

Parliament and the Budgetary Process, Including from a Gender Perspective

Regional Seminar for Parliaments of South-West Asia

26 to 28 May 2003, Colombo (Sri Lanka)

Foreword

In 2000, the vast majority of governments around the world acclaimed and subscribed once again to the values of freedom, equality and tolerance reaffirmed in the Millennium Declaration, as well as to its key objectives, among which is the promotion of human rights and of democracy and good governance. In doing so, they committed to attaining the Millennium Development Goals. Eradicating poverty, providing universal primary education, promoting gender equality and the empowerment of women and combating HIV/AIDS are but some of these goals. Gender mainstreaming is advocated in all of them.

Governments have many tools at their disposal to achieve those goals, and one of the most important and effective of those tools is the annual budget. By reflecting a government's policies and committing the means and resources to implement those policies, budgets provide a comprehensive statement of the government's priorities. Recognising the importance of budgets, many governments undertook to incorporate "a gender perspective into the design, development, adoption and execution of all budgetary processes as appropriate in order to promote equitable, effective and appropriate resource allocation and establish adequate budgetary allocations to support gender equality and development programmes that enhance women's empowerment", as outlined in the Beijing Platform for Action. Oversight of the budgetary process provides an excellent opportunity to test such government commitments.

Parliament, as a country's foremost representative institution, has a prominent role to play in the budgetary process. It is within its purview to scrutinise and evaluate budget proposals to ensure that they adequately reflect the government's implementation of its commitment to gender mainstreaming. Parliament also must approve the budget before it can become law. The budget debate therefore is a key parliamentary activity and it offers a crucial opportunity for parliament to promote the interests of those it represents. Parliamentary oversight of the budget also ensures transparency and helps promote good governance and democracy.

Ever since the first, ground-breaking seminar organised in 2000 in Nairobi (Kenya) on the subject of *Parliament and the Budgetary Process, including from a Gender Perspective*, the Inter-Parliamentary Union has worked unsparingly to provide members of parliament and parliamentary staff in different regions of the world with the tools necessary to ensure that gender equality is duly taken into account in national policies and reflected in national budgets. While continuing to focus on the gender dimension of the budgetary process, the seminars organised by the IPU in partnership with organisations such as the United Nations Development Programme, the United Nations Development Fund for Women and the World Bank Institute, have also been concerned with other aspects of the process insofar as they can be used to reinforce the promotion of equality between men and women.

The seminar that is the subject of this publication, the fourth in the series of seminars, was organised at the invitation of the Parliament of Sri Lanka and in partnership with the World Bank Institute, and brought together members of parliament and parliamentary staff from that region. The seminar provided participants with the opportunity to exchange views and experiences with their counterparts. This publication documents the speeches and presentations made during the seminar.

Participants considered a number of questions, ranging from the respective roles of government and parliament in the budgetary process, to the meaning of a gender perspective in the budget, to how to conduct a gender impact analysis of the budget. The role of the auditor general's office and of parliamentary committees - such as public finance and audit committees - was debated in great detail. Accountability and transparency in the budgetary process were also discussed at length, with regard to ensuring not only that governmental policies contained a gender dimension, but also that they were adequately implemented.

The experience acquired over the years has proven that these seminars provide a valuable opportunity for exchanging views and sharing country- and region-specific practices, and that reports such as this one offer a practical resource tool for all interested parties. A Handbook for Parliamentarians on "Parliament, the Budget and Gender", which builds on the material and experience gleaned from these seminars, has recently been published by the IPU.

The IPU would like to express its appreciation and thanks to the World Bank Institute for its support in the organisation of the Colombo seminar and would like to commend the Parliament of Sri Lanka for its efficiency and generous hospitality, which greatly contributed to the event's success. A special tribute should also be paid to the resource persons for their invaluable intellectual contribution to the proceedings.

A handwritten signature in black ink, appearing to read 'Anders', enclosed within a simple, hand-drawn rectangular border.

