

## Introduction and overview

Budgets affect all of us. Businesses analyze budget policy in order to make investment decisions that impact on growth and employment. As citizens, we depend on the state to provide crucial services and infrastructure. Whether new roads will be built, whether our children will have schools to go to or whether clinics can adequately cater for the health care needs of the population depends, to a large extent, on the way government raises revenues and allocates money to meet various competing and sometimes conflicting needs.

The budget is the most important economic policy tool of a government and provides a comprehensive statement of the priorities of a nation. As the representative institutions of the people, national legislatures are the appropriate place to ensure that the budget optimally matches a nation's needs with available resources. Effective legislative participation in the budget process establishes checks and balances that are crucial for transparent and accountable government and ensuring efficient delivery of public services.

Governments are large and complex institutions, and this is reflected in their budgets. Measured in terms of revenues and numbers of employees, some national governments are among the biggest organizations in the world. This makes budgeting in the public sector inherently complex. Budget documents can comprise thousands of pages, the format of the budget is not always easily understandable, and thorough analysis can take a lot of time. Budget scrutiny can be a daunting challenge facing legislators when they are asked to consider the annual revenue and expenditure proposals of the government.

From a long-term perspective, the influence of national legislatures on budget policy has declined in many industrialized countries. It now appears, however, that many legislatures are rethinking their role in the budget process and reasserting themselves as more active players. The purpose of this training module is to make a contribution

towards supporting parliamentarians and parliamentary staff to effectively participate in the budget process.

The module contains the following units:

- **The evolution of parliament's power of the purse:** Parliaments have struggled for a role in the budget process. This unit gives an overview of the history of parliamentary involvement in public finance. Much of this module focuses on the development of the House of Commons, which was at the forefront of claiming the 'power of the purse', but other countries are also considered.
- **Introducing the budget:** The second unit is a basic introduction to the budget and some related concepts that frequently feature in discussions on budgeting. It looks at the definition of the budget and its components, including revenues, expenditures and the deficit, as well as some of the key objectives of budgeting.
- **The budget process:** The budget cycle in government typically involves a number of different actors and follows a sequence of essential steps. This unit introduces some of the main participants of the budget process and presents a simplified and generalized outline of planning, approving, implementing and auditing expenditures.
- **Parliamentary approval of the budget:** One or perhaps the main task of parliaments in budgeting is to review the draft budget tabled by the executive for the upcoming fiscal period. This unit provides an overview of some of the key issues that make for effective scrutiny of the executive draft budget including parliament's constitutional powers, its committees, the timing of the budget process, and access to relevant information.
- **Parliament and the audit of public accounts:** Many parliaments not only approve the budget, but also assess the integrity of budget execution through involvement in the audit process. This unit looks at different approaches to parliamentary audit. It covers the types of supreme audit institutions and the types of audits they conduct, the interaction of auditors with parliament, the role of

parliamentary committees, and, finally, the use of follow-up mechanisms to ensure that governments implement recommendations for improvements that are generated through the audit process.

- **Opening up the parliamentary process:** Many parliaments are considering whether to open up the parliamentary budget process to the media and the public, or whether they could more directly benefit from outside expertise for the scrutiny of government finance. This unit looks at the pros and cons of opening up committees to the public and how a committee can organize public hearings on the budget.
- **Strengthening parliamentary involvement:** To conclude this module the final unit offers a short diagnostic framework that can be used to assess the effectiveness of legislative financial scrutiny in particular countries.

Throughout the text, core concepts are highlighted and explained. Short definitions of all highlighted concepts are included in a separate appendix that contains a glossary of terminology related to the budget. Each unit concludes with suggested questions for discussion as well as a list of relevant internet resources and a select bibliography.

