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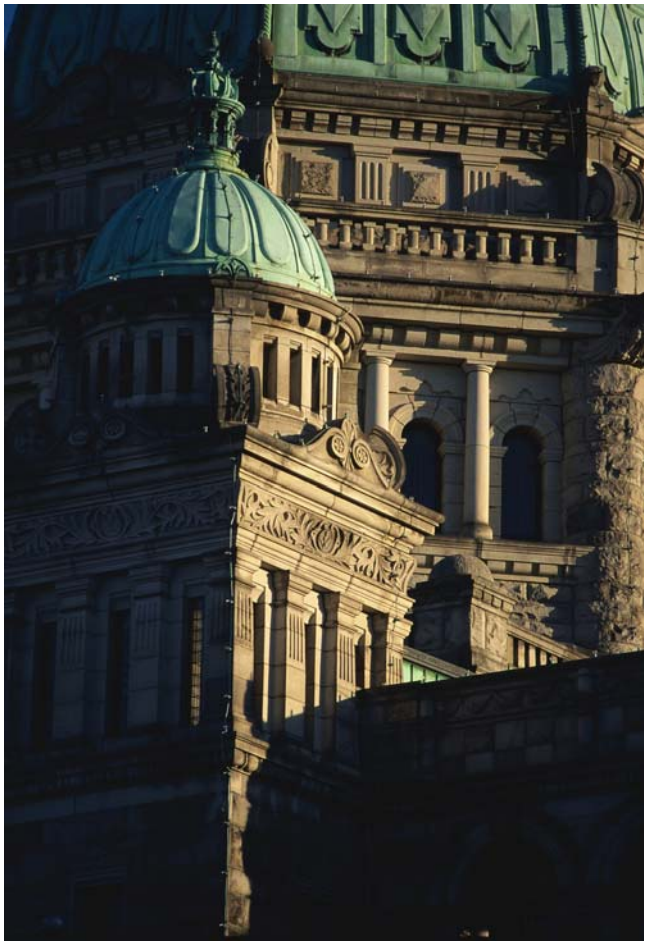

Sourcebook on Legislative Budget Offices

Legislative Budget Offices

CONTENTS

The Value of a Nonpartisan, Independent, Objective Analytic Unit to the Legislative Role in Budget Preparation[1]

Barry Anderson

Introduction

Legislatures in different countries play a wide variety of different roles in the budget formulation process (Santiso, 2005). Some are very actively involved, and some are not involved at all. Moreover, the role that the legislature plays in many countries has changed over time and should continue to change in the future (Schick, 2002). These changing roles call into question the sources of information that are or may be made available to assist the legislature participate in the budget process. Legislatures require reliable, unbiased information to be able to participate in a constructive manner in formulating the budget. This paper discusses the value of a non-partisan, independent, objective analytic unit to the legislative role in the budget preparation process.

The paper does not address whether there should be a role for the legislature in budget preparation. Some have argued that legislative activism may weaken fiscal discipline (von Hagen, 1992) or increase the level of pork barrel spending, although certainly legislatures are not the only source of overspending (Wehner, forthcoming). As fundamental as these issues are, this paper only addresses the potential value of a non-partisan objective unit, not the larger issue of what should be the balance of power between the executive and legislative in budget preparation

The paper begins by discussing the potential value of a non-partisan, independent, objective analytic unit to the legislature. The next section lists and discusses each of the core functions that such a unit can perform. Other possible functions of the unit are also discussed. Next, the characteristics required to make the unit non-partisan, objective, and independent are described. Other characteristics that can enhance the effectiveness of the unit are also listed. The next section lists countries with specialized legislative research organizations, and discusses in some detail—including specific staffing functions—three legislative research organizations within the United States. The last section contains some concluding remarks.

Potential Value

In its most basic terms, an independent analytic budget unit can provide information to put the legislature on a more equal footing with the executive. This information is critical if a legislature is to play a real role in budget formulation. But as important as this information is, such a unit can do much more than just eliminate the executive's monopoly on budget information.

- **Simplifies complexity.** Budget information is frequently not made available by the executive's budget office, but even when it is, it may be so complex that the legislature has difficulty understanding it. An independent unit must have the expertise to be able to make complex budget information understandable to the legislature, as well as to the media, academia, and the public.

[1] This article was first published as a WBI working paper entitled *The Role of Parliaments in the Budget Process,* edited by Richardo Pelizzo, Rick Stapenhurst and David Olson, Washington, DC 2005

- **Promotes transparency.** Because of the knowledge and expertise found in an independent budget unit, budgetary legerdemain can be discouraged and transparency promoted.

- **Enhances credibility.** By encouraging simplification and transparency, an independent unit also has the effect of making all budget forecasts—even those of the partisan executive—more credible.

- **Promotes accountability.** The accountability of the estimates used in the budget process can be enhanced by an independent budget unit because of the scrutiny such a unit provides to the executive's budget office.

- **Improves the budget process.** The combination of a more simple, transparent, credible, and accountable budget can promote a budget process that is more straight forward and easier to understand and follow.

- **Serves both the majority and minority.** A legislative budget unit—if it is truly nonpartisan and independent—should provide information to both the majority and all minority parties of the legislature.

- **Provides rapid responses.** As a unit that is part of the legislature, an independent budget unit can provide much more rapid responses to budget inquiries from the legislature than an executive budget unit.

The additional values of an independent legislative budget unit mean that it is much more than just an instrument to assist the legislature in the budget process, or one to help check the executive's budget power, but also serves the society at large and actually can help improve the whole budget process. Note also that the value of an independent unit can change over time. At first, the information produced by the unit may be more valuable to the legislature as whole as a means to balance the executive's budget power. But as the unit ages and as the executive adjusts to the presence of the independent unit, the information it produces may be of more value for minority parties in the legislature vis-à-vis the majority party.

Core Functions

There are many possible functions that an independent analytic budget unit can perform, but to best assist the legislature in the budget preparation process, it should perform at the very least the following four core functions.

- **Economic Forecasts.** The first core function of the unit is to perform an independent economic forecast. All budgetary analyses must begin with an economic forecast. Although the unit's forecasts need to be objective, they should take into account the forecasts of others and be based on current laws. They should not try to take into account the economic consequences, if any, of policy proposals. The assumptions used for interest rates and commodity prices should not be targets, but objective forecasts based on the best information available. To prevent outlandish forecasts, the forecasts of private forecasters, central bankers (if available), and panels of experts specifically organized to assist the unit's forecasters should be considered. It is also better for the unit's forecast to be a little conservative because it is much easier politically to use the results of a better-than-forecasted economy to reduce deficits and debt than it is to try to find last minute

spending cuts or tax increases to meet a revised deficit target that results from a worse-than-anticipated forecast.

- **Baseline Estimates.** The forecasts of spending and revenues should be *projections,* not *predictions.* That is, they should be based on laws that are currently in place, not on policy proposals. They should not try to judge the legislative intent of laws, but, for example, they should assume that the expiration dates built into legislation will actually occur, and that the spend out rates of slow-spending capital projects are based on the best technical information available, not on biased political opinions.

- **Analysis of the Executive's Budget Proposals.** The third core function of an independent unit is to perform a budgetary assessment of the executive's proposed budget. Such an assessment should not be a programmatic evaluation, which is basically a time consuming political exercise, but rather a technical review of the budgetary estimates contained in the executive's budget. Such a review can actually enhance the credibility of the executive's budget, if the difference between the two estimates is not great and of the government's forecasts as a whole, if the difference between the assessment and the actual outcome is not great.

- **Medium Term Analysis.** All of the core functions mentioned above should be performed over at least the medium term. This alerts the executive and the public to the out year consequences of current and proposed policy actions. It is particularly important to do a medium term analysis to take into account various fiscal risks, such as those inherent in loan guarantee programs, commitments to provide pensions, public-private partnership initiatives, and other programs that contain contingent liabilities. A medium term analysis also provides the basis for a long term analysis, the importance of which grows as societies age and the impact of programs that involve intergenerational transfers expands.

Other functions that the independent unit could perform include:

Analysis of proposals. Hundreds, perhaps even thousands, of policy proposals can be made each year by members of the legislature, and the executive often makes many policy proposals in addition to those contained in the budget. An independent unit can provide valuable assistance to the legislature by estimating the costs of these proposals. But because it can be very time consuming to estimate the budgetary impact of every proposal, it may be appropriate for the legislature and the unit to agree on a rule—such as estimating the costs of only the proposals with the largest budgetary impact or only those proposals approved by a full committee or significant subcommittee—that limits the number of proposals costed by the unit

Options for spending cuts. Legislatures can often benefit from having available a list of options for spending cuts prepared by an independent unit. The options should be based on program effectiveness and efficiency, not on political concerns. The unit should only list the options; it should not make recommendations for any option because do to so could raise questions about its independence. As valuable as such a list of options can be to empower the legislature, this function can also be time consuming, although its staffing impact can be mitigated if the listing of options is produced only at the beginning of a new legislative session.

