration at the committee level.

Some observers believe that a single, active committee with adequate resources, expertise in the subject matter, and a limited portfolio is the best system for dealing with the budget. A single committee's ability to focus attention on issues allows it to play a strong role in budgeting vis-à-vis the executive.<sup>25</sup> Others favor a system whereby sector or policy committees take the lead role. The advantage here is that they have subject matter expertise.

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***A single committee with responsibility has many advantages including developed expertise.***

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A few nations bypass the committee system altogether for budget consideration. The Netherlands, for example, debates the budget in a general session of the legislature and committees play only a very minor role in the process. In Australia, the Senate considers the budget at the committee level and forwards recommendations to the House. The House then proceeds directly to consideration of the budget, bypassing committees. But most legislatures favor the committee approach to budget analysis. Whatever the structure, delegating some or all of the budgetary responsibilities to committees strengthens the role of parliament.

Because budgets are complex and analyzing them is time consuming and technical, committees are generally better equipped to handle the task than the entire legislative body. Ample anecdotal evidence shows that where committees play a strong role in budgeting, debate in the chamber

involves more substantive, programmatic issues than in systems with weak or non-existent committee structures, where debate tends to focus on broad policy issues.

Committees generally have more time and resources to devote to the often complex budget proposals and staff can focus better when they have defined duties and only a handful of members to respond to. Committee members can build substantive knowledge on budget issues, or one portion of the budget. Committees make better forums for two-way dialogue with ministers and other government officials. Committees are better designed to identify areas of concern within the government's budget and have the expertise to draft amendments either for adoption at the committee level or for recommendation to the full legislative body.

#### ***Budget or Finance Committee***

One of the principal decisions parliaments make about the committee structure to handle budget issues is whether to create a separate budget committee or to place responsibility for budgeting with an existing committee, typically the finance committee. The primary advantage of a separate budget committee is that it has no other jurisdiction and is less likely to be distracted or overburdened by other issues, whereas a finance committee often is responsible for tax legislation and other matters. Still, many nations vest primary jurisdiction over budget issues in the finance committee.

With ample staff and resources, a multi-jurisdictional finance committee can effectively discharge the responsibility of serving as the principal contact for budgeting. Typically, the finance committee would farm out sections of the budget to the sectoral committees while retaining overall policy responsibility. But even with enhanced staff, the finance committee members, particularly the chair, would still be required to



## GERMANY: EXTENSIVE ROLE FOR COMMITTEES

Germany's first house, the Bundestag, is among the most active of parliaments in budget review. The budget, which is presented by the government to both houses in September, is treated like any other bill and may be adopted, rejected, or amended. Amendments can increase and decrease spending and revenues, but proposals that would decrease revenue or increase spending require the consent of the government.

In 1999, amendments proposed by the Bundestag's budget committee shifted DM 2.7 billion (about US\$1.25 billion) in revenue and expenditures and resulted in an overall savings of 0.5%. Only items not prescribed by current law (e.g. pensions and social assistance, agricultural subsidies) can be amended. This means that about 15 to 20% of government spending can be altered by the parliament during budget consideration. Changes in pre-existing programs (the remaining 80 and 85%) require separate legislation.

The second chamber, the Bundesrat, which represents the 16 regions of Germany, plays an advisory role in the budget process. After the budget is tabled, the Bundesrat has six weeks to present its recommendations to the government. That chamber's finance committee refers the budget to the 16 provincial ministers for evaluation. The ministers prepare brief statements and the committee votes on amendments that may be proposed. Approved amendments are compiled into a report and sent to the government, which may comment on it and forward it to the Bundestag. Through this process, budgetary concerns of the provinces are addressed.

While the second chamber is preparing its recommendations, the Bundestag refers the document to its budget committee, which reviews the estimates and may propose amendments to the full chamber. The committee assigns certain of its members, known as rapporteurs, to take special responsibility for an agency or ministry's budget request. These rapporteurs usually remain assigned to the same ministry for several years and develop knowledge about its operations and strategic goals. Their recommendations play a large role in the committee's deliberations.

After the Bundesrat's recommendations have been referred to the Bundestag, the rapporteurs present their recommendations. The Bundestag amends the departmental budgets, passes the budget on third reading, and sends it back to the Bundesrat for its concurrence. If the Bundesrat does not agree, a process is instituted to develop consensus, but the Bundestag may ultimately override these objections and pass the budget.

simultaneously grapple with a diverse and complex variety of issues.

Germany provides an example of a country that makes effective use of a budget committee. Committee members develop expertise through their assignments to monitor the activities and budget requests for a certain ministry. These designated members often monitor the same ministry over the course of years, gaining extensive knowledge and the capacity to efficiently and expertly analyze the ministry's budget request. Since the Bundestag's public accounts committee is a subcommittee of the budget committee, this expertise can also be used to facilitate oversight.<sup>26</sup>

### *Policy or Sector Committee Involvement*

Once the decision is made whether to centralize committee power over the budget process in the finance committee or a budget committee, the next question is whether to institutionalize the involvement of policy committees, which may have extensive substantive knowledge of the ministries and programs within their jurisdiction. Parliaments have adopted many approaches to this question.

Denmark, Germany, Greece, Japan, Spain, and Turkey have created a single budget committee with responsibility for all budget matters with essentially no budgetary role for other commit-

tees. On the other hand, the Czech Republic, Hungary, New Zealand, Poland, and Sweden give the budget committee the overall task of allocating total spending to the various sectors, but rely on other committees to determine the details within their areas of jurisdiction. The Australian parliament does not use a central budget committee, but refers the relevant section of the budget directly to the portfolio committees.

Other nations have developed hybrid systems. Mexico's budget committee, for example, has primary responsibility for budgetary issues, but members of the portfolio committees attend budget committee meetings when spending in their area of jurisdiction is being discussed. In Nigeria, portfolio committees from both chambers become subcommittees of the appropriations committees for consideration of the portions of the budget under their jurisdiction.

A major factor in a committee's effectiveness is its ability to amend the budget or suggest amendments for consideration by the full chamber. In the United Kingdom and other nations strongly affected by the Westminster system, committees are relatively weak and their ability to amend bills is limited or non-existent. Other systems may give committees authority to prepare a report recommending amendments. In India, sectoral committees may not recommend amendments at all; sole responsibility for proposing amendments rests with individual members, who propose them in the plenary.

