**Glossary**

**Accounting officer:** In the Westminster tradition, the civil servant in a department who is accountable to the legislature for financial management, usually the administrative head of the department.

**Accounting system:** System for recording financial transactions. The two major accounting systems are cash accounting and accrual accounting. Cash accounting systems recognize transactions and events when cash is received or paid, whereas accrual accounting systems record payments and receipts when parties enter into a commitment, not when cash changes hands. Most governments rely on cash accounting systems.

**Allocative efficiency:** The capacity of the government to allocate resources and select programs and projects in conformity with its objectives. In economic theory, allocative efficiency, also called Pareto efficiency, occurs when resources are allocated in such a way that any change in the amounts or type of outputs currently produced would make someone worse off.

**Amendment powers:** The legal powers given to parliament to amend legislation. Some constitutions limit the right of parliament to amend the budget by prohibiting certain types of amendments, for example increases in expenditures.

**Apportionment:** Authorizations or distributions of funds generally made by the ministry of finance to line ministries and other spending units permitting them to either commit or pay out funds, or both, within a specified time period and within the amounts appropriated and authorized.

**Appropriation:** Legal authority granted to the executive by the legislature to spend public funds. Appropriation legislation varies in terms of its detail. In some countries, there are a number of appropriation laws passed each year, covering different departments or spending areas, whereas other countries have a single budget law. Budget legislation typically provides spending authority for a single fiscal year. However, permanent appropriations or standing appropriations provide spending authority over several years, and do not require annual approval. Supplemental or adjustment appropriations are sometimes granted subsequent to the annual appropriation law if the amounts provided in that appropriation prove to be insufficient to meet the intended purpose.

**Audit court:** A supreme audit institution that has judicial status and is independent from both the legislature and the executive. The main focus of audit in the court model is on the legality of spending.

**Auditor general:** An auditor general is the head of a supreme audit institution that is independent from the executive and that has responsibility for assisting parliament in its scrutiny of public expenditure.

**Balanced budget:** A budget where total revenues equal total expenditures for a given fiscal year. When the budget is not in balance, it is either in deficit or surplus.
Balance sheet: A financial statement showing the values of the stocks of assets and liabilities held by an entity at a particular point in time. A balance sheet is typically compiled at the beginning and end of an accounting period. Balance sheets summarizing starting balances, incomes and outflows, and ending balances are generally required for each distinct fund within a government's accounting structure. In practice, very few governments prepare statements of their financial position that can genuinely be described as comprehensive balance sheets covering all assets and liabilities.

Baseline: The benchmark against which proposed fiscal policy changes are measured. There is no universally accepted approach for measuring proposed budget changes. One is to use actual spending and revenue levels from the preceding fiscal year, another to calculate the cost of continuing current policies.

Budget: An itemized summary of estimated or intended expenditures for a given period along with proposals for financing them. The budget is the main economic policy tool of the government and indicates how it plans to use public resources to meet policy goals.

Budget committee: A permanent and specialized parliamentary committee responsible for the scrutiny of the draft budget and related matters.

Budget process: The sequence by which a budget is drafted, approved by the legislature, executed, and audited.

Capital expenditure: See ‘expenditure.’

Cash budget: A system of budget execution that rations actual spending on the basis of available money. This means that no cash is released to line ministries for payment of their expenditures before sufficient funds are available from the central or general revenue fund.

Consolidated fund: The account into which tax revenues and other current receipts not specifically directed elsewhere are pooled and from which payments for the bulk of central government expenditure is made.

Contingency reserve: Funds set aside for unforeseen and unavoidable expenditures that may become necessary during the fiscal year, such as costs arising from a natural disaster.

Current expenditure: See ‘expenditure.’

Debt: The outstanding amount the government owes to private lenders at any given point in time. Governments can borrow by taking out a loan directly from a financial institution, such as a bank, or issue bonds that are purchased by domestic and foreign businesses and individuals.

Debt service costs: The cost of interest on government debt.

Deficit: The difference produced when spending exceeds revenues in a fiscal year. Also see ‘structural deficit.’
Direct tax: A tax paid directly to the government, for example a tax imposed on the income of individuals or companies.

Earmark: The dedication of funds to a specific program. A particular stream of revenue can also be earmarked for a specific purpose.

Excise taxes: Taxes on the manufacture or sale of certain domestic or imported products that are often charged on products such as alcoholic beverages, tobacco and petroleum.

Expenditure: Spending to fulfill a government obligation, generally by issuing a check or disbursing cash. Expenditures are sometimes distinguished between capital and current. Capital expenditures are investments in physical assets, such as roads and buildings that can be used for a number of years. Current expenditures reflect spending on wages, benefit payments, and other goods or services that are consumed immediately. Furthermore, actual expenditure may differ from the amounts in the budget. Significant and persistent differences between actual expenditure and budgeted amounts are a sign of a weak budget system.

External audit: Refers to audit carried out by a body that is external to, and independent of, the organization being audited, the purpose being to give an opinion and report on the organization's accounts and financial statements, the legality and regularity of its operations, and its financial management procedures and performance.

External debt: Debt owed to nonresidents of the country concerned.

Extra-budgetary: Government transactions not included in the annual budget. A wide variety of extra-budgetary arrangements are used, including funds set up under separate legislation that are financed by revenue earmarked specifically for that purpose. In other cases, state sponsored businesses such as utilities or airlines have independence in certain respects, but the government may ultimately be responsible for bailing out these businesses when they run into financial trouble. Extra-budgetary activities may not be subject to the same level of scrutiny or accounting standards as programs in the annual budget, although they should be.

Finance ministry: See ‘treasury.’

Financial audit: The traditional focus of public sector auditing. One output is usually a certification whether the figures in the accounts are properly stated, the money was used as intended by parliament, and payments and receipts accord with relevant legislation and regulations.

Financial initiative: The right to initiate spending and revenue measures. In some countries, only the executive can introduce financial legislation.

Fiscal decentralization: The devolution of expenditure responsibilities and/or revenue powers to lower levels of government, for example from a national or central government to regions or states, or to local authorities.

Fiscal discipline: The control of key measures of fiscal performance, including total spending, total revenue, the financial balance and the public debt.
**Fiscal policy:** Policy on tax, spending and borrowing by the government, which is used to influence macroeconomic conditions. An ‘easy’ fiscal policy is intended to stimulate short term economic growth by increasing government spending or reducing revenues. A ‘tight’ fiscal policy restrains short term demand by reducing spending or increasing taxes, and is often intended to restrain inflation. The government sets and implements fiscal policy through the budget.

**Fiscal stance:** Measures how deflationary or reflationary the government’s budget is. If after adjusting for the effects of the economic cycle the budget surplus is still large we say that the government has tightened the fiscal stance - it is seeking to control aggregate demand through the use of fiscal policy.

**Fiscal year:** A 12 month accounting period on which most government budgets are based. In some countries, the fiscal year does not coincide with the calendar year.

**Functional classification:** A way of government expenditure plans in a budget according to various activities and policy objectives, such as health care, education, defense or justice.

**Gender** - the socially constructed roles and relations between men and women. Unlike biological differences, gender differences change over time and from one society to another.

**Gender analysis:** Approaches, methods and tools used to examine policies, programs and projects for their likely impacts on women and men.

**Gender equality** - Equality of outcomes for women and men. It can be captured in three dimensions: equality in capabilities, as in education and health levels; opportunities to utilise capabilities and earn incomes or have jobs and live to full potential; and agency, which is the ability to influence outcomes.

**Gender budgets** - gender sensitive budgets, gender responsive budgets and initiatives, or women’s budgets: terms used inter-changeably to refer to the variety of processes and tools to examine the differential impacts of budgets. They are not separate budgets for women, but a breakdown of budget to show how women and men benefit from it differently.

**Gender mainstreaming** - processes, methods and procedures of integrating gender issues into institutions so that women and men can participate and benefit equally.

**Grants:** Funds that the national government disburses directly to lower levels of government, corporations, nonprofit organizations, and individuals. Some grants are given for specific purposes, requiring the recipients to meet certain conditions or requirements.

**Gross Domestic Product (GDP):** A measure of total national output, income and expenditure in the economy. GDP per head is the simplest overall measure of welfare, although it does not take account of the distribution of income, nor of goods and services that are produced outside the market economy, such as work within the household.
**Horizontal equity:** A key principle in taxation that holds that similarly situated taxpayers should face a similar tax treatment or tax burden. In other words, taxpayers earning the same amount of income or capital should be accorded equal treatment.

**Incremental budgeting:** A budget formulation process that focuses only on one year and how the budget for each program differs from the levels adopted in the previous year. Incremental budgeting is often criticized as having a narrow focus, concentrating on funding changes to existing programs rather than shifts in policy priorities.

**Indirect tax:** A tax paid to a second party, for example a shop owner, who then passes it on to the government. Examples are value added tax and custom duties on imported goods.

**Inflation:** The rate of general price increase.

**Inputs:** What government has available to achieve an output or outcome. For instance, typical inputs funded by a health budget would be the salaries of doctors and nurses, the construction of clinics and hospitals, and the purchase of medical supplies and drugs. All are used to provide government health care services. Costs are the expenses incurred in using the inputs.

**Internal audit:** Refers to audit carried out by a department or unit within a ministry or another government organization, entrusted by its management with carrying out checks and assessing the organization’s systems and procedures in order to minimize the likelihood of errors, fraud and inefficient practices. Internal audit units must be functionally independent within the organization they audit and report directly to the organization’s management.

**Liability:** A debt owed to someone else. For governments, their outstanding public debt is their primary liability, reflecting amounts borrowed from the public that must be repaid at some future date. A contingent liability is one that depends on the occurrence of a specific event. For instance, if government provides crop insurance to farmers, it faces a liability only in the event of a drought or other weather conditions that reduce crop yields.

**Lima Declaration of Guidelines on Auditing Precepts:** A comprehensive list of issues, goals and norms relating to government auditing that was adopted by delegates representing supreme audit institutions in 1977.

**Line item veto:** The power of the executive to veto particular items in legislation passed by the legislature. The legislature may have the power to override an executive veto with a supermajority.

**Macroeconomic:** Referring to the variables or performance of an economy as a whole, or its major components, as opposed to that of individual industries, firms, or households. Opposite of microeconomics.

