



LEGISLATIVE OVERSIGHT AND GOOD GOVERNANCE

The Role of Parliament in the Budget Process

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OVERVIEW OF PRESENTATION

- **Introduction – Good Governance + Legislatures**
- **The Budget – an Introduction**
- **The Budget Cycle + The Legislature (Ex-Ante)**
- **The Budget Cycle + The Legislature (Ex-Post)**
- **Conclusions**



Reminder :

Core Functions of Legislatures

- ***The Legislative Function***

- Passing Laws
- Participation in Public Policy Making

- ***The Oversight Function***

- Holding Governments to Account

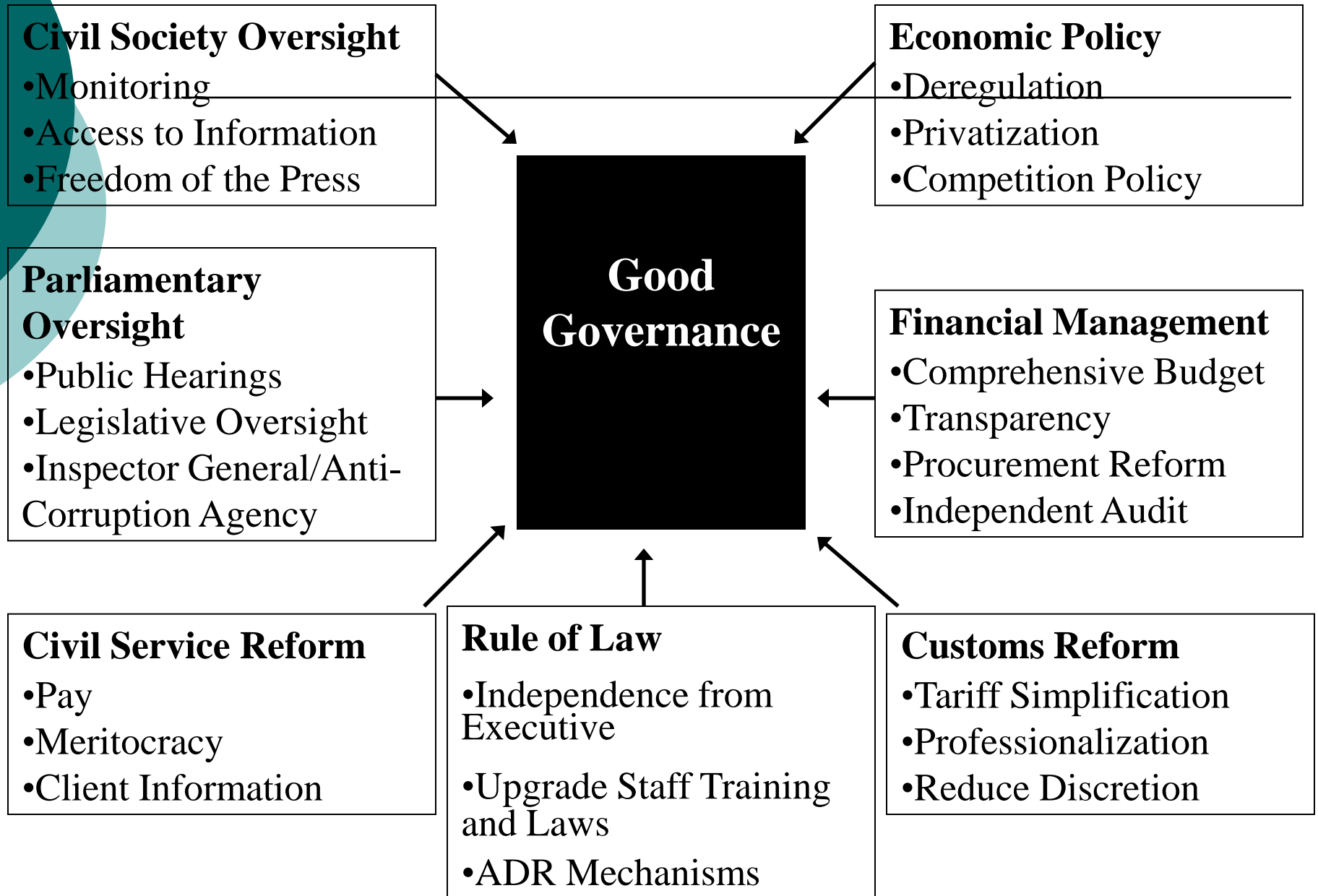
- ***The Representative Function***

- Representing Constituents

Parliament + Good Governance (Abridged)

