

# Strengthening Parliament's Budgetary Oversight Function:

## The case for a Budget Office

### The Subject

*Independent and unconstrained parliamentary oversight requires that there be a clear separation of powers and checks and balances particularly between the legislature and the executive. Where the boundaries are diffuse and the executive is clearly and overwhelmingly more powerful than the legislature in terms of information and material resources, it is unlikely that parliament, let alone oversight committees, will be capable of sustaining a strong critical stand against the government<sup>1</sup>. With respect to Parliament's Budgetary Oversight function under such an environment, a compelling case for establishing a Parliamentary Budget Office can be made. A Parliamentary budget office is an independent non-partisan entity, totally separate from the executive, which provides analytical support to the legislature to help inform their decisions when examining the annual budget and other policy proposals presented for debate by the executive. The provision of this alternative view will go a long way to strengthen Parliament's budgetary oversight function where the "alternative budget" function is less, or possibly non-existent.*

### Introduction

Parliament is responsible for playing a key role in delivering upon democratic governance through ensuring transparency and accountability from the Government. Democratic governance requires that a government be capable, accountable, participatory and responsive. Parliamentary oversight contributes immensely to this requirement by playing the crucial role of effectively monitoring and reviewing the legislative, policy, and fiscal administration by the government on behalf of the citizenry. With regard to fiscal oversight, acting upon the national budget is the appropriate channel through which recommendations resulting from the parliament's budgetary oversight function can be effectively implemented. For this to be achieved however, parliament's oversight of the budget process has to be fully effective or, if not, strengthened by the support of a parliamentary budget office.

This brief gives a general overview of the performance of parliament in playing its crucial oversight role, particularly its budgetary oversight function, and how this role could be reinforced by the establishment of a parliamentary budget office.

### Rationale for Parliament's involvement in the budget process

The budget process should be a key component of parliaments

and parliamentarians' functions. This is because government budgets are about the allocation of inadequate financial resources that affect differently the lives of the citizenry who parliamentarians in a democratic state represent. Budgets underscore the interaction between the executive and the legislature in providing the public with<sup>2</sup>:

- (a) information on the Appropriation Bills;
- (b) reports on accounting, financial control and government performance;
- (c) coherent laws and regulations that govern financial transactions; and
- (d) comprehensive reports on public audit and legislative scrutiny.

In Tanzania, however, the government ranking in respect of its performance in budget transparency and parliamentary oversight continues to be low. Parliament does not play an active role in the budget formulation and oversight processes. This is briefly expounded under the "Government ranking in budget transparency and oversight" heading further below.

### Budgetary oversight by Parliament: An Overview

Parliamentary oversight is about keeping an eye on the activities of the executive and holding the executive to account on behalf of the country's citizens in view of the fact that it is the executive that puts the inadequate resources to use to provide for the citizenry<sup>3</sup>. Parliament's oversight of the budget process involves monitoring and review of the entire process including the broad fiscal challenges facing government, expenditure controls and budgetary tradeoffs that affect present and future spending. On the overall, the budgetary oversight function is part of a checks - and - balances system that ensures that there is accountability in the utilization of inadequate financial resources.

In Tanzania, like in many other developing countries, the parliament's budgetary oversight function is seen as almost ineffective. Parliament's involvement in the budget process, with the Committee on Finance and Economy seldom engaging effectively, is largely a routine scanning and rubber stamping occasion. Presently, Parliament's slight involvement in the budget comprises:

- Review of the budget estimates by the committee for finance and Economy using information from the Ministry of Finance and other executive agencies;
- Moving of a motion to pass a budget proposal by the Minister for Finance in a plenary session of Parliament;
- Supporting of the Minister's motion by the finance and economy committee;
- Parliamentary plenary debate on the national budget, and

- Approval of the budget within 40 days with more or less no amendments.

