



# Parliamentary Budget Offices: an instrument for effective budget oversight

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# A NONPARTISAN, INDEPENDENT, OBJECTIVE ANALYTIC UNIT

- ▣ Value
- ▣ Functions
- ▣ Characteristics
- ▣ Examples
- ▣ CBO
- ▣ Conclusions

# VALUE

- ❑ Simplifies Complexity
- ❑ Promotes Transparency
- ❑ Eliminates Executive's Information Monopoly
- ❑ Serves Both Majority & Minority
- ❑ Provides Rapid Responses
- ❑ Improves Budget Process
- ❑ Enhances Credibility
- ❑ Promotes Accountability



# CORE FUNCTIONS

- I. Economic Forecasts
- II. Baseline Estimates
- III. Analysis of Executive Budget
- IV. Medium Term Analysis

# I: ECONOMIC FORECASTS

- Objective
  - Not a function of policy proposals - not dynamic
  - Not based on wishful thinking - no rosy scenario
  - Not a means to an end - for example, interest rates, & oil & crop prices are estimates, not targets
- Conservative - allows for better-than-forecasted performance to reduce deficits/debt
- “Centrist”, based on:
  - Panel of experts
  - Private forecasters
  - Central Bank

## II: BASELINE ESTIMATES

- “Centrist” Economic Forecast
- Current Law Basis, including
  - “Spend Out” of Enacted Legislation
  - Termination of Expiring Legislation
- Medium Term Focus
- Replaces Previous Year & Executive Baselines

# III: ANALYSIS OF EXECUTIVE BUDGET

- ▣ An objective budgetary assessment – not a programmatic evaluation
- ▣ Enhances credibility – both of government as a whole and of executive forecasts

# IV: MEDIUM TERM ANALYSIS

- ▣ Forces executive to look beyond one year
- ▣ Estimates medium term economic and fiscal impacts of policy proposals



# OTHER FUNCTIONS

- ▣ Analysis of proposals
- ▣ Options for spending cuts
- ▣ Policy briefs
- ▣ Analysis of mandates (regulatory analysis)
- ▣ Economic/programmatic analysis
- ▣ Tax analysis
- ▣ Long term analysis

# FUNDAMENTAL CHARACTERISTICS

- ▣ Nonpartisan (*not* Bipartisan)
- ▣ Independent
- ▣ Objective
- ▣ Informed
- ▣ Transparent (Everything on the Internet)
- ▣ Understandable
- ▣ Serve Both Majority & Minority

# ADDITIONAL CHARACTERISTICS

- Put core functions in law
- Do not make recommendations
- Make everything public, including all critical reports
- Brief members first, especially if news is bad
- Meet with lobbyists or anyone else, but seek balance
- Be physically separate from legislature
- The Director should be more technical than political
- Avoid limelight
- Serve Committees, not Members
- Be responsive and timely

# Countries with Specialized Legislative Budget Research Organizations

- ▣ **With 26 or more staff: 3** (Korea, Mexico, US)
- ▣ **With less than 10 staff: 8** (Cambodia, Canada, Chile, Indonesia, Japan {more than 10}, Jordan, Netherlands, Sweden)
- ▣ **None: 28** (Including Argentina, Bolivia, Columbia, Suriname, and Uruguay. Note that Brazil, Costa Rica, Ecuador, Paraguay, Peru, Venezuela and other Latin American countries did not participate in the Survey.)

Source: OECD/World Bank Survey of Budget Practices: <http://ocde.dyndns.org>

# CONCLUSIONS

- ▣ Legislatures need an independent source of information to improve their participation in budget preparation
- ▣ A nonpartisan, independent, objective analytic unit can provide information without polarizing relations between executive and legislature
- ▣ Successful creation of such a unit is not easy: in particular, it demands balance in a political environment