

THE ROLE OF PARLIAMENT IN THE BUDGET PROCESS

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This article investigates the role of parliamentary amendment powers in the Budget process from a comparative perspective. It is proposed that the ability of Parliament to change the Budget depends on two sets of necessary conditions: the actual configuration of powers vested in Parliament and a set of factors determining the role of committees in the Budget process. It is concluded that even if the South African Parliament were to immediately gain amendment powers in budgetary matters, committees do not yet have the capacity to effectively utilise them. The article therefore proposes the introduction of amendment powers in conjunction with a set of procedural and institutional changes.

The aim of this paper is to understand the role of Parliament in the Budget¹ process. In particular we shall focus on powers of amendment over Money Bills² and conditions for effective use of these powers.

Why is this an important debate? The Budget is the most important economic policy tool of the Government³ and provides a comprehensive statement of the nation's priorities. As the representative of the people, Parliament is the appropriate place to ensure that the Budget best matches the nation's needs with available resources. This ability is especially critical considering the current fiscal squeeze where the primary challenge is reprioritisa-

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¹ The word "Budget" may have a different meaning across countries. In the UK, for instance, the term Budget commonly refers to revenue only. In this paper, we refer to the Budget as both the Estimates of Revenue and Expenditure.

² The South African Constitution defines a Money Bill as a "bill that appropriates money or imposes taxes, levies or duties". It may not deal with any other matter, unless this is incidental to the appropriation of money or the imposition of taxes, levies and duties (section 77(1)). It is important to mention the historical origin of a special status for Money Bills (Leonardy 1996: 6). In the UK, the Parliament Acts of 1911 and 1947 made the House of Commons the decisive Chamber, taking away amending and suspending powers with regard to such bills from the House of Lords. The Lords have only retained a suspensive veto on legislative proposals other than Money Bills, stretching over one session of Parliament. The distinction of Money Bills must therefore be seen against the background of a process of increasing redundancy of the House of Lords, a second Chamber that has lost most of its legitimacy and nowadays exercises largely ceremonial functions. Nevertheless, a number of countries adopted this differentiation without thoroughly considering the historical context that shaped it.

³ For the purpose of this paper, the term "Government" refers to the executive only.

tion within and between departments.⁴ Such an exercise demands detailed engagement with the Budget, a potential that is wasted in the present vacuum. Currently, Parliament's powers to engage with and change the Budget are not defined, which has the effect that the parliamentary Budget process is largely of symbolic value. As the Institute for Democracy in South Africa (Idasa), the Congress of South African Trade Unions (Cosatu) and others have pointed out, the legislative Budget stage provides the crucial opportunity to check the Budget against citizen's preferences.⁵

Furthermore, there is currently no literature on the parliamentary Budget process in the South African context. It is hoped that the following analysis will stimulate debate on this pivotal issue.

The international debate is framed as a tension between the roles of the executive and the legislature – between technicality and democracy. In virtually all countries it is accepted that the executive has a mandate to prepare the Budget, as it possesses the most comprehensive information on which to base revenue and expenditure decisions. As in many other countries, this is recognised in section 55(1)(b) of the final Constitution⁶ which gives the executive the sole right to initiate and prepare Money Bills. The role of the legislature is to exercise oversight and to authorise the executive to raise revenue and spend money (Inter-Parliamentary Union 1986: 1049-53).

The basic dilemma between technicality and democracy has led to a compromise internationally whereby most Parliaments have restricted their powers over the Budget. In return, most were able to maintain their sovereignty by keeping a closer watch over Budget execution, thereby strengthening the capacity to make informed amendments. Every system will have to balance this tension through the design of the process and its rules.

We shall survey different designs of this balance. For this purpose, the following sections provide an analysis of the broader South African context, a discussion of international experience and its relevance for the South African situation. We conclude by outlining some policy implications in the light of this analysis.

Since this research has as its primary purpose to contribute towards the South African policy-making process, our concern was with capturing parliamentary practice. To ensure accuracy, we obtained the data as much as possible directly from administrators closely

⁴ For instance, in March 1998, the Western Cape MEC for Health released plans to close certain hospitals in the province, and cut allocations to others, citing a tight Budget. In response, the opposition produced a plan how to save R 250 million to avoid hospital closure (Cape Times, 30 March 1998). Space for such open debate, apart from the value of its content which may vary greatly, is only possible during the legislative Budget process. It provides the opportunity to produce and discuss creative solutions and effective allocation.

⁵ See, for instance, Coetzee (1998) or Krafchik and Robinson (1998). Cosatu refused to participate in the Portfolio Committee on Finance hearings on the grounds that Parliament does not have the power to change the Budget, arguing that this would make the union's comments futile.

⁶ Act 108 of 1996, hereafter simply referred to as the Constitution.

involved in the parliamentary Budget process in each respective country. The data were gathered through an initial survey as well as a number of follow-up interviews.⁷ In many instances, this helped to clarify the actual practice of the parliamentary Budget process, since conventions are not always anchored in written rules. We restrict most of our discussion to a comparison of Australia, Germany, India and the UK. These countries served as models in the design of the South African parliamentary process.

THE SOUTH AFRICAN CONTEXT

What is the current situation in South Africa? The Constitution grants Parliament the right of amendment over Money Bills (section 77).⁸ To activate this right requires a separate Act of Parliament, spelling out exact details of how this should work in practice. To date enabling legislation to this effect has not been tabled which implies that committees⁹ still labour under the considerably weaker powers of the past.