Notwithstanding the above involvement, the effectiveness of the debates is constrained by the following reasons:

#### FACT BOX

*Parliament does not have the power to amend the budget in Tanzania or to reallocate funds. Although Parliament can refuse to adopt the budget presented by the executive, the consequences of this step are profound: the President has the constitutional power to dissolve Parliament in response. Source: Understanding the Budget Process in Tanzania A Civil Society Guide (2008) HakiElimu & Policy Forum*

Parliamentarians on the overall lack the capacity in terms of appropriate technical skills to effectively participate in the budget process. This partly owes to the fact that our Parliamentarians are of various professional standing and backgrounds including law, engineering, medicine, social sciences, education, entertainment and others. While some

possess the expertise, others do not and would be new to the process. The same parliamentarians are also appointed to parliamentary committees which consequently lack the capacity and expertise to provide parliamentarians with the systematic support in policy analysis that they need to foster effective oversight<sup>4</sup>. This is further weakened by the traditional show of disinterest during budget sessions and the presumptuous mentality that budget formulation and presentation belong to the executive. Evidence of this is the weak attendance of parliamentarians during sector budget sessions<sup>5</sup>. The result of this is that while a few parliamentarians are able to engage in policy debate at a general level, they are unable to effectively engage with the executive on matters of the budget.

Inadequate information for a proper analysis also hinders the effective participation of parliamentarians in the budget process. Parliamentarians are handicapped in this regard unless the policy area happens to be one of their own expertise<sup>6</sup>. Even with the information they get, there is never enough time for them to digest and develop credible arguments for debate. The practice is for government to overwhelm parliamentarians with information at the last minutes such that they are made to submit to policies not because they agree with them but because of ignorance. The result of this is to follow the routine scanning and rubber-stamping as have been other budget sessions.

Coupled with the above is the wrong mentality of the oversight role being often seen as that of opposition parties alone, designed to police and expose maladministration and corruption<sup>7</sup>. This is so because parliament is largely divided along party lines – with the ruling party having majority representation. Parliamentarians from the ruling party rarely support motions moved from the opposition side regardless of whether they would be rightly seeking justifications from the executive.

Besides the above, reforms around the area of the budget have only targeted the executive and processes undertaken therefrom. Standard budget reforms, transparency on the

overall, expenditure control mechanisms and other reform initiatives within the budget cycle have only targeted the executive – ignoring the important role that the legislature would play in the process.

These are some of the reasons behind why effective execution of parliaments budgetary oversight function by the parliament is not seen to happen.

### Government ranking on budget transparency and oversight

Tanzania's ranking in the Open Budget Surveys of 2006, 2008 and 2010 has continuously been low. An initiative of the International Budget Partnership, the Open Budget Survey, from which is derived the index, is a comprehensive analysis and survey that evaluates whether central governments give the public access to budget information and opportunities to participate in the budget process across 85 countries. Tanzania scored 48%, 35% and 45% in the 2006, 2008 and 2010 surveys respectively, as one of the few countries which provide some level of information on government's budget and financial activities during the course of the budget year. The survey also examines the ability of legislatures to hold their governments accountable. As per the 2010 Open Budget Index, the parliament's budgetary oversight was rated weak because:

- Parliament does not have full powers to change the executive's budget proposal at the start of the budget year;
- Parliament does not have sufficient time to discuss and approve the executive's budget proposal – citing receipt of the budget in less than six weeks before the start of the financial year; and
- Parliament does not hold open discussions at which the public can participate.

In the spirit of good governance, there is a need for government to improve parliamentary oversight of the budget process and have it more involved throughout the budget cycle. Improving parliamentary involvement in the budget process augments the legislature's oversight by creating an incentive to exercise power *vis-a-vie* the executive while enhancing its technical capacity. In our case, strengthening Parliamentary oversight requires reforms targeted at reinvigorating Parliament's budgetary oversight function. Budgetary reforms that have happened in Nigeria, Ghana, South Africa, Kenya and Uganda, among others, have revived their respective Parliament's oversight function of the budget process by the establishment of an independent entity within the legislature - an entity that examines the draft annual budget proposed by the executive and provides analytical support to parliamentarians for alternative budget proposals. The entity in reference is known as a parliamentary budget office.