Analysis of mandates. Legislation can impact the economy through ways in addition to spending and taxing decisions; it can require actions on the part of corporations, individuals, or sub national governments through use of regulations, or mandates, written into legislation. An independent unit can provide valuable information to the legislature by estimating the economic impact of mandates, but again this can be a time consuming task depending on how many mandates are reviewed and how complex they are.

Economic analyses. The expertise found in an independent budget unit can also be used to perform more extensive economic analyses. These analyses can contribute to the legislature's understanding of the near term and long term budgetary consequences of related policy proposals and also assist the unit's staff in preparing the "core" estimates of budget proposals. The staff consequences of these economic analyses can be restrained if they are performed very selectively.

Tax analyses. In addition to the types of budgetary and economic analyses mentioned above, a unit can also serve the legislature by performing various types of analyses of tax policies, such as estimating the impacts of proposed or enacted tax changes on economic growth, or measuring the distributional impacts of various different types of tax proposals. Again these analyses can be time consuming, and they can require specialized staff whose skills are not easily transferred to analyses of spending proposals.

Long term analysis. As mentioned above, the value of long term analyses—that is, analysis of potential budgetary trends for as many as 75 years—becomes more valuable to legislatures because of the aging of the populations in many countries, and because so many countries have programs that transfer resources (and costs) from one generation to another.

Policy briefs. The time demands placed on policy makers in both the executive and the legislature and the complexity of budgets have created a demand for short, straight forward descriptions of complicated budget proposals and concepts. Such descriptions, or policy briefs, can be of real value not only to busy members of the legislature, but also to the media and the public.

As valuable as each of these other functions can be to the legislature, the size of the staff required to perform them usually limits the number that can be performed. Examples of the staff required to perform various functions in three independent legislative budget agencies in the US are presented in Tables 1 and 2 below.

Table 1: Distribution of CBO Staff

Function	Core	Other	Total
Executive Direction	**5**	**5**	**10**
Macroeconomic Analysis	**5**	**15**	**20**
Tax Analysis	**5**	**15**	**20**
Budget Analysis			**80**
Baseline	**20**		
Analysis of Proposals		**45**	
Mandates		**15**	
Program Divisions		**75**	**75**
Technical & Administrative	**10**	**20**	**30**
Total	**45**	**190**	**235**

Table 2: Staffing by core function

Core Function	CBO	IBO (NYC)	LAO (Calif)
Executive Direction	**5**	**6**	**3**
Macroeconomic & Tax Analysis	**10**	**4**	**5**
Budget Analysis	**20**	**12**	**36**
Technical & Administrative	**10**	**5**	**9**
Total	**45**	**27**	**53**

Fundamental Characteristics

Establishing and maintaining a non-partisan analytic unit that provides independent, objective budgetary information to the legislature is not easy. There are certain fundamental characteristics of the unit that must be present if the unit is to be successful. Foremost of these is the non-partisan nature of the unit. Note that *non-partisan* is much different than *bipartisan:* the former connotes lack of a political affiliation; the latter connotes affiliation with both (or all) political parties. A unit that is bipartisan would attempt to present its analysis from the perspective of both (or all) political parties, where a unit that is non-partisan would not present its analysis from a political perspective at all. Clearly a non-partisan unit would be superior in presenting objective information. The director of such a non-partisan unit may be a member of a political party himself, but this does not make the unit itself partisan as long as: he is more of a technician than a politician; he operates the agency in a non-partisan manner; and the staff is composed entirely of technicians. Operation in a non-partisan manner would require, among other things, that the same information is provided to the majority and minority parties. Other fundamental characteristics of a non-partisan analytic unit include making the outputs of the unit and the methods by which those outputs are prepared transparent (especially reports that are critical of proposed policies) and understandable.

Additional characteristics that are important for the successful operation of the unit include:

- Placing the core functions of the unit in law so that they can't be easily changed to suit political purposes;
- Avoiding recommendations;
- Briefing relevant members of the legislature immediately before a report is issued, especially if the report contains information that is negative to a proposal;
- Principally serving committees or subcommittees rather than individual members;
- Being willing to meet with lobbyists or other proponents—as well as opponents—of policy proposals, keeping in mind that a fair, balanced process—and the *appearance* of a fair, balanced process—is always important;
- Locating the unit's offices separate from the legislature, but always answering requests in a responsive and timely manner; and,
- Avoiding the limelight.

Examples of Independent Budget

In 2003, the Organization for Economic Cooperation and Development (OECD) and the World Bank conducted a joint survey of 40 OECD and non-OECD countries on budget practices and procedures. Question 2.10.e of the survey asked: "Is there a specialized budget research organization attached to the legislature that conducts analyses of the budget? (Note this organization may be part of the audit office.)" Thirty-nine countries responded: three (Korea, Mexico, and the US) had organizations with 26 or more professional staff; one (Japan) had an organization with ten to 25 staff; seven (Cambodia, Canada, Chile, Indonesia, Jordan, Netherlands, and Sweden) had organizations with less than ten staff; and 28 did not have such organizations.

The oldest and biggest of these organizations is the US Congressional Budget Office (CBO). The CBO was created primarily as a tool to check the growing power of the president.[2] In the views of many in the US Congress in the early 1970's, President Nixon had abused the powers of impoundment (the withholding from obligation funds that had been appropriated by the Congress) that all presidents before him had used. In addition, he had replaced the more technical Bureau of the Budget with a more powerful and less open Office of Management and Budget (OMB). Budgets were growing ever more complex, with off-budget financing schemes, and every year budgets contained more programs that effected the long term as much if not more than the short term. Moreover, for the first time in its history, the US had consistent peacetime deficits in a period of economic expansion. So Congress, which did not have a budget process that considered the fiscal situation in aggregate, passed an extensive budget law in 1974. President Nixon signed the new budget law just before he resigned. This law took the powers of impoundment away from the president, created budget committees in the Senate and the House with powers to consider and control aggregate tax and spending levels, and authorized a new Congressional Budget Office to provide the new

budget committees with roughly the same information that OMB provides to the president. Although the director of CBO is a political appointee selected by the Speaker of the House and the President pro tempore of the Senate for a four-year term (which may be repeated), the law authorizing CBO explicitly states that all of the employees of CBO are to be selected without respect to political affiliation.

The law that created CBO provided only general guidance as to what its functions should be. Although CBO now performs all of the functions listed above, it was not clear at its inception exactly what work it would do and what work the staff of the newly created budget committees would do. In fact, a former CBO director who was present at CBO's creation said that one view was to severely limit CBO's role.

> "What the House wanted [when CBO was created] was basically a manhole in which Congress would have a bill or something and it would lift up the manhole cover and put the bill down it, and 20 minutes later a piece of paper would be handed up, with the cost estimate, the answer, on it. No visibility, [just] some kind of mechanism down below the ground level doing this ... non controversial [work], the way the sewer system [does]."[3]

CBO was able to expand its functions far beyond what was stated in this quote in large part because of the efforts it made from its inception to explicitly structure itself as a non-partisan, independent, objective analytic agency. CBO currently has about 235 staff to do all these functions, but it is relevant to review the distribution of CBO staff by "core" and "other" functions (see Table 1), as discussed above, and then compare this staffing with the staffing of core functions of two agencies (see Table 2) that provide information for "core" functions for the State of California (the Legislative Analyst's Office {LAO}) and the City of New York (the Independent Budget Office {IPO}).[4] Core functions at CBO and LAO require about 50 staff in each. However, the size and complexity of the US and California budgets are so much greater than that of most other countries budgets that the 27 staff found in New York City's IBO may provide a more appropriate comparison.

Conclusions

If legislatures are to play a substantive role in the budget formulation process, they will be well served by an independent source of budget information. Examples in the Unites States and in a number of other countries establish that a non-partisan, independent, objective analytic unit can provide budget information without polarizing the relations between the executive and the legislature. However, a requirement for the successful establishment of such a unit is the existence of, or the desire for, some kind of balance in the political environment—a balance between political factions and/or a balance between the executive and the legislature. Once created, such a unit must operate in a credible and impartial manner if its value is to be sustained.

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[3] Robert Reischauer, as quoted in Nancy D. Kates, "Starting From Scratch: Alice Rivlin and the Congressional Budget Office (A)," Case Program, Kennedy School of Government, C16-88-872.0, 1989, p. 3.

[4] See www.lao.ca.gov for information on California's Legislative Analyst's Office, and www.ibo.nyc.ny.us for information on New York City's Independent Budget Office.

