

# **Parliamentary Budget Offices (PBOs) Challenges and Experiences in Support for Fiscal Oversight.**

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## **Introduction.**

Emerging trends indicate that the Legislatures worldwide are becoming more assertive, tending towards a transformative legislature with the result that they are reclaiming their power of the purse and are playing a more active role in the budget process. This is as a result of the fact that in many developing and transitional countries, parliaments are moving in the direction of greater budget activism occasioned by democratization and constitutional reforms, thereby creating opportunities for legislatures to redefine contribution to Public Budgeting.

However, since national budgets often tend to be large, complex and difficult to understand by parliamentarians, given their apparent lack of budgetary expertise, the need therefore to build budget expertise within the parliament cannot be overemphasized. It was therefore against this background that some parliaments deemed it fit and proper to establish their own Budget Offices to

assist them among other things, in fiscal oversight of the Executive. Examples of Parliamentary Budget Offices include the United States of America's Congressional Budget Office (CBO) established in 1974, Korea's national Assembly Budget Office (NABO), Uganda's Parliamentary Budget Office, South Africa's Parliamentary Budget Office and Nigeria's National Assembly Budget and Research Office (NABRO), to mention but a few.

It is instructive to bear in mind that Parliamentary Budget Offices are specialized units within the Legislative branch that are supposed to produce objective budgetary, fiscal and programmatic information for the legislators. The case for a non – partisan budget office rests on the assumption that legislatures need a source of information and analysis independent from the Executive to effectively execute its legislative and oversight functions. Also, there is a significant potential for these units (PBOs) to assist members of Parliament in understanding the budget process, the broad fiscal challenges facing government and expenditure control and budgetary tradeoffs that affect present and future spending.

### **Key features of a PBO**

Establishing and maintaining an independent Parliamentary Budget Office that provides objective budgeting information to the legislature is not easy. It is an important challenge that requires a step-by-step development process combined with a medium and long term plan.

Certain fundamental characteristics must be present if the unit is to be successful. Foremost is that it must be **independent** i.e. independent from government control and manipulation in the discharge of its duties. Therefore the unit must be free to analyse available data and come to their own conclusions without deference to the methods used by ministries, departments and agencies.

Similarly, the PBO's work must be **authoritative** because of its reputable wealth for knowledge and technical expertise. This explains why most PBO employees are economists or financial analysts with advanced degrees and years of experience in the public service.

In addition is the **Non-partisan nature** of the unit. Note that the 'non-partisan' is much different from 'bi-partisan': the former connotes lack of

political affiliation; the latter connotes affiliation with both (or all) political parties. A unit that is bi-partisan would attempt to present its analysis from the perspective of both (or all) political parties whereas a unit that is non-partisan would not present its analysis from a political perspective at all. Clearly, a non-partisan PBO would be superior in presenting objective information.

Operating in a non-partisan would require among other things that the same information be provided to majority and minority parties.

Other fundamental characteristics of non-partisan unit include:

- Making the outputs of the unit and the methods by which outputs are prepared transparent (especially reports that are critical of proposed policies) and understandable. A corollary is to place all the unit's output and methods on the internet so that everyone has access to them;
- Defining the core functions of the unit in law so that it cannot be easily changed to suit political purpose;
- Avoiding recommendations;
- Principally serving committees or sub-committees rather than individual members of the parliament;
- Being willing to meet with lobbyists or other proponents as well as opponents of policy proposals, keeping in mind that a fair and balanced process, and the appearance of a fair and balanced process, are always important;
- Locating the units' offices separately from the legislature, but always answering requests in timely manner;
- Avoiding the limelight;

### **Core functions of PBO**

An independent research unit can perform many possible functions, 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.
- Baseline estimates.
- Analysis of the executive's budget proposals.
- Medium-term analysis.

Other functions that the independent unit could perform include the following:

- Analysis of policy proposals.
- Options for spending cuts.
- Analysis of regulations.
- Economic analysis.
- Tax analyses.
- Policy briefs.
- Long-term analysis.