**Medium term expenditure framework (MTEF):** A multi year framework of rolling budgets where forward estimates produced with the annual budget, usually covering another two to four years, serve as the starting point for preparing the following annual budgets.
**Microeconomic:** Relating to the behavior of small economic units, such as individual consumers or households. Opposite of macroeconomics.

**Monetary policy:** Policy in relation to interest rates, the exchange rate and the supply of money in the economy. Monetary policy aims at affecting macroeconomic conditions, in particular the control of inflation.

**Money bill:** Proposed legislation that contains revenue measures or appropriates funds. Outside the Commonwealth, the distinction between money bills and other bills is less common. In the Westminster tradition of parliamentary government, the constitutional powers of parliament to amend money bills are circumscribed.

**Multi year budgeting:** Budgets that take into account more than one year. In some cases, legislatures enact into law budgets that specify spending and revenue amounts for more than a single year.

**Operational efficiency:** The ratio of the resources expended by government agencies to the outputs produced or purchased by them.

**Outcomes:** The impacts on, or consequences for, the community from the outputs or activities of the government, for instance whether an increase in hours taught improved student test scores, whether more immunizations reduced sickness, or whether higher welfare benefits increased social equity. Outcomes reflect the intended and unintended results from government actions and provide the rationale for government interventions.

**Outputs:** The goods or services (usually the latter) government provides. Examples are teaching hours delivered, immunizations provided, or welfare benefits paid.

**Package veto:** The power of the executive to veto entire pieces of legislation passed by the legislature. The legislature may have the power to override an executive veto with a supermajority.

**Participatory budgeting** – an approach through which an entire community or particular element of a community can participate in the budget process. The level of participation can vary from the consultative to the design and execution of budgets. Participatory budgeting promotes a more democratic and transparent administration of resources and can assist in lessening corruption and the mishandling of public funds. Participatory budgeting provides a voice and promotes the interests of a community; especially marginalised sections of society. It also encourages governments to meet their responsibilities to the people who elected them.

**Performance budgeting:** A budget process that integrates information about the impact of government spending. In its simplest form, performance budgeting places more emphasis on the outputs and outcomes associated with government expenditure and takes this information into account when setting future funding levels. However, gathering such information is a difficult task.

**Power of the purse:** This concept is defined by the British politician William Ewart Gladstone as ‘the control of the House of Commons over public expenditure.’
**Primary deficit or surplus:** The amount by which total government expenditure exceeds total revenue, minus interest payments on government debt.

**Progressive tax:** A tax that increases as a percentage of income as one’s income increases.

**Public accounts committee:** A parliamentary committee charged with ensuring propriety, efficiency, economy and effectiveness in the spending of public money.

**Regressive tax:** A tax that decreases as a percentage of income as one’s income increases.

**Revenue:** The total annual income of the state derived from taxation and other sources, for instance user charges.

**Reversionary budget:** The default budget that is implemented should the legislature not approve a budget for the fiscal year, for example last year’s budget or the executive’s budget proposal.

**Stabilization:** The use of monetary and fiscal policies to stabilize GDP, aggregate employment and prices.

**Structural deficit:** The size of the government’s budget deficit after allowance has been made for the level of economic activity. If after a period of sustained economic growth, the government is still running a budget deficit, it is likely that the causes of the deficit are structural.

**Supreme audit institution:** A public organization that is independent of government and has responsibility for auditing and reporting on the government’s financial operations.

**Surplus:** The amount by which revenues exceed outlays or expenditures.

**Tax:** Money extracted from the public by the government on the basis of its sovereign powers. Typical sources of tax revenue include individual and corporate income taxes, payroll taxes, value-added taxes, sales taxes, levies, and excise taxes.

**Tax base:** The aggregate value of income, sales or transactions on which particular taxes are levied. Competition between jurisdictions may erode the tax base, for instance when a business moves to a jurisdiction with a lower rate.

**Tax expenditures:** Concessions or exemptions from a ‘normal’ tax structure that reduce government revenue collections, typically granted in order to achieve some policy objective. Because the policy objective could also have been achieved through a subsidy or other expenditures, the tax concession is essentially regarded as equivalent to expenditure. Estimating tax expenditures is difficult and requires a precise definition and estimation of revenues under the ‘normal’ tax structure and subsequently the revenues lost as a result of the tax break.
**Tax gap:** A measure of tax evasion that emerges from comparing the tax liability or tax base declared to the tax authorities with the tax liability or tax base calculated from other sources.

**Tax incentives:** Specific provisions in the tax code that provide favorable tax treatment to individuals and businesses to encourage specific behavior or activities, for instance accelerated depreciation provisions to encourage investment and provisions to encourage retirement saving.

**Tax incidence:** The final distribution of the burden of tax. Statutory incidence defines where the law requires a tax to be levied. Economic incidence refers to those who experience a decrease in real income as a result of the imposition of a tax.

**Transparency:** The public availability of comprehensive, accurate, timely, and useful information on the financial activities of government.

**Treasury:** The treasury or ministry of finance of the central government is typically responsible for such functions as collecting taxes, budgeting for and controlling government expenditure, and the management of the national debt. Treasury functions vary across countries.

**User charges:** Fees paid voluntarily by the public in return for a service or good provided by the government. Because the purchaser receives a direct benefit in return for paying the fee, the payment is not considered a tax.

**Value for money audit:** refers to examinations of the economy, efficiency and effectiveness with which a body has used its resources in discharging its functions.

**Vertical equity:** A doctrine in taxation that holds that differently situated taxpayers should be treated differently in terms of income tax provisions. In other words, taxpayers with more income and/or capital than others should pay more tax.

**Virement:** The shifting of resources from one program to another within the same department during the fiscal year and according to defined rules. In some countries, shifts of funds within appropriations are known as transfers or reprogramming.

**Vote on account:** Authorization for the executive to spend prior to formal approval of the detailed estimates.
Appendix 1
Back from the Sidelines?: Redefining the Contribution of Legislatures to the Budget Cycle
By Joachim Wehner

The struggle over parliamentary participation in financial decisions defined key moments in the evolution and rise of modern democratic government (Harris 1975, Reid 1966). As the budget is the key economic policy tool of the government, and constitutes arguably its most comprehensive statement of priorities, one would expect that once gained, powers over financial decisions would be jealously guarded by the national legislature.\(^1\)

Year after year, legislatures across the globe consider the annual state budget and authorize governments to raise revenues and carry out expenditures. Following budget execution, independent audit institutions produce reports that inform the legislature whether the budget it approved was properly implemented. But a formalized process of scrutiny does not automatically translate into a meaningful budgetary role for legislatures. It appears that parliamentarians across countries are asking very similar questions as to how they can engage more effectively with the budget process. While circumstances and challenges differ, many express a need to strengthen their role. Some legislatures have taken active steps to do so.

To answer to this quest, it is important that we improve our knowledge of the role of legislatures in budgeting. Historically, the study of the impact of legislatures on policy and budgets has been most fully developed in the United States (Oppenheimer 1983). But we still know little about these issues in non-congressional systems and particularly in developing countries. The purpose of this paper is to provide an initial overview of the emerging terrain of legislative involvement in budgeting.

At a time when there is renewed appreciation of the potential for active legislative participation in the budget process, fiscal architects are challenged to ensure that increased activism can contribute to, rather than detract from, sound budget outcomes. Ultimately, this paper argues that increased engagement in budgeting by national legislatures is desirable and can make a positive contribution to budget outcomes at various levels. But there are also risks involved in the expansion of legislative influence, which have to be recognized. The paper considers some possibly useful institutional devices for reconciling legislative activism and fiscal prudence.

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1. The changing landscape of legislative budgeting

From a long term perspective the influence of national legislatures on budget policy making has declined in most industrialized countries (Coombes 1976, Schick 2002). The budgetary decline of parliament is perhaps most evident in Britain, where the House of Commons has long ceased to amend or otherwise influence expenditure and revenue measures proposed by the executive (Davey 2000).

Several developments explain this trend. The emergence of disciplined political parties has reigned in legislative independence. Devolution of spending, and to a lesser extent of revenues, has chipped away at the comprehensive control of public funds by national legislatures. In addition, the massive expansion of entitlement spend in the 20th century has substantially rigidified budgets and com-mensurately decreased the remaining margin for active legislative engagement in annual budgets. With the growth of public spending and the increasing complexity of public finances, the executive budget proposal became the standard against which legislative action was measured.

But there are now signs that some OECD country legislatures are attempting a budgetary comeback and start to regain a more active role. In France, for instance, the National Assembly recently initiated a wide ranging set of budget reforms. The resulting changes include a reclassification of the budget in order to support parliamentary oversight and an expansion of powers to amend expenditures (Chabert 2001).

In developing and transition countries, a substantial number of legislatures are moving towards budgetary activism. Perhaps the primary reason for this development is that democratization and constitutional change have opened up possibilities for legislature participation in many previously closed systems, notably in parts of Latin America, Africa and central Europe. A good example is the Brazilian Congress, which historically played no significant role in the budget process. Democratization in the 1980s led to constitutional changes that gave Congress powers to modify the budget and have resulted in substantial levels of activism (Blöndal 2003).

In addition, there has been a recent shift in international financial institutions and donor agencies towards participation in setting development goals and strategies. Developing countries are now asked to access international finance on the basis of comprehensive Poverty Reduction Strategy Papers (PRSPs) that are meant to be compiled through an in-country participative process. This shift is linked to renewed interest by the international donor community in the quality of the budget process and the governance of the budget for a variety of reasons, in particular the realization of the failure of conditionality in development lending and evidence on the effectiveness of aid (World Bank 1998). This provides an opportunity for legislatures in poor countries to reengage with development policy and budgets (Stapenhurst & Pelizzo 2002).²

2. Why legislatures should have a role in budgeting

The call for greater legislative participation in budgeting is often met with skepticism. While there are indeed risks involved, which are discussed further below, the case for effective legislative involvement in the budget process is often not fully appreciated. Some pertinent arguments are discussed in this section.
2.1 Constitutional requirements and the 'power of the purse'

The 'power of the purse' is an incontestable democratic fundamental. This also means that there is an obligation on the legislature to ensure that the revenue and spending measures it authorizes are fiscally sound, match the needs of the population with available resources, and that they are implemented properly and efficiently. When legislatures fail to meet this obligation, a lengthy but ultimately ineffective legislative budget process is merely, as one parliamentarian honestly put it, 'a total waste of time' (quoted in Blöndal 2001b:54). A token involvement in the budget process relegates the legislative power of the purse to the realm of constitutional fiction.