The Growth of Parliamentary Budget Offices[2]

John K. Johnson and F. Rick Stapenhurst

This paper discusses the value of a nonpartisan, independent, objective analytic unit to the legislative role in both enacting and overseeing implementation of the budget. It describes legislative budget offices in four regions, showing how such offices can contribute to the budget process and suggesting reasons for the growing (albeit still small) number of such units.[1]

The paper does not address how significant a role legislatures should play in amending proposed executive budgets. Some have argued that significant legislative budget amendment powers may weaken fiscal discipline (von Hagen 1992) or increase the level of pork-barrel spending and that these powers should therefore be limited (Wehner forthcoming). As fundamental as this issue is, this paper focuses only on the potential value of a nonpartisan objective unit, not the larger issue of the balance of power between the executive and legislative branches in preparing the budget.

The Role of Legislatures in the Budget Process

The roles legislatures play in national budget processes vary widely across the globe. Several factors influence these roles, among them the type of political system (presidential, parliamentary, hybrid); the type of electoral system (plurality-majority, proportional, semiproportional); the legislature's formal powers (the extent of its powers to amend the executive budget); the combination of the political environment within which the legislature functions and the political will of legislators to exert the legislature's powers; and the technical capacity of the legislature (see Johnson and Nakamura 2005; Johnson 2005).

Norton (2003) identifies three types of legislative roles in the budget process: budget approving, budgeting influencing, and budget making. Budget-approving legislatures lack the authority or capacity to amend the budget proposed by the executive and therefore approve whatever budget the executive presents. Budget-influencing legislatures have the capacity to amend or reject the executive budget proposal, but they lack sufficient capacity to formulate a budget of their own. Budget-making legislatures have both the legal authority and the technical capacity to amend or reject the executive's budget proposal and to substitute a budget of their own.

[2] This paper was first published as a book chapter in Performance Accountability and Combating Corruption edited by Anwar Shah, Washington DC, 2007

Since budget-approving legislatures simply rubber stamp budgets submitted by executives, they have little need for independent offices to assist them in analyzing those budgets, challenging executive assumptions, or making changes to draft budgets. By contrast, several budget-making and budget-approving legislatures have established independent, nonpartisan budget units over the past half century or so. California's Legislative Analyst's Office (LAO), established in 1941, was the first such office. It was followed by the U.S. Congressional Budget Office (CBO), established in 1974. The Philippines Congress created its independent budget office—the Congressional Planning and Budget Department (CPBD)—in 1990.

The rate at which legislative budget offices are being established has increased over the past decade. Mexico's Chamber of Deputy's Centro de Estudios de las Finanzas Publicas (CEFP) began operation in 1999. The Ugandan Parliament's Parliamentary Budget Office (PBO) was established in 2001. Two years later, the National Assembly of the Republic of Korea passed legislation creating the National Assembly Budget Office (NABO). Both Kenya and Nigeria were in the process of creating parliamentary budget offices in 2006.

Examples of Specialized Legislative Budget Offices

Independent, nonpartisan legislative budget offices were beginning to be established as long as 60 years ago in the United States. In recent years, legislatures in Africa, Asia, and Latin America have begun developing similar offices. This section describes several.

The Legislative Analyst's Office in California

According to Elizabeth Hill, the director of the LAO, the California legislature had been concerned that the balance of budget power had been shifting to the executive since the early 1930s. Rather than rely exclusively on the executive for budget information, the legislature desired an independent source of budget information and analysis and professional assistance to help it conduct oversight and to ensure that its programs were being implemented effectively. It also sought to reduce the growing costs of state government and to make government more efficient and economical. In 1941 the Senate and Assembly passed legislation to establish their own budget office, but the governor vetoed the bill on the recommendation of his fiscal office. Undeterred, the legislature effectively overruled the governor by establishing the office through a joint rule of the Senate and Assembly the same year.[2] The legislature later established the LAO by statute.

The LAO reviews and analyzes both the finances and the operations of California state government. Unlike the U.S. Congressional Research Service, described in the next section, the LAO performs specific oversight functions on behalf of the legislature, ensuring that legislative policy is implemented effectively and in a cost-effective manner. The specific functions of the LAO include the following (see www.lao.ca.gov/LAOMenus/LAOFacts.aspx):

- analyzing and publishing a detailed review of the governor's budget bill *(Analysis of the Budget Bill)* that includes department reviews, as well as recommendations for legislative action;
- publishing *Perspectives and Issues,* an overview of the state's fiscal status that identifies major policy issues;

- assisting the budget committees throughout the budget process;
- reviewing administration requests to make changes to the budget after it is enacted and present these findings to the budget committees;
- publishing special reports on the state budget and on topics of interest to the legislature;
- conducting fiscal analyses of initiatives and ballot measures;[3]
- conducting legislative oversight, including evaluations of programs or agencies and issuing recommendations to the legislature;
- developing policy alternatives on public policy issues and making recommendations on policy matters.

LAO services are available to all committees and members of the legislature.

The Joint Legislative Budget Committee, made up of 16 members (eight from each house), oversees the LAO's operation. By tradition, a senator chairs the committee and a member of the Assembly serves as vice-chair. Funding comes equally from each house. The legislative analyst, as the head of the LAO is known, serves at the pleasure of the Joint Legislative Budget Committee and has tended to occupy the position for many years. The current legislative analyst has served for nearly 30 years.

With a staff of 50 (about 44 professionals and 6 administrative staff), the LAO is divided into subject area sections (such as health, criminal justice, social services) headed by directors who train staff and review their work. Professional staff members generally have master's degrees in fields such as public policy, economics, public administration, and business, as well as strong analytical and quantitative backgrounds. Each professional staff person is responsible for and becomes expert in a specific portion of the state budget. In 1999 the LAO budget was $4.6 million.

The Congressional Budget Office of the U.S. Congress

The Congressional Budget Office (CBO) was established as part of the Congressional Budget and Impoundment Control Act of 1974. The Budget and Accounting Act of 1921 had centralized the budget process under the authority of the executive; over the next half century the president had acquired greater and greater influence over the budget by virtue of his growing control over budget and economic information.[4] Congress, by contrast, had not developed a similar capacity. It worked through a fragmented web of committees, relying on the president as its principal source of budget and economic information. The 1974 Act created a new, more coherent congressional budget process and created House and Senate Budget Committees to oversee the new budget process. The act also created the Congressional Budget Office to provide committees with independent budgetary and economic information.

Each year the CBO issues three major reports designed to assist the budget committees and to aid Congress in its work on the budget:

- a report on the economic and budget outlook for the United States, estimating spending and revenue over the next 10 years;
- a report, usually released within a month of the release of the president's budget proposal, analyzing and independently re-estimating the president's budget; and a report presenting various options for the budget, including spending cuts and increases, tax cuts and increases, and suggested implications of broad policy choices.

In addition to these annual reports, the CBO analyzes the spending and revenue effects of legislative proposals and estimates the costs of pending legislation. As part of the Unfunded Mandates Reform Act of 1995, the CBO is also responsible for identifying the costs related to legislation containing federal mandates on state, local, and tribal governments, as well as on the private sector.

The CBO produces reports and studies analyzing specific policy and program issues related to the budget. These in-depth studies, designed to inform the congressional budget process, may cover longer-term issues not dealt with in the annual budget process. In-depth studies have included reports on the long-term budgetary pressures likely to develop with the aging of the baby-boom generation (people born between 1946 and 1964), a spending issue far beyond the budget horizon lawmakers generally consider. The statute creating the CBO requires agencies of the executive branch to provide the CBO with the information it needs to perform its duties and functions.

The CBO carries out its responsibilities with a staff of about 230 and a 2005 appropriation of just under $35 million. The director of the CBO is appointed jointly by the speaker of the House of Representatives and the president pro tempore of the Senate based on the recommendations of the budget committees of each house. They serve four-year terms; there is no limit on the number of times they can be reappointed.

The work of the CBO is carried out through seven divisions (for example, the division of tax analysis, the division of budget analysis). About 70 percent of the CBO's professional staff hold degrees in economics and public policy; all are officially employees of the House of Representatives (www.cbo.gov/organization/).

Each year the CBO completes about 2,000 formal or informal cost estimates of pending legislative proposals before the Congress, publishes 70-80 major reports, and testifies dozens of times before congressional committees. It makes its findings, methods of analysis, and assumptions widely available over the Internet (Anderson 2006).

The Congressional Planning and Budget Department of the Philippines

The Philippines Congress created its independent budget office in 1990, under the Secretariat of the House of Representatives. The office is modeled after the U.S. CBO.[5]

The CPBD has three major functions:

- It assists the House of Representatives in formulating its agenda.
- It provides House leaders and members with technical information, analyses, and recommendations on important social and economic policy issues.
- It conducts analyses on the impact of legislation and conducts research and in-depth studies on identified policy issues.

CPBD publications are designed to inform House members about the implications of government policies and legislation.[6] Among its publications are policy advisories (updates on emerging

policy issues), an annual macroanalysis of the budget, and an analysis of the medium-term economic development plan. The CPBD gathers information to assist the House in conducting oversight and provides technical assistance to the Speaker and the Legislative Development Advisory Committee and other interagency committees. It publishes occasional papers reviewing and analyzing macro-economic data and other information on the Philippine economy, as well as a "facts and figures" publication signaling trends and providing statistics on socioeconomic conditions in the Philippines.

