



INTERNATIONAL SYMPOSIUM

on

THE CHANGING ROLE OF PARLIAMENT IN THE BUDGET PROCESS

Session Four

The Monitoring Function of the Parliament in the Budget Implementing Stage: The Role of the Committees and the Budgetary Research Capacity

The Parliament and the Budget: Enhancing its Capacity for Oversight

by

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8-9 October 2008

Korel Thermal Hotel, Afyonkarahisar

SIGMA, Support for Improvement in Governance and Management

A joint initiative of the OECD and the European Union, principally financed by the EU

This document has been produced with the financial assistance of the European Union. The views expressed herein are those of the author, and can in no way be taken to reflect the official opinion of the European Union, and do not necessarily reflect the views of the OECD and its member countries or of the beneficiary countries participating in the Sigma Programme.

Summary

Performance budgeting is sweeping the globe. What role can legislatures play as agencies of monitoring and oversight? Observers are none too optimistic. “There is very little direct evidence that performance information in budgets and annual reports is directly used by members of parliament in their oversight”, concludes one recent comparative study.¹ Most parliaments have limited amending competence in budgetary decisions and exercise scant control and monitoring over the execution of budgets. There seems to be general agreement that MPs pay little attention to the formal reporting on administrative performance. But there are several ways in which parliaments can get involved in decisions on public policy and public finance. Enhancing their contribution to boosting government performance requires attention to the analytical resource base as well as to parliamentary procedure.

Biography

Prof. Daniel Tarschys is Professor of Political Science and Public Administration at the Political Science Department at the University of Stockholm, which he chaired in 2002-2007. He was Secretary General of the Council of Europe in 1994-1999. In 1983-85, he was Professor of Soviet and East European Studies at Uppsala University. He has also served as Secretary of State and Head of the Swedish Prime Minister's Office. He has been Member of the Swedish Parliament and Chairman of its Standing Committees on Social Affairs and Foreign Affairs. In 2000, represented the Swedish Government in the Convention drafting the EU Charter of Fundamental Rights. He chairs the Swedish National Council on Medical Ethics and the Board of Riksbankens Jubileumsfond. He is a member of the Government's Advisory Council on Research Policy and the Government's Committee to revise the Swedish Constitution. In 2008, he is preparing an official report on methods to extend university autonomy in Sweden.

Tarschys has PhDs in political science from Stockholm University and Princeton and a law degree from Stockholm University. His research interests include comparative politics, human rights, public policy, government growth, accountability and budgetary policy. His most recent publication is *The Enigma of European Added Value: Setting Priorities for the European Union* (available at www.sieps.se).

His awards and honours include an honorary doctorate from Cluj (Romania), a docentship at Åbo Akademi (Finland), the Swedish King's Medal and Grand Crosses from Germany, Liechtenstein, Romania, San Marino and Spain. His languages are Swedish, English, French, German and Russian.

¹ Miekatrien Sterck & Geert Bouckaert, “The impact of performance budgeting on the role of parliament: a four-country study”, *Paper presented at the 2nd Transatlantic Dialogue, Leuven, June 1-3, 2006.*

”The power over the purse” is one of the legendary functions of legislatures, first defined in the Federalist papers.² With a composition varying from one occasion to the other, early parliaments were summoned whenever rulers had an urgent need for supplementary levies or aids from their vassals or subjects. What ensued was often a protracted round of negotiations in which conditions were set and concessions were made. Sacrifices were traded against pledges. For a long time this form of high-level consultation was not embodied in a permanent legislative institution but rather in a process malleable to the circumstances of shifting situations and balances of power. Apart from the large councils that eventually crystallised into regularly convened parliaments, there were also small councils around the rulers prefiguring our present cabinets. The tensions between these two types of political body eventually led not only to agreements on particular issues but also to procedural arrangements, laid down in constitutions and quasi-constitutional legislation (in some countries called “organic laws”).