2.2 Checks and balances as ingredients of 'good governance'

One central dilemma of 'good governance' is that unmitigated executive power might be an asset in the initial phase of economic reform, but progressively becomes a liability (Santiso 2003). Checks and balances are necessary to ensure good governance in budgeting in the medium to long term, which requires the answerability of the executive to the legislature, and the ability of the latter to take appropriate action in cases of poor performance (Marshall 1991). This is increasingly recognized as an essential ingredient of a sound budgeting system, for example in the OECD's Best Practices for Budget Transparency (OECD 2002a).

Many economists have been skeptical of legislative participation in budgeting, backed up by an influential body of research that implies that weak legislatures are conducive to ensuring fiscal discipline (Von Hagen 1992). This perspective is not incontestable. First, legislatures are by no means the only source of overspending. As recent experience in the United States demonstrates, a deterioration of the fiscal balance can also be due to a significant degree of executive initiative. In such cases, legislatures can be a restraint on irresponsible or spendthrift executives. Second, legislative action does not necessarily need to weaken fiscal discipline. For instance, a recent paper on the budgetary impact of the German Parliament shows that the deficit was lower after parliamentary action, compared with the executive's draft budget, in three out of four years covered by the study (Wehner 2001).

Generalized arguments against legislature's involvement in the budget process presume that executives automatically want to govern well and in the best interest of the public. Unfortunately, too often this has proven a naïve assumption. In particular where executive benevolence and integrity are not firmly entrenched in the culture of governance, and where electoral accountability is weakly developed, the absence of meaningful legislative checks and balances opens the door to waste and corruption and leads to a road of poor budget outcomes (Burnell 2001). In a few countries with deeply rooted and sound budgeting practices, it might be possible for the legislature to largely withdraw from the budget process without risking noticeably declining executive integrity. However, legislative withdrawal can be highly detrimental to fiscal health whereby the executive has not thoroughly internalized norms and standards of due process and an ethic of performance is largely lacking.

2.3 Openness and transparency

Traditionally, the drafting process of the budget in the executive has tended to be hostile to publicity. However it is when the budget is tabled in the legislature that in-depth public debate becomes possible. Open discussion on the contents of the budget in the legislature enhances transparency and enables effective scrutiny.
There appears to be a growing trend for legislatures to open their proceedings and committee meetings to the media and the general public. For instance, more than half of Public Accounts Committees in the Commonwealth now report that their proceedings are open to the media and the general public (McGee 2002:99). And 63 percent (17 out of 27) of legislatures surveyed by the OECD report that their committee proceedings are open to the public (OECD 2002b). The reorientation of legislative bodies towards openness and accessibility signals the decline of secrecy in policy making and budgeting.

Some warn that there are risks involved in ending secrecy in legislative deliberations. Will opening the doors of committees simply shift real decision making to other forums such as working groups and party caucuses that are closed to the public eye? Critics usually fail to provide concrete evidence that this is indeed the case (Messick 2002). To the knowledge of this author, no legislature that has opened the proceedings of financial committees to the press and the public subsequently felt the need to reverse this decision and return to secrecy. The skeptics have not convinced legislative reformers.

2.4 Participation and consensus building

Legislatures can help to ensure a balance of views and inputs into budget decisions and thus provide a platform for establishing broadly based consensus with regard to difficult budgetary tradeoffs. In many countries the business community traditionally has a strong voice during budget policy formulation. To complement and balance this perspective, legislatures can function as an entry point into the budget process for independent think tanks, academics and civil society groups. Increasingly, legislatures publicly call for submissions on the budget, in recognition of the value of broadly based input. As a result of civil society participation, some parliaments have been instrumental in pioneering important new perspectives on the budget (see box 1).

Box 1: Parliament and civil society partnership for gender budgeting in South Africa

A gender sensitive budget ensures that the needs and interests of individuals from different social groups are addressed in the government budget. In particular, it ensures that the needs and interests of women and men, girls and boys are sufficiently considered. The South African Women’s Budget Initiative was set up in 1995 by the parliamentary Standing Committee on Finance and two nongovernmental organizations (NGOs). This partnership arrangement enabled parliamentarians to draw on research skills in civil society, while the NGOs benefited from direct access to policy makers. It took three years to carry out gender analyses of 26 votes of the national budget. In the following years the Women’s Budget Initiative conducted further gender analyses, which dealt with issues such as local government finance, donor funding and government revenue. As well as longer reports, it put out simpler and shorter versions of the research, and published its work in different local languages to reach a broad audience.

Source: Budlender (various).

Demands for funds typically outweigh available resources, and difficult trade-offs become necessary. Will greater participation of civil society and interest groups polarize debates and lead to a multiplication of claims on the budget? This risk should be minimal if the legislature is empowered to independently assess the content of submissions, and debates them in an open and transparent manner. Rather, the effective involvement of a broad
spectrum of participants can help to ensure that the constraints that shape the budget will be more widely appreciated and commitment to the budget is enhanced.

3. Assessing the impact of legislative participation

While there are good arguments for enhancing legislative participation in budget making, the actual role of legislatures differs markedly across countries. This section serves to highlight some of the differences with regard to the level and nature of engagement. The former refers to the extent to which a legislature can influence budget policy, the latter to the effect of its actions on budget outcomes. While this discussion sets out some important issues, further empirical research is needed for a comprehensive analysis of the budgetary impact of legislatures in particular with regard to budget outcomes.

3.1 Extent of budget policy impact

Legislatures can be distinguished in terms of the extent of their budget policy impact (see box 2). The most powerful legislatures are those that have the ability to write the budget. The United States Congress sometimes functions as a budget making legislature. Although the President submits a draft budget to Congress, the latter treats it as a proposal in only the strictest sense. In some years observers pronounce the presidential budget suggestion as ‘dead on arrival’ and Congress proceeds to independently define its own budget policy (Schick & LoStracco 2000:74-104). Aaron Wildavsky's seminal work on the politics of the budget process is, in essence, a study of congressional policy making (Wildavsky & Caiden 2000). Few other studies of national budget processes would have to focus on the legislature to such an extent, for the simple reason that the ability of the United States Congress to shape budgets is probably unique. Only a few other legislatures report to make significant changes to executive budget drafts on a regular basis (see table 1).

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**Box 2**

**A typology of the budget policy impact of legislatures**

- **Budget making legislatures** have the capacity to amend or reject the budget proposal of the executive, and the capacity to formulate and substitute a budget of their own.

- **Budget influencing legislatures** have the capacity to amend or reject the budget proposal of the executive, but lack the capacity to formulate and substitute a budget of their own.

- **Legislatures with little or no budgetary effect** lack the capacity to amend or reject the budget proposal of the executive, and to formulate and substitute a budget of their own. They confine themselves to assenting to the budget as it is placed before them.

*Source:* Adapted from Norton (1993: Table 4.1).
Table 1 In practice, does the legislature generally approve the budget as presented by the government?

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<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6</strong></td>
<td><strong>17</strong></td>
<td><strong>4</strong></td>
</tr>
<tr>
<td><strong>Percent of total</strong></td>
<td><strong>22%</strong></td>
<td><strong>63%</strong></td>
<td><strong>15%</strong></td>
</tr>
</tbody>
</table>

*Source: OECD (2002b).*

The largest group of legislatures appears to fall into the middle category of budget influencing legislatures, and approve the budget proposed by the executive with minor changes only. Sixty-three percent (17 out of 27) of legislatures surveyed by the OECD indicated that they generally make marginal adjustments. The group covered the legislatures of the Nordic countries, most of continental Europe, and Korea. To say that budget changes are minor does not necessarily mean that they are unimportant. When ministers fail to convince the legislature of the necessity of certain expenditures, cuts of the relevant items can free up additional resources to address more urgent needs elsewhere. A moderate level of amendment activity also demonstrates to the executive that it needs to take legislative scrutiny seriously, or face the consequences.10

At the other end of the spectrum are legislatures that do not exercise any significant influence on budget policy, and simply rubberstamp executive draft budgets without any changes. This group is primarily comprised of Westminster type parliaments, where any successful amendment to the budget is considered a vote of no confidence that would prompt the resignation of the government (see box 3). A few other parliaments not
guiding Westminster traditions also fall into this category, such as those of Japan and Greece (OECD 2002b).

**Box 3**

**The confidence convention in Westminster type parliaments**

The last time the British Parliament voted down a request for money was in 1919, when the Lord Chancellor was refused funding for a second bathroom. Amendment experience in many other Westminster type legislatures is similarly dated. It appears that the last time an allocation was reduced in the New Zealand Parliament, for instance, was in 1930 when the vote for the Department of Agriculture was reduced by five pounds. Nowadays, in the Westminster tradition, successful attempts by parliament to amend the budget proposal of the executive are considered tantamount to a vote of no confidence in the government. This interpretation has evolved from the historical constitutional convention of the right of the Crown to ‘financial Initiative’. Notwithstanding the constitutional power of parliament to amend the budget, in many democracies inspired by the Westminster system the government would resign if any changes to its budget proposal were approved, for example in Australia, Canada, India and New Zealand.


Are amendments the only way to measure the extent of legislative impact on budgets? Although some parliaments cannot or do not change the budget, the Westminster model has changed greatly in recent decades, and there is now substantial presentation of information on the fiscal framework ahead of the tabling of the budget, and often more parliamentary debate, backed by greater transparency. If the legislature's views are effectively taken into account during the drafting process of the budget or through a process of consultation on medium term budget policy, this might diminish the need for amendment activity. In addition, much of public spending is a continuation of existing policy. There are substantial opportunities for parliamentarians to debate and seek change to policies when these are first introduced, or when legislation has to be amended. In this sense, the budget is to an extent the reflection in appropriations of policies that have already been discussed in parliament, although it is also important to continuously assess whether the existing base of expenditures is still relevant. In other words, the absence of amendment activity might not have to be equivalent to a complete lack of legislative influence on budget policy. But it is usually difficult to quantify any non-amendment impact on the budget (Meyer & Naka 1998).