While the existence of a committee dedicated to evaluating the budget may be one indicator of a legislature's ability to play an influential role in the budget process, a number of other factors must also be present for the committee to be dynamic.<sup>27</sup> For example, Mexican law requires that the president's budget be sent directly to the budget committee as soon as it is received in Congress. The budget committee then has 30

days to evaluate the budget and report its recommendations to the full chamber. But the president submits the budget just 30 days before the new fiscal year (15 days in an election year), so if the budget committee were to take all the time allotted to it, there would be no time to debate the budget in the plenary. In practical terms, this time constraint means that the budget committee has little time to develop independent, meaningful analyses for use by the Congress.<sup>28</sup>

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***If the Budget Committee in Mexico were to use all the time allotted to it under the Constitution, there would be no time left for debate in the plenary.***

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The Hungarian Parliament revised the rules for its committee system in 1990 and mandated that the budget committee chair be a member of the opposition party. In practice, the government has simply bypassed the chair and worked closely with key committee members who are part of the ruling coalition.<sup>29</sup>

### ***Amending Budget Bills***

The ability to amend the government's proposed budget is one of the most direct and powerful means for a legislature to influence national policy. In most countries, amendment power is considered a critical tool for enhancing the public's involvement, enabling effective oversight, bolstering transparency, and monitoring fiscal policy. Without the opportunity for amendment, legislatures become "debating societies" or lose ambition and simply rubber stamp legislation, thereby depriving the people of their most direct links to the governance of the nation.



## UNITED KINGDOM: A TRADITION OF LIMITED BUDGET AUTHORITY

Britain's Parliament is the institution on which all parliamentary systems are based. Its parliament operates without a written constitution, with critical practices based on precedent and tradition developed over centuries. Appropriation policies have evolved from the historic tensions between the monarch and the parliament, each of which jealously guarded rights and sought to expand prerogatives.

In spite of this long history, parliament is quite limited in its ability to direct the contents of the Main Estimates (the basis for the budget) presented by the government. Parliament cannot increase any request for funds made by the government and it cannot propose new programs. This limitation is based on the crown's historic role of requesting parliament funding to fund its programs. Historically, the parliament has only responded to these requests.

Parliament could reduce or eliminate the government's funding request for particular programs. But in reality the government's majority routinely defeats any amendments proffered and an opposition amendment would require the support of some members of the majority. Such a breaking of party ranks would prompt an immediate motion of no confidence. As a consequence, very few amendments are offered by either the majority or opposition and none are adopted. Debate in the House of Commons surrounding the Main Estimates usually involves broad policy issues rather than scrutiny of individual estimates or amendments.

Since amendments are essentially precluded, committees play a very small role in reviewing and approving the Main Estimates. The government is not required to wait for committees to act and it does not. Proposals for expenditures are sometimes examined by the appropriate select committees, but the committees almost never offer recommendations for amendments.

The House of Lords plays almost no budgetary role. The Resolution of 1678 states: "All aids and supplies, and aids to his Majesty in Parliament, are the sole gift of the Commons; and...all bills for the granting of such aids and supplies . . . ought not be changed or altered by the House of Lords."

The House of Commons' role in considering revenue bills is more extensive. Less controversial provisions in the government's revenue proposal are referred to the finance committee, while new or controversial provisions are considered by the Committee of the Whole House. A number of amendments are generally offered in the Committee of the Whole House, usually instigated by the government, and adopted.

### *Amendments as a Legislative Tool*

Most national bodies can amend draft laws. And the great majority can offer substantive amendments to the budget presented by the executive.

A survey of OECD-member legislatures found that 78% make either "minor" (65%) or "significant" (13%) changes to the government's budget.<sup>30</sup> Of the legislatures that make no changes, most reported that the impediment was not a constitutional prohibition or legislative rules, but rather that the government has a majority in parliament and amendments have no chance of passage.<sup>31</sup> Of OECD members, only

the National Assembly of Greece reported a blanket prohibition on amendments to the government-proposed budget. The Australian Senate can't amend appropriation bills, but it can request that the House make certain amendments and delay passage of the appropriation bill until the two houses have agreed on how to dispose of the Senate's request.

Several parliaments experience another impediment to amending a budget bill. In Canada, New Zealand, and the lower house of the Australian parliament, any amendment to the budget would be considered a vote of no confidence in the government.

In the United Kingdom approval of an amendment would trigger debate on a motion of no confidence. This extreme reaction acts as a substantial brake on efforts to amend the government's budget in these countries. Limitations on parliamentary amendments to budget bills in the United Kingdom have deep roots. In 1713, the House of Commons declared that:

This house will receive no petition for any sum relating to the public service or proceed upon any motion for a grant or charge upon the public revenue, whether payable out of the consolidated fund or out of money to be provided by parliament, unless recommended from the Crown.

Where amendments are permitted, the legislature may go to extreme measures to exercise their prerogatives. In Portugal, between 1991 and 1995 the Assembly took an average of only 11 days to complete action on the budget.<sup>32</sup> Astonishingly, during that timeframe, the parliament considered an average of 171 amendments per year.<sup>33</sup> One might wonder how thoroughly amendments were considered in such a short time frame.

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***Constitutional reform in Brazil has led to an expanded role for Parliament in the budget process***

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As previously described, the Brazilian Congress gained greatly expanded legislative powers in the 1988 constitution. Nowhere are these powers more evident than in the budget process where thousands of amendments are commonly offered and accepted to the government's budget by both government and non-government members. In 1997, a total of 8,550 amendments were offered and all but 18 passed, reallocating a total of 866

million Reals, (approximately US\$445 million). Perhaps most interesting, 17% of the amendments offered were by opposition members accounting for about 20% of the monetary changes, and all but one of these opposition-proposed amendments were adopted.<sup>34</sup>

In recent years, the Danish parliament has offered on average 1,000 amendments to the government's budget; Finland, between 400 and 700; Sweden, about 2,500; and Hungary, between 400 and 500.<sup>35</sup> While debate on a great number of amendments does not necessarily translate into massive changes in the financial profile of the budget, it is evidence of an active and assertive parliament exercising its constitutional and legal prerogatives.

The ability to offer amendments is a powerful means of drawing attention to particular issues and policies, particularly for minority parties, regardless of whether the amendment ultimately passes. Representatives for the Social Democratic Youth Party in Portugal offered a string of amendments to the government's budget in 1991. Although nearly all were defeated, they were a conscious effort by minority members to identify deficiencies in the government's budget. A minority member said immediately before a vote on one of the amendments, "We may now proceed to our defeat [on the amendment], now that we have showed that the government is wrong."<sup>36</sup>

Legislative amendment power over budget bills is a powerful tool and can have potentially negative consequences including wasteful spending, poor economic planning, delay and disruption of the budget cycle, and capture of parliament by special interest groups.<sup>37</sup> Legislatures have responded by crafting rules and procedures to help ensure an orderly, timely, and responsible amendment process.