	Legislative Function	Oversight Function	Representative Function
Openness + Participation			XXXXXXX
Gov't Accountability		XXXXXXX	
Public Policy Dev't	XXXXXXX		

Reforms for Improving Governance and Combating Corruption



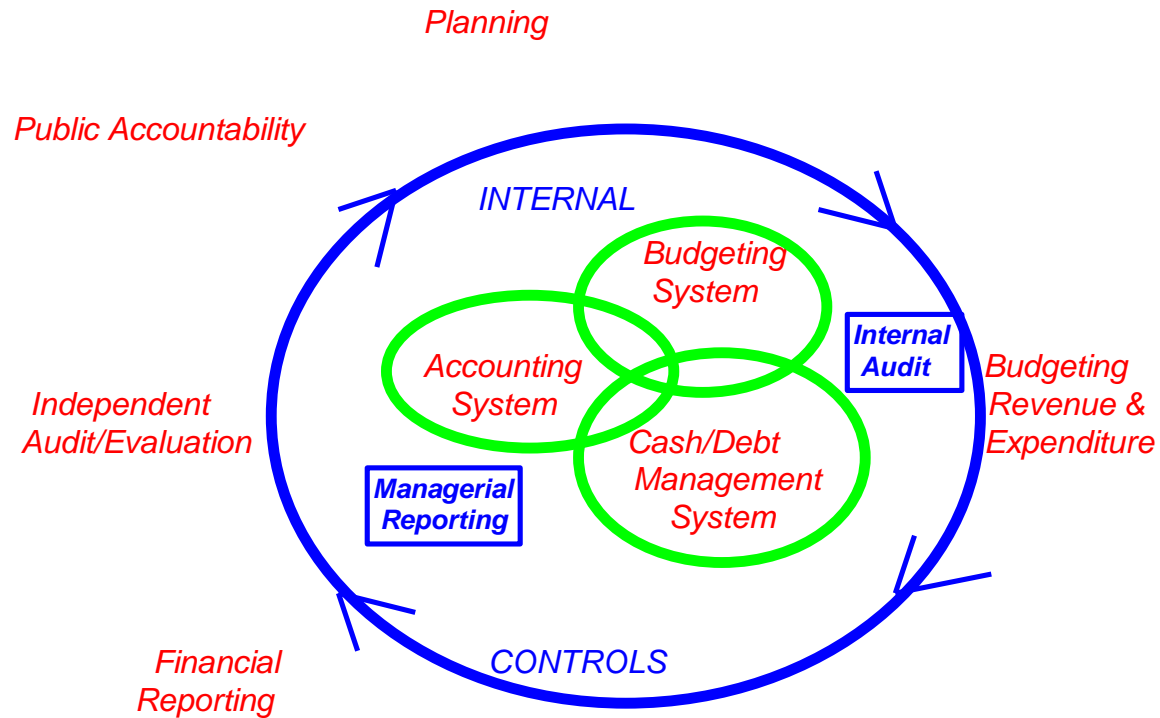



Part 1. The Budget

Definition of the budget

- “It’s got a lot of numbers in it.” (George W. Bush)
- An itemized summary of estimated or intended expenditures for a given period along with proposals for financing them.
- “Power of the purse”. Government can only spend what the legislature has approved – and is accountable to the legislature for such spending