### 3.2 Impact on budget outcomes

What is the effect of legislative action on budget outcomes? While we have some comparative data on the level of legislative engagement, in particular thanks to the survey work of the OECD, the nature of legislative impact on budgets is under-explored. Public expenditure management theory postulates three interrelated objectives: the maintenance of aggregate fiscal discipline, the prioritization of funds in accordance with policy and program effectiveness, and operational efficiency in budget implementation (Schick 1998). These three objectives are also linked to the revenue side of the budget. Fiscal discipline is not possible without adequate revenue levels and accurate forecasting of available resources. Allocational decisions have a revenue flipside when we consider tax incidence - the distribution of the tax burden across different sectors and individuals. And efficient tax
administration is essential for ensuring that a maximum amount of revenues is available within the parameters set by fiscal and tax policies.

If a legislature decides to engage with aggregate and allocational decisions, it will have to do so through *ex ante* scrutiny during the approval stage of the budget process. By contrast, issues of operational efficiency are primarily considered by the legislature through *ex post* scrutiny on the basis of audit findings produced by the supreme audit institution after budget implementation. In other words, *ex ante* scrutiny focuses on the content and direction of budget policy, and *ex post* scrutiny on the quality of its implementation. If the process is effective, legislators can draw on the insights gained from audit findings during the consideration of future budgets.

It would seem that legislatures differ with regard to their emphasis of engagement (Schick 2002:33-35, Wehner 2003). For instance, the United States Congress pursues an elaborate *ex ante* process in which various financial committees decide fiscal parameters, tax policy and the allocation of available funds. The impact of Congress on aggregate and allocational choices can be substantial, but it has no dedicated committee for the consideration of audit findings. By contrast, most Westminster style parliaments rubberstamp the budget, which precludes substantial influence on budget policy. Instead, the emphasis is on operational issues through an in-depth *ex post* assessment of public spending in the Public Accounts Committee. Perhaps this is the only focus possible for parliaments that lack the capacity to amend the budget. In between is a group of legislatures that blend *ex ante* and *ex post* scrutiny functions in a single committee. In the German *Bundestag*, for example, the Budget Committee both approves the annual budget and later considers audit results. This ‘mixed’ model possibly strikes a more even balance between the scrutiny of policy and its implementation, and hence legislative engagement with the different objectives of public financial management.

Legislatures have to consider what balance of *ex ante* and *ex post* scrutiny is most appropriate in a particular context. For example, a legislative focus on changing budget policy during the approval stage might have little effect if operational management is weak and government has a poor record of budget implementation. A focus that combines legislative control of impoundments, continuous implementation oversight and effective *ex post* scrutiny might be more appropriate in such circumstances than trying to influence the direction of budget policy that does not get implemented.

Economists and political scientists have in recent years become interested in the impact of legislative institutions on fiscal outcomes, particularly the deficit. What has been neglected so far is to study the impact of legislatures at the allocational and operational levels. For example, is there a tendency for amendments to shift spending to certain sectors or particular programs; and if yes, why and under what conditions? Who benefits from legislative engagement with tax policy? How can we systematically assess the contribution of legislatures to forcing efficiency in government departments or agencies? Further methodological thinking and empirical research are needed to come to a fuller and more rounded appreciation of the impact of legislative action on public finances. Such a comprehensive assessment would have to look at budget outcomes at all three levels, and both the expenditure as well as the revenue sides of the budget. Another challenge is to explore, on the basis of systematic comparative research, precisely how an upward shift in legislative engagement, from budget approval to budget influence, and possibly to budget writing, affects budget outcomes.
4. Explaining the differences

Why are there such differences in legislative impact on budgets across different countries? It is possible to distinguish a number of variables that interact to define the ability of parliament to engage with budget issues. These relate to the legislature's constitutionally intended role, as well as its legal, party political and technical capacity to deal with budgets. The presence of a critical number of enabling conditions is necessary to allow effective participation by the legislature. But no single variable is sufficient on its own, and the significance of and interaction between variables may differ from case to case (Krafchik & Wehner 1998).

4.1 Presidential versus parliamentary systems

The nature of the state has fundamental fiscal implications. Variance in the relative budgetary influence of the legislature vis-à-vis the executive is, to a large extent, a function of the system of government. Presidential systems tend to be, by virtue of their design, conducive to cooperative legislative-executive relations. The government is directly dependent on majority support in the legislature. As a result, the composition of parliament and the executive are inherently intertwined, as are their electoral fortunes. For parliament to fundamentally rewrite the entire executive budget proposal would be tantamount to a vote of no confidence in the government.

On the other hand, the separation of powers in presidential systems can lead to great antagonism in executive-legislative relations. The legislature is likely to be more critical of budgets and policy proposals tabled by an executive with whom it may have little in common. Some of the most bitterly fought budget wars have occurred in countries with presidential systems of government, such as the United States (Williams & Jubb 1996) or recently Nigeria (Aiyede & Isumonah 2002, Wehner 2002). The separation of powers does not automatically lead to high levels of legislative-executive conflict. But it has a built in propensity to do so when it is complemented with a 'separation of purpose', for instance at times of divided government or when the party political 'glue' between the president and the legislature is weak (Haggard & McCubbins 2001).

4.2 Design of parliamentary powers to amend the budget

A second important variable is the nature of the legislature's powers to amend the budget. Usually amendment powers are contained in a country's written constitution, but they can also be based on convention, determined by ordinary legislation, or spelled out in parliamentary rules. The more amendment powers are circumscribed, the more control over budget outcomes is centralized in the executive.

Many legislatures have constitutionally unfettered powers to shape budgets, including those in Scandinavia, much of continental Europe, and the United States (see table 2). To the contrary, 'reductions only' restrictions apply in the Westminster tradition, so that parliament may only reduce existing items but it may not include new ones or increase existing ones. This configuration evolved during the early days of the House of Commons, when it met to consider demands for subsidies made by the Crown. Its task was to decide whether and to what extent it would comply with the demand and, if so, within what limits and by what means. Many countries in the Commonwealth have copied this configuration. A third set of amendment provisions constrain the legislature's powers to modify budgets so as to promote the maintenance of the deficit or to protect aggregate totals proposed by the executive. Versions of this approach are used in some francophone and Latin American countries, for instance.
Table 2 Parliamentary powers to amend

<table>
<thead>
<tr>
<th>Rights</th>
<th>Number of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlimited powers to amend the budget</td>
<td>32</td>
</tr>
<tr>
<td>Reductions of existing items only</td>
<td>17</td>
</tr>
<tr>
<td>May reduce expenditure, but increase only with permission of</td>
<td>4</td>
</tr>
<tr>
<td>Increases must be balanced with commensurate cuts elsewhere</td>
<td>13</td>
</tr>
<tr>
<td>Rights not specified</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>81</strong></td>
</tr>
</tbody>
</table>

Source: Adapted from IPU (1986: Table 38A).

It is possible to consider amendment powers on a declining scale of potential for legislative input. Unfettered powers allow legislatures, in theory, to rewrite the entire budget proposed by the executive. More constraining are deficit neutral amendment powers that 'lock in' the fiscal policy of the executive, but still allow substantial space for legislatures to shape budgets by reprioritizing expenditures within given aggregates. Finally, the Westminster tradition precludes a creative role for parliament in budget policy through the amendment process. Any amount from an expenditure item that is cut cannot be shifted to increase spending on a different item elsewhere in the budget.

### 4.3 Party political dynamics

Budgeting takes place in a broader political context; it is an expression of the power relations of political actors that participate in the process. How much influence parliament actually has, the *de facto* rather than theoretical extent of its budgetary action space, is to a large extent determined by party politics. While legal frameworks and the constraints they establish tend to be relatively long lasting, party political dynamics can be far more fluent. The following paragraphs discuss two particularly important variables that shape the party political balance of power in the context of which parliament exercises its budgetary functions, vis-a-vis. party political majorities and party cohesion.

Party political majorities have been shown to have an important effect on the role of parliament in the budget process (Leston-Bandeira 1999, Young 1999). In essence, stable majorities ensure the predictability of voting outcomes. If the legislature features several parties without one of them having an outright majority of seats, the executive will have to assemble the support of a number of political parties to have its budget passed. It is likely to have to bargain and make concessions during this process. In this case the executive is faced with substantial strategic uncertainty as to whether it will be able to 'get through' its original budget proposal without significant changes.

A second and related variable is party cohesion or party discipline. It entails voting along party lines even if the outcome does not fully match the preferences of the individual legislator (Von Hagen 1992:34). Party majorities only ensure the predictability of legislative behavior when matched with tight party discipline, which is not always the case. In the United States, for example, over the past three decades the extent to which members of each party vote with their party colleagues has been as low as 66 percent in the case of Senate Republicans (Bowles 1998:170). Consistently low levels of party cohesion are usually associated with candidate centered electoral systems, where party affiliation is not a strong factor in the election of candidates. This contrasts with legislatures where the electoral fortunes of members are highly correlated with party affiliation, notably when party headquarters have a strong voice in choosing candidates.
and the electorate chooses mainly or exclusively according to party preference. Here, the primary role of members is that of party loyalists. Apart from a few prominent mavericks who can afford occasions of rebellious behavior, parliamentarians who refuse to tow the party line risk damaging their prospects for a successful political career.

4.4 Legislative budget research capacity

Legislators have to understand the contents of the budget if they are to play a meaningful role in the process. Even when they have the legal and political space to shape budgets, technical capacity is necessary to optimally use this opportunity. Access to independent budget analysis can support legislators in assessing the integrity of the figures in the draft budget, deciding whether changes might be desirable, and evaluating the budgetary implications of proposed amendments.

Many of the more activist legislatures, in budgetary terms, have substantial own budget research capacity. Topping the list, the Congressional Budget Office in the United States has about 245 highly trained staff. There are almost 50 employees in the Congressional Planning and Budget Office of the Philippines. In Uganda the 2001 Budget Act has led to the establishment of a Parliamentary Budget Office staffed with 13 economists. But even research capacity on a lesser scale can play an important supporting role. Some parliaments have smaller research units that specialize in budget analysis, for example in Poland. Yet others have general research units that can deliver some budget related analysis when needed, such as the Scientific Services of the German Bundestag. Legislative research capacity can be supplemented with input from independent think tanks, academics and private sector economists.