**INTER-PARLIAMENTARY UNION MEMBERS' RIGHTS  
IN BUDGETARY MATTERS**

Members' Rights	Number of Countries
May reduce and increase expenditure and revenue	32
May reduce, but not increase expenditure	17
May reduce expenditure, but only increase it with permission of the government	4
May reduce and increase expenditure if alternative provisions are made elsewhere	13
Rights not specified in detail	15
Not applicable	1
Total	82

Source: *Inter-Parliamentary Union, Comparative Reference Compendium, Volume 2, Chart 38A (1986)*

These rules vary considerably depending on a nation's tolerance for uncertainty and acrimony during legislative consideration of the budget. The most common limitations on amendments to budget bills are (1) rules regulating the amendment process, (2) prohibitions on increased spending, and (3) requirements of offsets.

***Rules of Procedure***

The rules or standing orders under which the legislature operates may be as much a determinant of the legislature's involvement in the budget process as the constitution or laws. In parliamentary systems, the majority party may embed procedural roadblocks in the rules to thwart the opposition (and even its own backbenchers) from modifying the executive's budget proposal. These may include restrictions on the number and type of amendments that may be offered to a budget or may take other forms.

The New Zealand House of Representatives, for example, amended its rules in 1996 to give mem-

bers a greater opportunity to offer amendments to budget bills. In exchange for this privilege, the rules were modified to give the government the authority to wield a "financial veto." Under this provision, the government may remove any amendment added to its budget by the House if the government determines that the amendment would have more than a minor impact on the fiscal aggregates contained in the budget.

The Irish constitution gives the executive sole power to propose spending legislation, but is silent on whether the Dail (the lower house) may amend the government's budget.<sup>38</sup> However, by standing order the Dail prohibits members from offering amendments to the budget.

A variety of other conditions are sometimes placed on amendment powers through the rules. They include the requirement that a legislator (1) provide the chamber advance notice (usually several days) prior to offering an amendment; (2) prepare an explanatory statement accompanying

the amendment; or (3) secure the endorsement of a designated number of other legislators before the amendment is considered in order. Other restrictions limit the total number of amendments that may be offered to a bill (usually divided proportionally among the political parties represented in parliament).

Requirements such as these are not essentially designed to inhibit member's ability to offer amendments, but rather to create some (relatively low) threshold for amendment to help streamline the legislative process.

While provisions included in the standing rules may be as inhibiting as those in a constitution, the standing rules are usually much easier to amend. Almost without exception, legislatures may unilaterally amend their rules to remove existing impediments to playing an active role in the budget process.

### *Prohibiting New Spending*

Perhaps the most common type of budgeting restriction imposed on legislatures is a prohibition on offering any amendment that would increase aggregate spending. The concept of a spending "ceiling" is popular because it safeguards against parliament having a negative impact on overall fiscal planning. It does so by allowing only cuts to spending proposed by the government.

As previously described, Ghana's Constitution prohibits parliament from acting on any bill or amendment that would increase spending unless the bill or amendment is introduced by the government. South Korea is a variation on this theme. There, parliament is permitted to reduce spending in the government's budget, but must ask the government's permission to increase spending. After the government introduces the budget in October, the government and opposition parties engage in talks and come to an agree-

ment on increases. Although the amount of money involved has thus far been small, this process helps to satisfy the opposition and facilitate the process.

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***South Korea's Parliament can reduce spending but must seek the government's approval to increase the budget.***

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Some argue that the inability to transfer the funding realized from a cutting amendment to other programs (i.e. transfers between votes) is a major disincentive to legislators to offer budget amendments.<sup>39</sup>

### *Budgetary Offsets*

In some countries, the legislature can increase and decrease spending while preserving the government's overall spending levels. Such a procedure permits amendments that shift spending from one account to another in equal amounts. The shifts are sometimes permitted only within a functional area of the budget or vote, but in other cases the offsetting cuts can be made from nearly anywhere within the budget. Italy, Nigeria, and Spain operate under an offset system.

The United States also observes offset provisions unless a majority of Congress votes to exceed them on a case-by-case basis. The U.S. is unique in that the overall spending caps subject to this procedure are determined by Congress itself in a separate binding vote early in the budget process, rather than by the president in his budget submission.

Some countries, including Mexico and Poland, permit amendments that increase spending if the amendment contains a corresponding increase in revenues. While this approach allows the legislature to alter the parameters of macro-economic



## CANADA: PRE-BUDGET CONSULTATION PROCESS

The Canadian parliament plays an indirect role in the nation's spending priorities. Under the constitution, the government has the exclusive right to initiate spending bills. Parliament may only approve these bills, reduce them, or reject them. And the power to reduce government expenditure proposals is essentially precluded because a vote to change the government's budget proposal in any way is considered a vote of "no confidence." So, in practice parliament can only approve the budget or reject it in total, as it did in 1979, precipitating the resignation of the government.

This "all-or-nothing" system entails considerable political risk for the government, and it actively seeks to consult with parliament prior to introducing the budget. The government withdraws elements of its budget for which majority support is not assured. Beginning in 1994, the Pre-Budget Consultation process was instituted in order to enhance transparency and allow the public to participate.

In late September, the House of Commons finance committee conducts a series of hearings that include opportunities for average citizens as well as organized interest groups to participate. In mid-October, the finance minister presents the committee with the government's broad policy themes for the coming fiscal year. At the same time, the finance department releases the *Economic and Fiscal Update*, which details the items presented by the minister. The committee then prepares a report on these pre-budget consultations, including minority opinions, in early December. A few weeks later, parliament debates budget policy with the opposition afforded an opportunity to air its views. No vote is taken.

In late February, the finance minister introduces the budget, which states the government's fiscal framework, including overall levels of spending, revenue, and the estimated deficit or surplus. A few days later, the treasury board gives parliament the Main Estimates, which consist of an overview of government spending, details on items for which parliamentary approval is required, and estimated expenditures on programs for which parliamentary approval is not required. This third category accounts for approximately 70% of government expenditures, further decreasing parliament's influence over spending decisions.