Anders B. Johansson
Secretary General

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Inaugural Ceremony

Mr. Anders B. Johnsson, Secretary General of the Inter-Parliamentary Union
Mr. Peter Harrold, Country Director, World Bank, Sri Lanka
Hon. Joseph Perera, Speaker of the Parliament of Sri Lanka
Hon. K.N. Choksy, Minister of Finance, Sri Lanka



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Hon. K.N. Choksy, Minister of Finance, Sri Lanka
Hon. Joseph Perera, Speaker of the Parliament of Sri Lanka
Mr. Anders B. Johnsson, Secretary General of the Inter-Parliamentary Union
Mrs. Priyaneer Wijesekera, Acting Secretary General of the Parliament of Sri Lanka

Hon. Joseph Michael Perera Speaker of Parliament, Sri Lanka

OPENING SPEECH

Excellencies Ambassadors,
Hon. Minister,
Hon. Members of Parliament from India, Pakistan, Bangladesh, Iran, Cambodia and Sri Lanka
Mr. Anders B. Johnsson, Secretary General of Inter-Parliamentary Union,
Representatives from the World Bank,
Hon. Participants,
Officials from the Ministry of Finance, from the Department of the Auditor-General,
from the Ministry of Women Affairs,
Distinguished ladies and gentlemen,

It is my pleasure to address you today on the occasion of the inauguration of the International Seminar on "The Parliament and the Budgetary Process, including from a gender perspective" organised by Inter-Parliamentary Union.

Strengthening democratic practices all over the world is undoubtedly the primary goal of the Inter-Parliamentary Union. Accountability in relation to public spending is a vital ingredient in any democratic culture. Where accountability is absent corruption will thrive. The objective of the present Seminar is to access the budgeting and overseeing methods of our different countries and to probe whether we are sufficiently fulfilling public expectation as keepers of the public consciences.

Today, national budgeting is becoming more and more complex. Privatisation of public enterprises as a method of injecting dynamism into a sluggish economy is common. The role played by non-governmental organisations is increasing and increasing investment in foreign capital is a regular budgetary feature. All these phenomena were not taken into account when we in Sri Lanka formulated our Parliamentary Standing Orders. Furthermore, we live in an inter-dependent world. The speed and development of communication technology has doubled. The dangers of uncontrolled flow of money across national borders are frightening. Communication is all so complex that a few clicks on the computer keyboard can transform illicit funds into respectable investments. Furthermore, the volume of population movement across national borders, expansion of world trade, lowering of world trade barriers etc., are all facts which have resulted in great challenges in parliaments around the world. The Inter-Parliamentary Union has recognised the necessity to assist parliaments in addressing all these problems last year. They organised a Regional Seminar in Manila, which proved to be an immense benefit to participants. The success of that Seminar has prompted the Inter-Parliamentary Union to have another seminar in our region, which brings us together on this occasion.

In any democracy the government has the duty to take initiatives in financial matters, because it is charged with the task of governing. The financial procedures of the parliament are a matter of high constitutional significance. In Sri Lanka, the Appropriation Bill, which is the government's main financial authority for the year, is presented in Parliament in the first week of October after which it may be challenged before the Supreme Court within one week. If so challenged, the Court is allowed a period of three weeks within which to deliver its order. The Second Reading of the Bill usually takes place in the early part of November. This begins with the delivery of the budget speech by the Minister of Finance. The debate on the Second Reading of the bill lasts for seven days in which almost all the Members participate. After the passage of the Second Reading, the Bill is referred to the Committee of the whole House. In Sri Lanka, the schedule containing appropriation estimates can only be examined in a committee of the whole House where the votes of each Ministry are debated separately. At this stage, the relevant minister, as well as the Minister of Finance, is answerable to the House. The committee stage lasts nineteen days, after which the Third Reading is passed.

Apart from the Appropriation Bill, supplementary estimates may be moved at any time during the year and when required. The Auditor-General is required to audit the government accounts and submit his report within ten

months, that is by October of the following year and his reports are referred to the Public Accounts Committee or the Committee on Public Enterprises.

I see by the agenda that your discussions will mainly be on parliamentary oversight. Therefore, you will discuss the procedures in oversight committees in detail. At present, our Parliament is in the process of considering reports, particularly the idea of opening committee proceedings to the public and media, strengthening the Department of the Auditor-General and requiring the state accounts to be presented in Parliament.