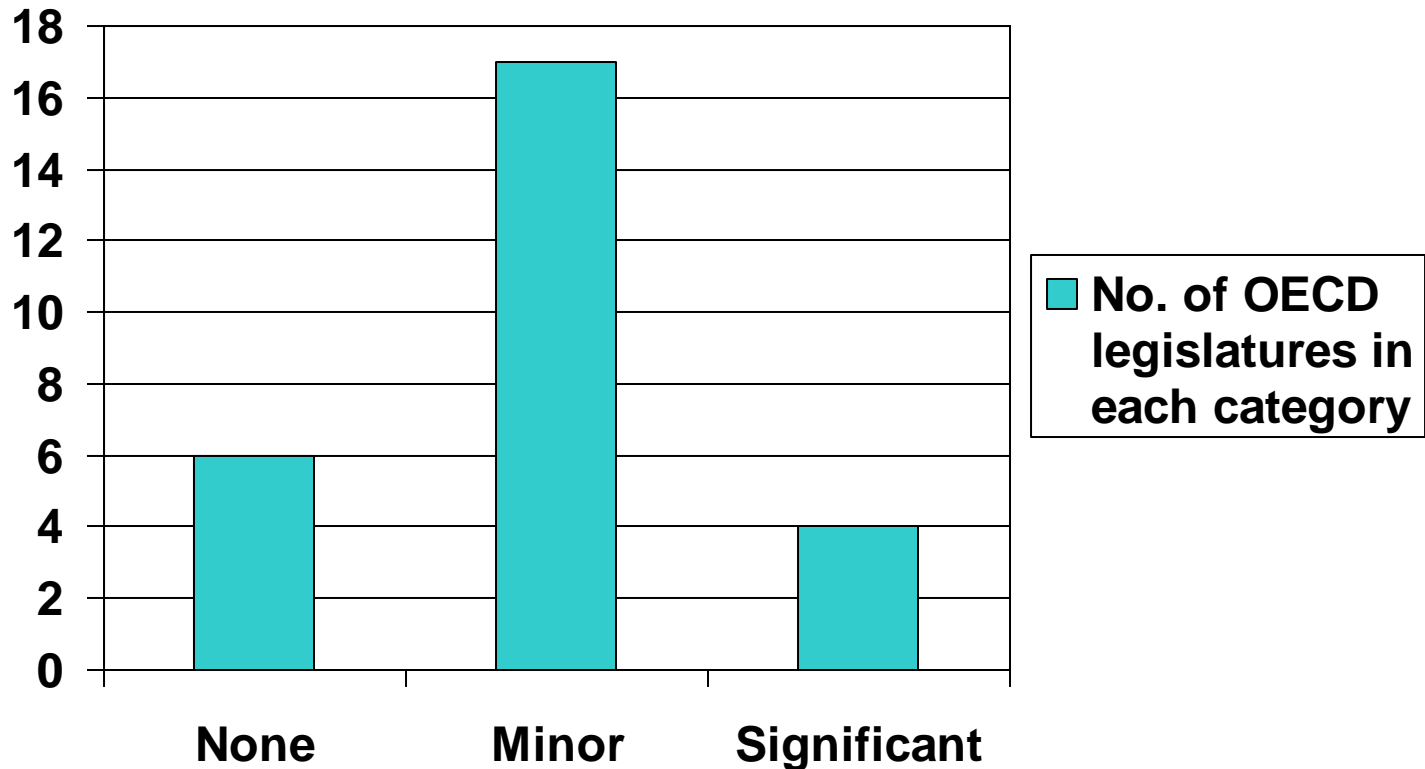
Heart of Executive-Legislative Relations : The Budget Process





Part 2 : Parliament + the Budget Cycle (Ex-Ante)

Legislative changes to the budget proposed by the government



Source: OECD (2002)



Enabling conditions

- Powers of amendment
- Timing
- The role of committees: choice of committees, time, location of amendment powers
- Independent research capacity

Survey of amendment powers

Configuration	No. of countries
Unfettered	32
Reductions only	17
Not specified	15
Increases must be balanced with commensurate cuts	13
May reduce, but only increase with executive permission	4
Total	81

Source: Inter-Parliamentary Union (1986)

Amendment powers

Three broad clusters of powers:

- Unfettered (US, Nigeria, Sweden)
- Balanced budget (francophone countries)
- Otherwise restricted (“reductions only”, executive approval)
- But: variance of powers does not fully explain variance in amendments

Timing of the budget

- International experience suggests that a minimum of three months is required for meaningful legislative analysis and scrutiny (OECD Best Practices).