The Main Estimates are presented to the committees around March 1<sup>st</sup>, about one month prior to the start of the fiscal year. Final action does not take place until late June, and parliament typically grants an "Interim Supply" in the meantime. If committees have not reported back to the House by March 31<sup>st</sup>—a common occurrence—the House begins debate on the budget without their report. Most of the debate comes from the minority and eventual passage of the Main Estimates is essentially assured.

policy (i.e. initiate increases in overall spending and in overall taxation), which is generally abhorred by the executive, it is "deficit neutral" (i.e. it has no overall effect on the projected deficit or surplus).

### ***Legislative-Executive Cooperation***

OECD has noted a trend toward the executive and legislative branches agreeing on aggregate fiscal policy. Agreement on these larger "macro" amounts usually takes place several months prior to the tabling of the budget and gives guidance to the government as it molds its budget proposal. In some cases, parliament formally approves the

aggregate numbers, locking the government into an overall spending limit. In other cases the consultation is less formal and not binding.

In either case, this trend serves to present the budget in more macroeconomic terms and enables the legislature to be more involved at the early stages. Some believe that this attention on larger budget issues and away from individual votes and appropriations is a more proper and productive role for legislatures, particularly parliaments. An additional advantage of this front-end legislative participation in drawing the broad parameters is that it helps legislators to understand the overall budgetary constraints faced by

the executive and may foster consensus for difficult budgetary decisions.

Canada exemplifies this type of consultative process on macroeconomic issues and how it can build legislative-executive consensus. Since 1994, parliament and the executive have engaged in a Pre-Budget Consultation process with extensive private sector involvement. There is no formal vote and the government is not bound. Nevertheless, the process provides an opportunity for parliament and the public to better understand the goals and constraints of the government and articulate macro and microeconomic interests. This is especially critical in Canada because parliament offers no amendments to the government's budget after it is tabled.

Other parliaments are also becoming active in debating and helping determine multi-year spending allocations. Sweden now gives parliament three-year budget plans. These out-year allocations are not binding, but parliament considers them "an extremely strong budgetary commitment on the part of a sitting government to implement a policy where aggregate central government expenditure is kept within the levels previously determined."<sup>40</sup> After passage, these out-year numbers are assumed to be the baseline for the next year's budget unless a detailed explanation is provided to parliament justifying alterations.

New Zealand's government is required to submit a Budget Policy Statement during the month of December which states explicitly the government's budget intentions over the next three years.<sup>41</sup>

South Africa emphasizes participation in crafting the Medium Term Expenditure Framework (MTEF), a non-binding three-year forecast of government spending. It is probably parliament's most effective opportunity to influence fiscal policy. In a 1997 speech to parliament, the finance

minister described the MTEF process as enabling parliament and civil society to be "more effectively involved in the budget process, and to influence the direction of future budgets by deciding on the priorities of the government."<sup>42</sup> As parliament has not passed enabling legislation to allow amendments to the government's budget, this more diffuse means of influencing future budgets may, in fact, be its keenest budgetary tool.

### *Role of Second Chamber in Budgeting*

In bicameral legislatures, it is rare for both chambers to exercise equal budgetary powers. While there is a wide diversity of roles for the "second chamber" internationally, the "first chamber" usually plays a more determinant decision making role in budgeting. This role appears to be derived from the historical evolution of the popularly elected first chamber as an entity capable of giving "the people's" consent to taxation.

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***Primary budget authority often rests with the "people's chamber."***

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The second chamber – German Bundesrat and Indian Lok Rajya, for example – is commonly prohibited from overriding decisions of the first chamber or from offering binding amendments to budget legislation. A number of second chambers, including Austria, Canada, France, India, Malaysia, and the UK, cannot "amend, unduly delay, or reject money bills."<sup>43</sup>

In Japan, the upper house has 40 days to debate the budget, but the second chamber has only 20. If the two bodies ultimately cannot reach agreement on certain provisions, or if the second chamber does not act within 30 days after House passage, the decisions of the upper house become binding. The Mexican Constitution vests all legislative power to "examine, discuss and approve"



### AUSTRALIA: ACTIVE SENATE

Australia bases its government on the Westminster model, but with significant modifications. Perhaps the most prominent features of the Australian system are the fact that party discipline is strong so the government's budget is usually passed essentially unchanged and that the Senate plays a more active role in reviewing the details of the budget than the House.

The government annually submits three separate appropriations bills to the House. These bills cover spending for recurrent government expenses, capital expenses, and parliamentary expenses. This three bill system has evolved because the constitution prohibits the Senate from proposing amendments to laws appropriating annual revenue to the "ordinary annual services of the government." By separating ordinary recurring expenses from capital expenses, the Senate is able to amend the second two appropriations bills. Parliamentary expenses are separated from the other categories of spending in recognition that they should be separate from appropriations for the executive.

Senators are directly elected by the people and are not directly responsible to the state parliaments. Nevertheless, there are many lines of communication between senators and the state parliaments

In practice, the Senate may propose amendments to the bill for recurring expenses by asking the House to consider them on its behalf. That said, amendments are seldom adopted and approximately 70% of government spending is pursuant to standing appropriation legislation, which does not require parliamentary approval. Members in the House and Senate may propose only amendments that would cut expenditures, never amendments that would increase spending.

Appropriations bills are introduced by the government in the House. Committees play no role in House consideration. The House simply debates, frequently in detail, and passes the legislation, referring it to the Senate, usually without amendment.

While the House is considering the legislation, the Senate has referred its provisions to committees for their review and comment. There is no central coordination of the committee process in the Senate by a budget or finance committee. The Senate committees hold extensive public hearings, usually involving relevant ministers and senior officials from the ministries. Once the bills have been passed by the House and sent to the Senate they may be debated. Any amendments that are adopted must be sent to the House for its approval before being sent to the Governor-General.

the annual budget in the lower house. Consequently, the second chamber plays only a very small role.<sup>44</sup>

Some second chambers are more active in the budget process. The German Bundesrat plays an active advisory role. The budget is tabled simultaneously in both chambers. The Bundesrat delegates the budgetary review to the 16 provincial ministers who evaluate and propose amendments. Those that are adopted by the full Bundesrat are forwarded to the first chamber for its consideration. After the first chamber has considered the budget and Bundesrat's proposed amendments, the budget is referred back to the Bundesrat for an advisory vote before becoming law.

In the United States, all tax and appropriation bills originate in the House of Representatives but there are no constitutional restrictions on the power of the Senate to amend them, even by increasing spending, including new items of spending or taxation, or substituting the Senate's own tax plan. The Senate regularly proposes so many changes in each major tax or spending bill that the two houses usually appoint a temporary joint "conference" committee to negotiate compromise between their positions.