The CPBD is headed by a director general, who is assisted by an executive director. Three divisions, each headed by a service director, report to the director general and the executive director. The Congressional Economic Planning Service conducts policy research on macroeconomic policy, competitiveness, and reform measures in infrastructure, industrial development, trade, and investments. The Congressional Budget Services conducts research and analysis on fiscal measures, including the macroeconomic implications of government taxing and spending. Special Project Services focuses on policy analysis and research on labor and employment, education, agriculture, and environment-orientated committees of the House of Representatives. The CPBD also has a division for support services.

Professional staff members generally hold advanced degrees in economics, finance, or public administration. In addition to its in-house staff, the CPBD makes regular use of consultants.

The Center for Public Finance Studies in Mexico

After functioning as a rubber-stamp legislature during the many decades of Partido Revolucionario Institucional (PRI) rule, the Mexican Congress became a more independent and assertive institution as the PRI's power waned in the late 1990s.[7] The Center for Public Finance Studies, established by the House of Deputies in 1998, has helped the House play a more effective role in the budget process.

The CEFP is a technical, nonpartisan office, staffed by specialists in public finance. Like the CPBD in the Philippines, it serves the House but not the Senate. It provides budget-related assistance to committees, groups within Congress, and individual members of the House. Its specific functions are to:

- analyze the executive's trimester reports on the national economic situation, public finance, and public debt;
- analyze the executive's annual report on implementation of the national development plan and provide relevant information to subject area committees; and
- analyze the budget initiatives, tax laws, fiscal laws, and finance information the executive presents to the House.

In addition, the CEFP provides budget information to committees, parliamentary groups, and individual deputies as needed and maintains a library of copies of reports on finance and public debt.

A 22-member committee comprising members of the different political parties in the House of Deputies oversees the CEFP. The committee makes its decisions by consensus and, when
necessary, by majority vote. The Center's director is selected by the whole House through an open competitive application process. He or she serves a five-year term, which can be

renewed once. Staff are selected through an open, competitive process, not according to political affiliation.

The CEFP is divided into four divisions: macroeconomic and sectoral studies, treasury (or budgetary) studies, public budget and expenditure studies, and technology and information systems. Its Web site lists a professional staff of 27.

Mexico's more independent Congress has made additional changes to strengthen its role in the budget process since establishing the CEFP in the late 1990s. Amendments to the Mexican Constitution that became effective in 2005 require the executive to present its budget to Congress more than two months earlier than before, giving Congress more time to consider and make amendments to the draft budget. Amendments also require that the national budget be approved a month earlier (November 15 rather than December 15), giving state and local governments more time to plan for the upcoming fiscal year, which begins January 1.

The Parliamentary Budget Office of Uganda

In an effort to cool Uganda's heated and violent politics, President Yoweri Museveni instituted a no-party political system in 1986, prohibiting political parties from fielding candidates for office. A constitutional referendum ended this practice in 2005.

The Parliamentary Budget Office (PBO) was established by an act of Parliament in 2001. Like the U.S. Congressional Budget and Impoundment Control Act of 1974, the act not only created a budget office, it also created a centralized budget committee and made major changes in the role of the parliament in the budget process.

Beatrice Kiraso, primary author of the bill establishing Uganda's PBO, believes that Uganda's no-party system actually helped the National Assembly establish its budget office, because "there was no government or opposition side in Parliament, there was not majority or minority. It was easier for Members of Parliament to support a position favorable to Parliament against the Executive if it benefited or strengthened Parliament as an institution. Government was in a weaker position to whip members to its side" (Kiraso 2006: 4).

Annual PBO reports analyze local revenues, foreign inflows, expenditures, and other issues. The PBO analyzes the monthly reports the Uganda Revenue Authority submits to the Budget Committee and the PBO, identifying whether revenue collections were on target, reasons for shortfalls (if any), and whether revenue targets should be adjusted. Using information from these reports, it has proposed to Parliament ways to widen the tax base and suggested possible methods to reduce taxes that would increase consumption.

The 2001 Budget Act requires the president to present information to the Parliament on state indebtedness. The PBO analyzes indebtedness reports on behalf of the Budget Committee and identifies issues for committee attention.

The Budget Act also requires that ministers submit an annual policy statement to

Parliament showing the funds appropriated for the ministry, the funds released, and the use to which funds were put. The PBO produces quarterly budget performance reports, enabling Parliament to follow the general budget performance of different sectors during the year. It also provides Parliament with a yearly economic indicator report, as well as a report recording all of Parliament's recommendations to the government, whether the government was expected to respond, whether or not it complied, and the reasons for noncompliance.

The Budget Act expanded Parliament's role in the budget process; technical expertise provided by the PBO helps the National Assembly fulfill this new role. The new budget process gives Parliament an opportunity to review, comment on, and propose amendments to a draft executive budget, and it gives the executive time to respond by amending the draft budget and negotiating changes with the National Assembly—all before the budget is officially released.

Previously, the National Assembly's first glimpse of government's budget figures was when the budget was read, about June 15, just before the new fiscal year, which begins July 1. Under the new system, by April 1—a full three months before the fiscal year begins—the president presents the National Assembly with an indicative revenue and expenditure framework for the next financial year. Parliament's sessional (also known as *portfolio)* committees, with the assistance of PBO economists, consider the indicative allocations and prepare reports to the Budget Committee, which may include recommended reallocations within sector budget ceilings.

The Budget Committee—on which the chairs of the 10 sessional committees sit—considers all proposals and may propose reallocations within and across sectors. The PBO helps the Budget Committee prepare a comprehensive budget report to the Speaker, who must forward it to the president by May 15. During the discussions between the executive and the legislature during the month leading up to formal budget presentation, the executive generally makes a number of budget changes in response to the Parliament.

The PBO has positions for 21 experts, 4 of which have not been filled due to budget constraints. Professional staff members are economists with expertise in macroeconomics, data analysis, fiscal policy, and tax policy. They were drawn primarily from the Ministry of Finance, the Uganda Revenue Authority, the Central Bank of Uganda, and the Uganda Bureau of Statistics.

The Budget Act, along with the technical assistance provided through the PBO, has strengthened Parliament's role in the budget process in several ways (Kiraso 2006):

- Government now provides Parliament with three-year revenue and expenditure projections. The Budget Committee, with the expert assistance of the PBO, reports to Parliament any inconsistencies in these projections. It also reports on revenue and expenditure provisions for the following three years.
- Policy statements from ministries are now reported on time (by June 30), allowing sessional committees to scrutinize them. The PBO, in partnership with the Ministry of Finance, standardized the policy statement format. With assistance from PBO economists, committees review the policy statements. The statements must include value for money information (not just spending data) and report on the extent to

which sectoral targets were achieved.

- The new Budget Act requires that every bill introduced in Parliament be accompanied by a certificate of financial implications. The PBO verifies the accuracy of these certificates and advises on the implications on the budget for that financial year. The National Assembly has made the government delay several initiatives after the PBO determined that they were not included in the current-year budget.
- The Budget Act requires that government keep supplementary expenditures to within 3 percent of what is budgeted. The PBO works closely with the ministries to ensure that these limits are adhered to.
- The PBO drafts an easy-to-understand version of the president's report on state indebtedness.

The National Assembly Budget Office of the Republic of Korea

The Republic of Korea's National Assembly Budget Office (NABO) was created through an act of the National Assembly on October 20, 2003.[8] It has two purposes: to encourage greater discipline in public spending and to allow the legislature to play a larger role in determining how the state obtains and spends its revenue. Those who drafted the act considered expanding the duties of the Budget Policy Bureau in the National Assembly Secretariat but concluded that NABO budget assistance was sufficiently unique that it merited establishing a separate agency within the Assembly.

NABO provides nonpartisan, objective information and analysis to committees and members of the National Assembly. It performs the following functions:

- conducts research and analysis on the budget and on the performance of the government's fiscal operations;
- estimates the cost of bills proposed in the legislature;
- analyzes and evaluates government programs and medium- and long-term fiscal needs (audit function); and
- conducts research and analysis at the requests of legislative committees or members of the National Assembly.

The Speaker, with the approval of the House Steering Committee, appoints the chief of the NABO, who appoints and directs a staff of 92 full-time staff employees (about 70 professional and 20 administrative). Professional staff members hold advanced degrees in accounting, economics, public policy, law, and related fields. Staff members are selected solely on the basis of professional competence (not political affiliation). The NABO's 2006 budget was about $12 million.

Budget offices are only as good as the information government provides them; if government ministries are unwilling to give them financial information, they cannot perform effectively. The legislation establishing the NABO requires executive agencies to provide it with the information it needs to carry out its functions. This has proven very useful in convincing reluctant agencies to provide necessary data.

Each year NABO conducts 80-90 formal cost estimates of pending legislative proposals and issues 30-40 major reports and other publications. Like the CBO in the United States, its analyses and work products are available to all members of the Assembly, as

well as to the public over the Internet. Also like the CBO, NABO shares its methodologies and assumptions freely.