The agenda of this seminar has laid strong emphasis on the gender perspective. This is a feature that receives increasing worldwide attention. In our country, women have made great advances in various professions, in the corporate world and in finance. However, they appear to keep away from politics. You may be surprised to know that out of 225 Members of our Parliament only nine Members are women. This means that very few women participate in the national decision-making process. I hope this Seminar identifies ways and means of encouraging women to take a more active part in politics, as they should be treated as active partners in any national endeavour.

The agenda also focuses on the national audit. Of the vital functions performed by the Auditor-General, enforcing accountability is the subject of much attention. The need to identify the problems faced by the Auditor-General and methods of making the government audit a more meaningful function rests with Parliament. Therefore, it is most appropriate to include this subject in the present agenda.

In all these respects, this Seminar is being held at the time when our Government and Parliament are making plans to strengthen the role of the Parliament in an effort to make democracy more meaningful. Therefore, my special thanks are due to the Inter-Parliamentary Union for organising this Seminar.

I must also thank the visiting delegates and officials, as well as the participants from our own Parliament for the interest shown in making this Seminar a success. This may not be the last in this series of seminars and I sincerely hope that this subject receives continued attention from the international parliamentary community.

In conclusion, I wish you a happy and pleasant stay in Sri Lanka. Upon your return to your countries, may you carry back happy memories.

Thank you very much. ■

Mr. Anders B. Johnsson Secretary General of the Inter-Parliamentary Union

OPENING SPEECH

Mr. Speaker,
Mr. Minister,
Mr. Representative of the World Bank,
Madam Secretary General,
Honourable Ministers, Speakers and Members of Parliament,
Members of the diplomatic community,
Ladies and gentlemen,

It is a great honour and pleasure for me to address you on behalf of the Inter-Parliamentary Union, the world organisation of national parliaments, and to thank you, Mr. Speaker, for your kind invitation to host this Seminar in your beautiful country. This Seminar is part of an activity that our Organisation carries out to promote democracy. The Inter-Parliamentary Union is an organisation of close to 150 national parliaments. It is by its very essence a political organisation. It is an organisation that facilitates political dialogue, because we in the Inter-Parliamentary Union fundamentally believe, as you do, that the way to solve the very natural conflicts that exist in any society and between countries lies not through violence but through dialogue. But it is also an organisation that promotes democracy and over the last 30 years the IPU has developed little by little a very strong and action-oriented programme to promote democracy.

It has developed three sub-programmes over the years. The first one, developed in 1970's, was a programme to strengthen the parliamentary institution and help parliaments to function better and perform better their representative, legislative and oversight roles. The second part was developed a few years later and consists of promoting human rights, strengthening your ability to promote human rights in your countries. The third one, developed yet a few years later, is a programme to promote women's participation in politics. As you know, in far too many countries there is a dismal participation of women, particularly in government and in parliament.

In the last couple of years we have tried to integrate these programmes into one whole so that, whenever we undertake an activity under one of them, we also integrate aspects from the others. I think that this particular activity - examining the budget from a gender perspective - is a prime example of that. Through that activity we are not only helping you to become better legislators and to perform your legislative functions well, but we are also integrating a gender perspective and we do that against a human rights background.

Why is examining the budget from a gender perspective so important? First of all, the budget is by far the most important legislative act that any parliament adopts in the course of the year. It involves the taxation of the people, using the taxpayers' money for the good of the people. The budget is also the most important policy statement that a government adopts in the course of a single year. It is a policy statement in which it sets out its programme to govern the people. It is extremely important, as you all know, that the people's elected representatives have an opportunity to debate that and to influence that policy, so that it truly reflects the wishes of all the people.

The budget is also an important tool to hold the government to account, because as you all know already and will be talking about during these three days, the budget is a process which involves not only its development and its adoption but also its implementation and the audit. That is where you have a very, very important function to perform, to make sure that not only the finances are in order but also that what has actually been approved has been implemented and that it has been implemented well.