The Australian Senate plays an active part in the budget process even though the constitution prohibits it from amending the primary annual appropriation bill. Instead of amending the bill, the

Senate can request that the House make certain amendments to it, and the bill cannot become law until the two chambers agree on how to dispose of the Senate's requests. The Senate also can refuse to pass any bill, including the budget bill. On one occasion, in 1975, the Senate used this power to force the dismissal of the government when it faced the prospect of running out of money.

## **5. LEGISLATIVE RESOURCES FOR BUDGET ANALYSIS**

Legislative bodies require a variety of resources in order to play an effective role in budgeting. The legislature must have control over its own budget and be able to hire and retain its own professional staff. The staff must have the capability to independently evaluate budgetary information. This capability includes access to detailed, clear, and complete budget documentation from the executive and authority to receive needed information on aspects of the executive's budget that are unclear to members.

### ***Legislature Control of the Legislative Budget***

How the budget for the legislature's operations is determined affects its ability to play an active role in budgeting. An activist legislature must be able to determine the funding in needs and to allocate those funds according to its own priorities. The three general approaches used for legislative budgets illustrate the challenges.

#### ***Restrictive***

In a number of countries, including Austria, Finland, Germany, Ireland, Luxembourg, and Spain, the executive submits the legislature's budget as part of the overall state budget with no formal legislative consultation. This system gives the executive a strong degree of control over the

legislature and may severely inhibit legislative activism. Sometimes the legislature can consider amendments to increase its budget, but the initiative is clearly with the executive.

#### ***Consultative***

In the Netherlands, each chamber prepares a draft budget for its own operations. The draft budgets are debated, can be amended, and are eventually adopted by their respective institutions and forwarded to the government. The government can reduce the amount requested by the chambers, and often does so in proportion to cuts made to the ministries. The parliament's budget is then introduced as part of the government's budget, but the legislators can amend it.<sup>45</sup> This system allows parliament to take the initiative in determining its needs and the government to keep the legislature's spending in accordance with the overall budget.

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***Though the Dutch Parliament recommends its own budget, it is submitted to the government which may reduce it proportionally with cuts to the ministries.***

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#### ***Independent***

The United States Congress considers its budget practically beyond the control of the executive, although the bill containing Congress' budget must be signed by the president, like all other bills. Annually, each chamber prepares a budget proposal through subcommittees created specifically for this purpose. These proposals are included in a bill and sent to the president for his signature. By tradition, the budgets for the House and Senate are considered to be "off limits" to the president, who generally signs the bill into law without comment.

**Staffing Resources**

Legislatures need their own staff to evaluate the executive’s budget, propose logical and appropriate alternatives, and perform oversight of ongoing programs. Yet legislative bodies often find themselves under-equipped in terms of staffing, computer systems, information, office space, and other resources. They may find it politically difficult to publicly request increases in their operations budgets, particularly in times of budget austerity. They may even lack the authority to hire their own staff.

Regardless of the committee structure that a legislature has developed to facilitate consideration of the budget, most legislators have neither the time nor expertise to evaluate the budget and formulate alternatives. Consequently, adequate staffing is a high priority in many legislatures, and many are enhancing the number and quality of their staff.

**Budget Committee Staff and Resources**

The number of staff required by a legislature depends on many factors including the legislature’s budget authority, legislative structure, budget complexity, government transparency, and resources available to the staff.

The Czech Republic is an example of a country with a highly decentralized committee structure for budgeting. Parliament had no qualified staff before 1998 to analyze the budget and relied solely on experts from government ministries, particularly the finance ministry, to assist it.<sup>46</sup> The Chilean Senate, which has very limited ability to amend the government’s budget, has recently hired its first technical professionals to assist the budget committee.

The parliaments of Hungary, Italy, and Norway have recently moved to enhance their ability to analyze the government budget by hiring non-

political, independent budget staff for committees and members. In 1997, the Norwegian parliament established a budget secretariat.<sup>47</sup> The secretariat’s principal duty is to serve the members of the finance committee and provide information to parliamentary party organizations. The secretariat is staffed by economists and technical experts.

**BUDGET COMMITTEE STAFF**

Size of Staff	Countries
Fewer than Five	Canada, Czech Republic, New Zealand, Spain, Turkey
5 to 10	Germany, Greece, Hungary, Mexico, United Kingdom
More than 10	France, Ireland, Japan, Korea, United States (245)

*Source: Derived from OECD Survey of Budgeting Developments, 21st annual meeting of Senior Budget officials, May 29-30, 2000, p.19.*

The size of the legislative budget staff is not, of course, the only measure of its effectiveness. The legislature must have adequate resources to attract and train staff. It must have computers and programs. And the staff must be hired by and report only to the legislature. In Namibia, the entire staff of the National Assembly is comprised of civil servants paid by the executive branch. This means that the executive determines what level of staffing the legislature should have and hires the staff. These staff may have little commitment to the legislative branch.

**Partisan Staff**

An approach some parliaments find practical, given the political nature of budgets and the politically charged debate they engender, is to provide funding for political party groupings within



## UNITED STATES: STRONG LEGISLATIVE ROLE AND PROFESSIONAL BUDGET OFFICE

The United States Congress crafts a large portion of the nation's budget itself. In the U.S., legislative-executive branch tensions are purposely embedded in the process. Committees play a major role in the budget process and amendments offered by individual members, both majority and opposition, are commonly offered and adopted by subcommittees and committees, and in the plenary.

Each February, the president submits his budget proposal. Congress takes no formal action on it, treating it as advisory. Instead, Congress engages in an eight-month process of preparing its own budget framework and then painstakingly considers the minutiae of spending for each government department and agency. Unlike parliamentary systems, in the U.S. the second chamber, the Senate, plays a co-equal role in determining spending levels.

House and Senate budget committees, with advice from the sectoral committees, agree to a binding spending cap, which is approved by both chambers and does not require the president's approval. This overall spending cap is referred to the appropriation committees, which divide it among subject matter subcommittees.

Each subcommittee holds public hearings with government and private sector witnesses and prepares a separate bill allocating its portion of the overall funding as it sees fit to programs within its jurisdiction. All subcommittee members may offer amendments to increase or cut funding, shift funds between accounts, or create new programs. But amendments must not push spending beyond the subcommittee's cap. Members may propose conditions on the funding provided, including spending floors and ceilings, earmarks for specific projects, prohibitions on using funds for certain purposes, and conditionality on the release of funds.