Proposed Budget Offices

Two national assembly budget offices appear to be very close to being established. Both are in former British colonies in Africa.

The Parliamentary Office of Fiscal Analysis of Kenya

A private member bill by Hon. Oloo Aringo, author of Kenya's "independence of Parliament" Act, was introduced in Kenya's National Assembly in March 2006.[9] The bill, which is similar to Uganda's Budget Act 2001, has the support of the government (Benson 2006).

The bill seeks to ensure that government follows principles of prudent fiscal management, including by reducing government debt, increasing transparency, and establishing predictable tax rates. It requires the government to set before the National Assembly a detailed budget statement well in advance of the new fiscal year. It establishes a Fiscal Analysis and Appropriations Committee and an Office of Fiscal Analysis, and it requires the finance minister to provide the National Assembly with specific economic and fiscal reports. It grants the permanent secretary of the Finance Ministry specific authority to obtain information required under this legislation from public officers and sets severe penalties for public officers failing to comply. According to the bill, the Office of Fiscal Analysis "will comprise qualified budgeteers and economists," while the Fiscal Analysis and Appropriations Committee will "ideally be composed of members who have demonstrated competence or interest in the subject. Thus the two institutions will not only be reservoirs of expertise and continuity but also the fulcrum of the budgetary mechanism in the National Assembly."

The National Assembly Budget Office of Nigeria

The National Assembly of Nigeria is moving toward establishing a budget office.[10] The two chambers of Nigeria's National Assembly have agreed to enact legislation reforming the budget process and creating an independent, nonpartisan National Assembly Budget Office. The legislation will clarify roles and responsibilities of the legislative and executive branches of government and require that government present its budget to the National Assembly at least three months before the end of the budget year, giving the Assembly ample time to consider and pass the appropriations bill before the new fiscal year begins. The Assembly has a budget line and earmarked funds to establish the budget office.

According to the agreement worked out in the National Assembly, the National Assembly Budget Office will have the following responsibilities:

- review the budget submission of the executive to ensure that it is realistic and objectively defensible;
- provide technical assistance and briefings to relevant committees to help them understand and appraise the proposed budget;
- review, monitor, and evaluate the government's budget performance of the previous year; and
- forecast economic trends, draft budget impact briefs and statements, and support committee oversight functions.

Potential Value and Functions of Independent Budget Offices

What benefits do legislative-based, independent, nonpartisan, objective analytic budget units provide for legislatures, committees, and citizens?[11] First, independent legislative budget units break the executive's monopoly on budget information, placing legislatures on more equal footing with the executive. In the cases of the California legislature and the U.S. Congress, legislative leaders were concerned that their budget powers were being eclipsed by those of the executive. They established budget offices to help redress that imbalance.

Budget offices simplify complexity. Executive budget agencies often fail to provide legislatures with the budget information they need; even when they provide information, it may be presented in a form too complex for legislators to understand. Effective legislative budget offices simplify complex budget information provided by executives so that legislators can understand and use it.

Independent budget offices also help promote budget transparency—not just from the executive to legislatures but to the public as well. Many legislative budget offices publish national budget information and analyses on the Internet (see, for example, reports by the CEFP at www.cefp.gob.mx and the CBO at www.cbo.gov/). Greater transparency discourages executives and executive agencies from subterfuge.

Effective budget offices can also help enhance the credibility of the budget process. Because these services encourage simplification and transparency, they help make budget forecasts easier to understand and more credible. Nonpartisan budget offices often reveal their assumptions and methods along with their findings, enabling everyone to understand the bases on which the projections are made.

Budget offices can increase accountability. Scrutiny of estimates by the executive enhances accountability. The realization that their assumptions and figures will be carefully reviewed by budget experts from a separate branch of government encourages executive branch budgeters to be more careful and precise than they might otherwise have been. In addition, the simpler, more transparent, and accountable budget resulting through the work of a legislative budget unit makes the budget process more straightforward and easier to follow. Effective legislative budget offices may also lead to greater discipline in public spending.

According to a former CBO official (Anderson 2006), independent analytic budget units have four core functions:

- Make independent budget forecasts. These forecasts should be objective; take into account the forecasts of private forecasters, bankers, and experts; and be a bit conservative, as politically it is easier to use the results of a better than forecasted economy to reduce deficits than to find last-minute spending cuts or tax increases to deal with unanticipated deficits.
- Establish baseline estimates. These estimates should be projections, not predictions. That is, they should assume that laws in place will stay in place; possible changes should not factor into policy proposals.
- Analyze budget proposals of the executive branch by conducting technical (not political) reviews of the budgetary estimates contained in the budget.
- Conduct medium-term analyses. A medium-term analysis alerts policy makers and the

public to possible future consequences of proposed policy actions. It also provides a basis upon which to build long-term analyses.

Independent budget units may also perform several other functions, including the following:

- estimating costs of both executive and legislative policy proposals;
- preparing spending-cut options for legislative consideration;
- analyzing the costs to corporations, subnational governments, and the economy of regulations and mandates;
- conducting more in-depth and longer-term economic analyses;
- analyzing the impacts of proposed and actual tax policies; and
- producing policy briefs explaining complex budget proposals and concepts.

In addition to these functions, some of the budget offices examined in this chapter have taken on other roles. California's LAO makes recommendations to the legislature on ways government can run more efficiently and economically It also acts as a watchdog, ensuring that the executive complies with the letter and spirit of legislative intent. Uganda's PBO keeps a record of how well the executive has complied with parliamentary recommendations to government. The Philippines' CPBD helps formulate the legislative agenda of the House of Representatives.

Why Is the Number of Independent Budgeting Offices Growing?

Why are the numbers of legislative-based nonpartisan, independent, objective analytic budget units increasing? One reason may be that, using Schumpeter's procedural (electoral) concept of democracy,[12] there are simply more democracies today than at any other time in history. With the demise of the Soviet Union and the resulting proliferation of new nations, the dramatic reduction in military governments in Africa and Latin America, and the sharp decline in one-party states in Africa, there are also more legislatures than ever before in history—several of them with the potential to exercise some level of independent power. Independent financial expertise, such as that provided by professional nonpartisan budget units, aids them in exercising that power.

A second reason is an extension of what Huntington (1991) calls "demonstration effects" or "snowballing," the phenomenon in which successful democratization in one country provides a powerful incentive to other nations, especially countries geographically proximate and culturally similar. The demonstration effect applies not only to democracy itself but also to the spread of its infrastructure. The Philippines' CPBD is patterned after the U.S. CBO; Kenya's private member Fiscal Management Bill 2006 has much in common with Uganda's Budget Act 2001. Hon. Beatrice Kiraso, author of the Uganda act, conferred with her Kenya counterpart, Hon. Oloo Aringo, in developing his legislation. Indeed, much of the work of the international community encouraging parliamentary strengthening involves the sharing of best parliamentary practices across regions.[13]

A third reason for the growing number of parliamentary budget offices may the increasing demand worldwide for government transparency and accountability. The proliferation of Transparency International offices, the growth of anticorruption agencies and watchdog organizations, and the increasing number of budget transparency think tanks all indicate greater interest in and scrutiny of government finances. Legislatures need the assistance of budget

experts if they are to play their role in the development and oversight of the budget and the control of government spending.

Considerations in Establishing Effective Legislative Budget Units

Independent budget must be nonpartisan if they are to be effective. Anderson (2006) distinguishes between bipartisan (or multipartisan) and nonpartisan services. A bipartisan or multipartisan service attempts to analyze matters from the perspective of both (or all) political parties; a nonpartisan office attempts to present information objectively, not from a political perspective at all.

Legislatures employ several means to ensure that their budget units start, and stay, nonpartisan. In some (California and Mexico, for example), bipartisan or multipartisan committees oversee the units. Unit staff are selected for their professional expertise, not their political affiliation.

Nonpartisan, independent budget offices should serve all parties in the legislature, potentially providing minority parties a greater voice in the budget process than they would otherwise enjoy. Anderson notes that as independent budget units age and executives adjust to their presence, their information may become more valuable to minority than to majority powers in the legislature. Parties in power should resist the temptation to underfund, undermine, or politicize independent budget units, realizing that they may be in the opposition some day and will need access to professional budget services.

Effective legislative budget units will have their existence and their core functions codified in law, so that they cannot be easily shut down or changed to suit some political purpose. According to Anderson (2006), legislative budget units should avoid making recommendations to their legislatures; serve committees and subcommittees principally, rather than individual members; meet with representatives from all sides of an issue in order to be able to present informed and balanced analyses; and avoid the limelight.

Budget units need access to government budget information. In some countries, including the Republic of Korea and the United States, the statues establishing the units grant them authority to compel the executive to provide it. The legislation in Kenya has taken a creative approach to meeting this need. Rather than grant the National Assembly the authority to compel government to provide budget information, it grants the Finance Ministry the authority to obtain budget information requested by the National Assembly. Public officers who do not comply face heavy fines and jail terms.