The presentation on Budget Day initiates a legislative review process lasting three to four months. During this stage, committees have two possible points of interaction with the Budget – the Portfolio Committee on Finance hearings on the overall Budget and other portfolio committee hearings on individual votes. In the National Assembly the Bill is

⁷ Names in brackets without dates indicate interviews or survey responses, as listed at the end of the paper. Relevant Internet sites are also listed, with the latest date of modification indicated in brackets. Answers to our initial survey were received from Australia, Germany, India and the UK. Where not otherwise indicated, information was taken from written answers to this survey. The sources of some specific comments are indicated. We would like to express our appreciation to those who responded to our survey and made time available for interviews. Individual survey replies can be obtained from the authors upon request. Furthermore, we would like to thank Logan Wort from the Department of Finance for commenting on an earlier draft, presented at a seminar held at Idasa's Cape Town Democracy Centre on 3 June 1998.

⁸ It is necessary to comment on the rapid transition of the South African Parliament and its committee system since the first democratic elections in 1994. Prior to this date, parliamentary committees were adequately described as mere rubber-stamps for the apartheid Government. Since then, their number has been greatly increased, and they now are envisaged by the Constitution to play a central role in initiating and scrutinising legislation, as well as holding the executive accountable (sections 56, 69 and 73). Nevertheless, committee impact has been limited - to varying degrees - by political constraints (such as in the instance of the Sarafina II health committee hearings) and by a lack of resources. Calland (1996) described the above dilemma as "all dressed up with nowhere to go". Calland and Taylor (1997) further comment: "The legislative arm of government struggles to assert an interventionist role in socio-economic policy-making. At a time of transition, when the chief institutions of democratic governance are new and are relatively poorly equipped for the task of matching the technical expertise of the executive, and are themselves in a period of intense and at times destabilising change, this effect is enhanced. South Africa's national parliament is in the middle of such a phase. It is, therefore, perhaps too soon to be judgmental about its effectiveness or otherwise in forging a powerful role as guardian of the people's interests." It is in this transitional context that our discussion of the South African situation must be understood. Our aim is not to judge a system as if it was static, but rather to develop guiding principles for further development in order to enhance democratic and efficient governance in South Africa.

⁹ We refer to a committee as a subgroup of legislators, normally entrusted with specific organisational tasks, and not to the Committee of the Whole House comprising all legislators.

referred to the Finance Committee which has only seven days to hold hearings and present a report to the House. Portfolio committee hearings on individual votes are optional and must be completed in time for the debate in the House (Kahn). For instance, during the 1998 Budget process, the Portfolio Committee on Labour held public hearings.

The Constitution grants Parliament strong powers to hold open hearings and to call Government officials and other experts to give evidence. But Parliament and its committees do not yet have the right to suggest changes to the Budget. In theory, a committee can recommend that the entire Budget (or specific votes) be rejected in total and this could lead to a motion of no confidence or force the Government back to the drawing board. In practice, however, this is unlikely to happen for several reasons, including the large African National Congress (ANC) majority in Parliament. Parliamentary officials recall only one instance in the past where one of the Houses in the tri-cameral system rejected Chris Heunis' Constitutional Affairs vote.¹⁰ The President's Council subsequently overrode the decision.

Following the National Assembly process, the Bill is referred to the National Council of Provinces (NCOP) for consideration. According to the Constitution, this process should mirror the procedure for section 75 legislation (ordinary Bills not affecting the provinces). In theory the NCOP could reject the entire Budget and force the National Assembly to vote again, but this has yet to happen for any Bill, let alone a Money Bill.

The introduction of amendment powers could substantially change Parliament's engagement with the Budget from a rubberstamp exercise to effective oversight. In particular, this will affect the roles of the Committees on Finance and Public Accounts. The design of the amendment system is therefore critical. Unfortunately, the South African Constitution does not prescribe the form and limits to amendment powers. As a starting point for this discussion, we consider international experience.

INTERNATIONAL EXPERIENCE

Analytical framework

The design of amendment powers

While most countries allow changes to Money Bills, there are wide variations in the design and impact of amendment powers.

First, there is a significant distinction between parliamentary and presidential systems of Government.¹¹ In general, presidential systems grant greater powers of amendment, al-

¹⁰ According to departments, each vote represents the parliamentary grant of expenditure.

¹¹ In a presidential system, the president as the head of the executive is elected directly and separately from Parliament. In a parliamentary system, the executive is elected from amongst the Members of the legisla-

though this is often counter-balanced by an executive or presidential veto.¹² Given that South Africa is a parliamentary system, we shall concentrate on the situation in comparable countries.

The vast majority of parliamentary countries allow amendment powers. However, such powers have not had a uniform impact on their respective parliamentary systems. In Australia and the UK, amendments passed are few and relatively minor. The most significant change in Australia in the past years has been a 1995 amendment which resulted in AUS\$ 250 000 reduction in capital expenditure. There were no amendments made in the most recent 1997/98 Budget (Fowler). In the UK's House of Commons changes in taxation rates are hardly ever made against the wishes of the Government as long as the governing party retains even a small working majority. "The only significant event of this kind in recent history" (Proctor) was in December 1994.¹³ It can be categorically stated that amendments to expenditure proposals are never made except at the instigation of the Government.¹⁴ By contrast, during the 1998 Budget deliberations, the German Budget Committee cut total expenditure by DM 4.2 billion and shifted more than DM 17 billion between votes. Over the past years, controversial capital expenditure projects, such as the construction of a high-speed train line, were effectively limited by tens of millions by attaching stringent conditions to such expenditure (Levermann).

The ability of Parliament to change the Budget

The ability of Parliament to change Budgets depends largely on two sets of necessary conditions: the extent of conferred powers, and the effective role of committees in the Budget process.

Conferred powers refer to the configuration of powers vested in Parliament to change the Budget. Logically, these powers are positively correlated with the ability to affect change, but they cannot explain the full variation in Budget changes across countries.