### **Why Fiscal Oversight?**

Fiscal oversight is one of the most difficult and challenging aspects of the work of the parliament. In practical terms, it is about:

- The monitoring of executive activities for efficiency, probity, transparency and fidelity, to ensure that funds appropriated by the parliament are used legally, effectively, and for the purpose for which they were intended.
- Looking back on government spending and activities to determine whether there was waste or corruption, and to ask “value for money” questions. Oversight of executive programs and activities is critical to an effective Legislature and democratic governance.
- Investigation to detect waste and corruption, formal audit evaluation to assess programme effectiveness or efficiency and hearings to air issues or concerns.

### **The Nigerian Experience**

The Nigerian legislature exercises its powers of the purse as enshrined in two important documents i.e. the 1999 Constitution of the FRN (as amended) and the Fiscal Responsibility Act of 2007.

- Section 80 (4) of the 1999 Constitution states “No moneys shall be withdrawn from the Consolidated Revenue Fund or any other public fund of the Federation, except in the manner prescribed by the National Assembly”,

- Section 85 (2) states that “The public accounts of the Federation and of all offices and courts of the Federation shall be audited and reported on to the Auditor-General who shall submit his reports to the National Assembly; and for that purpose, the Auditor-General or any person authorised by him shall have access to all the books, records, returns and other documents relating to those accounts”,
- The FRA Act 2007, Section 10 states that “The Commission (FRC) shall prepare and submit to the National Assembly not later than 30th June in each financial year; a report of its activities including all cases of contravention investigated during the preceding financial year, and shall include in the report a copy of its audited accounts for the preceding financial year, and
- Section 30 (1) states that “The Minister of Finance, through the Budget Office of the Federation, shall monitor and evaluate the implementation of the Annual Budget, assess the attainment of fiscal targets and report thereon on a quarterly basis to the Fiscal Responsibility Council and the Joint Finance Committee of the National Assembly”.

To exercise these powers effectively and to boost its capacity to do so, the National Assembly deemed it necessary to establish its own PBO known as the National Assembly Budget and Research Office (NABRO).

The office was officially inaugurated in March, 2012 by the then Vice President Namadi Sambo. The National Assembly soon initiated a bill to give the office the required legal backing to enable it function as an independent unit. However, the move proved abortive when on two occasions the Bill was not assented to by the Executive after it had been passed by both chambers of the National Assembly. At the moment, there is a fresh Bill before the Assembly which we expect to be passed and speedily assented to by the Executive sometime before the end of the year. The reason being that the legislature has seen the importance of the office.

As stated in the Bill before the National Assembly for the creation of NABRO, the long title reads: AN ACT TO ESTABLISH AN INDEPENDENT NATIONAL ASSEMBLY BUDGET AND RESEARCH OFFICE, WHICH WILL PROVIDE THE NATIONAL ASSEMBLY WITH OBJECTIVE, TIMELY AND NON-PARTISAN ANALYSIS NEEDED FOR ECONOMIC AND BUDGET DECISIONS AND WITH THE

## INFORMATION AND ESTIMATES REQUIRED FOR USE IN THE BUDGET PROCESS; AND OTHER RELATED MATTERS, 2016.

At the moment, the office has been empowered to serve as a unit under the National Assembly but with its own administrative structure.

### **Mandates of NABRO**

It is instructive to note that most of the core functions of a PBO mentioned previously are captured in the Core mandates of NABRO as follows:

- a. Provide independent, unbiased and non-partisan analysis of the national budget estimates;
- b. Provide independent unbiased analysis of the budget of the National Assembly and assist all the Committees of the National Assembly in developing their annual budgets;
- c. Provide independent and continuous review of the budget of the Federal Government including monitoring of existing and proposed programme and budgets;
- d. Provide assistance to all Committees in both Chambers of the National Assembly, including –
  - i. Information with respect to budget and all Bills relating to new budget heads;
  - ii. Information with respect to estimated future revenue and changing revenue conditions;
  - iii. Aggregate of all current liabilities and existing financial commitments; and
  - iv. Any related information as the Committees may request.
- e. Provide analysis of the economic implication on the private sector, the budgetary and financial implication on States and Local Governments of any proposed legislation;
- f. Prepare and present to the National Assembly periodic forecast of economic trends and alternative fiscal policies;
- g. Provide the National Assembly with cost estimates including an analysis of the inflationary impact of any proposed legislation;
- h. Submit to both House of the National Assembly (not later than June every year), a report of -