The modern budgetary process is a product of this long and vexed development, involving governments as the key decision-makers on most issues but also parliaments as keepers of the ultimate seal of approval. While the government’s superior command of information and political support in all legislatures operating under the principle of parliamentarism gives it a very strong hand, legislators have learnt to make increasingly sophisticated use of the potential veto powers at their disposal.³

There are different stages in the budgetary process: requests, central priority-setting, legislation, execution, auditing and scrutiny. The formal parliamentary involvement is normally concentrated to two of these stages, the legislative phase including examination of the budget proposal and the retrospective scrutiny of the public accounts. But this does not necessarily give a full picture of the influence that parliaments and parliamentarians may wield on public finance. As budgets are to a large extent summative documents recording the effects of previous decisions, a great deal of policy-making with economic implications takes place outside the budgetary process.

This brief paper will first present an overview of parliamentary involvement in the (1) legislative and (2) retrospective phases of budgeting, and then (3) discuss the various functions of parliamentary control in budgetary matters. It will furthermore (4) distinguish different types of question that may be asked about governmental performance and focus on (5) the design of parliamentary control procedures and (6) its analytical resource base. A final section emphasises (7) the importance of scenography, dramaturgy and mediatic reach-out to enhance the role of parliaments in budgetary monitoring.

1 Parliamentary Involvement in the Legislative Phase

Parliaments differ in their deliberations and decisions on the government’s budget proposals along two principal dimensions. First, to what extent can and do legislatures amend the budget? Second, how do they organise their examination of the government’s proposal?⁴

1. At one end of the spectrum, the United States Congress takes an active part in the budgetary process by cutting out and adding items or by stipulating conditions to particular expenditures. Local interests are frequently served by earmarking. At the other end of the spectrum, many parliaments have virtually no amending power at all. The last occasion on which the British Parliament made an adjustment to the budget was the famous 1919 decision by which the Lord Chancellor was denied a second bathroom. In Europe, changes are occasionally undertaken in some parliaments (Czech Republic,

² The Federalist Papers, 58.

³ For evidence of increasing legislative activism, see OECD, *Role of the Legislature*, PUMA/SBO(98)4, Paris, 1998.

⁴ For a survey of OECD member states, see “The OECD Budgeting Database”, *The OECD Journal on Budgeting*, vol. 1, no 3. See also Allen Schick, “Can National Legislatures Regain an Effective Voice in Budget Policy?”, *ibid*.

Denmark, Hungary) but in most countries the government's proposal is adopted with insignificant amendments only, or none at all.

Several mechanisms are used to tip the balance of power in favour of the government. One is an outright ban on any proposed amendments, or a stipulation that any such proposals must be accompanied by fresh revenues. Another technique is to entitle the either government or the parliamentary majority to request a bundling of the vote, so that specific budgetary amendments cannot be passed separately. In this way the adoption of the budget will become a vote of confidence in the government.

2. The examination of the budget proposal takes place either in a finance or budget committee, in the various specialised committees, or in a combination of both models. In the latter case, the specialised committees normally make their observations to the finance or budget committee which will then prepare its consolidated report to the whole house. While the former model may facilitate the defence of fiscal discipline, the latter may promote broader policy perspectives but also give sectoral interests more opportunities to influence the budget. Some budget committees operate with specialised sub-committees.

The time spent on the budget varies from about one month to around four months or more, as in the case of the US Congress which deals with budgetary matters throughout most of the year. Plenary discussions are kept relatively brief in many parliaments, but this is compensated for by open hearings in the committees. The parliamentary majority is not always in charge of the agenda: in the United Kingdom, the choice of topics for the plenary discussions on government expenditures ("supply days") is in the hands of the opposition.

2 Parliamentary Involvement in the Phase of Scrutiny

In comparison to their relatively extensive and vivid **ex ante** discussions on the budget, legislatures spend very modest amounts of their time and energy on the **ex post** examination of public accounts.