Parliamentarians often complain that their access to budget research capacity is negligible or nonexistent. There are, for instance, no specialized budget researchers attached to the parliaments of many African countries, such as those of Zambia or Namibia. In some cases, this is because of a lack of resources or prerequisite skills. Career prospects and pecuniary benefits might not be sufficient to attract high caliber parliamentary support staff. In other cases, legislatures themselves are perhaps to blame for their insufficient research capacity. One parliament has only a staff of five to service two key financial scrutiny committees. But the same parliament employed approximately one hundred cooks! It would seem that substantial improvements in legislative budget research capacity could be achieved in a number of cases if parliaments themselves prioritized their own budgets accordingly.

4.5 Access to relevant information

Parliamentary decision making needs to be based on comprehensive, accurate, appropriate and timely information supplied by the executive and the audit institution (see box 4). Crucial in this is the amount of supporting documentation that accompanies the budget figures. In many countries, the budget document itself contains little narrative that outlining the policies underlying tax and spending proposals. Often the only source of additional information is the budget speech. This makes it difficult for legislators and their staff to understand the policy basis for the budget, and to evaluate whether the budget adequately reflects stated government policy.
Comprehensiveness of budget information is another major concern. In developing countries, all aid financed spending should be included in budgets. When aid funds as much as half of all expenditures, it is obvious that budget priorities cannot be identified if only a proportion of public spending is reflected in annual budgets. In addition, budget information is often not presented in a user friendly format, and one would need to be a seasoned practitioner of budgeting to decipher what is being proposed. Ideally, legislators and other users of budget documentation should be consulted about the format and content of documentation to ensure usefulness.18

Also needed are current actual spending information and timely, thorough and well-presented audit reports, so that legislatures can scrutinize the implementation of the budget. The latter is a crucial issue in many developing countries, where unauthorized expenditures and budget variance are frequent, that is the difference between approved and actual numbers, not infrequently run into double percentage figures. Budgetary decisions should be made through actual spending information, as much as possible, rather than on the basis of budgeted figures that might be little more than fiction.

Box 4 OECD best practices for budget documentation

The OECD has developed Best Practices for Budget Transparency that deal with the availability of budget information, specific disclosure requirements, and integrity and accountability fundamentals. The OECD recommends the following types of budget documentation:

**A comprehensive budget** encompasses all government revenue and expenditure, and includes performance data and medium term projections.

**A pre-budget report** states explicitly the government's long term economic and fiscal policy objectives, and its economic assumptions and fiscal policy intentions for the medium term.

**Monthly reports** show progress in implementing the budget, including explanations of any differences between actual and forecast amounts.

**A mid-year report** provides a comprehensive update on the implementation of the budget, including an updated forecast of the budget outcome for the medium term.

**A year-end report** should be audited by the supreme audit institution and released within six months of the end of the fiscal year.

**A pre-election report** illuminates the general state of government finances immediately before an election.

**A long term report** assesses the long term sustainability of current government policies. Source: Summarized from OECD (2002a).
The provision of relevant audit information reflects the quality of institutional linkages between the legislature and the audit institution. While the legislature depends on high quality audit reporting to be effective, the auditor requires an effective legislature to ensure that departments take audit outcomes seriously. To ensure optimal coordination, some audit institutions have legislative liaison offices and accompany the scrutiny of audit findings by the legislature on an ongoing basis; others are directly attached to the legislature (Stapenhurst & Titsworth 2001).

4.6 **Legislative committees as the 'engine room' for financial scrutiny**

Committees are the 'engine room' of the legislature (Mattson & Strøm 1995). It is here that in-depth and technical debate can take place, away from the political grandstanding that often characterizes proceedings in the chamber. When discussion takes place mainly on the floor of the house the budgetary influence of the legislature tends to be weak (Krafchik & Wehner 1998). Several factors make for strong committees, such as sufficient time for deliberation, resources in terms of support staff, and the length of average membership. Also important are the powers of committees to summons individuals and access all relevant information.

Internationally, committee involvement in the budget process appears to be growing. For instance, the Australian Senate introduced a departmental committee stage for the approval process in 1970, India in 1994, and the Ugandan and Zambian Parliaments have recently created new committees to consider budget issues. Although these initiatives may have been implemented with varying degrees of success, they give an indication that legislatures appreciate the value of committee involvement.

The exact structure of committee involvement differs across countries (Crain & Muris 1995). In many cases a budget or finance committee has overall responsibility for the approval process. In some legislatures, it has sole responsibility to consider the draft budget; in others it acts as a coordinating body for the work of sectoral committees on departmental budgets (OECD 2002b). In addition, to assure itself that the budget it approved is fully implemented, efficiently and effectively, the legislature also requires committee capacity for the *ex post* scrutiny of audit findings supplied by the supreme audit institution. The arguably most effective legislative vehicle for this purpose is a dedicated Public Accounts Committee (McGee 2002, Wehner 2003).

4.7 **Time for scrutiny and the timing of the budget process**

Legislatures require both sufficient time as well as a properly timed budget process to participate effectively in decision making. International experience suggests that a minimum of three to four months is required for the approval of the budget on the basis of meaningful analysis and scrutiny. However, sufficient time by itself is not enough. The budget should also be tabled sufficiently in advance of the fiscal year to which it relates in order to make decisions that matter. This is because interim spending, for instances through 'votes on account', continuing resolutions or interim executive spending authority based on constitutional or legal formulas too often distort budget priorities. Historically, the British Parliament devised a tactic of voting appropriations near the end of the session as a means of forcing the Crown to utilize its own resources before relying on tax revenue raised from the public (Schick 2002:18). In a modern context, this centuries old tradition weakens an approval process that should aim at advance scrutiny. Regrettably, many countries in the Commonwealth have copied this poor practice, for instance in much of Anglophone Africa. Elsewhere, most budget processes are geared to ensure timely passage under normal circumstances.
4.8 Other factors and considerations

There are quite certainly other possible factors that can, temporarily or permanently, alter the budgetary balance of powers between the legislature and the executive. New and urgent issues, coupled with diverse and strong public opinion, might give parliament increased action space to shape budget policy. Also, legislatures in poor countries often face constraints on their room to maneuver due to high levels of foreign debt. When international financial institutions attach stringent conditions to loans, parliament's role might be severely diminished to rubberstamping budgets that reflect prior agreements between lenders and the executive. The above discussion of factors is therefore not exhaustive, although it points to some central variables that affect legislative capacity to purposefully engage with the budget. Legislatures operate in different contexts with varying challenges. Full understanding of a specific case requires thorough analysis of the particular factors that are relevant, as well as their interaction.

5. The search for supportive institutional mechanisms

'As legislatures enhance their budget role, one of the challenges facing budget architects will be to balance the impulse for independence with the need to be fiscally responsible. The future of legislative-governmental relations will be strongly influenced by the manner in which this balance is maintained.'
(Schick 2003:14)

Concerns have been raised that an expansion of legislative influence on budgets can lead to a deterioration of fiscal discipline. The central question in this regard is whether legislatures can be both more disciplined as well as more independent in budgetary matters. Whether this balance can be achieved is likely to differ from country to country. Sometimes, a price might have to be paid for proper scrutiny and debate on government budgets and macroeconomic policy. There is, however, evidence that certain institutional devices can help legislatures to reconcile budgetary activism with fiscal prudence.

It appears that fiscal aggregates can be protected when an overall constraint is fixed before the legislature proceeds to consider sectoral spending. To harden the aggregate budget constraint, legislatures are increasingly shifting to a system where they vote on budget totals before the consideration of departmental appropriations. Fifty-nine percent (16 out of 27) of OECD country legislatures proceed in this way, some of them by passing a separate piece of legislation to fix the aggregate totals before the annual appropriations and revenue measures are considered. This decision making structure can be complemented with a legislative process that tasks the budget committee with enforcing the constraint and dividing the total between sectors, and allows departmental committees to prioritize departmental allocations (see box 5).
The reform of the parliamentary budget process in Sweden

In the past, the budget approval process in the Swedish Parliament, the *Riksdag*, was described as 'undisciplined'. The focus of debate used to be on individual appropriations with little consideration of the aggregate effect of parliamentary action. Parliament recognized a need to reform during a financial crisis in the early 1990s, and established a commission to formulate a reform proposal. The reformed parliamentary process has three key steps. Parliament fixes the aggregate level of expenditures and revenues in a Spring Fiscal Policy Bill, which is tabled in April and approved two months later. Following the tabling of the budget in September, the Finance Committee discusses and recommends the allocations for each of 27 ‘expenditure areas’, such as justice, communications etc. Once the house has approved the division of aggregate expenditures, sectoral committees allocate funding to individual appropriations within their expenditure areas. The sectoral committees are permitted to change the composition of appropriations but must remain within the agreed total for their expenditure area. The budget is approved in December, before the beginning of the fiscal year in January. *Source: Blöndal (2001:37-42)*
It would seem that a process that fixes the totals before sectoral allocations are decided fulfills two interlinked objectives. On the one hand it protects the aggregates and therefore helps to maintain fiscal discipline, and at the same time it focuses attention on issues of prioritization within the overall hard budget constraint. Where legislative action simply consists of separate and isolated consideration of different expenditures and tax measures, and aggregates are only known at the end of the process, fiscal discipline is jeopardized and conscious prioritization cannot take place.

Other devices are available to safeguard fiscal prudence in the face of rising legislative activism. For instance, some countries have adopted fiscal rules that constrain budget makers (Schick 2003). Fiscal responsibility legislation and balanced budget requirements are some of the vehicles which are being tested, albeit with varying levels of success. In addition, legislatures should have reliable estimates of the budgetary effects of amendments over the short and medium term, and when appropriate, the long term. The costing of amendments can contribute to a transparent and thorough consideration of their fiscal effect in particular when projections are made publicly available. This requires a strengthening of professional legislative budget research capacity, and an enhanced flow of relevant documentation provided by the executive.

Not all legislatures will be successful in reconciling budgetary activism and fiscal prudence. But it appears that institutional engineering can help to minimize the risk of legislative activism busting the bank. At a time when many legislatures are rethinking their contribution to the budget cycle, the challenge is to search for supportive institutional mechanisms, and to tailor these mechanisms to different national circumstances.
References


**Useful Websites**

Commonwealth Parliamentary Association:
http://www.cpahq.org

Congressional Budget Office, United States:
http://www.cbo.gov

Institute for Democracy in South Africa (Idasa):
http://www.idasa.org.za

International Budget Project:
http://www.internationalbudget.org

International Organisation of Supreme Audit Institutions (INTOSAI):
http://www.intosai.org

Inter-Parliamentary Union:
http://www.ipu.org

Organisation for Economic Co-operation and Development:
http://www.oecd.org

Parliamentary Budget Office, Uganda:
http://www.parliament.go.ug/budget%20office7.htm

Parliamentary Centre:
http://www.parlcent.ca

World Bank Institute Parliamentary Program:
http://www.worldbank.org/wbi/governance/parliament/
1 The focus here is on legislatures in democratic systems of government. This is not to ignore that there are important variations in the quality of democratic institutions across countries, although this discussion is beyond the scope of this paper (Collier & Levitsky 1997).