How far in advance of the beginning of the fiscal year does the executive present its budget to the legislature?

	Number of countries	Percentage of total
Up to two months	10	26%
Two to four months	23	59%
Four to six months	5	13%
More than six months	1	3%
Total	39	100%

Source: OECD (2003), <http://ocde.dyndns.org/>

Role of parliamentary committees

- Legislative committees are the ‘engine room’ of the legislature.
- There are several models:
 - A single budget committee makes decisions without input from other committees.
 - In a two-tier system the budget committee decides on expenditure totals and sectoral committees departmental budgets.
 - There is no budget committee, but sectoral committees scrutinize departmental budgets.

Access to information

- Legislative decision making needs to be based on comprehensive, accurate, appropriate and timely information.
- In a number of countries, the budget document itself contains little narrative that outlines the policies underlying tax and spending proposals.
- Many budgets do not sufficiently relate expenditures to policy objectives.
- Parliamentary budget offices are important sources of independent expertise.

3.4. Independent research capacity: the options

Option	Examples
Dedicated and separate	US, Philippines
Dedicated and integrated	Poland
General	Germany, UK
No research capacity	Namibia, Israel

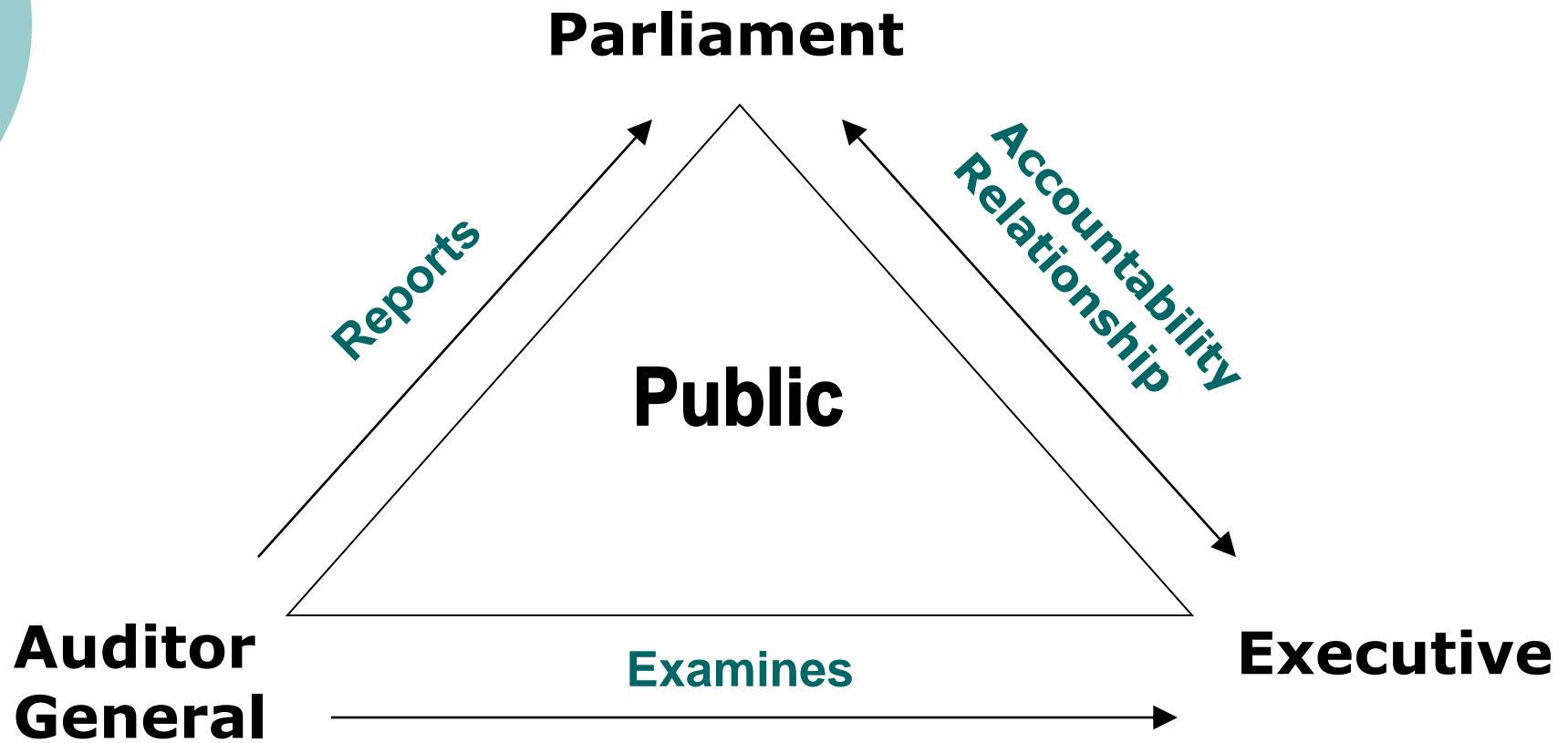
Source: Krafchik and Wehner (1999)



