



e-Parliament

'Spending the Taxpayers' Money' e-Parliament Hearing on Budgets and Legislative Control

European Parliament, Brussels, 2nd July 2007

Summary report

The e-Parliament held an international parliamentary hearing on legislative control of budgets at the European Parliament in July 2007. The meeting followed an international poll of legislators, in which oversight of the budget came out top as the most important factor in ensuring that parliaments function well. The hearing looked at several ways that budgets can be made more transparent and accountable. The hearing was organized with the help and support of the Taiwan Representative Office in Brussels and the Taiwanese Foreign Ministry.



The European Parliament in Brussels.

Parliamentarians from around the world attended the hearing, including chairs, vice-chairs and members of budget and public accounts committees in Asia, Africa and Europe.

The meeting took the form of an international parliamentary hearing. The panel of legislators heard testimony from a series of experts and then asked questions and commented on what they had heard.

List of Participants:

Parliamentarians:

Kwame Ampofo MP– Ghana
Member of the Ghanaian Parliament

Dora Byamukama MP– Uganda
Member of the East African Legislative Assembly

David Chaytor MP – UK
Member of the UK Parliament

Eka Komariah MP - Indonesia
Chair of the Budget Committee of the DPD.

Hans-Peter Martin MEP – Austria
Member of the Committee on Budgetary Control

Norbert Mao – Uganda
Former Member of the Ugandan Parliament. Chairman, Gulu District Council.

George Nangale MP - Tanzania
Member of the East African Legislative Assembly

Peter Odoyo MP– Kenya
Member of the Kenyan Parliament
Member of the Public Accounts Committee

Kyosti Virrankoski MEP – Finland
Member of the European Parliament
Vice-Chairman, Committee on Budgets,
Member, Committee on Budgetary Control

Graham Watson MEP – UK
Leader of the ALDE Group in the European Parliament

Anders Wijkman MEP – Sweden
Member of the European Parliament

Experts:

Jon Blondal
Jon Blondal is Deputy Head of Division, Budgeting and Public Expenditures Division, Public Governance and Territorial Development Directorate, OECD Secretariat.

Baogang He
Professor He is a professor at Deakin University, Australia. He is an authority on democratization, NGOs and local governance in China. In recent years he has

carried out several experiments in 'deliberative polling' in China, allowing public consultation and decision-making on budgets and other issues.

Joachim Wehner

Joachim Wehner is a lecturer at the London School of Economics. He recently completed a paper for DFID: "Strengthening Legislative Financial Scrutiny in Developing Countries".

Russell Wildeman

Russel Wildeman is a researcher at the Institute for Democracy in South Africa (IDASA) where he has been based since 2000. He specialises in education policy and financing in post-apartheid South Africa.

Secretariat:

Nicholas Dunlop, Secretary-General, e-Parliament

Jesper Grolin, Executive Director, e-Parliament

Sally Garden, Programme Officer, e-Parliament

Hilary Francis, Programme Officer, e-Parliament



Secretary-General Nick Dunlop explaining the work of the e-Parliament.

Increasing the accountability of budgets

Each expert gave a detailed presentation highlighting one or more steps which legislators could take to promote greater accountability and transparency in their national parliaments. Links to the experts' PowerPoint slides providing more detailed information on some of these ideas will be added later to this document.

Medium Term Expenditure Frameworks

Jon Blondal presented the idea of using **medium term expenditure frameworks**, which run at least three years ahead of the current budget, in order to facilitate long-term planning and enhance credibility and confidence in the budget process. Jon highlighted that although there are many benefits to this strategy, there are also risks, and it is important to have a proper risk management strategy and to be prepared for unforeseen spending needs.

Jon also presented the concept of '**top-down budgeting**', arguing that joint financial planning between finance and other ministries doesn't work, and it is important to allow ministries the freedom to plan their own work without restrictions such as ring-fencing for particular projects. The concept of 'top-down budgeting' is that each ministry is able to be its own finance ministry, and can plan and budget its expenditure as it chooses, within the overall allocation which it has been awarded and decided by the finance ministry.



Legislators Norbert Mao (Uganda) and Kwame Ampofo (Ghana) listen to one of the presenters.

Jon concluded by saying that this increased flexibility for spending ministries should be matched by a greater accountability, and that it is important to have robust reporting and monitoring mechanisms in place. He covered the relative merits of monitoring outcomes or outputs in measuring the effects of spending, and also pointed out that for some kinds of spending it is exceedingly difficult to monitor and measure the results. Jon also stressed the fact that the interest and input of ministers and parliamentarians are crucial to the success of both medium term expenditure frameworks and top-down budgeting, but unfortunately there seems to