### What is a Parliamentary Budget Office?

A Parliamentary Budget Office (PBO) is an independent non-partisan entity within the legislature that examines the draft annual budget proposed by the executive and provides analytical support to parliamentarians to be able to question the proposal in question and enable them to propose alternative budget proposals<sup>8</sup>. Its key role is to produce objective budgetary, fiscal and programmatic information for legislators to be able to contribute, interpret, review

and make concrete judgments regarding budget proposals – hence effectively exercising their oversight functions. The rationale for the establishment of this special office is based on the fact that legislators need this source of information and analysis that is independent from the executive to effectively execute its budgetary oversight functions<sup>9</sup>. The establishment of this unit within the parliament will assist Members of Parliament in understanding the budget process, the broad fiscal challenges facing government, and expenditure control and budgetary tradeoffs that affect present and future spending. The effective operation of this office will go a long way to enhancing good governance by helping enhance greater transparency and accountability and further strengthen the technical ability of the parliament in its budget negotiations with the executive.

## Role of the Budget Office:

The core functions of a budget office are<sup>10</sup>:

1. Prepare economic forecasts that are independent from the executive
2. Make baseline estimates of revenues and expenditures
3. Analyse budget proposals submitted by the executive
4. Develop budget projections
5. Examine proposals for new programs

Other functions that could also be undertaken by a PBO are<sup>11</sup>:

- Undertaking cost-benefit analyses of both executive and legislative policy proposals,
- Prepare spending-cut options for legislative consideration,
- Analyzing the costs of regulations and mandates of local authorities,
- Conducting more in-depth and longer-term economic analyses,
- Analyzing the impact of proposed and actual tax policies, and
- Producing policy briefs that explain complex budget proposals and concepts.

Publications from a PBO should be made available to the public, media, civil society organizations, interest groups and citizens – to whom the government is answerable.

## Distinction from Parliamentary Committees

Budget offices are distinct from parliamentary committees in that<sup>12</sup>:

- The scope of work of committees is narrowed down to issues the committees are referred to by parliament.
- Committees are mostly inherently partisan bodies because they are comprised of Parliamentarians with political affiliations instead of objective, independent budget office analysts.
- Budget offices typically specialize in fiscal and financial analysis that contributes to the adoption of the budget and to developing budgetary implications of a broad range of legislation as opposed to a broad range of issues that committees may be given the mandate to cover regardless of the fact that the output contributes to the budget or not.

## Institutionalizing the Parliamentary Budget Office

The establishment of an independent non-partisan and objective PBO requires that the following aspects be taken into consideration<sup>13</sup>:

**Staffing:** Owing to the workload that a PBO handles, ideally the office should be staffed with high caliber personnel who at least possess a postgraduate degree in economics, finance, taxation, data analysis, public administration and policy, and have a broad understanding of the economic and fiscal issues that affect the country's budget. It will also add a lot of value if these have undergone training or have conducted significant post-graduate work. Part-time employees could also be taken on to assist the full-time employees whenever the workload increases. To strengthen the pool from which to attract PBO staff, pay levels of staff should reflect remunerations paid to experts in comparable professional capacities.

**Location:** A PBO would be best placed as a unit internal to the legislature. This proximity has the advantage of the office being able to respond in a timely manner to parliamentarian's inquiries as well as the fact that it be seen as a unit established to support the parliament in carrying out its oversight function.

**Funding:** A PBO will function very well with efficient financial resources. This owes to the workload that has to be handled by the unit, the fact that its activities run frequently throughout the year involving a lot of research and information gathering, and also the fact that the PBO has to be well equipped with the requisite office equipment in terms of hardware and software suitable for the day-to-day tasks handled at the office.