2 It is important to point out that this opportunity has not been optimally utilized thus far. Many legislatures in developing countries have not participated significantly in the PRSP process. Comments by Warren Krafchik (International Budget Project).

3 George Philip highlights these 'dilemmas of good governance' in a recent study of economic policy making and its results in Latin America during the 1990s. His investigation shows that policy adjustments were most successful when either 'the product of dictatorship' or of 'very powerful presidentialism... operating at best on the margins of constitutional government' (Philip 1999:235). In his analysis, the former applies to Chile, the latter to Peru and Argentina.

4 Guillermo O'Donnell (1998) provides a useful conceptual discussion on the importance of effective horizontal accountability through checks and balances as an essential complement of vertical accountability to the electorate at election time.

5 The IMF's Code on Fiscal Transparency is less well developed with regard to the contribution of the legislature than the OECD's Best Practices for Budget Transparency and other budget transparency frameworks developed by civil society groups. This might reflect the fact that international financial institutions have a traditional bias to work with the executive.

6 A surplus estimated in 2001 at $5.6 trillion over the following ten years, has since turned into a deficit recently projected at $455 billion for the 2003 fiscal year alone. According to the executive's Office of Management and Budget, only about half of the difference between the 2001 estimates and current projections can be attributed to economic hard times. Three tax cuts initiated by the President account for 23 percent of the difference, and spending increases played an equally large part (Economist, 19-25 July 2003).

7 A good example is the 1997 budget process in the Mpumalanga Provincial Legislature in South Africa. Here, the legislature discovered that the executive budget proposal was unbalanced, as income fell short of covering the executive's expenditure proposals by between R600 and R900 million. This forced the legislature to embark on an unprecedented reprioritization exercise, with several tense moments as departments attempted to resist the necessary spending cuts. Ultimately, the legislature produced a new appropriations bill that was more cognizant of aggregate constraints (Newham 1997).

8 In the remaining year covered, the deficit figure was not altered by legislative consideration.

9 The need for secrecy during the drafting stage is sometimes exaggerated, and more openness can have positive effects. In Finland, for instance, because of the country's progressive Freedom of Information Act, budget requests from spending ministries are made publicly available. One positive result has been a reduction in the number of politically motivated leaks in the drafting process (Blöndal et al 2002:126-127). At the same time, there is a case to be made for government to have sufficient space to discuss and test different options behind closed doors to ensure executive consensus and buy-in before the budget is tabled.

10 For instance, the former German Federal Minister of Defense (1988-1989), Rupert Scholz, failed to produce sufficient plans for a military flight project and the Budget Committee froze 50 percent of the relevant funds. When the committee was alerted that the minister preferred to attend the nearby Press Club instead of the discussion of 'his' budget, he was called to attend at half past midnight (Wehner 2001).
The Scottish Parliament formally engages with the drafting stage of the budget process (Midwinter & McGarvey 2001:50-51). The relevant parliamentary committees consider departmental reports with details of past expenditure and forward spending plans that are published in April/May each year. This process is coordinated by the Finance Committee, which reports the findings to Parliament. Any recommendations are passed on to the executive for consideration during the finalization of the draft budget in September. The first consultation exercise resulted in an increase in funding for roads and transport, and three modest proposals for budget changes by the Finance Committee. When the budget bill is tabled in the following January, deliberations in the Finance Committee are confined to executive amendments. Parliament can reject or accept the bill, but it may not initiate its own amendments.

This paragraph draws substantially on comments by Mike Stevens (World Bank) and Rick Stapenhurst (WBI).


The author is currently involved in a comparative research project that explores these issues.

Presidential systems vest executive authority in a directly elected head of government, usually called a president, for example in the United States, the Philippines and Nigeria. In parliamentary systems, the executive authority is elected indirectly by parliament, for instance in Britain, South Africa and India.

For the sake of brevity, the issue of bicameral parliaments in which second chambers have budgetary powers is excluded from this discussion (see Heller 1997). Legislatures in federal countries are bicameral to facilitate regional representation in the federal lawmaking process. Bicameralism is not limited to federal countries, but only about one third of unitary states have bicameral legislatures (Patterson & Mughan).

A more recent but less comprehensive survey, compared with the IPU data, shows that 59 percent (16 out of 27) of OECD legislatures are not subject to restrictions on their right to modify the budget proposed by the executive (OECD 2002b).

In South Africa, for example, the Auditor General has in recent years periodically invited comments from a range of stakeholders, including civil society organizations, on the usefulness of audit reports and how their presentation could be improved.

Committees are defined here as a subgroup of legislators, excluding Committees of the Whole House.

This is not to deny some of the shortcomings and uncertainties involved in forecasting (Crippen 2003).
Appendix 2:  
The Legislature and the Budget  
By Rick Stapenhurst

In most countries, the legislature is constitutionally mandated as the institution through which governments are held accountable to the electorate. The legislature can use several means, including the questioning of senior government officials, such as ministers, the review and confirmation of executive appointments, impeachment and/or the power to dismiss the government, question periods, the establishment of parliamentary committees and the formation of commissions of inquiry.

The accountability mechanisms available to any one legislature depends upon the constitutional provisions regarding the specific powers of the legislature, the institutional arrangements between the different branches of government and the division of authority between national, regional and local government (Dubrow 1999). Committee hearings and hearings in plenary settings and commissions of inquiry are more common in the legislatures of parliamentary systems (parliaments), while commissions of inquiry are used more in presidential systems (Pelizzo and Stapenhurst, forthcoming (a)).

Legislative oversight is nowhere more important than in its role over the budget. The role of the legislature in most countries is to scrutinize and authorize revenues and expenditures, and to ensure that the national budget is properly implemented. How governance affects the wellbeing of the populace depends on tax levels, spending patterns, the impact of policies on investment and interest rates, as well as on the ways that domestic priorities and choices interact with international economic and financial trends.

The evolution of the legislative power of the purse dates back to medieval times, when knights and burgesses in England were summoned to confirm the assent of local communities to the raising of additional taxes. By the early 14th century, the English Parliament had begun to use its power to condition the voting supply to the acceptance and redress by the monarch to public petitions presented by Parliament. This process was confirmed in 1341, when King Edward III agreed that citizens should not be "charged nor grieved to make common aid or to sustain charge" without the assent of Parliament (White, 1908).

In parallel, the English Parliament began to take an interest in how money was collected, as well as spent. As early as 1340, commissioners were appointed by Parliament to audit the accounts of tax collectors and where public officials were found to have been deficient, the House of Commons would impeach the officials and the House of Lords would try the case (Norton, 1993).

Parliament's power of the purse evolved gradually, and was particularly strengthened during the 16th century, when Tudor monarchs needed Parliamentary support and its voting of funds in their various political and religious battles; King Henry VIII, for example, accorded Parliament an enhanced status in policymaking, in return for support with his battles with Rome (Norton, 1993).
Since that time, the *power of the purse* function has been played by legislatures around the world as a means to expand their democratic leverage on behalf of citizens. There is great variation, however, in the nature and effect of legislative engagement. Some legislatures effectively write the budget; others tend to approve executive budget proposals without changes. In some legislatures, whether the debate takes place in plenary, on the floor of the house, or elsewhere, the emphasis is on committee review. Some legislatures fragment scrutiny of the budget across several committees while others have established a pre-eminent budget (or finance) committee that oversees the process. Ultimately, however, the final vote of approval on "the budget act" takes place in the chamber (Wehner and Byanyima, forthcoming).

It is useful to conceptualize the overall budget system as a continuing and integrated *budget cycle process*, with legislatures playing a key role at different stages of the cycle. This cycle includes many institutions which, among others, form a country’s governance system, namely, the executive, the public service, civil society and the legislature. Certain facets of the budget process—government accounting, managerial reporting and internal audit, for example—are primarily the responsibility of the executive and the public service; these are shown *inside* the circle in Diagram 1. But for the overall budget cycle to work in a transparent, open and accountable way within the national economy, the various functions *outside* the circle—budget planning, revenue/expenditure allocation, financial reporting, external audit and evaluation and public accounting—should involve significant interaction with civil society groups, businesses and the public at large. It is here that legislatures have a key role to play (Langdon, 1999). It is useful to consider the role of the legislature both ex-post and ex-ante in the budget process.

**Diagram 1: Heart of Executive-Legislative Relations: The Budget Process**

**The Legislature and the Budget Ex-Ante**

Yet if legislatures around the world have the constitutional power to consider national budgets and authorize governments to raise revenues and carry out expenditures, there is a wide variation in the actual exercise in this power.

Allen Schick, for example, has noted the long-term decline in the influence of national legislatures on budget policy in industrialized countries, due to a combination of devolution of spending to state and local governments and, to a lesser extent, of revenues and the expansion of both entitlement spending and national debt service. This budgetary decline is perhaps most evident in Britain, where Parliament has long ceased to influence budget measures proposed by the executive (Davey, 2000).

Elsewhere, there is a mixed trend, with some OECD country legislatures launching efforts to regain a more active role in the budget process. In France, for example, the National Assembly recently initiated a wide ranging budget reform which includes a reclassification of the budget in order to support parliamentary oversight and an expansion of powers to amend expenditures (Chabert, 2001).

In developing and transition countries, too, there is a trend towards legislative budget activism, reflecting the process of democratization and the opening up of possibilities for legislative involvement in what were previously closed budgetary systems. In Brazil, for example, Congress had historically played no significant role in the budget process; now, constitutional changes have given Congress powers to modify the budget (see Box 1). In
Africa, too, changes are occurring: South Africa and Uganda have passed Financial Administration or Budget Acts which give more influence to the legislature during the budget formulation and approval processes.