Broad criticism restricted to general debate in the House is one indicator that detailed analysis, which requires committee scrutiny, has not taken place (Inter-Parliamentary Un-

ture, and not directly by the people. The election of an executive in a parliamentary system is therefore largely dependent on party-political majorities in Parliament.

¹² The Legal Rights and Natural Resources Center - Kasama sa Kalikasan (1996) provides a good analysis of the Philippine system.

¹³ In the Budget introduced that month the conservative Government proposed to increase the rate of value added tax on the domestic consumption of fuel and power from 8 to 17.5 per cent (the latter being the standard VAT rate for other products and services). An appropriate amendment was tabled by the Labour opposition to one of the Budget resolutions. This amendment was carried (319 votes to 311), and on the same day the Government announced that they would bow to the wishes of the House. The vote largely reflected the increasingly precarious position of the government in the House and some discontent on their own back benches. Such an event is unlikely to occur during the lifetime of the current Parliament, in which the Government holds 418 of the 659 seats (Proctor).

¹⁴ A complete list of all amendments made to the most recent Budget was not available. A number of technical amendments occurred with concurrence or at the instigation of the Government.

ion 1986: 1091). In their comprehensive analysis of West European parliamentary committees, Mattson and Strom (1995: 250) state: “Strong committees, it appears, are at least a necessary condition for effective parliamentary influence in the policy-making process.” This is because a developed committee system enables the legislature to divide its labour in a way that generates expertise in important policy areas, and provides room for such expertise to be applied to the policy-making process (Mezey 1979: 64). Accordingly, the committee system has also been described as Parliament’s “engine room” (Caldland 1996: 2). Since most legislation is initiated by the executive, Parliament’s role in the policy-making process is in many cases determined by its ability to change legislation once it has been tabled. Where the parliamentary committee stage is less dominant than the debate on the floor of the House, substantial amendments are unlikely. Therefore, the ability to amend Budgets is strongly influenced by the effective role of committees in the Budget process. The extent of committee involvement in the parliamentary process depends upon the “location” of amendment powers, i.e. whether amendment powers are vested in committees or in the House; the amount of time dedicated to committee debate in the deciding House¹⁵; which committees are involved, and the interaction between them; as well as committee access to independent research and departmental information (cf. Mattson and Strom 1995: 285-295).

An effective amendment system must combine conferred powers with an entrenched role for committees. In systems where Parliament is granted power of amendment without an effective role for committees in the process, the ability of Parliament to change the Budget is limited (e.g. Australia). In systems where Parliament is granted power of amendment, combined with an effective role for committees, its ability to change the Budget is strengthened (e.g. Germany).

The ability of Parliament to change the Budget significantly is most likely when Parliament does have some power of amendment, committees have the right to suggest amendments to the House, there is sufficient committee time for Budget scrutiny, a coordinating committee is able to combine finance and other specialised input, committees have access to sufficient independent research capacity and to detailed, timeous departmental information.

This is based on two reasonable assumptions. First, we have already observed that the mere existence of powers of amendment does not necessarily ensure that they will be used effectively. We assume that the absence of significant changes, especially over a number of years, indicates a lack of ability to make changes, rather than a general satisfaction with the Budget. Our aim is to explore some of the reasons for the differing ability of countries with amendment powers to make significant changes. The focus should not simply be on the number of changes, since this is not always an indicator of substantial changes. For example, in India Members may move “cut motions” involving symbolic amounts to express a specific grievance. Similarly, in the UK reductions are often

¹⁵ In many bicameral Parliaments, the power of the Upper House in budgetary matters is restricted.

suggested as a means of voicing disapproval and force the Government to furnish explanations prior to approval. For the purpose of this study, we consider the magnitude of actual changes in the Budget as including shifts between votes.

Second, we are aware that it is impossible to fully factor in the institutional and political background of each country, such as the historical role of Parliament in Westminster-style systems. It is also difficult to capture the de facto rules that develop in each system through the interaction between individual and political agendas with institutional structures. Such dynamics would include, for instance, the German tradition of co-operative governance reflected in a committee system in which opposition parties chair or co-chair essential committees, such as the Budget Committee.¹⁶ Similarly, a list system as opposed to a constituency-based system is likely to reduce the role of internal party debate, as may the size of the ruling majority. Dramatic events may also alter parliamentary practice. This was the case in Australia, where a deadlock between the two Houses over the Budget led to the dissolution of Parliament in 1975. Some observers point to a convention, that the Senate would never reject the Budget in total, which has since emerged to prevent a reoccurrence of this episode (Kerley).

These factors will have an impact on the way in which conferred powers are designed and utilised. We shall concentrate on two essential sets of necessary conditions pertaining to the nature and structural design of the parliamentary Budget process, both of which can be objectively determined.

The framework applied

Differences in conferred powers

The first possible explanation for differences in the effectiveness of committees is the extent of conferred powers. The power to amend Money Bills can be grouped into three broad categories. Unrestricted power generally implies the ability to vary expenditure and taxation in either direction, without the consent of the Government. Most presidential systems fit this model. Restricted power refers to the power to amend the Budget within set limits, often relating to increases in total expenditure. Balanced Budget power refers to the ability to raise or lower expenditure or revenue as long as there is a counter-balancing charge to maintain the Budget balance.