Many legislatures are, however, involved in the appointment of national auditors. In some states, this function is constitutionally placed under parliament. Traditions differ: while Anglo-Saxon countries normally have a **comptroller-general** reporting to parliament, political systems rooted in the Napoleonic tradition have conferred this task on a **court of audit**. In Northern and Central Europe, there is often a **national board of audit** more reminiscent of a normal administrative agency. In many cases reports are addressed both to the government and the parliament, but few legislatures are well equipped to deal with them. This works best in countries where there is a specialised Public Accounts Committee examining the auditors' reports and summoning ministers or senior civil servants to respond to the observations conveyed in them. Parliaments that have entrusted this responsibility to the specialised sectoral committees tend to be less efficient in this regard, as their main focus will always be on forward-oriented issues.

3 The Importance of Legislative Control

There may be widely divergent different assessments of the parliamentary *ex ante* examination of the budget in various countries, but there is little doubt that the *ex post* examination is generally quite weak. Why should this be a matter of concern? This question must be approached from a normative point of view. Besides legislating and discussing matters of common interest, **holding the executive accountable** is a key function of any Parliament.⁵ This mission is crucial for at least four reasons:

⁵ The International Parliamentary Union (IPU) has organised a large number of conferences on budgetary oversight by parliaments. For links, see <http://www.ipu.org>.

- Parliamentary scrutiny is important to build and maintain **morale and motivation in the executive branch** and among those involved in policy implementation at different levels. Many of these persons have a high commitment to their tasks out of professional pride, sense of duty, personal engagement and empathy with clients or beneficiaries. But unless there is constant external attention to the results attained, their energy may nevertheless be flagging. Lethargy is contagious and spreads easily in organisations where few questions are asked about costs and achievements.
- A second argument for parliamentary scrutiny is the need to build **confidence and legitimacy**. Citizens and tax-payers are forever suspicious of public resources being wasted, and sometimes rightly so. The different forms of parliamentary dialogue, ranging from in-depth inquiries with written answers to oral exchanges at hearings and plenary sessions, are indispensable in the pursuit of public trust.
- A third reason to engage in parliamentary scrutiny is the need to enhance **policy learning and policy innovation**. Examining the implementation of established policies and learning from experience is important to improve the quality of future decisions. Open encounters between politicians and practitioners may also yield valuable information for the public discussion. This makes scrutiny procedures essential elements in any form of representative democracy. Besides shedding light on whether the decisions were carried out in the way originally intended,
- observations obtained through parliamentary scrutiny may also give food for further reflections among the parliamentarians. Were the goals set and the instruments chosen judicious? Weak implementation cannot always be blamed on the executive bodies. Sometimes the main lesson will be that the mandate given to the public agencies was ill-conceived and in need of correction.

A fourth case for the parliamentary scrutiny of the executive can be derived from the theory of deliberative democracy. Open policy discussions serve the purpose of boosting common concerns and altruistic perspectives at the expense of self-centred and group-oriented aspirations. By appealing to shared interests, participants in parliamentary discussions are themselves drawn towards broader conceptions of the common good. When the government is obliged to defend its record in terms of values acceptable to the general public and the opposition attacks it on similar grounds, open discord will paradoxically contribute to **social consensus**.

4 The Power of Questions

When measured by the magnitude of actual changes to government proposals, the influence of legislatures in budgetary decision-making seems very modest indeed. With the exception of United States Congress, the modifications attained by Parliaments vary from none to insignificant. But there are several reasons why this observation underestimates the legislative impact.

First of all, the fact that many policy decisions with considerable economic effects are made outside the budgetary process. The new elements in a budget proposal are only the tip of the iceberg. Although the media, the government and the opposition all tend to focus their attention on this highly visualised and visible part of the government's bill, the lion's share of the budget deals with expenditures and revenues related to entrenched and on-going programmes, entitlements and levies. The one-year budget encapsulates and synthesises many years of policy accumulation.