**Box 1: Brazilian Congress**

Historically, the Brazilian Congress played no significant role in the budget process, but democratization in the 1980s led to constitutional changes that gave Congress powers to modify the budget, with the result that many amendments are now proposed each year. Constitutionally, the Brazilian Congress may only increase one appropriation by decreasing another. But a 'loop hole' also allows Congress to alter revenue figures when it concludes that the executive has made 'errors or omissions'. To exercise effective control, the Joint Committee on Plans, Public Budgets and Auditing has moved to a practice of imposing limits on congressional amendment activity. In a recent budget approval process, the following limits applied: (1) Up to 20 individual amendments for each representative, each one not reallocating more than a certain amount (of about $750000). (2) Up to five amendments for each sectoral committee in each chamber of Congress, without a monetary limit. (3) Between 15 and 20 amendments proposed by two-thirds of the representatives elected from each state, with no monetary limit.

*Source: Blöndal, J. R., C. Goretti & J. K. Kristensen (2003)*

Even if the formal role of the legislature in amending the budget may be weak or non-existent, this does not necessarily mean that it cannot *influence* the budget. In Ghana, for instance, the Finance Committee has had some success, in particular by requiring pre-budget consultations with the Minister of Finance while the Public Accounts Committee requires quarterly statements from the Finance Minister on budget execution. One particular "success" was Parliament's influence in the introduction of a value added tax (see Box 2).

Legislative activism in the ex-ante budget process can cause problems for organizations such as the IMF and World Bank. Von Hagen (1992), reflecting the views of many economists and an influential body of research, notes that legislative activism may weaken fiscal discipline. Wehner (2004) counters this, by noting that legislatures are not the only source of overspending and that in some instances legislatures can reign in irresponsible government spending⁴. Wehner also argues that, even if greater legislative activism in budget formulation does lead to some fiscal deterioration, this may well be a price worth paying for greater public input into, and national consensus around, the budget.
Wehner cites the United States, Germany and the South African province of Mpumalanga where the executive initiative, rather than the legislature, caused a deterioration in fiscal discipline.

Box 2: Ghana’s Parliament Introducing a VAT

In 1995, Ghana's government introduced a value-added tax (VAT), in an effort to remedy the deficiencies of existing consumption taxes and to boost the revenue capacity of government. Following widespread civil unrest, which resulted in several deaths, and strengthened political opposition to the tax, Parliament repealed the VAT.

Subsequently, a National Economic Forum showed that there was broad agreement on the VAT initiative, but that such a tax would likely have implementation problems and—perhaps more significantly - that the opposition party in parliament increasingly believed that the solution to Ghana's chronic budget deficits were not new revenue measures but rather expenditure controls and reductions.

Despite government objections, parliament required national public hearings on the new proposals for VAT, resulting in public support for a VAT with a lower, but broader, base (10 percent compared with the previous 17.5 percent) but with the exclusion of certain basic goods such as unprocessed foods, drugs and health services. The revised tax was approved by Parliament in December 1998.

In 2000, Parliament voted to increase the VAT rate to 12.5 percent, with the additional funds being directed to a new General Education Trust Fund, that guaranteed that the new revenues would be spent on education and that this fund would be operated autonomously from the Ministry of Education.

Sources: Chapman (2001); Barkan et al (2003); Langdon (1999)
Often, legislatures may seek public input into their deliberations on the national budget, thereby helping to develop a balance of views and inputs and providing a platform for a more broadly based consensus than would otherwise be the case. Legislatures can be the entry point into the budget process for business groups, academics, civil society organizations and policy groups and many actively solicit submissions from civil society (Wehner, 2004). In South Africa, the Women's Budget Initiative was established by the parliamentary Finance Committee and two non-governmental organizations; this partnership enabled parliamentarians to draw on the research skills of civil society and gave direct access by the NGOs to policy makers. The outcome is more gender sensitive budgeting (Budlender, various).

But if legislative involvement in the ex-ante budget process is desirable, why are there still many legislatures which only play a minor role? Wehner (2004) notes six explanatory variables. First, the constitutional nature of the state itself has a bearing, with legislatures in presidential systems playing a more significant role in budget formulation and examination than those in parliamentary or semi-presidential systems. (Parliamentary systems encourage a collegial approach to relations between the executive and the legislature, since the former is directly dependent on majority support in the legislature for its existence. For a parliament not to approve the budget would, in essence, be equivalent to a vote of no confidence in the government and, in Westminster-type parliaments at least, the resignation of the executive. In presidential systems, by contrast, the separation of powers can lead to conflict between the executive and the legislature, nowhere more acute than in matters relating to the budget—as, for example, in Nigeria). Second, and related, are the legislature's powers to amend the budget—with legislatures in many of the semi-presidential and non-Commonwealth parliamentary systems having the power to amend the budget. Table 1 indicates the number of legislatures that have the power to amend the budget.

### Table 1 Legislatures’ Powers to Amend the Budget

<table>
<thead>
<tr>
<th>Rights</th>
<th>No. of Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlimited powers to amend the budget</td>
<td>32</td>
</tr>
<tr>
<td>Reductions of existing items only</td>
<td>17</td>
</tr>
<tr>
<td>May reduce expenditure, but increase only with permission of the government</td>
<td>4</td>
</tr>
<tr>
<td>Increases must be balanced with commensurate cuts elsewhere</td>
<td>13</td>
</tr>
<tr>
<td>Rights not specified</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>81</strong></td>
</tr>
</tbody>
</table>

*Source: Adapted from IPU (1986, Table 38A), quoted in Wehner (forthcoming)*

Thirdly, some researchers (Leston-Bandeira, 1999 and Young, 1999) have stressed that budgeting takes place in a broader political context and that is, ultimately, an expression of the power relations of political actors that participate in the process. Thus, how much *de facto* rather than *de jure* influence the legislature has is largely determined by party political majorities. If the legislature comprises several parties, none of which have an overall majority, or if party discipline is weak, the executive will have to assemble a broad coalition of support for the budget, with a concomitant increase in the potential influence of the legislature in the budget (Ghana is, perhaps, a good case in point, where
the government currently has a majority of only one in parliament). By contrast, where there is a strong or dominant political majority and where political party discipline is strong, the legislature's ability to influence the budget will be weaker. In addition, informal caucuses in some legislatures, such as women's or environmental groups, can exert influence on legislation, including budget legislation (Leston-Bandeira (1999), Young (1999) and Von Hagen (1992), quoted in Wehner and Byanyima (forthcoming)).

Fourthly, the existence of a legislative budget research capacity can enable the legislature to make informed contributions to budget formulation. Contrast, for example, the Congressional Planning and Budget Office of the Philippines which has a staff of 50 and the newly formed Parliamentary Budget Office in Uganda, staffed with 13 economists, with the parliaments of Zambia, Namibia and Sri Lanka that have no specialized budget researchers. Box 3 presents the case of Poland’s Budget Research Office, Pelizzo and Stapenhurst (2004) note a related factor: access to information. Parliamentarians need accurate and timely information if they are to make meaningful contributions to budget formulation.

Fifthly, Wehner notes the existence of specialized budget committees, in which in-depth and technical debate can take place, supported by adequate staff and related resources and given sufficient time for deliberation, having an important influence on the role that the legislature can play in budget formulation. In recent years, India, Uganda and Zambia, to name just three countries, have created committees to consider budget issues.

Box 3: The Polish Parliament’s Budget Research Office

After years of lacking any real power, democratic changes in Poland during the late 1980s and early 1990s led to a belief that Parliament should exert greater influence over the budget. In 1991, a small research unit was established, with a staff of six employees. Despite numerous start-up difficulties, including the fact that none of the researchers had previously worked in parliamentary administration, early rivalries between parliamentary committee staff and the research office and a large majority of parliamentarians as newcomers for whom the budget process was completely unknown, the bureau’s stature grew such that in 1995, the staff were increased from 6 to 12, co-operation was formalized with a university (with contracted analytical services provided by four academics) and the co-ordination by the research unit of the work undertaken by Committee staff. The result was an ability of the research unit to undertake in-depth analysis of the government’s proposed budget—with the unit now completing over 300 pieces of analysis each year, and parliament introducing some 700 amendments to the budget in 2000 and 350 in 2001.

Source: Staskiewicz (2002)

The Legislature and the Budget Ex-Post

If there is controversy around the desirability of legislative activism in the ex-ante phases of the budget cycle, there is much less in the ex-post phases.

Following implementation of the budget, government accounts and financial statements are audited by a “supreme audit institution”, such as the auditor general (in Commonwealth countries), or Cours des Comptes (in Francophone countries). In most
countries, this audit is followed by the consideration of the audit findings—which may include value for money and performance auditing as well as financial or compliance auditing—by the legislature. If the legislatures' role in the budget cycle is effective, legislative recommendations based on audit findings are reflected in future budgets, thus allowing for continuous improvements in public financial accountability.

Recent research (Pelizzo and Stapenhurst, 2004) suggests that government reporting and legislative scrutiny of public accounts is more common in parliamentary and semi-presidential legislatures than in presidential systems, although even here 84% of legislatures do actually analyze financial reports from government.

The exact nature of the interaction between the legislature and the auditors partly depends on the model of the supreme audit institution and its reporting structure. In most Commonwealth countries, the auditor general is a core element of parliamentary oversight he/she reports directly to parliament and a specialized committee—the Public Accounts Committee. This committee reviews audit findings, considers testimony by witnesses from government departments and sends its report to the full parliament for action; in some instances, the auditor general is an officer of parliament. In the board system, the audit board prepares and sends an annual report to the executive, which in turn submits it to the legislature. While in cours des comptes systems, the court can pass findings on to the legislature's finance committee, which can also request a specific audit to be undertaken (Stapenhurst and Titsworth, 2001).

The structure and function of Public Accounts Committees (PACs) dates back to the reforms initiated by William Gladstone, when he was Chancellor of the Exchequer in the mid-19th Century. Replicated in virtually all Commonwealth and many non-Commonwealth countries, PACs are seen as the legislative apex for financial scrutiny in many parliamentary forms of government and have been promoted as a crucial mechanism to facilitate transparency in government financial operations (see diagram 2).

Diagram 2: Fiduciary Obligation

There is a huge variation in rules and practices affecting the operation of PACs in different countries. A large majority of PAC work focuses on the reports from the auditor general—indeed, the PAC is the principal client of the auditor general. Financial oversight is greater when a cordial relationship is maintained between the PAC and the auditor.
general, since the PAC requires timely, high quality auditing while the auditor general needs an effective PAC to ensure that governments take audit outcomes seriously.

