

# **The Role of the Legislature in the Budget Process: Key challenges in Anglophone and Francophone Countries**

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# Public Finances and the Legislature: Common Challenges

The role of the legislature in public finances of a country is particularly critical since they are representatives of the people who are also the owners and beneficiaries of PFM.

Discussion will cover the following areas and the challenges associated with parliamentary engagement in the budget process in select African countries:

1. Legal and constitutional requirements in budget making and public finance in general .
  - Limited formal legislative authority to engage with budget policy, e.g. severely curtailed powers to amend the budget proposal tabled by the executive. Examples: Ghana, Uganda, Zambia, Kenya-can decrease existing expenditure; Benin-can make amendments in so far as it does not increase total expenditure/deficit/surplus proposed by the Executive
2. Powers of Parliament; financial veto or lack thereof, its consequences and effectiveness
  - Nigeria, Liberia exercise power of veto. Has profound consequences of running the country

# Public Finances and the Legislature: Common Challenges

## 3. Stages of Budget Preparation and the role of parliament

- ❑ Lack of legislative involvement in medium-term planning and the setting of priorities that guide the annual resource allocation process. Many parliaments are not involved in setting strategic priorities nor are they sufficiently involved in debating and setting medium term priorities. Example: in Zambia, there is an MTEF (Green Paper) but it is not sent to Parliament with the set of annual budget documents. Budgetary time horizon is too short for medium-term and policies to have credibility
- ❑ Kenya and Uganda are involved in budget priority setting
- ❑ Parliament has between June and October to pass the Appropriation Bill into Law. After its official presentation, there is a seven-day debate on the policy proposals spelt out in the budget. The official opposition has first priority to respond to the budget proposals, and at the end of the debate, the Minister of Finance responds to the issues raised by MPs.
- ❑ Ugandan MTEF has been held up as a good example. It starts with a focus at the strategic level – the macro-economic framework and linking sector policies to broad resource allocations. It has also encapsulated broader stakeholder participation in the MTEF process. This sequence has facilitated sustainability.

# Public Finances and the Legislature: Common Challenges

4. Delay in receiving budget documents and limited use of budgets execution
  - Poorly resourced and ineffective financial committees that struggle to engage with the budget approval process, oversight of implementation Example: Benin, Senegal Ghana, Zambia
  - These committees lack a medium-term perspective to assess affordability, risk, allocative efficiency, duplication, linkages between planning and expenditure, recurrent vs capital budgets
5. Independence, capacity, and resources of PBOs
  - Lack of access to independent research and analysis capacity in the form of a legislative budget office or a national audit body with close and effective linkage to the legislature.

# Public Finances and the Legislature: Common Challenges

6 . Independence, capacity, and resources of Supreme Audit Institutions and the Role of the Auditor General

- ❑ Scrutiny of audit findings.

7. Detailed review of budgets by parliament and role various committees

- ❑ Budgets are reviewed by Special Committees as in Benin, Kenya. In others such as Ghana, by sectoral committees. They lack expertise. Post budget workshop in Ghana to provide technical support to sectoral committees

# Approaches to addressing common challenges

1. COMPARATIVE STUDY (SEVEN AFRICAN COUNTRIES)

2 POLITICAL ECONOMY ANALYSIS (PEA)-NIGERIA

# Addressing common challenges: Budget Formulation

## 1. Lack of clear rules (and outdated) coupled with no clear institutional arrangements to guide the budget process and its actors

### ❑ Examples:

#### ❑ Kenya

- ❑ Formal rules (Constitution, PFMA, regulations) lays out the budget process and enables Parliament to be involved in the budget process

#### ❑ Uganda

- ❑ Formal rules lays out the budget process and enables Parliament to be involved in the budget process

#### ❑ Nigeria

- ❑ Formal budget making powers but no clarity of specific powers, no specific time to lay budget as per the National Constitution, insufficient time to scrutinise budget estimates from MDAs

# Addressing common challenges: Budget Formulation

## 2. Limited coordination between the executive and legislature throughout the budget process

- ❑ Limited pre-budget dialogue/engagement between the executive and legislature

- ❑ Examples:

- ❑ Ghana

- ❑ MPs may make inputs into the Budget when the budget call circular is made for interest groups to make submissions

- ❑ Zambia

- ❑ MPs may make inputs into the Budget when the budget call circular is made for interest groups to make submissions



# Addressing common challenges: Budget Approval and Scrutiny

## 3. Limited coordination between the executive and legislature throughout the budget process

- ❑ The budget proposal doesn't not reflective include several of the legislature's priority programs and/or allocations considered to be sufficient (leading to Inclusion of projects by MPs not conceptualised by MDAs)

- ❑ Examples:

- ❑ Nigeria

The Legislature derives its appropriation powers from section 80 (2,3 and 4) of the Constitution. While this stage of the budget process is where the Legislature has a significant role in Nigeria, it is also the stage that is contentious. The “budget padding” scandal that hit the NASS during the 2016 appropriation process brought to the fore, varying interpretations of what the Constitutional provisions in section 80 (2,3,4).

# Addressing common challenges: Budget Approval and Scrutiny

4. Lack of access to independent research and analysis capacity in the form of a legislative budget office
  - ❑ Independence, capacity, and resources of PBOs
    - ❑ Examples:
      - ❑ Kenya
        - ❑ PBO Director was a formal National Treasury official
      - ❑ Uganda
        - ❑ “The purpose of the Parliamentary Budget office is to provide Parliament and its Committees with objective, independent and timely analysis of the national budget”
        - ❑ “To strengthen the capacity of the Department for effective service delivery”

# Addressing common challenges: Budget Approval and Scrutiny

## 5. Delays in receiving budget documents

### Limited time to review the budget proposal

#### Examples:

##### Benin

The *loi des finances* bill is supposed to be presented in parliament in October each year. In Bénin, the draft budget is expected latest one week before the opening of the budget session in Parliament which is usually between 16th and 31st October. In Senegal, the draft budget is expected in Parliament on the opening day of the Parliament unique session which is held in October. In both countries, the late presentation on of the budget cannot oblige the Parliament to 'vote' the budget into law before the beginning of the fiscal year.

##### Zambia

Parliament only has a month to approve the budget. The Constitution requires the Minister of Finance to table the budget within 3 months after start of the fiscal year. The budget is typically passed well into the fiscal year.

##### Nigeria

No specific time to lay budget as per the National constitution

# Addressing common challenges: Budget Oversight

## 6. Delays in receiving budget documents and limited use of budget execution reports

### Examples:

#### Benin

- Periodic monitoring and outreach visits to project/program Areas to ascertain first hand knowledge on implementation

#### Senegal

- Periodic monitoring and outreach visits to project/program Areas to ascertain first hand knowledge on implementation

# Addressing common challenges: Audit and Evaluation

6. Delays in receiving audit report(s) and limited use of audit report(s)
  - Independence, capacity, and resources of Supreme Audit Institutions
    - Examples:
      - Tanzania
        - Parliament has worked with a network of CSOs Policy Forum and HakiElimu to improve the use of audit reports

# Guidelines for the establishment of PBOs

1. Context: The political and institutional environment in which PBO will exercise its mandate. The case for champions in parliament. Example, Tanzania. The instrumentality of the Chairman of the Finance Committee and the Speaker of Parliament made a huge difference
2. Set up the PBO to productivity and outputs
3. Outputs: The PBO's products and services
4. Outcomes: Stakeholders' engagement with and perception of the PBO's output

# Conclusion

- ❑ Legislative financial scrutiny and oversight relates to all stages of the budget process, i.e. drafting, approval, implementation and audit.
- ❑ Traditionally, the main focus of legislative involvement has been the approval stage as well as ex post scrutiny of audit findings.
- ❑ However, to be fully effective, scrutiny should be continuous.
  
- ❑ Underpinning the ability of a legislature to exercise effective financial scrutiny is access to comprehensive, accurate, appropriate and timely information throughout the budget cycle.

**Thank you**