- i. All items funded in the preceding financial year for which authorizations or appropriations were made in the National Assembly; and
- ii. All items contained in the appropriation act in the preceding financial year but which are not funded by the Federal Government.
- i. Publish and disseminate on its website information it generates including reports, analysis, forecast, etc.; and
- j. Carry out any other functions as the Board may direct from time to time

### **NABRO's Engagement with Stakeholders**

Provision of analytical support with facts and figures to the parliamentarians on budgetary and economic matters as well as fiscal oversight. This is achieved through its various publications which are usually addressed and delivered to each of their offices or through their Aides and Committee rooms.

Also it should be noted that all of NABRO's products can be accessed via its website [www.nabro.gov.ng](http://www.nabro.gov.ng) for the sake of openness and transparency. Although at the moment the website is undergoing upgrade.

### **Achievements**

- Analysis on the Medium Term Expenditure Framework/ Fiscal Strategy Paper (MTEF) since 2013.
- The office has consistently submitted an analysis on the budget proposals from 2013 till to the National Assembly, and at a time in 2014 through its analysis, influenced the legislator's decision to adopt a benchmark price for the 2014 budget.
- At the middle and end of every fiscal year, the office produces an analysis on the implementation of the budget i.e. Mid-Year review of Budget Implementation and the yearly review of budget implementation.
- The office has also since inception produced the Mapping of capital Projects in the Appropriation Act document from 2012 till date. This document simplifies the budget document for use by the legislators by distributing all the capital projects in the appropriation act according to their geographical location thereby making it easy for the legislators to identify the projects that are obtainable to their constituency in the appropriation act.

- The office has conducted research and analysis at the instance of various Committees of the National Assembly on trending issues. For example the Review of the Honourable Minister of Finance's Response to the House Committee on Finance 50 Questions on Nigeria's Economy in January, 2014.

## **Challenges**

- Absence of an enabling legislation – In Nigeria for example, the National Assembly Budget and Research Office (NABRO) is yet to be a product of Parliamentary legislation that will make it independent of the legislature. The office still functions as a unit under the joint supervision of the Appropriations Committee of the Senate and the Legislative Budget and Research Committee of the House of Representatives. However, it should be noted that the Bill has now been passed by the House of Representatives and is awaiting concurrence by the Senate before transmission to the Executive for assent.
- Paucity of funds – Lack of enough funding hampers the scope and depth of operations, thereby posing a risk to its efficacy. The reason for this setback is that it has no direct budgetary allocation. The office is funded through the bureaucracy of the National Assembly which limits its access to the quantum of resources required.
- Inadequate staffing – The office has been handicapped in its desire to hire the requisite staff in terms of quantity and quality in line with its proposed organizational structure. Recently the Office had to make a request to the Clerk to the National Assembly to deploy five personnel to join the Budget Analysis department (even though the office requires more than that number) in order to boost its capacity.
- Access to timely data/information – The inability to access data in a timely manner has negative effect on the capacity of a PBO to carry out its mandate effectively. Every work carried out by the PBO is highly dependent on accurate data. Data gathering has been a major setback for NABRO since its inception and this has tended to affect the timeliness of its analyses and research work. Timeliness is key when transmitting information to the Legislators, especially on Budget-related matters because they also have timelines to consider the budget and pass it to law



for implementation to begin. These data most times are being delayed on account of unavailability or laxity on the part of the generating agencies.

## **Conclusion**

Parliaments need an independent source of information and analysis to improve their participation in budget preparation and vital macro-economic and fiscal oversight.

Thank you for being such a wonderful audience.

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