Although most parliamentary systems are clustered in the restricted power category, there are differences in amendment powers within parliamentary systems. Germany, as one example of a Western European country, generally allows increases in revenue or decreases in expenditure without the consent of the Government. Proposals to decrease

¹⁶ In the *Bundestag*, the Lower House, committee members and committee chairs are distributed according to relative party size. In the *Bundesrat*, Parliament's regional Chamber, seats are distributed between the *Länder*.

revenue or increase expenditure are allowed but require the consent of the Government.¹⁷ In practice, the revenue powers of both Parliament and the executive are further limited to the recommendations of the independent Working Group on Revenue Estimates (*Arbeitskreis Steuerschätzungen*) which includes the Ministries of Finance and Economics, *Länder* (provincial) MECs for Finance¹⁸, organised local government, the Federal Bank, the Federal Statistical Service, a recognised group of experts, as well as major economic research institutions (Bundesministerium der Finanzen 1996: 17). Similarly, India allows Members to reduce expenditure and vary taxation. Increases in expenditure require the recommendation of the President. Taxation is also dealt with slightly differently to expenditure in that changes take effect immediately, but the House still has 75 days to approve. The House of Commons may not increase expenditure or, more surprisingly, revenue. This configuration has no logical rationale, but has historical reasons.¹⁹ The only legitimate amendments are those that reduce requested expenditure or abolish a tax or duty. In the Australian system, Members may move to reduce expenditure or revenue. Only the Government can introduce or increase an expenditure or tax.

Table 1
The Rights of Members in Budgetary Matters

Rights	Number of countries
1. May reduce and increase expenditure and revenue	32
2. May reduce but not increase expenditure	17
3. May reduce expenditure, but only increase it with the permission of the Government	4
4. May reduce and increase expenditure if alternative provisions are made elsewhere	13
5. Rights not specified	15
6. Not applicable (Nicaragua)	1
Total	82

Source: *Inter-Parliamentary Union 1986: Table 38A*

¹⁷ In the countries we have surveyed, most amendments produce cuts in total expenditure that do not require the consent of the Government.

¹⁸ A Member of Electoral Council (MEC) for Finance is the provincial equivalent of the national Minister of Finance.

¹⁹ The “reductions only” powers in the UK have been to some extent copied in other Westminster-style systems. However, it should be noted here how this peculiar configuration evolved (Inter-Parliamentary Union 1986: 1093): “The explanation of this provision can be traced to the early days of the House of Commons, to the time when it met to consider demands for subsidies made by the Crown. Its task was to decide whether to comply with the demand and, if so, within what limits and by what means. This explains the prohibition on proposals to increase expenditure and consequently on proposals to increase taxation. The British Parliament still respects this long-standing custom and practice and, as a result, it may not vote sums in excess of the Government’s estimates. Consequently, the only amendments that are in order are those which aim to reduce the sums requested and have as their purpose the chance for Members to raise explanations before the sums in question are approved.”

Despite these differences, most parliamentary systems allow a fairly high minimum level of amendment powers. Although there are often restrictions on increasing expenditure, reduction in expenditure can be considered the lowest common denominator for parliamentary systems. Changes to taxation are usually also possible, although restrictions are varied. It is therefore not always possible to explain the large differences in the magnitude of actual amendments highlighted above simply with reference to differences in allocated powers. Budget changes are greater than variations in amendment powers. Effective amendment power also depends on a further set of factors that determine the extent to which committees are able to utilise conferred powers.

The role of committees

The second explanation for the observed variance in the magnitude of budgetary amendments between countries is the role played by committees in the Budget process. Actual amendment power is essentially about matching formal committee powers with the capacity to utilise these powers.

While each of the following five factors affects effective committee power, it is their combination that is important; any one or two present in a particular country is not likely to suffice. An effective committee role in the Budget process depends on the balance between these factors and the nature and extent of the power allocated by the Government.

(i) Location of amendment powers

This refers to the power given to committees to suggest amendments to the House. In all parliamentary systems amendments have to be moved on the floor of the House. In some countries the committee has primary responsibility for suggesting amendments to the deciding House. In these cases, the focus of Budget debate is in the committee, committee involvement is strong and shapes the debate in the House. For example, the report of the German Budget Committee contains the suggested amendments that are debated and generally accepted on the floor of the *Bundestag*. Therefore, where effective powers are located in committees, it is likely that detailed scrutiny will predominate over general debate. Amendments are more likely under this scenario.

In other countries, the role of committees is restricted to providing comment to the House without suggesting amendments. For instance, while committees in the Australian Senate deliberate on the Budget, the report to the House only mentions issues of concern. It is up to individual Senators to circulate a request for amendment. In the House of Representatives, there is no committee stage for the Budget. In India, the joint committees scrutinising departmental votes are prohibited by the parliamentary rules to suggest amendments in their reports (Lok Sabha 1997).²⁰ In these cases, committee involvement is weaker.

²⁰ According to rule 331E of the Rules of *Lok Sabha*, the functions of each of the Standing Committees shall be, *inter alia*, “to consider the Demands for Grants of the concerned Ministries / Departments and make a report on the same to the Houses. The report shall not suggest anything of the nature of cut motions”. According to rule 331N, the “report of the Standing Committees shall have persuasive value”.

The focus of the debate is on the floor of the House as it is up to individual Members to move amendments, who may or may not take committee comments into account.

(ii) Time allocated to committee debate

The time allocated to committee debate is relative to the total time available for parliamentary consideration. Longer time enables detailed analysis to identify and support suggested amendments. Where committees do not have sufficient time for analysis, their role to suggest amendments is weakened. This variable also has to take into account in which House the committee deliberations occur. If committees exist and make recommendations to the deciding House, the ability of Parliament to make changes is strengthened.

Australia allows one to two months for the legislative Budget process. However, there is no committee stage in the deciding House, viz. the House of Representatives. The committee stage only occurs in the Senate where it lasts approximately one month.

The UK does feature a rather extensive committee stage lasting several weeks of a three-month parliamentary Budget process. However, the ad hoc Standing Committee on Finance only deals with uncontroversial matters as agreed between the opposition and the Government. The truly controversial discussions are reserved for debate on the floor of the House.²¹

In India, the parliamentary Budget process is allowed to last up to 75 days. Both Houses adjourn for a fixed period during the committee stage.