Second, influence is exercised in many other ways than voting on formal proposals. Legislatures, pressure groups and the media affect the parameters of governmental action through the framing of issues and the mobilisation of public opinion. Putting ministers under pressure to explain and justify their action gives both the opposition and individual members of parliament a great deal of

political leverage. It also enhances rationality in policy-making and helps reduce the risks of public corruption.

Third, legislatures enjoy a certain authority by their very position in the constitutional organigram. In preparing their various contributions to the elaboration of the budget, officials in agencies and ministries are well aware of the risk that if certain lines are overstepped, questions may be raised in Parliament. Thus legislatures wield power not only by acting but also by their stand-by capacity to act.

Apart from placing its the stamp of approval on the budget and on the accounts presented by the government for the discharge of responsibility, Parliament therefore plays an important part in the budgetary process through its **power to ask questions**. What issues can be raised in the context of budgetary monitoring and control? Leaving revenue aside, it might be helpful to distinguish between three types of question about expenditure:

(i) Questions about disbursements

Several fundamental control issues revolve around the **legality** and **regularity** of administrative action. In a society based on the rule of law, there are many standards that all agencies entrusted with public resources and the implementation of public regulations must meet. A recurrent issue in audits and parliamentary control is whether procedural norms and eligibility criteria have been observed.

(ii) Questions about output

A second group of issues refers to the **results** of public spending in the form of investments made, goods purchased or services rendered. As many government expenditures are used not for the full payment but merely to stimulate or part-finance various activities, sometimes in the form of contributions combined with matching payments by others, such controls often involve the pursuit of public money into private domains.

Output inquiries often raise the problems of **effectiveness, efficiency** and **quality**:

- Whether an operation has been **effective** may easy to establish if it merely involves the observation and the counting of visible traces. Is there a bridge at the end of the money? This is a question about whether the investment has had its intended effect.
- Whether the same operation was **efficient** is trickier to find out since it requires a consideration of the resources used and, in most cases, a comparison with other similar undertakings. Was the bridge twice as expensive as other comparable bridges? Efficiency questions typically require a broader information base than questions merely concerning effectiveness.
- Further difficulties emerge when the issue of **quality** is addressed. Is the bridge sustainable? Inspectors may be able to give good preliminary answers to that question, but in many cases only time will tell.

(iii) Questions about outcomes or impact

A third cluster of issues concerns the secondary effects of investments made or actions taken. How will a new bridge affect the local economy? By helping isolated villages to bring their produce to the market, or by making it easier for their inhabitants to seek employment elsewhere and giving large distributors a chance to squeeze local enterprises out of the market? Economists, economic geographers, economic historians and econometricians have much to tell us about the effect of infrastructural investments on regional growth and employment, but the evidence in particular cases is often far from conclusive.

5 The Design of Parliamentary Control Procedures

Can parliamentary **budget control** cover all these types of scrutiny? Not with equal success. Its comparative advantage is at any rate in the two former areas, where reasonably reliable information may be obtained from implementing agencies, audit institutions, anti-fraud bodies and studies undertaken in-house by the committees themselves. When it comes to the outcomes and wider impact of public policy programmes, implementing agencies may deliver cheerful reports but their vision and perspectives are often both partisan and limited. The more comprehensive evidence required to assess such matters must cover more than one single sector and must generally be sought from the academic sphere, and there from several disciplines. It may furthermore take considerable time before such information is available. Good impact studies can seldom be completed within the time span of particular legislatures, governments or, in the case of the European Union, commissions.

This makes it important to differentiate the control activities of parliaments. While **public accounts committees** can make useful contributions by examining audit reports and raising pertinent questions about the way in which public money has been spent and public revenue collected, they are less well placed to deal with the wider ramifications of government action. Specialised committees have more in-depth knowledge to examine such aspects and engage in evidence-based policy learning. But they often evade this task. Occasional scandals apart, parliamentary work tends to be future-oriented rather than retrospective. The problem in many countries is therefore how specialised committees can be persuaded to shift their agendas from an exclusive focus on inputs towards a more balanced perspective where output, outcomes and impact are also taken into account. Procedural adjustments may be helpful to attain this objective, such as the creation of particular sub-committees for inquiries or the appointment of specially designated rapporteurs for the evaluation of specific programmes and policies.