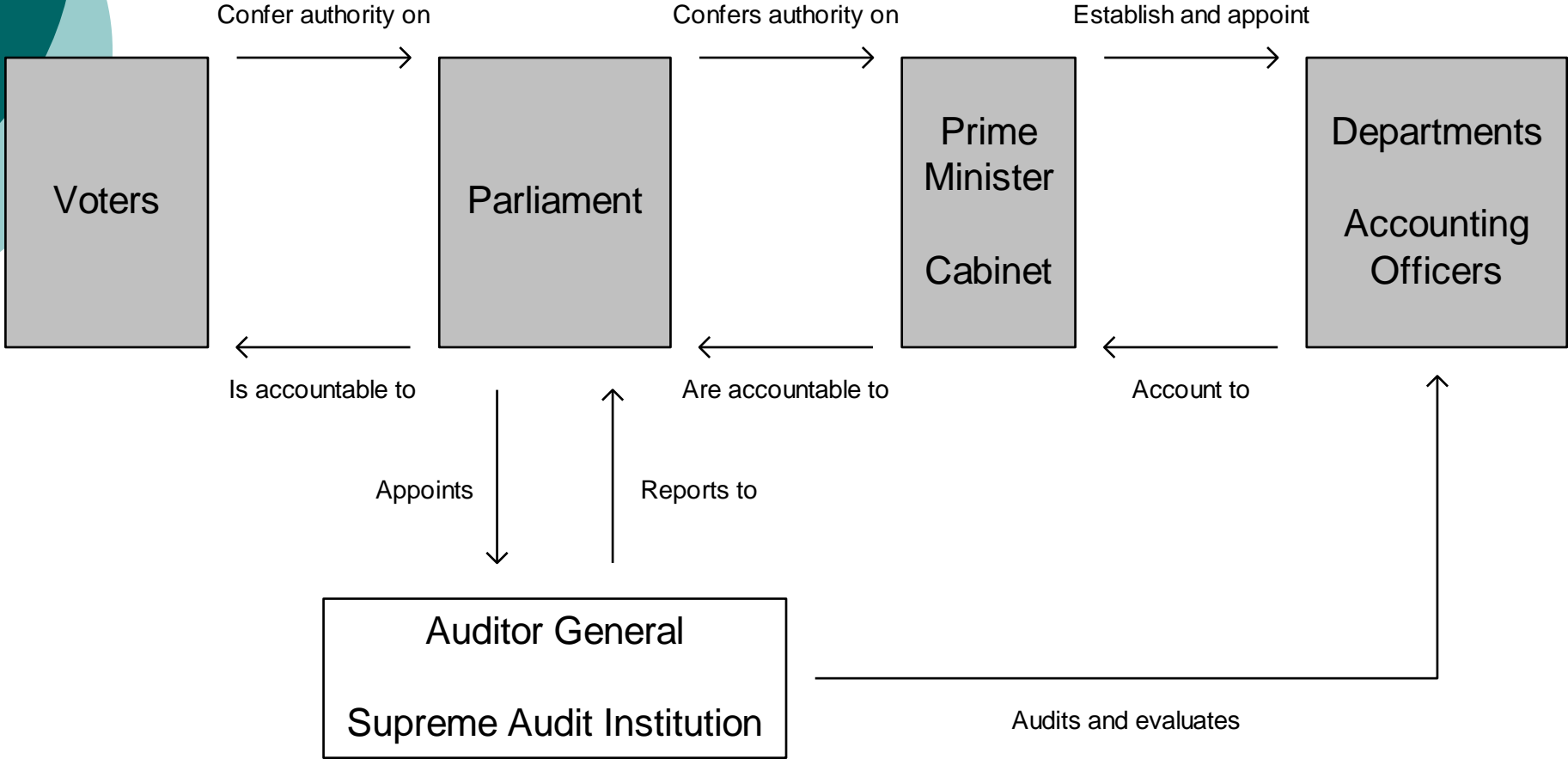
Part 3 : Parliament + the Budget (Ex-post)