In some places the legislature established the budget office as a stand-alone reform to the budget process. In others legislatures established budget offices as one component of a larger budget reform. The U.S. Congressional Budget and Impoundment and Control of 1974 not only established the CBO, it also established a new congressional budget process and budget committees in each house to manage the process. Uganda's PBO was a part of a similar reform, which, for the first time, made the National Assembly a major player in the budget process. Kenya's new budget legislation and Nigeria's proposal include parliamentary budget offices as part of a broader budget process reform.

What is an appropriate size for a legislative budget unit? Those examined in this chapter range from 21 to about 200 professional staff (table 12.1). Their size helps determine the number and frequency of services they provide, but even nations as poor as Uganda consider a parliamentary budget office a good investment. Legislatures that pay their staffs very low salaries may find it difficult to attract the level of expert budget staff needed in a budget office and may need to consider adjusting their pay levels.

Table 1. Characteristics of Selected Independent Budget Offices

Office	*Year established*	*Size of professional staff*	*Unit evaluates programs*	*Unit was associated with a larger budget reform process*	*Unit makes policy or budget recommendations to legislature*
California Legislative Analysts Office	1941	44	Yes	No	Yes
U.S. Congressional Budget office	1974	205	No	Yes	No
Congressional Planning and Budget Department, Philippines	1990	-	Yes	No	Yes
Center for Public Finance Studies, Mexico	1998	27	No	No, but reformed budget timetable followed a few years later	No
Parliamentary Budget Office, Uganda	2001	21	Yes	Yes	No
National Assembly Budget Office, Republic of Korea	2003	70	No	No	No

Source: Author.

Should unit responsibilities extend beyond pure budget work? Other services some of these offices provide to legislatures are valuable. However, architects of new legislative budget offices should focus on their central mission and avoid diluting their effectiveness by asking budget offices to do too much.

Conclusion

Given the increasing rate at which independent parliamentary budget offices are being established, several more will probably appear over the next decade. In addition to Kenya and Nigeria, which appear close to establishing budget units, interest has been expressed in Ghana, Guatemala, Thailand, Turkey, and Zambia. Other countries may also be interested in establishing such bodies.

Legislatures with longstanding traditions of nonpartisan parliamentary services (as exist in many Commonwealth nations with professional secretariats) may have an easier time establishing professional, nonpartisan budget offices than other countries. Legislatures in systems of divided government—where the legislative and executive are elected independently of each other—will have more incentive to develop independent budget offices than will their counterparts in true parliamentary systems. In a true parliamentary system, when the party or coalition controlling the legislature selects a government to represent it, it has little incentive to use parliament's resources to develop professional capabilities to challenge that government. Legislatures

wihout a tradition of nonpartisan staff, and those whose entire administrations consist of political appointees replaced after each election, may also find it difficult—albeit not impossible—to establish independent budget offices. The U.S. Congress and state legislatures in the United States have developed such professional services, and they are becoming increasingly common in Latin America.

Once legislative-based independent, professional, nonpartisan budget units are established, a critical challenge for institution builders is to keep them nonpartisan. When and where they succeed, they will improve the quality of government budgeting and budgets, make the budget process more transparent and easier to understand for both legislators and the public, and generally enhance the credibility of government.

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Notes

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[1] The terms *legislative budget office and parliamentary budget office* are used interchangeably in this paper.

[2] Much of the information on California's Legislative Analyst's Office is taken from Hill (2003a, 2003b); Vanzi (1999); and www.lao.ca.gov.

[3] California is one of the U.S. states that allows citizens to petition the government to place special initiatives (such as tax cuts) on statewide ballots. The LAO prepares fiscal analyses of all such measures.

[4] Much of the information for this section comes from CBO Director Dan Crippen (2002).

[5] Much of the information on the CPBD comes from the Congressional Planning and Budget Department
Web site (www.geocities.com/cpbo_hor/).

[6] Unlike the LAO and the CBO, the CPBD serves only one house of the nation's two-house legislature.

[7] This shift in power is illustrated by the dramatic reduction in the percentage of executive branch (relative to legislative branch) proposals enacted into law in the early years of the 21st century. In the spring 2001 term, 48 percent of legislation enacted into law was initiated by the president. Just four years later, in the spring 2004 term, that percentage had fallen to 7.1 percent (Weldon 2004).

[8] This section draws on Park (2006).

[9] Much of the information on the proposed Kenya Budget Office comes from the Fiscal Management Bill
2006, introduced in the National Assembly March 24, 2006.

[10] This section draws on Nzekwu (2006).

[11] Several of these benefits were presented by Barry Anderson, former Acting and Deputy Director of the
U.S. Congressional Budget Office (Anderson 2006).

[12] Samuel Huntington (1991) uses the Schumpeterian minimal definition of democracy when he defines a political system as democratic to the extent that its most powerful collective decision makers are selected through fair, honest, and periodic elections in which candidates freely compete for votes and in which virtually all the adult population is eligible to vote.

[13] The World Bank Workshop on Parliamentary Budget Offices, held in Bangkok May 15-17 2006, was designed to share international practices regarding the establishment of parliamentary budget offices.

Establishment of Uganda's Parliamentary Budget Office and Parliamentary Budget Committee

Beatrice Kiraso Birungi

A. BACKGROUND

Uganda's Parliamentary Budget Office (PBO) was established by an Act of Parliament on 27th February 2001. It came into effect on 1st July 2001 when His Excellency the President assented to the Bill. The objective of the Act was to "provide for and regulate the budgetary processes for systematic and efficient budgetary processes and other matters connected therewith".

The Bill was moved as Private Members' Bill. It was initiated by Ms Beatrice Kiraso, the chairperson of the Committee on Finance, Planning and Economic Development and Mr. Isaac Musumba, the chairman of the Committee on the National Economy. The Committee on Finance, Planning and Economic Development scrutinized the Bill and prescribed responsibilities and deadlines to the various stakeholders in the Budget making and execution process.

Prior to the enactment of the Budget Act Parliament did not play an active role in the budget making process. Under the 1995 Constitution of the Republic of Uganda Articles 155 and 156 Parliament has the authority to approve the budget.

As a result of their participation in parliamentary capacity building seminars and conferences the then chairpersons of the committees mentioned above as well as other Members of Parliament realized that Parliament ought to play a more active role in the budget making process. Until then Parliament had been a "rubber stamp" and information provided to Parliament on budget related matters was inadequate. Parliamentarians were kept ignorant on issues like local resource revenue, foreign inflows in the form of budget support or project financing, national expenditure priority areas and macro-economic statistics.

It was agreed in principle that as peoples' representatives, if Members of Parliament were to be more accountable and effective in their oversight role, the Budget was one most important tool by which MPs could influence the economic and social development policies of the country.

The Executive was not keen on allowing Parliament to participate in the budget making process. As a result, the Bill faced a lot of resistance. Whereas other Bills took on average three weeks between the first and second reading the Budget Bill took about eight months from its introduction to passing. The Uganda Constitution Article 93 dictates that Parliament shall not introduce a motion (including an amendment) that would impose a charge on the Consolidated Fund. The Budget Bill if passed would establish the Budget Office and a Budget Committee and these two would require extra funding, thereby imposing a charge on the consolidated fund. The government conveniently used this reason to reject the Bill. After months of negotiation between government and Parliament the government agreed to re-introduce the Bill as a Government Bill. This never happened, as clearly government was not in favor of Parliament scrutinizing the Budget. Demands by Parliament to do more Budget scrutiny was described as interference in the work of the Executive and an abuse of the separation of powers provided for in the Constitution.

After nearly two months of lobbying other members and sensitizing them to the need for Parliament to scrutinize the Budget more a consensus emerged among Members of Parliament and it was agreed that Article 93 of the Constitution notwithstanding, that the Private Member's Bill should be re-introduced and passed even without the consent of the government. Under certain circumstances, the Constitution permits Parliament to override the Executive.

The Bill was re-introduced by Hon. Isaac Musumba, Chairperson of Committee on National Economy and committed to the Committee of Finance, Planning and Economic Development chaired by Hon. Beatrice Kiraso. The two Committees worked together to come up with the final Bill which was allowed by the Speaker to be read the second time and in February 2001 passed by overwhelming majority.

B. THE STRUCTURE OF THE PARLIAMENT OF UGANDA

Until September 2005 when the Uganda Constitution was amended to open up for political pluralism, Uganda was governed under a "Movement system", where leaders were elected on individual merit. Therefore there was no government or opposition in Parliament. There was no majority or minority. It was easier for Members of Parliament to support a position favorable to Parliament against the Executive if it benefited or strengthened Parliament. Government was in a weaker position to whip members to its side. The Parliament of Uganda elected from among its members a Speaker and Deputy Speaker who were non-partisan.