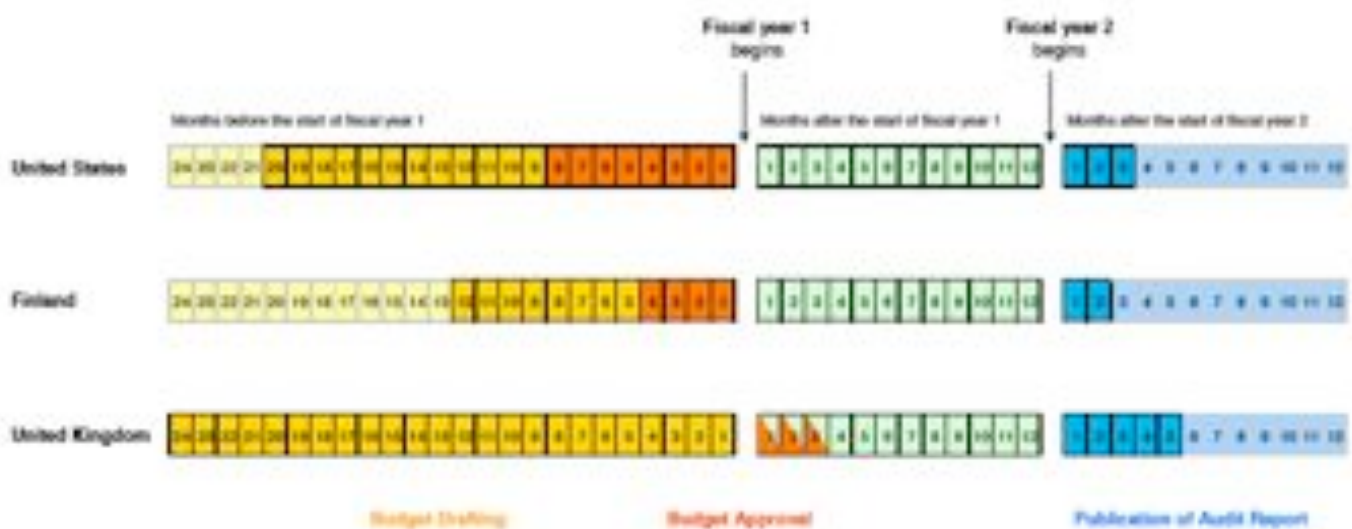
be a lack of interest amongst parliamentarians in many countries in developing and participating in these financial systems.

Strengthening Legislative Financial Scrutiny

Joachim Wehner highlighted a number of issues that are central to ensuring genuine **legislative scrutiny of the budget**. He began by discussing the amount of time that legislatures need to analyse the budget after it has been drafted, allowing for meaningful examination and scrutiny of the decisions that have been made.

Joachim drew on a number of examples of practices in the United Kingdom, the United States and Finland to demonstrate how much variation there is in current practice.

The diagram below shows the differences between those three countries. As can be seen, the UK has the longest lead-in time with two full years spent drafting the upcoming budget. Notably though, in the UK Parliament scrutiny and oversight of



the budget does not begin until the fiscal year has already begun and the budget is already being spent. Joachim also highlighted the different points in the budget process where legislators could exercise scrutiny and control and showed how scrutiny could take place at every stage in the budgeting process.

Joachim did not seek to promote any one policy idea. However, he did suggest that in most countries there was a noticeable gap between procedure as laid out in the statute books and actual parliamentary practice. He, therefore, recommended that parliamentarians try to increase their role by making themselves aware of, and making use of, the requirements of budgetary scrutiny in their countries.

Deliberative Polling

Professor Baogang He presented his work on deliberative polling in China. Deliberative polling is a method of conducting **participatory budgeting at the local level**. It is inspired by the methods of participatory budgeting developed in Porto Alegre and other cities in Brazil in the 1990s. (For more information about participatory budgeting in Brazil please see the summary in our ideas bank on the e-Parliament website at www.e-parl.net).

In China several different models of participatory budgeting have been piloted and these might include deputies, citizens or both. In all the experiments that have taken place so far, only a small part of the budget is discussed openly and the government still controls the whole process. Because of this the process can only claim modest success in terms of granting rights, increasing transparency and giving people the ability to control the process. Baogang also made it clear that participatory budgeting is easily manipulated. At the same time, it is clear that participatory budgeting does have empowering effects for citizens and is important in giving them a right to express their opinion, a rare phenomenon for many Chinese citizens.



Baogang discusses his presentation with Hans-Peter Martin MEP, Kyösti Virrankoski MEP and Nick Dunlop, e-Parliament Secretary-General.

Several of the legislators present expressed considerable interest in developing some kind of participatory budgeting scheme in their own country and constituencies. In fact, Hon. Peter Odoyo from Kenya described how he is involving his constituency in distributing the funds that he as a Member of the Kenyan Parliament receives for constituency-based projects. The e-Parliament will continue to follow up on this and provide further information and contacts with experts as required.

Legislative reform of the budget process in South Africa

Russell Wildeman spoke about the process of budgetary reform in South Africa, where there has been a lot of legislative reform, but unfortunately practice has not always conformed to the legal framework. Dr. Wildeman said that in South Africa there is now a worrying trend with the Executive doing everything for everyone – a kind of “trust us, we know” attitude.



Dr. Wildeman talked about the reform of the budget process in South Africa.

Dr. Wildeman suggested that parliaments can really flex their muscles at the implementation and execution phase, especially since in many countries there is often a huge gap between the final approved budget and the actual expenditure. He also argued that there is a balance between involving MPs and maintaining scrutiny and accountability and on the other hand allowing the executive to initiate and design the budget, to ensure that the process is efficient and workable. He stressed that if MPs are given too much control they may demand the unworkable, and as the involvement and participation of MPs increases, the involvement of civil servants may decrease.



Mrs Eka Komariah MP (Indonesia) and Russell Wildeman of the Institute for Democracy in South Africa.

Outcomes from the meeting

Several legislators mentioned how useful the presentations had been. Legislators from Ghana, Uganda and Kenya expressed interest in piloting participatory budgeting in their own countries. The e-Parliament will be following up with and supporting these legislators. Mr. Kyösti Virrankoski, Vice Chair of the budget Committee in the European Parliament, complimented Joachim Wehner on his presentation and invited him to speak to a special joint session of the Committee on Budgets and the Committee on Budgetary Control.

The experts involved all agreed to produce short summaries of their ideas to add to the e-Parliament Ideas Bank, so that they are freely available on the Internet. These will be made available shortly. Following the participation of Ms Eka Komariah from Indonesia in the hearing, we are delighted to welcome six new registered members of the e-Parliament from the Indonesian Parliament. We will be following up with all participants in the coming months and will report on the outcomes from the meeting. All updates will appear on this website.