The budget is of course about figures but it is foremost about people and their needs and who, better than you, the people's elected representatives, know what the people's needs are and can make sure that they are well reflected in the budget. If we are concerned, as we are, about the people's needs, we must be concerned with making sure that the budget is gender sensitive because the budget does not, in any country, affect men and women, boys and girls in the same fashion. In every country, we are concerned that the budget should be an

efficient tool and that it should serve to maximise the economic benefits to all people. If we are concerned about that, as we should be, then we should also be concerned that the budget is drawn up in such a way that it maximises the contribution that men and women, boys and girls, can make to the economy.

Mr. President, over the last two days we have had a national seminar in the Parliament of Sri Lanka, where several Members of Parliament and parliamentary staff have been discussing these issues. We are now moving, as you rightly pointed, to a sub-regional or regional seminar. Now, we count amongst our participants both Members of Parliament and members of the parliamentary staff, not only from the Parliament of Sri Lanka, but also from the Parliament of Cambodia, from the Parliament of Bangladesh, from the Parliament of India, from the Parliament of the Islamic Republic of Iran, as well as from the Parliament of Pakistan. In each and every one of these countries your legislative, your parliamentary institution, is at the forefront of defending and building democracy.

You have a great deal of experiences to share with each other. You will also be sharing them with a number of experts and I would like to thank those experts for being here and for engaging you in a debate.

Particularly, I like to thank the Hon. Choksy, the Minister of Finance from Sri Lanka, as well as Dr. Patricia Alalima, who is the Director-General for the Department of National Planning and the Ministry of Policy Development and Implementation here in Sri Lanka. Equally, I would like to thank Mrs. Winnie Byanyima who is a Member of Parliament from Uganda; Mr. Paul East, who is a former Member of Parliament from New Zealand and an expert on budget and audit processes; Mr. Rick Staphenurst, who is the senior public management specialist at the World Bank Institute; and Mr. Joachim Wehner, who is a budget analyst who comes from Germany and has a long experience in the Southern African Region.

You will be interacting with these experts and you should know that, as a result of this Seminar and the previous ones that the IPU has been organising in different parts of Africa and Asia, we are currently working with these experts to develop a practical tool, a handbook for parliaments on the budget process and the gender perspective to that process. Therefore, may I encourage you to be as practical as possible in the debate that we will have these three days, because your contribution to that debate, through examples, questions and your points of view, will help us greatly to enrich the contents of that handbook. By that you are helping not only yourselves, but you are helping the Members of Parliament from every single parliament in the world who will benefit from that handbook

Let me also thank the World Bank. The World Bank is accompanying us here not only through its Director of the country office but also through the World Bank Institute. The World Bank has been working with us on these kinds of seminars for some time and now we greatly appreciate both the expertise and the support that you are giving to our organisation and to the parliaments involved in this exercise. Let me by the same token thank the United Nations and in particular the United Nations Development Programme whose assistance is invaluable also in this exercise. Thanks to their support, a number of you are able to participate in this Seminar as, indeed, in earlier seminars.

Let me conclude, Mr. Speaker, by saying that, although I have said that this is an exercise for you and for parliaments, it is also an exercise for us, the bureaucrats in the Secretariat of the Inter-Parliamentary Union. We are in some ways in a similar situation as you are in your own countries and as you are, Mr. Speaker and Mr. Minister here in Sri Lanka. Financial resources are not too ample in this world; there is a limit to the kind of financial resources that one can raise not only for national budgets but also for budgets for international organisations like the Inter-Parliamentary Union. Therefore, in the last two years we have undertaken a sometimes painful exercise in trying to make sure that we live within our means. In that exercise, a very important tool for us has been to make ourselves, through the budget, much more accountable for our Members. We have a budget today which I believe is much more transparent than it has ever been.

We are working these days to make sure that we also engender our budget. I will encourage all of you to do the same in your country. All that to say that your deliberations will also help us perform better at your service. With those words, Mr. Speaker, I would like to thank you once again for your kind invitation and wish you all the best during these three days of discussions.