Although there were a few individuals in Parliament who considered themselves to be in opposition – because they preferred a multi-party system to the Movement system – the majority of Parliamentarians acted in a non-partisan, independent and objective manner. The non-partisan climate enabled an objective discussion of the need to have a Budget Act to hold government more accountable to Parliament in the Budget preparation and execution process.

For the efficient discharge of its functions, Parliament operates through Committees, and these Committees, which make reports for debate and adoption of the whole House, do most of the detailed work. The Rules of Procedure of the Parliament of Uganda provide for standing committees, sessional committees and ad hoc or select committees. Standing committees' membership lasts five years; the period of the life of that Parliament. Sessional committees are constituted in every session. Each lasts one year.

The Speaker establishes ad hoc or select committees for a specific purpose and for a prescribed period of time, usually a few months. A Member of Parliament cannot belong to more than one standing or sessional committee.

The standing committees deal with cross-cutting issues such as public accounts, rules and privileges of Parliament, approval of Presidential appointments etc. The sessional committees oversee the various ministries of government and the relevant Ministers present/defend their policies and activities before these committees. There are ten sessional committees, some of which combine two or more ministries. Under the Budget Act these sessional committees scrutinize individual ministries' budgets and report to the Budget Committee.

The Budget Act provides for a budget committee. The budget committee is a standing committee. It is different from other committees because it was created by an Act of Parliament. Other committees are created by the rules of procedure. Another important aspect of the Budget Committee is that all Chairpersons of other Committees (Standing and

Sessional) are ex-officio members of the Budget Committee. This makes it easier to receive reports from other Committees on Budget – related matters and to give the Budget Committee a broad picture of the national budget and the government programs and activities being carried out in the various sectors. The major functions carried out by the Budget Committee are prescribed in the Act, Section 19(1) and (2).

C. THE PARLIAMENTARY BUDGET OFFICE

Sections 20 and 21 of the Budget Act set up the Parliamentary Budget Office (PBO). The office consists of economists with expertise in macro economics, data analysis, fiscal policy, and tax policy. The initial structure provided for 11 posts, but due to the high demand for the services of the PBO it has been enlarged to provide for 21 experts .The PBO is headed by a Director. To date only four vacancies have not been filled due to budget constraints. With the new political dispensation it is expected that the demand on the Budget Office will increase and therefore there will be need to fill the vacant posts.

The resistance to the establishment of the Budget Office and Budget Committee did not end after the law was passed. By this time Parliament had passed the Administration of Parliament Act which allowed it to manage its own vote so that the Ministry of Finance could release funds required by Parliament based on approved activities. The excuse of budget constraints affected the immediate setting up and running of the PBO. After the 2001 general elections, the 7th Parliament came into being.

Ms. Kiraso Beatrice who had initiated the Budget Bill during the 6th Parliament was elected the first Chairperson of the Budget Committee. The Chairperson sought assistance from USAID, which, at that time had an on-going capacity-building program for Parliament. The special request to assist in setting up the PBO was also shared with other donor agencies. USAID, DFID, GTZ, EU, WORLD BANK and NORAD provided assistance in the form of furniture, computers and software, filing cabinets, other office equipment as well as the initial allowances for the officers. Within one year Parliamentary Commission was in position to embark on recruitment of the PBO officers.

Later, the Parliamentary Commission insisted that any support to any Department or Section in the Parliamentary Service should be channeled to the common basket, and that the Budget Officers would be accommodated in the existing employment structure and not benefit from any extra funding outside the Parliament budget. Because of the heavy workload, some officers could not accept the salary Parliament was offering and opted to leave. The PBO attracted high-caliber personnel from other organizations including recent graduates and trained them. Organizations from which the initial personnel were attracted from included the Ministry of Finance – Budget Department, Uganda Revenue Authority, the Central Bank and Uganda Bureau of Statistics.

The PBO has been (and continues to be) non-partisan, objective and highly committed to its functions provided under Section 21 of the Budget Act.
The level of interaction with the Parliamentary Committees, the quality of analysis of information, the periodic (normally quarterly) budget performance reports have become better each year.

Among the regular analysis the PBO carries out are:

(i) Local Revenue

The Uganda Revenue Authority is required to submit monthly performance reports to the Budget Committee and the Budget Office. The Budget Office analyses and makes reports for the Budget Committee. The reports identify whether the revenue collections are on target, if the targets were right or could be improved, if there are shortfalls or over performance and on the possible reasons for the shortfalls.

Where necessary the Budget Committee seeks further analysis from the Sessional Committee on Finance, Planning and Economic Development which oversees the Ministry of Finance under which Uganda Revenue Authority (URA) falls. The Tax Policy Expert from the Budget Office works with the Sessional Committee to prepare a report and recommendations for the whole House.

The PBO has proposed to Parliament different ways in which the tax base could be widened, for example through the introduction of property tax, which URA has attempted to implement since 2004/5 budget. The PBO has also identified possible areas where reduction in taxes could trigger increased consumption and therefore more revenue. It has participated in proposing tax education methods to enhance tax administration.

(ii) Foreign Inflows

Section 13 of the Budget Act requires the President at the time of presenting the annual budget to present to parliament information relating to the total indebtedness of the State. The Budget Office on behalf of Parliament scrutinizes these presentations and makes reports to the Budget Committee pointing out issues, which need the attention/discussion of Parliament.

Under Article 159(1) of the Constitution the government has the authority to borrow from any source but Article 159(2) gives Parliament the authority to approve or guarantee any loan. Fifty percent of the National Budget has for a long time been externally funded. By the 2004/05 financial year external funding had fallen to 42 percent. Any departure from disbursements of the foreign funds would distort the Budget. The PBO monitors and reports on such disbursements from both multilateral and bilateral donors in order to point out possible shortfalls that would require government to re-prioritize on its expenditures.

PBO has greatly improved the relevant Committee's capacity to understand the loan agreements between government and the donors. As a result, Parliament is now in position to question or even request government to re-negotiate provisions that are unfavorable.

(iii) Expenditure

Section 6 of the Budget Act requires each Minister to submit to Parliament by the 30th day of June in each financial year a Policy Statement. The Statement among other things is expected to reflect the funds appropriated for that Ministry for that financial year, how much was actually released, and what it was used for.

The PBO then reconciles the shortfalls (or in some Ministries the supplementary) with the total budget performance, and if there are discrepancies brings this to the notice of the Budget Committee. The PBO has also developed modules – which are still simple – that Committees use to monitor the performance of the sectors they oversee. Whereas Ministries are by law required to submit annual policy statements, the PBO has been producing quarterly Budget Performance reports based on information collected from the treasury as well as other sectors. This has enabled Parliament to monitor the general budget and sector performance throughout the year.

(iv) Economic Indicators

At any given time, the PBO is able to produce an independent report (independent of the Executive on the performance of the economy). Since the establishment of the PBO Parliament has been able to monitor the implications of the macro-economic polices, 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, the socio-economic trends. As required by the Budget Act section II Parliament is also able to

analyze programs and policy issues that affect the national budget and the economy and where necessary recommend alternative approaches to government.

At the close of each financial year the Parliamentary Budget Office produces a record of Parliament's recommendation to government and the government is expected to respond. This has greatly improved the quality of the oversight role and enhanced accountability.

D. THE BUDGET CYCLE

The Uganda Budget, as per Article 155(1) of the Constitution is prepared and laid before Parliament not later than the 15th day before the commencement of the financial year. The financial year commences 1st July. Article 155 requires the President to cause to be prepared and laid before Parliament:

(a) Fiscal and monetary programs and plans for economic and social development covering periods exceeding one year.
(b) Estimates of revenue and expenditure covering periods exceeding one year.

Parliament in return is expected to debate and approve the Budget. Before the Budget is passed the Constitution allows the President to authorize the issuance of money from the Consolidated Fund Account for the purposes of meeting expenditure necessary to carry out the services of government for up to four months. This authorization is also endorsed by Parliament and could constitute approximately one third of the total budget for that financial year.

Prior to the coming into effect of the Budget Act, Parliament received the Budget when it was presented on or about the 15th day of June in each financial year. Committees then looked at the policy statements of their relevant Ministries, presented reports to Parliament which passed the Budget by end of October.

Effective 2001 when the Budget Act came into force Parliament started participating more actively in the process, by the setting of expenditure priorities both for the following financial year and for the three years to follow – Medium Term Expenditure Frameworks (MTEF).

Among the most important changes that show more participation of Parliament with the assistance of the PBO are the following: -

(i) Whereas prior to 2001 Parliament would receive the budget figures at the time the budget is read, now the Act requires H.E. the President (represented by the Ministry of Finance) to cause to be prepared, submitted and laid before Parliament indicative, preliminary revenue and expenditure framework of government for the next financial year by the 1st April in each financial year. The indicative figures are then committed by the Speaker to the Budget Committee and all Sessional Committees. Sessional Committees consider, discuss, and review the indicative allocations and prepare reports, which are submitted, to the Budget Committee by 25th April. During the time when Sessional Committees are reviewing the indicative allocations, an economist from the PBO is attached to each Committee to guide and assist the committee in determining the importance or discrepancy with earlier approved policies.