In contrast, Germany allows four months for the Budget deliberations, including several weeks allocated to the Budget Committee stage in the *Bundestag*. In addition, the Committee on Finance in the *Bundesrat* (Upper House) also has approximately one month to consider the Budget, although its debate is more limited with much of actual scrutiny assigned to provincial level (see below).

(iii) Choice of committees

The ability of Parliament to change the Budget is influenced by which committees are involved and the relationship between these committees. In most countries the Finance Committee accepts responsibility for the process, alone or as a co-ordinating body for

²¹ In the UK, the time spent by the committee varies from year to year, depending on the complexity or contentiousness of the taxation proposals, and on the political situation – a Government with a large majority (like the present Labour Government) may be able to move very quickly. The Finance Bill in July 1997 was dealt with in only nine sittings of the Standing Committee spread over a single week. This was under a “Guillotine” (timetable). On the contrary, the last five Finance Bills of the previous conservative Government took, on average, about twenty committee sittings (about fifty hours) spread over a period of about six weeks. Indeed, there were two Finance bills in 1995/96 which each occupied twenty five committee sittings (Proctor).

other relevant committees. The trend in our sample is towards broader committee consultation in the parliamentary Budget process: In India, up to 1993/94, the Budget was examined by the Committee on Estimates only. It is currently examined by departmentally related sector committees (Lok Sabha 1997). Since 1970, a similar development has taken place in Australia with the introduction of a committee stage in the Senate (House of Representatives 1998). In the UK, a committee stage involving the Standing Committee on Finance was introduced in 1968 (House of Commons 1998). Furthermore, the departmentally related select committees set up in 1979 were, amongst others, tasked to review the expenditure of Government departments (Flegmann 1986). Although these initiatives may have been implemented with varying degrees of success, this trend is an indication that Parliaments themselves have realised the value of committee involvement in the Budget process, ultimately meant to improve Parliament's approval and oversight capacity.

It seems that strong co-ordination from the Finance Committee, combined with specialised sector input, supports strong committee involvement in the Budget process and therefore Parliament's ability to change the Budget. Moreover, and very important from the perspective of South Africa, unless there is a process or structure to co-ordinate different committee or sector inputs, Parliament will not be able to reprioritise between votes. The absence of a mechanism to shift funds between votes also acts as a strong general disincentive for expenditure cuts. Parliamentarians are less likely to enact cuts if they are not able to shift funds elsewhere.

The relationship between the Finance or Budget Committee and Public Accounts Committee is also crucial for amendment ability.²² In many countries, the Finance Committee establishes a special relationship with the Public Accounts Committee. This interaction is very important as the latter usually monitors the implementation of the Budget, including the office of the Auditor-General. Where the two committees work closely together, effective oversight strengthens the ability to change the Budget. Where the work of the two committees is not well integrated, the system may achieve strong oversight without being able to translate this capacity into budgetary changes where adequate.

The German Budget Committee is able to draw on the expertise of designated reporting Members who are each assigned to monitor the implementation of the Budget in a single department. Importantly, Members retain the same portfolio for several years building up significant sector expertise (Levermann). This enables detailed changes within departmental votes, as well as substantial shifts between departments. As mentioned above, in the 1998 Budget, the committee decided to shift DM17.1 billion between votes. In Germany, the important Public Accounts Committee is a sub-committee of the Budget Committee. This means that expenditure authorisation and monitoring decisions are

²² While a Finance or Budget Committee is usually tasked with approving revenue and expenditure estimates, a Public Accounts Committee aims to ensure that money allocated to government is spent as Parliament intended. These two tasks can be summarised respectively as Parliament's approval and oversight function with regard to public money.

uniquely integrated in a single committee. Detailed knowledge of spending and incidence patterns gathered through this subcommittee helps to ensure the accuracy and relevance of the amendments suggested by the broader Budget Committee. In the *Bundesrat*, the Finance Committee assigns each vote to one of the sixteen MECs for Finance (*Landesfinanzminister*), forming a subcommittee. Each MEC has to submit a short statement on the vote assigned to him or her, after which questions to the Government are formulated. Recommended amendments are debated, voted on and recorded in the Committee's report to the House (Wisser).

In both India and Australia, the committees involved are able to scrutinise departmental Budgets in detail. However, there is no co-ordinating mechanism or report to support shifts between votes. In India, for instance, departmental Budgets are scrutinised by seventeen departmentally related standing committees. However, there is no committee which draws together these deliberations within the Budget process.

In the UK, the process dealing with revenue proposals is much more formalised than that dealing with expenditure (Flegmann 1986), since it involves the temporary Standing Committee on Finance.²³ The permanent Treasury Select Committee usually inquires into the Finance Bill between the Budget statement (outlining its provisions) and the second reading debate (on the principle of the Bill). There is, however, no requirement on it to do so or for the Government to wait for its report before holding the second reading. On the expenditure side, there is no obligation for the Government to wait for reports from any committee. Proposals for expenditure are examined by the Select Committee on Estimates, and sometimes the departmentally related select committees. However, lacking a co-ordinating mechanism, committees hardly ever propose to have expenditure reduced (Patrick).

In both the UK and Australia, the link between public accounts and the Budget process is broken. In both countries, the Public Accounts Committees are strong and resourced but not able to feed this expertise into the Budget process itself. In both countries, the Public Accounts Committees are not part of the actual Budget process. They have no direct input in the debate nor is there a strong relationship with the committees that do have input.