A subcommittee's bill is reported to the full appropriations committee, which may amend it, again respecting the overall caps. The process is repeated in the plenary where members can offer amendments. As the bills are approved one-by-one they are "conferenced" by select members of the two chambers to work out differences and sent individually to the president for his signature (or veto) prior to the October 1 beginning of the fiscal year.

If all bills are not completed by the beginning of the fiscal year, a "continuing resolution" is adopted, providing funds for a brief period while work continues. If no continuing resolution is approved, agencies whose appropriations bill is not yet passed are effectively shut down until funding is approved.

The U.S. system is decentralized and places great influence in the hands of subcommittee chairs, sometimes called the "College of Cardinals." While overall spending discipline is maintained, the final landscape of each bill is a collage of majority and minority amendments. In order to ensure that the executive implements the programs included in these bills the appropriations committees engage in active year-round oversight.

Congress' work is facilitated by extensive staff including members' personal staff (minimum of 18 per member), legislative bill drafting services, technical staff from the Library of Congress and Congressional Budget Office, the General Accounting Office (which undertakes investigations), plus interest groups, think tanks, individual citizens, and the executive branch. In 2000, the budget for Congress was \$2.4 billion.

parliament. This way they can develop their own budgetary resources to analyze and respond to the government's budget. For example, the Swedish parliament provides public financing for each of the parties represented in the parliament to hire between five and 10 staff to assist with

budget matters. In addition, members receive budget support from a central legislative budget office, which consists of three experts. And non-political policy analysts are attached to each committee that deals with budget matters.<sup>48</sup>

### *External Resources*

In addition to its own staff, the budget committee of the German Bundestag relies on a central parliamentary office and on independent, politically-neutral organizations that provide information to German parliamentarians.<sup>49</sup> The Budget and Finance Division, part of the parliament's Scientific Services Office, has a staff of experts. It enhances its services by maintaining extensive professional contacts with German universities and economic think tanks. The Budget and Finance Division responds to requests from individual members as well as the budget committee. In addition, the budget committee may receive advice from the Federal Court of Audit and technical advice from the finance ministry.

### *Legislative Budget Agencies*

A number of legislatures have identified a need for an additional layer of technical budget assistance beyond committee staff, personal staff, party-oriented staff, government agencies, and non-governmental think tanks. This commonly takes the form of a legislative budget office.

The Congressional Budget Office (CBO) of the United States is frequently mentioned as a model for effective, essentially non-partisan budget information and analysis. Despite the fact that the budget committees of the House and Senate employ nearly 250 staff and the appropriations committees of those bodies have many hundreds more, CBO has a distinctive and important technical role in the budget process.

Created in 1974, CBO has nearly 250 employees, and 70% of the professional staff hold advanced degrees in either economics or public policy. CBO staff specialize in either "budget" or "policy analysis," enabling the CBO to provide budget analysis and in-depth review of policy issues.

CBO prepares cost estimates for proposed legislation, multiyear estimates for the overall federal budget, estimates of the cost of pending legislation on states and localities, analyses of the president's proposed budget, and ongoing scorekeeping of revenues and expenditures. The CBO director is chosen for a four-year term (which may be renewed) by the House Speaker and Senate President Pro Tempore. CBO's services are available to all members on a non-partisan basis, but priority is given to requests from the budget committees and other committees. CBO also makes a variety of reports, technical papers, and projections and estimates available to the public.

### *Drawing on Government Resources*

In addition to internal resources, legislatures must also rely, to a certain extent, on information from the government. In addition to building internal capacity, legislatures must also develop the capacity to obtain useful, timely information from the executive.

### *Executive Transparency*

Given the time constraints often placed on the legislature's consideration of the budget, the reliability and readability of the government's budget documents is critical in creating meaningful opportunities for legislative participation in the budget process. Dense budgetary formats increase the time and effort required by the legislature and its staff to analyze the budget.

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***Budgets must be detailed,  
but they must also be  
comprehensible.***

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OECD reports that its member parliaments have made improved reporting by the executive a high priority.<sup>50</sup> These improvements have ranged from

making the layout and organization of the materials more user-friendly to reconfiguring the entire operation of government to emphasize outcomes and outputs rather than inputs.

The concept of “readability” -- the executive providing complex budgetary information in forms accessible to legislators and citizens -- is difficult to gauge and perhaps requires additional in-depth review beyond the scope of this paper. Clearly, a balance must be struck between providing complete and detailed information and making it understandable to a broad cross-section of individuals.

Some nations have responded to this challenge by providing budget materials in several different formats that present gradually deeper levels of detail, thus allowing legislators and others to access the information they feel comfortable with. Nations that are actively working to improve reporting include Canada, Denmark, Iceland, New Zealand, and the United States.

In Hungary in the early 1990s, government accounting procedures were so poor that double counting of revenues and expenditures was common. One budget researcher says that some observers estimated – perhaps facetiously – that multiple counting of expenditures was so rampant that if all expenditures included in the budget were added the sum would exceed the Hungarian GDP.<sup>51</sup>

But the haphazard structure of the Hungarian budget had a practical, negative affect on parliamentary control of the budget. Because estimates of revenues and expenditures were frequently far off the mark, the government submitted supplemental appropriations bills every year between 1990 and 1995. These requests, some of which were submitted as few as ten weeks into a new fiscal year, included large shifts in spending. The above researcher noted that “when the government, by choice or necessity submits major pol-

icy changes through supplemental budgets, the time and opportunity for parliamentary input is reduced.”<sup>52</sup> A regular, predictable, organized annual budget process benefits legislatures.

The United Kingdom has refined its budget documentation in recent years. Since 1993, the Chancellor of the Exchequer has prepared a unified summary of the government’s main tax and spending proposals, a detailed three-year projection of ministries’ spending plans, a medium-term financial projection, and a short-term economic forecast.<sup>53</sup> In addition, the government provides parliament with an analysis of the government’s financial strategy and the tax measures contained in the budget. Each department provides a press release highlighting important components of its budget and new initiatives.

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***Budget reports in the United Kingdom include a three-year spending projection and economic forecasts***

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Canadian ministries are required, under the Improved Reporting to Parliament Project, to submit two separate reports to parliament: one on plans and priorities, containing an explanation of objectives, initiatives, and planned results, and a performance report, outlining the actual results that specific programs realized.

In Nigeria, the short timeframe for parliament’s budget review and lack of trained staff and sophisticated technology has prompted some to suggest that all ministries should submit their budget documentation on computer disc in a unified and user-friendly format. This could facilitate the parliament’s preparation of its budget bill, enable easy incorporation of amendments, simplify transfer of funds between votes, and encourage members to consider alternative budget scenarios.