6 The Analytical Resource Base for Parliamentary Scrutiny

Crucial instruments to enhance legislative control are the analytical resources inside and outside of parliaments. In-house, the three types of staff assisting parliamentarians to carry out this function are normally (i) their own political assistants or the assistants employed by the various party groups, (ii) the committee secretariats, and (iii) the specialised research services or budget offices serving all members of parliament. Some legislatures have established close links between the latter two categories.

While impressive support staffs have been assembled in some Parliaments, their capacity to undertake first-hand inquiries remains very limited. The comparative advantage of parliamentary secretariats and research bodies lies in collating, digesting, summarising and synthesising research and studies undertaken elsewhere. Information from various affected interests serves some functions in this respect, but even more important are studies from audit agencies, statistical authorities, evaluation bodies and academic institutes. International organisations supply a growing share of these analytical materials. Faced with an avalanche of unsolicited information, any legislature needs procedures for selection, scanning and screening.

Beefing up the analytical resource base of legislatures is a standard prescription in strategies to enhance the Parliament's capacity to monitor and control the performance of the executive branch. But in this effort, conscious choices must be made between the development of internal competence and the improved use of external information. Many legislatures lack adequate procedures for dealing with audits and evaluation reports. Inventing better procedures to make use of the existing external knowledge base may sometimes be a worthwhile alternative to staff expansion. Some countries have particularly impressive external resources to supply parliamentarians with reliable information, such as the Netherlands with its Bureau for Economic Policy Analysis (CPB).

7 Designing Control Procedures: Scenography, Dramaturgy and Mediatic Reach-out

To make good use of both internal and external materials, parliaments need well-designed structures and procedures for presentations, contestations and deliberations. The age of television and internet opens up many new opportunities for discussions on public affairs in front of huge audiences. But in a world of plentiful entertainment, will the audience stay tuned? That depends very much on the architecture, scenography, dramaturgy and general framing of parliamentary debates. These discussions have moved from the *agora* to the chamber, but in the 21st century there may emerge new settings.

The new parliamentary balcony is the living-room. When legislatures televise their proceedings they all too often show tedious sessions in solemn but empty plenary halls instead of lively altercations in adequately-sized rooms or studios. In going electronic, parliaments have yet to discover the difference between “filmed theatre” and dialogues adapted to the new media.

8 Conclusion

A key notion in performance budgeting is the emphasis on results. Politicians are expected set the objectives and allocate resources whereupon the governments and their agencies should take care of implementation and then report back on their achievements, with supplementary information gleaned from auditors and evaluators.

Unfortunately, the politicians are not always eager to follow the script and assume the functions assigned to them in this model. When governments present their ambitions they still tend to emphasise inputs rather than in outputs, and when the opposition dwells on outputs it often focuses on particular alleged scandals rather than broad performance indicators. The difficulty of assigning credit and blame in a world where it is well understood that domestic government actions determine only fractions of the economic, social and other developments will make it difficult to discuss political achievements solely in terms of administrative results.

But this should be seen as a challenge rather than a reason for pessimism. Parliaments have a great potential to contribute to greater rationality and greater transparency in public policy-making. Several institutional innovations adopted by the Turkish Grand National Assembly in recent years appear to be promising steps in this direction.

In considering further efforts, two aspects calling for attention are (1) the analytical resource base of parliamentary scrutiny and monitoring, consisting both of in-house capacity and materials supplied by external sources, and (2) the possibility of enhancing the resonance of parliamentary discussions on budgetary matters and evaluation through procedural reforms.