(iv) Independent research

²³ Since terminology used in the classification of committees varies across countries, this may lead to some confusion. The UK's standing committees would be labelled *ad hoc committees* in South Africa, whereas select committees are similar to the South African *portfolio committees*. In the UK, the Standing Committee on the Finance Bill is simply a debating committee, which goes through the Bill debating its clauses and amendments to them. It replaced a very similar process involving the whole House; indeed, some of the provisions of the Finance Bill are still considered in Committee of the Whole House. The Standing Committee exists only for the length of the committee stage and it has no other activities. It is not the relevant subject committee, which is the Treasury Committee, a permanent select committee (Patrick).

Sufficient time for committee debate is unlikely to lead to budgetary change, unless committees have access to independent research expertise. The ability to change Budgets depends on detailed scrutiny that is only possible with a detailed analysis. Committees are likely to depend on departmental expertise when amendment powers are first introduced. However, this is neither sufficient nor satisfactory in the longer term from the point of view of either the department or the committees. In the short term, it is also possible for committees to share research expertise. In the longer term, given the size and technical nature of the Budget, effective research services require dedicated and specialised personnel. In general, the research capacity of committees often varies in proportion to effective committee power, but even weaker committee systems make provision for dedicated Finance or Public Accounts Committee research capacity.

In the German *Bundestag*, the Budget Committee has a secretariat that consists of five to six people. The committee can also draw on the independent Scientific Service (*Wissenschaftlicher Dienst*), only available to Members, that has a dedicated finance unit consisting of five persons and an overall staff of eighty. Similarly, the *Bundesrat*'s Finance Committee is supported by an office with a staff of five members. However, the scrutiny of individual votes is assigned to the Finance Departments of individual *Länder*, which draw on a number of staff for this purpose. The work of *Länder* Finance Departments is supported by access to a central data pool (*Zentrale Datenstelle der Landesfinanzminister*).

In Australia each of the eight Senate committees that consider the Budget have a secretariat, consisting of the secretary, an executive assistant and one or more research officers. In addition, committees have access to an independent parliamentary research service with a permanent staff of about eighty. The powerful Joint Committee on Public Accounts and Audit, that examines the Auditor-General's reports, has a secretary and ten dedicated staff Members.

In the UK the Standing Committee on Finance has no advisers of its own. The Select Committee on Public Accounts, which is not directly involved in the Budget process, relies on the research of the National Audit Office and is supported by only one clerk. The Treasury Select Committee is relatively well resourced with two clerks, two specialists and two administrative staff. It can also employ advisers if necessary. The library of the House of Commons further has a large research section with a permanent staff of approximately seventy five people (Long). Strictly speaking it is only the Standing Committee on Finance that is actually involved in the Budget process itself, but this committee has the fewest independent research resources available.²⁴

²⁴ Our research did not focus on researchers working for specific parties. In the UK, for instance, the larger opposition parties retain staffs of their own experts to deal with revenue and, to a lesser extent, expenditure matters. These staff are at least partly resourced from public funds provided to each political party by means of a formula-based block grant approved by Parliament (Proctor). Similar situations can be found across countries. For this paper, we aimed at reflecting the ability of *Parliament* to employ independent research capacity, not that of political parties.

In India, committees are supported with secretarial functions from the *Lok Sabha* Secretariat. Individual Members have access to the parliamentary library and associated research and reference services. The Members' Reference Service provides background research upon request. A substantial increase of references handled has been noted since the introduction of this service. In 1950, 150 requests were dealt with, increasing to 425 in 1960, 700 in 1970, 3627 in 1980 and 5167 in 1990.

(v) Interaction with departments

Given the executive's preferential access to information, access of committees to independent analysis is unlikely to be sufficient. In most models, committees utilise a mix of independent sources of analysis together with access to the executive and other public agencies. This means that committees are reliant on the breadth and depth of the information supplementing the Budget speech. In addition, committees require information on the implementation and impact of the current Budget and development of the Budget of the following year. Access to this information is critical - greater capacity to monitor Budget implementation is often the trade-off that legislatures accept in return for restrictions on amendment powers (see above). In general, the greater the quality and timeliness of information available to the appropriate committees, the stronger will be their input and therefore the ability of Parliament to change Budgets.

In Germany, the supplementary information is extensive and includes the relation between inputs, outputs and outcomes. Budget Committee interaction with departments during the year is based on the principle of continuous control introduced in 1985. Interaction is largely the responsibility of the designated reporting Members for each department, selected from governing and opposition parties, and includes regular departmental briefings. The Committee on Public Accounts, a subcommittee of the Budget Committee, oversees frequent expenditure reports during the year. In addition, it receives Government reports on extra-budgetary expenditure four times a year, as well as comments by the Auditor-General.

In Australia, there is a permanent and strong Joint Committee on Public Accounts. This committee receives and reviews approximately forty reports from the Auditor-General during the year that focus on financial and performance audits. The committee holds public hearings for each report. The Public Accounts Committee and Members are also able to access current expenditure information on-line. The committee has access to the Auditor-General and other relevant ministries.

In the UK, the permanent Select Committee on Public Accounts draws upon the work of the National Audit Office, which makes for a substantial information base. It receives roughly fifty reports on expenditure and impact during the year. Other select committees are charged with examining the expenditure, administration and policy of the various departments. However, they lack the information base of the Public Accounts Committee.

In addition, the Osmotherly rules (so named after the civil servant who drafted them), governing what civil servants can and cannot say before a select committee, prevent revelations on ministerial-bureaucratic relationships. The Osmotherly rules are subject to a specific exception in relation to the Committee of Public Accounts only: the head civil servant in each department is appointed accounting officer in respect of that department's vote. The accounting officer is responsible to the Public Accounts Committee for how this function is carried out.²⁵

In India, the Public Accounts Committee receives reports on departmental accounts and revenue receipts by the Comptroller and Auditor-General. Representatives of the ministries appear before the committee when the accounts and audit reports relating to their ministries are examined. However, the Standing Committees charged with scrutinising individual departmental votes are prohibited by rule 331E of the Rules of *Lok Sabha* from considering "matters of day to day administration of the concerned Ministries / Departments". They therefore lack the background knowledge pertaining to the implementation of the Budget during the financial year.