The Government of South Africa has made progress in making the budget and government financial activities transparent and relevant to the parliament and the public. The government prepares annually a National Expenditure Survey, an Intergovernmental Fiscal Review, and a Medium-Term Budget Policy Statement, all of which are designed to improve management and provide relevant information to parliament. In addition, the Public Finance Management Act of 1999 creates a solid and transparent framework for management of government finances.

### *Requesting Additional Information*

Written materials and oral presentations may be extremely helpful to legislatures as they work to review the annual budget, but legislators' ability to play an active and meaningful role in budgeting the nation's resources is predicated on their ability to proactively access specific information from the executive. While the written budget document and accompanying materials provide a varying amount of detail from country to country, most democratic political systems provide an opportunity for members of the legislature to directly question ministers on essentially any issue orally, in writing, or both, including budgetary items.

Legislatures have developed a variety of mechanisms for accessing information and compelling responses. They include the question period in parliament, bringing government officials before legislative committees, and submitting questions in writing to the ministers.

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***Legislators need an opportunity to question the government on the written materials provided to the parliament.***

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***Question Period in Parliament.*** Direct questioning of the prime minister, developed in the United Kingdom's House of Commons, is a mainstay in parliamentary systems.<sup>54</sup> Many parliaments technically require all ministers to be available during question time, but some, including the British, limit the requirement to ministers who have been notified in advance. The rules for question time are usually found in a parliament's standing orders.

Simply giving parliamentarians an opportunity to pose questions to the government is no guarantee of getting information. In Ghana, there was a 16-month backlog of nearly 260 questions posed by parliamentarians to ministry officials. After media pressure in 1998, the number of unanswered questions fell to about 60, but frustration over the issue remains high among opposition Ghanaian legislators.<sup>55</sup>

Some parliaments require questions to be submitted to ministers in advance or permit ministers to answer questions at a later date or in writing. These rules have the obvious effect of removing spontaneity from question time and reducing parliamentary leverage.

Some parliaments have developed means for tweaking uncooperative ministers. The Polish parliament has a unique system designed to enhance the quality of the responses it receives from the executive: it may formally vote to accept or reject them.<sup>56</sup> While such a vote has no legislative effect, it may embarrass ministers subjected to it and encourage them to provide more complete, relevant information.

***Ministers Appear Before Committees.*** In parliamentary systems, ministers are commonly invited to, and attend, committee hearings to answer questions and support the provisions of the government's budget that pertain to their ministry (or the overall budget in the case of the finance min-

ister). A survey of OECD nations found that over 80% of member nations followed this practice and 97% had either ministers or “officials” (heads of ministries) testify.<sup>57</sup>

In the United States, Congress has no formal opportunity to question the president directly, but has extensive opportunity to request or compel direct testimony and written information from administration officials up to and including department secretaries. All secretaries and most of their assistants testify before subcommittees of both the House and Senate appropriations committees in support of their budgets.

The South African Constitution extends broad powers to the parliament and each of its committees to compel individuals to provide testimony at public hearings. Ministers and other government officials regularly attend hearings, including those of the finance committee and sectoral committees, regarding the government’s budget.

***Questions Submitted in Writing.*** The opportunity to submit written questions to the government can be a powerful means of accessing large quantities of data or highly technical information. Written queries have the advantage of encouraging detail not feasible in oral questions, permitting the respondent to research and formulate answers, and allowing a discreet, constructive, and non-confrontational presentation. No country prohibits written questions from parliament to the government, and in some the practice has become a regular one.

In Norway, ministers and agency heads do not commonly testify before parliamentary committees. But under a well-established system, accepted by the legislature and the executive, committees and parliamentary parties submit questions to ministries on the government’s budget and receive prompt and complete replies in writing.



### SWEDEN: INTERPELLATIONS LEAD TO DEBATE

Interpellations in Sweden’s parliament are similar to written questions in that the minister’s response is written, but an interpellation is read aloud in the chamber and debate ensues among the minister, the questioner, and other parliamentarians.

Sweden’s interpellations date to the creation of the modern parliament in 1866. Early use was infrequent and usually related to important matters, frequently leading to a motion of no confidence.

Today, interpellations can number about 500 a year and are used to (1) question actions of the government, (2) obtain information about the status of a matter or induce a minister to act a certain way, or (3) draw public attention to a matter.

Interpellations are almost always answered, but if a minister chooses to refrain he must inform parliament within 14 days of his reasons for not responding or for delaying. Debate on interpellations happens two or three times a week. Strict time limits apply.

Several parliaments have developed formal means of requesting information from the government on both technical questions and larger political issues, called interpellations. In Germany, written interpellations generally request information about specific government policies and must be signed by at least 34 members.<sup>58</sup> While this requirement is a barrier to the use of interpellations in Germany, those that do attract the necessary number of signatures carry greater weight than requests from individual parliamentarians.

### ***Citizen Involvement***

Systems that limit citizens’ role in the political process to periodic voting are only nominally democratic, fail to capitalize on the nation’s creativity and collective experience, and court instability. Opportunities for meaningful, peaceful

citizen involvement are multifaceted in developed, stable democracies.

Individual citizens commonly contact parliamentarians for two reasons: they need assistance interacting with government agencies (constituent services) or they want to express their opinions on policy issues. Mechanisms should be in place for legislators to receive and respond to both types of inquiries. While these mechanisms may be very similar, this paper concerns itself with only policy-related inquiries.

Perhaps the most common means of citizen participation, other than voting, is for individuals to write, call, or visit with their elected representative. For this role, a legislator needs the time, staff, and office resources to be available and to respond. In many countries, parliamentarians are given funds to operate an office in their district and hire staff to be available to constituents. Most parliaments also provide space and staff, often shared, within the parliament for members to hold meetings with constituents and to respond to written and phone inquiries.

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***An OECD study of 28 nations found that one-third invited citizens to testify at committee meetings regarding the budget***

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Legislatures are becoming more open to formal roles for the public and organized groups. An OECD study of 28 nations found that one-third invited citizens to testify at committee meetings regarding the budget.<sup>59</sup> These include Canada, Finland, Hungary, Iceland, Japan, New Zealand, Norway, Poland, and the U.K. About two-thirds of the 28 nations allow the public to attend committee hearings. South Africa's Constitution explicitly mandates public access and participation in the legislative process.

Ultimately, individual citizens and private organizations interact with parliamentarians in the hope that policy can be influenced to reflect their concerns. In systems that encourage legislative activism, including amendments to the budget, there is a clear path for this hope to be realized. Citizen interactions with parliament are relevant in such circumstances. In cases where citizen participation has little or no effect on budget outcomes, the people may come to view participation as irrelevant.