**Legal Establishment:** A PBO should have its existence and core functions codified in law so that it is not easily shut down or changed to suit some political purpose. Such law should also serve to facilitate PBOs access to information by compelling the executive to provide budgetary information to the legislature in time. In addition, the legislation should also provide for comprehensive budget reforms designed to emphasize the importance as well as strengthen the role of the legislature within the budget process.

**Non-partisan attributes:** For a PBO to be effective and objective, it should be non-partisan in its operations – and so should the staff. The law establishing the PBO should also emphasize that the PBO serves all the parties in the legislature. This attribute will enable it deliver information that is objective rather than political. It is also advisable that, so as to be balanced, PBO should serve committees rather than individuals who would be seeking partial interests.

**Role of Parliamentarians:** Having a PBO operating effectively hinges on the willingness of legislators to take up an active role in budgeting and their recognition of the fact that the budget office plays an essential part in helping them to undertake that role. Parliamentarians ought to realize that as representatives of the people, if they are to be more accountable and effective in their oversight role, the budget is one of the most important tools through which they can exert influence on the economic and social development policies of the country.

## A useful case of an operational budget office: The Ugandan Budget Office<sup>14</sup>

*The Ugandan Budget Office started operating after the enactment of the Budget Act in 2001. It has since been operating effectively and has helped foster accountability through facilitating the effective execution of parliament's oversight of the budget process. Amongst the roles it continues to play are:*

- PBO analyses monthly reports submitted to it and proposes different ways in which the tax base could be widened. It has produced reports on identification of possible areas where reduction in taxes could trigger increased consumption and therefore more revenue
- PBO monitors reports on disbursements from donors in order to point out possible shortfalls that would require government to reprioritize its expenditures. This has improved the relevant committee's capacity to understand the loan agreements between government and donors. Parliament no longer passes loan agreements automatically. Parliament is now in position to request government to renegotiate provisions that are found to be unfavorable.
- PBO reconciles shortfalls with total budget performance and brings notice of discrepancies to the relevant sector committee. PBO produces quarterly budget performance reports based on information collected from the treasury as well as other sectors. This has enabled parliament to follow general budget performance and specific sector performance through out the year.
- Since the PBO was established, parliament is able to follow the implications of macro economic policies, receive independent information on poverty trends and verify figures given by government on economic growth. Parliament is now able to debate from an informed position and where necessary recommend alternative approaches to government.
- On issues that are budget and economy related, at the end of the financial year, the PBO also produces a record of Parliament's recommendations to Government to which government is supposed to respond or implement, showing where they have not complied and reasons why they have not complied. This has greatly improved parliament's oversight role and has enhanced government's accountability to parliament and consequently the accountability of parliamentarians to their constituents.

In effectively undertaking its roles, the PBO has been able to achieve the following:

- 1) Demystification of the budget process. Budget discussions are livelier inside and outside parliament. Parliament committee meetings are now open to the press and public, which makes budget related issues more understood by most of the public – hence promoting transparency on the overall.
- 2) Participation of MPs in the process has enhanced credibility of the budget as well as a feeling of owning the process.
- 3) Parliament is now able to respond more rapidly to problems because there is greater flow of information and greater scrutiny. Government is more mindful of making mistakes in implementing the budget.
- 4) Donors have more confidence in the process than ever before.
- 5) Overall increase in accountability. Scrutiny of the executive's estimates has enhanced executive accountability. The executive is more careful in and precise in preparing their estimates and reports. There is greater discipline in public spending as a result of the effective operation of the budget office.

The non-partisan and professional nature of this unit has enabled the PBO to perform to the satisfaction of the parliament as well as the executive. The executive branch now recognizes and appreciates that the parliament is able to deal with budget issues on equal footing.