In the UK, Australia and Germany, access to information during the financial year is extensive. The difference seems to be that in Australia and the UK the relevant information is not fed into the Budget process itself. Similarly, the work of the Indian Public Accounts Committee does not complement the scrutiny of departmental Budgets by the seventeen standing committees. While the Public Accounts Committee also receives most of the relevant information in Germany, this committee is part of the Budget Committee and therefore integrated into the Budget process.

Summary of country studies

Although many countries allow Parliament to amend the Budget, such powers have significantly different impacts. We have shown that two sets of factors are useful for explaining the varying impact. First, each country decides on a particular configuration of amendment powers that directly frames what is and what is not possible. Given the relatively common expenditure reducing powers across countries, conferred powers are a necessary but not sufficient condition for effective use of these powers. Our investigation into four parliamentary systems suggests the differing ability of Parliaments to change the Budget also depends on a second set of factors relating to the role of committees in the Budget process.

The five factors detailed above each have a unique relationship to committee capacity, but it is the interaction of these factors that defines the practical impact of powers. In Germany, amendment powers are located at committee level. Committee debate is allo-

²⁵ If a minister instructs him to make a payment which the accounting officer considers improper (beyond the authority given by Parliament, for example), he would write a formal letter to the minister saying so, and if the minister persisted in the instruction it would be carried out but the Public Accounts Committee would be informed. This procedure is rarely invoked (Patrick).

cated a substantial share of the time available for the Budget process in the deciding House. To complement this bias, committees have access to extensive dedicated, independent and Government research capacity, supported by a continuous process of monitoring Budget implementation, and an integrated Public Accounts Committees. The German system results in substantial expenditure reductions as well as reprioritisation between departments.

In Australia and the UK, permanent committees are strictly speaking not part of the parliamentary Budget process in the Lower House, while in the Australian Senate the power to suggest amendments is vested in the House rather than in committees. Committee deliberations in the Australian Senate can deepen debate but cannot easily filter into effective amendments in either House. On the other hand, in both Australia and the UK access to independent and dedicated research capacity and comprehensive Budget documentation ensures strong oversight through the Public Accounts Committee. However, both systems fail to feed this detailed and intimate knowledge into the Budget process. Consequently, significant amendments are not a feature of either the UK or Australian system.

While India has significantly broadened committee involvement in the parliamentary Budget process over the past years, a co-ordination mechanism is currently lacking. Committees operate in a fragmented manner, thereby hindering the potential for well-informed amendments. As in Australia, the committees responsible for scrutinising departmental estimates lack the power directly to suggest amendments to the House, which limits the scope for debate.

Second Chamber involvement in the committee stage can be observed in four distinct forms (Krafchik and Wehner 1998a), i.e. a committee stage only in the Second Chamber (Australia), no committee stage in the Second Chamber (UK), a joint committee process (India), or a parallel committee process (Germany). Although Second Chambers usually have limited powers over the Budget, their potential to add value to the process is recognised in many countries. This is underlined by the developments in both India and Australia, where the committee stage was broadened to involve the Second Chamber.

HOW DOES THIS COMPARE TO SOUTH AFRICA?

South Africa is on the brink²⁶ of discussing the amendment powers of Parliament. At this important juncture, it may be useful to compare the existing situation in the country with our model.

²⁶ As at the time of writing, a sub-committee of the Portfolio Committee on Finance is engaging with the national Department of Finance to finalise a draft Bill. This draft is likely to be discussed in the first half of 1999.

In terms of conferred powers, South Africa is presently well below the minimum in parliamentary systems. Even if Parliament were to gain amendment powers immediately, however, committees do not currently have the capacity to utilise them effectively. Consequently, the ability of Parliament to change the Budget would be low.

The decision on where to vest amendment powers has not yet been taken. The above analysis suggests that it is important to give a committee, such as the Finance Committee, a role to co-ordinate suggested amendments across votes.

The Portfolio Committee on Finance is currently allocated a minimal seven days to submit a report on the Budget to the National Assembly. This comprises less than one tenth of the four months allocated to the entire legislative Budget process in the deciding House. In the NCOP, committee involvement is optional. Even well resourced organisations are hard-pressed to deliver detailed, substantive comment on their immediate issues of interest, let alone the entire Budget. Given the poor weighting to committee deliberations currently in South Africa, most of the process is consumed by general debate on the floor of the House, often unrelated to the Budget.

The current Budget process determines a central role for the Finance Committee, but there are insufficient mechanisms to bring together informed input from other portfolio committees with specific sector knowledge. Although the Public Accounts Committee is separate from the Finance Committee, there is a substantial overlap in membership. However, the work of the Public Accounts Committee does not formally feed into the Budget process. This is a crucial issue to be addressed in the amendment powers debate.

In terms of independent research capacity, the South African Parliament fares poorly in comparison to any of the countries considered. The national Portfolio Committee on Finance currently has access to only one researcher. The Committee on Public Accounts has recently secured outside funding for researchers, but this was not finalised at the time of writing. There is no independent parliamentary research service available, nor is there a tradition of researchers available to individual Members. In addition, each party has proportional access to a limited pool of research funds. In practice, this means that the African National Congress study group in the Finance Committee has access to a single researcher without specialised knowledge.