In South Africa, non-governmental organizations (NGOs) and others have concluded that, even though the constitution ensures their access to the budget process, their voice has not been heard. In testimony before the parliament's finance committee in 1997, a trade unions official said:

We are frustrated by the constraining nature of the budget process, which renders meaningless both contributions of civil society and the deliberations of the elected people's representatives. For this reason, after some deliberation, we have decided that unless the budget process is fundamentally transformed to accommodate real public input, and effective parliamentary oversight, this submission on the 1997/8 budget will be our last. We will only participate in future parliamentary budget hearings if meaningful participation is made possible through a reformed budget process.<sup>60</sup>

## **6. LEGISLATIVE BRANCH OVERSIGHT CAPACITY**

A legislature's fiscal duties are only partially discharged when it approves the annual budget. An essential component of parliament's fiscal responsibility is careful and ongoing oversight of the executive's implementation of the budget. Most countries have developed formalized means for conducting legislative oversight, either directly or by creating other entities to assist it or to operate on its behalf. Commonly, legislatures use

a combination of internal activity and independent mechanisms to perform oversight functions.

Legislative oversight often takes a backseat to budgeting because it is complex, sometimes tedious, and legislators may not perceive it as rewarding, particularly if they are members of the majority party. Still, it is a major opportunity for constructive legislative involvement. In fact, where opportunities for a legislative role in the budget process are sparse (e.g., no amendment power), oversight may constitute a primary means of exerting influence over the fiscal activities of the government. Through the oversight process, legislators can contribute to enhanced government efficiency, point out areas in need of increased or reduced funding, and give scrutiny to the government's operations.

The basic role of legislative oversight is to ensure that public funds are expended as outlined in the budget and to effectuate corrective action if this is not the case. Generally, the tools available to parliaments to precipitate corrective action fall into five categories:

- \* **Identify fiscal irregularities.** Calling the government's attention to areas of concern is frequently enough to facilitate corrective action.
- \* **Public exposure.** Public opinion is a strong incentive for governments to address concerns raised by parliament.
- \* **Legal action.** Parliaments may ask that legal action be taken against individuals who mismanage government funds.
- \* **Legislative action.** Threat of major modifications to the government's next budget or other legislative remedies is a strong incentive for responsive fiscal management.

- \* **Vote of no confidence.** Used rarely, but a possible result of major, widespread corruption uncovered by oversight activities.

A number of essential components to oversight have already been mentioned, including a detailed, accurate budget document presented by the executive and the opportunity to question ministers and other government officials orally and in writing. Most parliaments use their committee system (usually a public accounts committee) and an independent external auditor (commonly called an auditor general) to perform this oversight.

### *Oversight by Legislative Committee*

The principal oversight mechanism in most parliaments is the public accounts committee. Often this body is empowered to review all government spending, call government and other witnesses, and request government documents in its quest to ensure that the government is implementing the budget approved by parliament. As

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*Many parliaments use a Public Accounts Committee, chaired by the opposition party, to review government expenditures*

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an alternative to a public accounts committees, some parliaments may charge the budget committee, finance committee, or a subcommittee of these bodies with oversight duties.

Usually, a member of the opposition party heads the public accounts committee. With the opposition in charge of the agenda, the parliament and public can have some confidence that the government is not controlling the process.

The U.S. Congress engages in extensive, and sometimes aggressive, oversight of all aspects of the executive's activities. For this task, portfolio committees perform the bulk of oversight for programs under their jurisdiction. Every committee of the House and Senate has responsibility for oversight of the programs and agencies within its jurisdiction and has an investigation staff and budget for that purpose. The standing rules of the House require each committee to publish an oversight plan outlining its intentions for the current two-year session.<sup>61</sup>

The House and Senate also have committees specifically charged with oversight of the management, financial operations, and ethics of the government. These committees have a combined staff of over 200, of whom many are attorneys, professional investigators, and individuals detailed from various agencies. Finally, each of the appropriations subcommittees exercises year-round oversight of the programs within its jurisdiction.

### ***Oversight by Independent Agency***

Many nations have created extra-parliamentary, independent auditing entities to assist parliament with the complex, detailed, time-consuming, and potentially politically charged task of oversight. These entities have different names (e.g., auditor general, comptroller, general accounting office) and may have slightly different modes of operation.

Some prepare a comprehensive annual report that is submitted to the parliament. Others assist the public accounts committee or other legislative entity in an ongoing fashion by reporting on specific issues of concern. As with other activities of the parliament, external auditors' effectiveness is dependent on resources, staffing, expertise, and legislators' interest in the work. Another critical element is independence.

### ***Formal Legislative Oversight***

Some countries have developed a system in which the public accounts for the previous year are formally reviewed, debated, and approved by parliament. This system reinforces the concept that budgeting is a cycle, rather than an event, and requires members of parliament and the government to remain involved and interested in the execution of the budget through the entire year.

The public accounts committee of Nigeria prepares annual reports for approval by the National Assembly. As in other areas of legislative activity, it is critical that legislative bodies have the resources and expertise necessary to fulfill their duties. At the time of this writing, the Nigerian committee is three years behind in preparing its reports.

## ***7. CONCLUSION***

Working with the Executive Branch to budget the nation's resources and oversee expenditures is perhaps the most important ongoing duty of national legislatures, and frequently one of the most contentious. James Madison, an American legislator and, later, president wrote in 1788:

This power over the purse, may in fact be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people for obtaining the redress of every grievance, and for carrying into effect every just and salutary measure."<sup>62</sup>

While legislative control over appropriating funds and levying taxes is embedded in the constitution of nearly every democratic nation, the exact boundaries of those rights and the mechanisms for putting them into practice are usually vague. Legislatures and executives in many, if not most, nations vie subtly or openly for increased responsibility in the budget arena. Im-

pediments may be in place to discourage legislatures from asserting their rights and the exercise of these prerogatives may wax and wane depending on electoral circumstances, public opinion, and personalities.

In order to play an active role in budgeting, legislatures have developed mechanisms and tools to help make their involvement routine. The strengthening of these mechanisms is an ongoing

process and which occurs in both more and less developed democracies. In overcoming challenges to a more active role in the budget process, legislatures can learn much from the reforms of their peer institutions. This paper was written to assist legislators and private citizens to understand the challenges that legislatures in developed and developing nations face as they seek to be involved in the process of budgeting their nation's public resources.

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