Conceptual Approach: Key Actors and their Relationships

PUBLIC FINANCIAL ACCOUNTABILITY



Audit and the chain of accountability in parliamentary systems



Interaction with parliament

- relationship between parliament and the audit institution varies between systems.
- In the court model tradition, parliament uses audit information for a formal vote on the execution of a budget.
- In the Westminster tradition there is no formal vote on budget execution, and parliamentary review serves primarily to generate recommendations for improving public spending.
- In a number of countries supreme audit institutions have established parliamentary liaison offices and accompany audit related work of parliament on an ongoing basis.
- More recently, many supreme audit institutions have also developed a more ad hoc advisory function.

Role of parliamentary committees

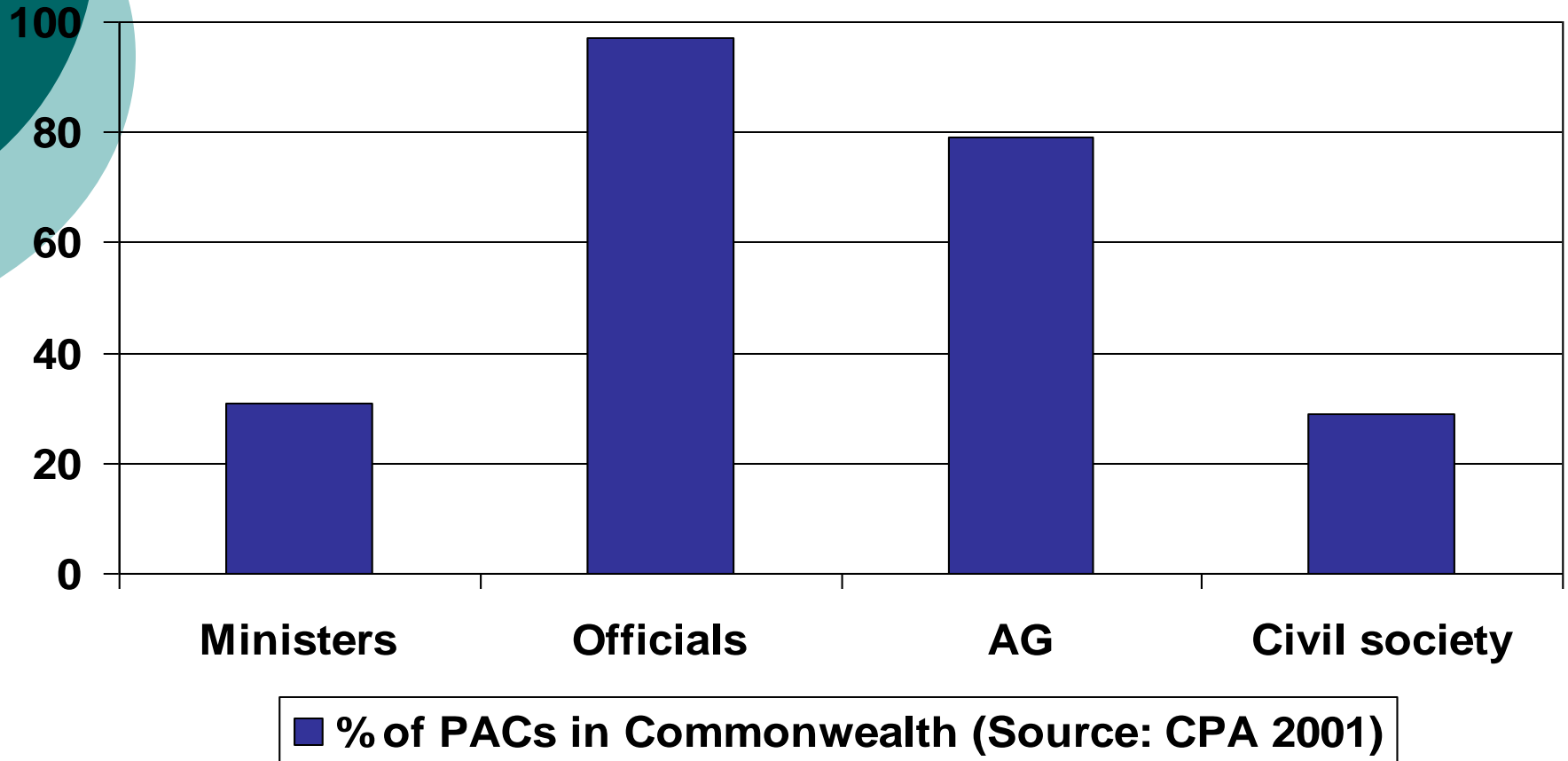
- A few legislatures do not consider audit findings in detail, but most parliaments use committees to do so.
- In some legislatures the same committee that is responsible for approving the budget is also tasked with considering audit reports (eg. Germany, New Zealand)
- Another option that is closely linked to the auditor general model of public audit is to use a dedicated public accounts committee for the scrutiny of audit findings (e.g. most Commonwealth countries).
- Other parliaments involve sectoral committees, such as those responsible for health, education or defense, to scrutinize relevant audit findings (e.g. the United States).

Public Accounts Committees:

Common Features:

- **Average size = 11 MPs**
- **Size reflects party in legislature.**
- **2/3 of Chairs from an opposition party; and 1/3 from the governing party**
- **Prime focus on Public Accounts & reports of AG.**
- **PAC reports generally available to the public.**
- **Generally, PAC hearings are open to the public and media.**

Who is normally called as witness?



Public Accounts Committees: Success Factors (1)

- **Power to formulate recommendations / publish conclusions**
- **Power to select issues w/o gov't direction**
- **Focus on financial probity rather than on policy issues**
- **Power to investigate all past/present expenditures**
- **Power to call witnesses**
- **Examine the budget of the Auditor General**
- **Require ministers to appear**

Public Accounts Committees :Success Factors (2)

- **Keeping transcripts of meetings**
- **Adequate preparation**
- **Follow-up procedures**
- **Non-partisan**
- **Independent + Reliable information**
- **Media Coverage**



Current Situation in the Commonwealth: Constraints:

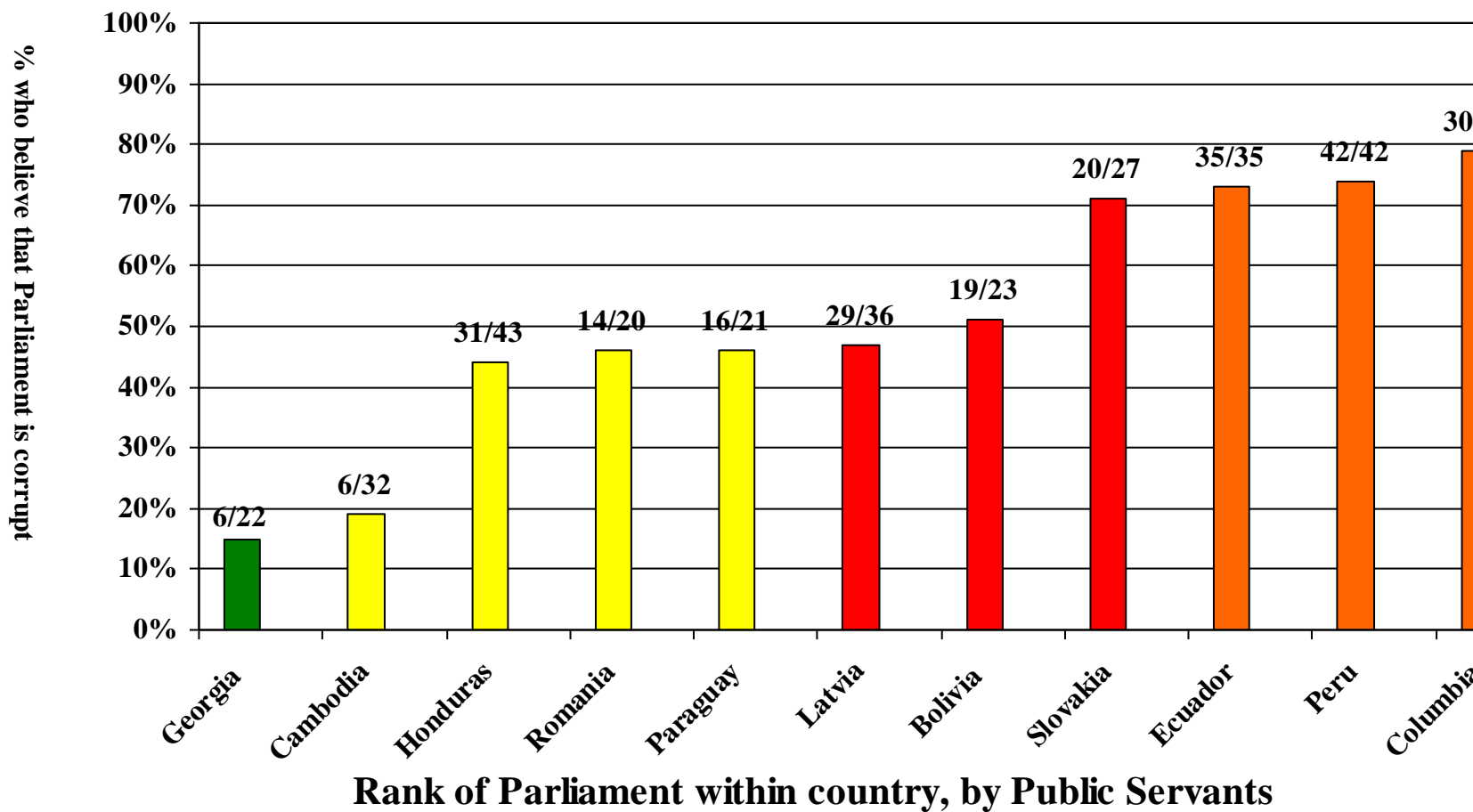
- Highly partisan climate
- Government dislike of legislative oversight
- Lack of media/public involvement
- Lack of public trust in parliament/parliamentarians



Conclusions/Questions

- Does the legislature play an oversight role in budget formulation in your countries?
- Does the legislature play an oversight role in budget execution in your countries?
- Is the legislature's role effective?
- How could it be improved?

Parliaments Misgoverned or Honest Institutions?



Source: WBI diagnostics and survey data; various countries; 1992-2001. <http://www.worldbank.org/wbi/governance>

Note: The chart shows percentage of respondents reporting that Parliament is dishonest institution. The number at top of each bar reflects the ranking of Parliament relative to other government institutions.