Compared to the countries considered, departmental interaction and information in South Africa is still insufficient, despite some recent improvements. The 1998/99 Budget, together with a move towards medium-term expenditure planning, considerably improves the breadth and depth of information available to Parliament and its committees. However, the current situation is unlikely to meet the minimum requirements for effective intervention. The primary source of information - the Estimates of Expenditure - does not provide sufficient detail on programme expenditures, supplementary documentation is inadequate and there is no satisfactory provision for department aims and the outputs associated with the proposed expenditures. It is also vital that committees have access to

regular reports on the implementation of the previous Budget. However, there is no provision at national level for regular public expenditure reports, nor is there capacity in the Government to produce regular reports on the expenditure incidence. Accordingly, the work of the Portfolio Committee on Public Accounts is currently best described as an *ex post facto* exercise (Andrew), rather than one of continuous implementation monitoring.²⁷

The parliamentary Budget process is currently interrupted by the introduction of the Supplementary Budget, appropriating money not allocated in the main Budget. The introduction confuses the Budget debate in the House and further drains stretched resources. In effect, the House is required to assent to a Supplementary Budget before it has even passed the main Budget. This may be an overhang of a slower printing process in the past.²⁸ The role and timing of the Supplementary Budget in the current Budget process is no longer clear.

Several aspects pertaining to the role of the NCOP in the Budget process require clarification. The Budget does impact on the provinces in many ways. For instance, the package of Budget bills includes the Division of Revenue Bill (classified as a section 76 Bill affecting the provinces) that directly determines provincial shares of nationally collected revenue. In addition, many of the assumptions and decisions in the Budget itself (a Money Bill according to section 77), such as the allocation for improvements in the conditions of service, restrict provincial flexibility. The current approach to classification already recognises that the distinction between Money Bills and other legislation remains artificial and is often blurred in practice. The distinction was imported from the British system without full consideration of the South African context.

There are two substantial obstacles to enabling NCOP amendment powers. First, the potential financial costs to the system are high. One effective mechanism to reduce these costs is to establish a structure or process to involve NCOP Members in National Assembly committee hearings, whether this is through a joint committee sitting or enabling participatory or observer attendance. Second, the institutional capacity of the NCOP is not yet geared to utilise amendment powers. There is no independent research service, nor are committees staffed with dedicated, skilled researchers. It should also be added that the NCOP is a sophisticated and new institution whose systems and responsibilities are in many ways still unclear. Until these issues have been addressed, the value that the NCOP can add to the Budget debate is limited. However, as the substantial involvement of regional Chambers in other countries demonstrates, the NCOP has the potential to add value to the process by building consensus and a common understanding of budgetary issues between national and provincial spheres (Wehner and Krafchik 1998b).

²⁷ The draft Treasury Control Bill, to be passed in November 1998 provides for monthly reports at national and provincial spheres on actual expenditure, but does not require either incidence or cash flow reporting (Krafchik and Wehner 1998c).

²⁸ Under apartheid, the Supplementary Budget also served to “hide” actual military expenditure by topping up defence expenditure as allocated in the main Budget.

Furthermore, the potential role of some other unique South African institutions should be clarified. For example, some have suggested that the National Economic Development and Labour Council (Nedlac) should be drawn into the Budget process (Trollip quoted in Coetzee 1998). Also, the full potential of the Financial and Fiscal Commission (FFC) may not have been fully explored yet. The research capacity of Parliament could be enhanced by drawing on the expertise of the FFC. After all, section 220(1) of the Constitution lists explicitly as the purpose of the commission to make recommendations to Parliament and provincial legislatures. We have, for now, kept the development of the Medium-Term Expenditure Framework and its impact on the Budget process out of the discussion. In other countries, the development of multi-year budgeting has tended to the flexibility of Parliament. However, for instance in Germany, this has often been balanced by increasing control and supervision over the process. In South Africa, one open question is where Parliament should fit into the process of multi-year budgeting.

CONCLUSION

Even if the South African Parliament were to receive powers of amendment immediately, it is unlikely to have the ability to make significant changes. The most serious constraints are the lack of time, research capacity and departmental information. It is therefore important that the debate on amendment powers is linked to the broader debate on parliamentary research and analysis capacity, including its interaction with departments. Demands for fuller information and participation are not new to the South African debate. They form part of a broader programme of Budget reform that is currently being driven by the Department of Finance.²⁹ Amendment powers and associated information requirements should be managed and sequenced as part of this broader reform process.

The following practical steps may form the next stage in the Budget reform process:

It is necessary that amendment powers be introduced according to international minimum standards. This would include the power to reduce expenditure, as well as a mechanism to engage with taxation. The latter may be permitted to take place within certain limits set out by an independent expert commission. Should powers be expanded to allow for any form of amendment, we recommend the introduction of a balanced Budget provision.

The presentation of the Budget should be moved from March to January to allow for sufficient time for analysis prior to parliamentary hearings and the beginning of the financial year. We suggest that the time for House debate be decreased, and the time for committee analysis and debate increased.

The Supplementary Budget currently interrupts the Budget debate in the House and stretches resources. We suggest the two processes be disentangled.

²⁹ Subsequent to several delays, the draft White Paper on Budget Reform is now expected after April 1999.

In order to strengthen the access of committees to information, we suggest that regular national and provincial expenditure reports be published.³⁰ Second, the capacity to monitor and produce regular reports on the incidence of budgetary expenditure should be developed. Third, there should be a comprehensive review of Budget documentation, including the provision of output and outcome targets. Finally, regular meetings between departments and committees should be held focusing on the progress in implementing the current Budget and the development of the next Budget.

An analysis of the options and costs associated with creating and funding an independent parliamentary research service and dedicated committee research support is urgently required. This study should also estimate the additional burden on the executive, in the short and long term, of granting Parliament powers of amendment.

The current priority is to enable the National Assembly to engage constructively with the Budget. A mechanism to involve NCOP representatives in the debate may take the form of a joint committee stage, which is one way to avoid the costs of a parallel committee process. Such representation, at least initially, may not include voting powers, but should enable participation.

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