A recent survey by the Commonwealth Parliamentary Association (McGee, 2002) shows that several practices can enhance financial transparency by broadening access to information. More than four-fifths of Commonwealth PACs make their reports freely available to the public, while more than half have their reports debated in the parliamentary chamber. In many countries committee reports have to be followed by a formal response from the government, typically in the form of a Treasury (or Executive) Minute. Again, in more than half of the countries, PAC meetings are open to the public and the media, thus contributing to financial transparency.

Box 4:
Enhancing Financial Transparency by Broadening Access to Information

In a Commonwealth-wide survey conducted by the Commonwealth Parliamentary Association with the World Bank Institute, it was found that 87 percent of PACs release their reports to the general public while some 57% also stated that their reports are debated in Parliament (typically with public access and media coverage. A further commitment to transparency is reflected in the fact that 55% of PACs open their hearings to the general public and the media.

While some argue that the need to political consensus within the PAC requires that hearings be held in camera, there seems to be a general trend towards opening up hearings to the public and media. Indeed, some parliaments have reported significant improvements in the responses from governments when the PAC started holding its hearings in public—and it may be instructive that, even if there are advantages and disadvantages in holding public meetings, no PAC has reversed its decision to hold such meetings in public. After all, "... the PAC’s work is performed through the Parliament for the public benefit; it is therefore fitting that the public should know as much about [its work] as possible, without interfering with its effective performance."

Source: McGee 2002
Building on this survey, Stapenhurst and Sahgal (forthcoming) have sought to identify potential "success factors" that influence the effectiveness of PACs. The factors include having a broad scope and mandate, thereby giving the PAC a greater potential to deter waste and wrongdoing; having the power to choose subjects for examination without government direction or advice; the power to undertake effective analysis and publish conclusions, including having effective follow-up procedures; and having solid support both from the auditor general and from dedicated parliamentary research staff.

At the same time, constraints to effective PAC performance have been identified. These constraints include a highly partisan climate, where, at an extreme, the executive may be unwilling to accept any criticism or act on valid complaints; government dislike of legislative oversight and, in some cases, its lack of interest in addressing the inherent weaknesses of the legislature; a lack of media and public involvement; and a weak ethical culture within both the executive and the legislature which leads to public distrust of politicians in general.

The examples of effective PACs are numerous. In Uganda, the Committee increased its activism by taking many more financial irregularity suspects to the courts while in South Africa the PAC and the media have kept the "defense budget scandal" in the public eye, demanding remedial action by the executive, and in Ghana, the PAC was able to take its own initiatives and tighten financial administration of local school authorities (Langdon, 1999).

Many non-Commonwealth countries having established committees similar to the PACs, while in some legislatures the same committee that is responsible for scrutinizing the budget is charged with considering audit reports.²

With the increasing complexity of public audit, so many PACs (or their equivalent committees in non-Commonwealth countries) have created sub-committees which examine particular subject areas such as education or health, while in others a close relationship is forged between the PAC and the departmental or sectoral committees that are charged with the oversight and scrutiny of government policy.

One weakness in many countries is that, despite debates in the chamber of the legislature and reports to the executive, the government fails to address the issues raised or implement the recommendations of the committee. To overcome this problem, different countries have adopted different follow-up procedures. In Canada, for example, government departments have the opportunity to include a chapter in the Auditor General's Report on their intentions for follow-up and implementation to the Auditor General's audit findings. Reports in subsequent years review departmental action against these announced intentions. In Germany, by contrast, the audit institution produces a regular "tracking report" which tracks the implementation of each recommendation made in earlier reports. Yet again, in other countries the legislature may require interim reporting (which can take the form of regular committee briefings by relevant officials) to ensure that the government takes timely remedial action (Wenhner and Byanyima, 2004).

² For example, Germany, France, several East European, Latin American and Francophone African Countries. In addition, New Zealand, a Commonwealth country, does not have a PAC; its functions are incorporated into the Finance and Estimates Committee.
Just as in legislative involvement in the budget ex-ante, so public input may be sought by the legislature in its ex-post review of government spending; many PACs call witnesses in addition to relying on input from the Auditor General. Moreover, civil society can play a supporting role: Wehner and Byanyima (forthcoming) note a particularly innovative example from South Africa, where the Public Sector Accountability Monitor (PSAM)—a civil society initiative—follows up on reported cases of corruption and misconduct with the government departments concerned. After obtaining all relevant details, it sends a fax to the relevant departmental head; a follow-up contact is made a month later via telephone and the response, which is recorded, is made available in text and audio format on the internet. An alternative approach is for civil society groups to seek input at the external audit stage, prior to the submission of the Auditor General's report to Parliament and the PAC. In Colombia, for example, the Auditor General's program includes public forums and hearings in which complaints from citizens are heard and public feedback is generated regarding the work of the Auditor General; a particularly innovative program is the establishment of “Citizen Watchdog Committees” which monitor high-impact projects and report back to the Auditor General (Krafchik, 2003).

Conclusions

Legislatures both have and are using, their constitutional powers to oversee budget formulation and implementation. The challenge for legislatures in so doing is to both ensure that their influence and impact both reflect national—as opposed to partisan—priorities, allow for input from broader civil society, and that fiscal discipline is maintained. Indeed, Allen Schick noted that rather than act as controllers of public finance, legislatures should perhaps aim to promote fiscal discipline, improve the allocation of public money and stimulate public bodies to manage their financial operations more efficiently. In order to do this, it is necessary to, among other things, enhance the legislative capacity to deal with budget issues (Schick, 2002).

As noted above, resourcing the legislature involves, inter alia, the strengthening of the "money committees", the establishment of dedicated research staff, the capacity enhancement of national audit offices and the encouragement of public input at the various stages of the budget cycle. Over the past decade or so, numerous organizations, including bilateral donors, multinational organizations and international financial institutions have assisted legislatures in carrying out such financial oversight. Such assistance has ranged from supplying office and other equipment and information and training to helping establish legislative budget offices and strengthening committees. However, results have been mixed; indeed, Carothers (1999) notes that in the area of democracy assistance, it is support to the legislatures that most often falls short of its goals. Why is this—and are there any lessons learned from the 1990s that can assist legislatures and multilateral institutions alike in designing such projects in the future?

Messick (2002) highlights the needs to undertake a thorough analysis of the political environment within which the legislature operates—a fact reiterated by both Carothers, who noted that "... aid providers' lack of knowledge about the political and personal dynamics of the institutions they are trying to reshape" was a common deficiency, as was "the lack of interest in reform among the power-holders in the legislatures of [certain] countries" (1999). Clearly, political will is a prerequisite for legislative strengthening. In Bolivia, the multipartisan Committee for Legislative Modernization,
which was established in 1995, took ownership of the reform process and functioned as the internal locus for identifying problems, setting priorities and proposing future directions; despite partisan bickering, by 1999 it had survived three national elections and three changes of parties in power and had spearheaded constitutional and rules reforms which established direct elections for half of the lower house and required Congressional committees to conduct public hearings; similar mechanisms were established, with varying success, in Colombia and Nicaragua. In Uganda, a private-member bill established an independent Parliamentary Commission, a joint parliamentary-executive board that oversees the management and modernization of the National Assembly including, among other things, the creation of a permanent, independent non-partisan staff for parliament and the co-ordination of donor support to parliament (USAID, 2000). By contrast, in Nepal the first speaker was instrumental in legislative reform, but his successor showed less interest in the program (Lippman and Emmert, 1997). In the case of support to the budget oversight function, this means that the Chairs of the "money committees", as well as the parliamentary leadership, need to be fully supportive of the capacity building efforts.

Furthermore, legislative strengthening efforts should be seen as complements to related governance improvements. To quote Carothers (1999)

".. treating legislatures as self-contained entities that can be fixed by repairing internal mechanisms is unlikely to get very far. Rather, it is more useful to think in terms of helping a society develop the capacity to enact laws that incorporate citizens' interests. [this means] working with many people and groups outside the legislature, including political parties, citizens groups, the media, officials from the executive branch, jurists and others." (page 188)

In the case of money committees, this means dovetailing reform activities with broader efforts to enhance government accountability and strengthen public financial oversight and ensuring that training activities include participants from other stakeholder organizations, such as the Ministry of Finance, the Auditor General's Office and representatives from civil society.
Box 5: Analyzing the Political Context

Lippman and Emmert recommend using a typology to analyze the political context within which the legislature operates:

Type 1: No democratic legislature (pre-democratic country, failed state or "rubber stamp" legislature)—here, only limited success can be anticipated (at best)

Type 2: Just after a "defining" democratic event (such as the establishment of democratic institutions or the redrafting of the constitution), such as the East European and CIS countries in the early 1990s—often, timing is of the essence and the nature and extent of the event may determine the type of assistance

Type 3: Fledgling democratic legislature. Here, helping the legislature define its basic role and function may be helpful.

Type 4: Established democratic legislature. Here, focus could most usefully be on helping the legislature become more accountable, transparent and responsive.

It is also important to analyze the legislature's relationship with other branches of government, political parties and civil society. In particular, it is important to determine if the legislature has real power, to what extent political parties respect and cooperate with each other and how civil society organizations and interest groups interact with the legislature.

Source: Lippman and Emmert (1997)

And finally, legislative strengthening is a long-term process, which requires long-term commitment—but short term visible results are both possible and important. Sometimes there are time constraints in terms of training new legislators at the beginning of their term, but the requirements of sustainability and institutionalization typically require a more long-term process, and even then the results may not always be tangible. UNDP's program in Ethiopia faced this issue by the legislature holding regular public hearings as a visible impact of the project (UNDP, 2001).

That legislative assistance will continue to evolve, with growing emphasis on, iter alia, training legislators on budget processes and improving research and information capabilities, is inevitable (Manning and Stapenhurst, 2002). Indeed, while it is necessary to examine the legislature's needs holistically, including looking at the role of legislators and staff, and the legislature's relationships with other branches of government and the public, enhancing the legislature's role in the budget process can be a powerful tool in developing checks and balances within governance systems; in Bolivia, for example, support to the staff of Congress facilitated more capable analyses of the budget which in turn improved the ability of legislators to become more meaningfully engaged in a policy area that hitherto had been the sole preserve of the Executive (Lippman and Emmert, 1997).
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