## Conclusion

The weakness of parliament's budgetary oversight function impacts upon accountability and good governance, which ultimately impact on efforts directed at socio-economic development. In light of this, it is imperative that government rescues the situation by strengthening parliament's budgetary oversight function. The potential value added to parliament's budgetary oversight function by the operation of an effective, objective non-partisan and committed budget office cannot be over emphasized. It is time that government recognizes the importance of the role of parliament in the budget process and establishes an independent non-partisan objective and committed budget office that will support the parliament in its budgetary oversight role. The cumulative effects of this will go a long way to fostering accountability within government which in-turn impact positively on economic development.

## Notes

### (Endnotes)

- 1 Mwesiga Baregu, PARLIAMENTARY OVERSIGHT OF DEFENCE AND SECURITY IN TANZANIA'S MULTIPARTY PARLIAMENT, [www.iss.co.za/pubs/Books/guardiansaug04/Baregu.pdf](http://www.iss.co.za/pubs/Books/guardiansaug04/Baregu.pdf)
- 2 The Report of a Commonwealth Parliamentary Association Workshop, Nairobi, Kenya, 10th -14th December, 2001, PARLIAMENTARY OVERSIGHT OF FINANCE AND THE BUDGETARY PROCESS, [www.cpafrica.org/.../Information.../Publications/...Publications/parliamentary%20oversight%20of%20finance%20and%20the%20b](http://www.cpafrica.org/.../Information.../Publications/...Publications/parliamentary%20oversight%20of%20finance%20and%20the%20b)
- 3 Alan Hudson, ODI and Claire Wren, One World Trust, PARLIAMENTARY STRENGTHENING IN DEVELOPING COUNTRIES [www.odi.org.uk/resources/download/103.pdf](http://www.odi.org.uk/resources/download/103.pdf)
- 4 Dr. Anthony Tsekpo (Parliamentary Centre) and Dr. Alan Hudson (ODI), PARLIAMENTARY STRENGTHENING AND THE PARIS PRINCIPLES TANZANIA CASE STUDY [www.odi.org.uk/resources/download/3375.pdf](http://www.odi.org.uk/resources/download/3375.pdf)
- 5 Evarist Kagaruki, An article entitled "ABSENTEE PARLIAMENTARIANS" in The Citizen Newspaper of Sunday 4<sup>th</sup> July, 2010 (... as seen on TV as well).
- 6 Dr. Anthony Tsekpo and Dr. Alan Hudson *op. cit.*
- 7 Hugh Corder, Saras Jagwanth, Fred Soltau, REPORT ON PARLIAMENTARY OVERSIGHT AND ACCOUNTABILITY, [www.pmg.org.za/bills/oversight&account.htm](http://www.pmg.org.za/bills/oversight&account.htm)
- 8 Jeffrey D. Straussman, Ari Renoni, ESTABLISHING A PARLIAMENTARY BUDGET OFFICE AS AN ELEMENT OF GOOD GOVERNANCE, [www.cid.suny.edu/.../Straussman-Renoni%20CAP%20Note.pdf](http://www.cid.suny.edu/.../Straussman-Renoni%20CAP%20Note.pdf)
- 9 Jeffrey D. Straussman, Ari Renoni *ibid.*
- 10 Jeffrey D. Straussman, Ari Renoni *ibid.*
- 11 John K. Johnson and Rick Stapenhurst, LEGISLATIVE BUDGET OFFICES: INTERNATIONAL EXPERIENCE, [www.ndi.org/.../Legislative%20Oversight%20and%20Budgeting%20-%20Chapter%2010.pdf](http://www.ndi.org/.../Legislative%20Oversight%20and%20Budgeting%20-%20Chapter%2010.pdf)
- 12 Jeffrey D. Straussman, Ari Renoni *op. cit.*
- 13 John K. Johnson and Rick Stapenhurst *op. cit.*
- 14 Hon. Beatrice Birungi Kiraso, ESTABLISHMENT OF UGANDA'S PARLIAMENTARY BUDGET OFFICE AND PARLIAMENTARY BUDGET COMMITTEE, ([books.google.co.tz/books?isbn=082137611X...](http://books.google.co.tz/books?isbn=082137611X...))