Sessional Committees are then able to agree or disagree with the activities/programs for which funds have been provided in that year's budget or to recommend re-allocations within the ceilings given to the respective sectors.

At the Budget Committee level where all Chairpersons of other Committees participate, the ten Sessional Committees reports are reviewed and recommendations adopted or rejected, usually by consensus. It is at this level that re-allocations across sectors are proposed to government. All these recommendations, proposals and policy issues are contained in one comprehensive report which the Budget Committee with the assistance of the PBO prepares and submits to the Speaker who is by law required to forward it to H.E. the President not later than 15th May. The period between this submission and the final budget (about one month) allows the Executive to accommodate Parliament's ideas and wishes into the Budget. Where the Executive has strong reservations about some recommendations the one month grace period offers an opportunity for the two arms of government to discuss and come up with common positions.

(ii) Whereas the Constitution clearly required that the President cause to be submitted to Parliament fiscal and monetary programs, as well as estimates of revenue and expenditure covering periods exceeding one year, this had never happened during the time prior to the coming into effect of the Budget Act. The Budget Act now, specifically in Section 4(1) emphasizes this Constitutional requirement. Parliament has therefore not only received annual estimates but also estimates of the three consecutive years. The Budget Committee with the assistance of expert scrutiny for the PBO then reports to Parliament pointing out any inconsistencies if any, policy changes and their justification (or lack of it), plus revenue and expenditure projections for the following three years. As a result, Members of Parliament are now able to inform their constituents more authoritatively on government programs with a clearer indication of when they will be implemented.

(iii) Policy Statements, which used to be submitted any time before the budget is passed, are now submitted by 30th June (Budget Act Section 1).
This gives enough time to Sessional Committees to scrutinize them and report to Parliament as part of the appropriation exercise. There is an official from the PBO attached to each Sessional Committee as they scrutinize the policy statements which by law (Section 6(2)) are expected to reflect specific data on value for money and the extent of achievement of the objective targets on money received and spent by each sector. The standardization of the Policy Statement was done by the PBO together with the Ministry of Finance and approved by the Budget Committee.

(iv) It was recognized that there were pieces of legislation which when passed during a financial year distort the budget such are Bills and Motions whose implementation would require funds not previously budgeted for. The Budget act section 10 now requires that every Bill introduced in Parliament should be accompanied by its indicative financial implication if any. The certificate of financial implications is tabled together with the Bill on its first reading and is committed to the relevant Sessional Committee along with the Bill. Committees seek the expertise of the PBO to verify the accuracy of these certificates and advise on the implications on the Budget for that financial year. Parliament is now able to defer Bills to another financial year after accommodating its implications in the MTEF.

(v) Section 11 of the Act mandates Parliament to analyze programs and policy issues that affect the national budget and economy and where necessary recommend alternative approaches to government. Parliament would not be able to do this without the assistance of the PBO, which prepares economic performance reports on a quarterly basis. As already mentioned these include revenue as well as expenditure related issues.

(vi) While the Constitution provides for supplementary expenditure over and above what Parliament has appropriated, before the Budget act came into force these expenditures tended to be as high as 20% of the initial Budget. This distortion is addressed in section 12 of the Budget act and the PBO assists the Budget Committee to analyze the figures and ensure that the supplementary expenditure is within the 3% prescribed in the law. The PBO is also in constant touch with the various Ministries to ensure that budget execution is as approved by Parliament. Parliament is now able to receive reports on re-allocations within Ministries or departments. Such timely information is relevant for Parliament to keep track on whether there is budget discipline or not.

(vii) The reports from the President on the total indebtedness of the State are scrutinized by the PBO. A simplified and easy to understand analysis is then prepared for the Budget Committee which in turn presents a report to Parliament. The Uganda Parliamentary Budget Office in doing all the above has carried out its important functions namely:

- Providing economic forecasts
- Formulating Baseline Estimates
- Assisting Parliament to analyze the National Budget
- Assisting Parliament to analyze the MTEF

The PBO has also been key in identifying alternative policy approaches and presented such modules especially on taxation to the relevant Committees. The non-partisan and professional nature of the unit has enabled it to perform the above functions to the satisfaction of Parliament as well as the Executive. The Executive now recognizes and appreciates that Parliament is able to deal with budget issues on the same footing.

E. THE SUCCESSES

With the assistance of the PBO, the budget process has been demystified. What was earlier overlooked as a specialized, difficult, and boring area – dealing with figures – has now become simpler, interesting and easier to understand. Budget discussions are now livelier, both inside and outside Parliament.

The strict measures prescribed in the Act on how to deal with the budget have rendered budget formulation and execution more transparent. Since all Parliamentary Committee meetings are open to the press and the public, budget-related issues are now understood by most of the population.

The participation of Members of Parliament as peoples' representatives has enhanced the creditability of the Budget. There is more ownership. Other stakeholders like civil society organizations and the donor community, though not specified in the Act, are able to interact with the Committees. Interest groups like manufactures, exporters, farmers etc that are affected by tax measures are accommodated by Parliament with a better understating of their issues.

The deadlines in the Budget Act have improved the discipline in preparation as well as execution of the Budget. Though there was initial resistance from the Executive each player now appreciates their roles, those of others and the time frames. Government compliance has improved, and accountability has been promoted.

There is better opportunity because of better flow of information and scrutiny for Parliament to make rapid responses where something is not right. Government is more alert and mindful of making mistakes in implementing the Budget. Donors seem to have more confidence in the process than ever before.

Parliament is now able to participate and contribute during public expenditure review meetings and formulation of poverty reduction programs.

F. CHALLENGES

In performing its duties outlined above, the PBO has faced a number of challenges. Key among them is the following:

i) Information

Before the Parliamentary Commission insisted on having all funds to Parliament as basket funds, the Budget Committee and PBO had worked out the cost of having IT connectivity to the key centers where budget related information could be accessed by the PBO more easily and quickly. This has not happened since Parliament has other requirements besides strengthening the Budget Office. The PBO therefore relies on information provided by other centers e.g. Ministry of Finance, Bank of Uganda, Uganda Bureaus of Statistics and has no way of cross-checking the information given. Sometimes the information furnished to the PBO has been inaccurate, inadequate, and untimely.

ii) Establishment Structure

Since it was revised to provide for more officers in the PBO, some posts have remained vacant because of budget constraints. The existing officers therefore are faced with a very heavy workload and they work longer hours especially during the budget scrutiny period.

iii) Cooperation

While cooperation with government sectors has generally improved, some ministries either deliberately or out of incompetence do not furnish the PBO with the information it requires to assist Parliament with comprehensive reports. The Prime Minister (leader of government business) has particularly been cooperative in compelling ministries to provide information.

iv) Discrimination/Bureaucracy

Surprisingly, the PBO suffers some extent of discrimination from the administration of Parliament under the Parliamentary Commission. There is a general feeling among other officers that the PBO is a "super department" because it has better facilities including offices, office equipment and vehicles. These are the facilities, which were initially provided by donors to the PBO at the time of inception. The fact that the funds under the Economic Financial Management Project are directed specifically to the PBO also did not auger well with other officials in the Parliamentary Commission. The bureaucracy in the administration of Parliament sometime causes delays to the PBO's work. The time spent between requisitioning and release of funds for office accessories (even small ones including papers, toner, fuel etc.) bogs down the PBO's work.

v) Demands from Members of Parliament

Members of Parliament do not read the reports. Most of them are turned off by the figures contained in these voluminous reports. The PBO puts in a lot of work but only a few MPs utilize it. MPs are always demanding information which has already been provided to them previously. Some of them even expect information to be collected for them for individual

projects. The PBO sometimes finds itself overwhelmed with MPs' demands. Though requests for information should be channeled through the Budget Committee or Clerk to Parliament some MPs do not follow this procedure.

vi) Lessons for other Parliaments

The establishment of the Uganda's Parliamentary Budget Office, its successes and challenges offer a lot of lessons for other Parliaments.

Legislatures in different counties are at different levels of participating in the budget formulation process. The need for as much participation as possible cannot be over emphasized as the budget is the single most important tool through which economic and social policy can be influenced. With more participation Parliaments will be in better position to play their three basic roles of representation, law making and oversight.

The Executive will not easily relent and permit Parliaments to participate more actively in budget formulation. This means that Parliaments especially in Africa and other transition economics should be assisted to initiate their own legislation that will ensure their participation.

There is the need to share experiences and assist in building capacity in other Parliaments to make them more effective in ensuring better public policies and more prudent management of public resources. Parliaments will need to be assisted with funds, personnel and initial office equipment as well as capacity to utilize the Private Members' Bills and lobbying skills to bring on board colleagues and non-governmental bodies including civil society organizations to garner support for more transparent budgeting.