Thank you very much. ■

Mr. Peter Harrold
Country Director
World Bank, Sri Lanka

OPENING SPEECH

Mr. Speaker,
Honourable Minister of Finance,
Honourable Members of Parliament,
Honourable Secretary General of the Inter-Parliamentary Union,
Ladies and gentlemen,

It is really a great pleasure to see so many of you here in Sri Lanka from India, Pakistan, Bangladesh, Iran, Cambodia and, of course, Sri Lanka. If we look from a worldwide perspective, here are six countries at the very forefront of economic reform perspectives and of course in terms also of the promotion of the role of Parliament, in promoting economic and political reforms, so, I am sure you will have a lot to learn from each other.

The primary topic is "The role of the Parliament in the budget," and as we said to our members from Sri Lanka on Saturday, there are three areas that I really hope that Sri Lanka can learn a lot from your experiences. As the Secretary-General mentioned, there has just been a two-day seminar here where some of these issues have been debated.

The first is the technique of parliamentary oversight. What are the institutional mechanisms in different countries that exist to exercise that oversight function? In particular, not just over accounting but over the budget. It is fine for parliaments to examine how the government has spent the public's money. But increasingly we will see that there must be a strong role for parliaments in debating how the government plans to spend the public's money. One of the institutions that exist in many countries, and no doubt many of your countries, but not here in Sri Lanka, is a budget committee or estimates committee. Maybe you have some experiences and our Members here can learn from you about how you are operating such a committee.

The second area, about which especially the staffs may be able to learn from each other, is how a committee is supported in its efforts. It would be wonderful if MPs had unlimited time to do all the studying and reading that they need to do in order to exercise their functions, but of course they do not. They need staff to support them in their efforts. We know something about the situation of the two Public Accounts Committees here and we know that they are extremely thinly staffed. How do you all support at the official level, how do you support your members as they attempt to exercise this oversight function? Clearly, if MPs are not served well with good research capability, with strong secretariat functions, with the ability to refer to the records of the past very easily, to conduct or to order and instruct analyses to be conducted on their behalf. If this is not possible, how can Members fully exercise their oversight functions? I hope you can learn from each other in this regard. Certainly, we mentioned the resource people you have here with you. I am sure Mr. East will be able to help you undertake this process.

A third area that the Speaker mentioned, that is being hotly debated here in Sri Lanka is the question of public access and media access to the proceedings of such committees. Now what is your experience in that? Is that something that you found useful, is that something you have done? Maybe nobody has done anything of that kind, but we will see as the days progress and, certainly, Sri Lanka will be very interested to know how and what has been the effect of public access. Does it stimulate transparency? Does it stimulate a greater degree of oversight or does it, as some people fear, constrain the way that proceedings are carried on? So that is something that I certainly hope our Sri Lankan colleagues can learn from some of you.

What are some of the things that you might also learn from Sri Lanka?

The first of two things I would point out here is a genuinely independent audit function. It has its weaknesses, it could do with being stronger, but it is genuinely independent. It reports to Parliament. It derives its authority from

Parliament. The Auditor-General cannot be dismissed by the government of the day because they do not like what she or he has to say and the Auditor-General is indeed required to prepare and present his findings on time, by October of the year after accounts closed. This is a very strong feature of the system here. It is not a question of are the accounts being presented and prepared in a thorough and timely way. Much more, it is a question of what are we going to do with those reports when we get them. That is a very strong position to be in and maybe you will want to look at that somewhat.

The second unusual feature is that this is the only country I know of - but there may be others - that has a separate committee on public enterprises and that is a very interesting feature: a separate public accounts committee that is dedicated to a specialized sector. That particular committee is headed by an MP from the opposition party. It is a practice that we have seen in a number of countries, where the opposition heads the Public Accounts Committee.

Finally, as we have mentioned, you will be discussing the budgetary process from a gender perspective. You have the Hon. Winnie Byanyima to help you. Uganda's Parliament is certainly one that has made progress on that. Maybe you will discuss something that is a dilemma that I never really understood. As the Speaker mentioned, there are very few female Members of Parliament here in Sri Lanka. That is, I think, a phenomenon repeated in a number of other countries. Yet, there have probably been more female heads of State and heads of Government in this region than in any other region of the world. How does this add together? Why have women not been following the leadership of these very inspirational women presidents and prime ministers, into Parliament? That is something I do not understand, and maybe you can explain to each other as this proceeds.

Finally, Mr. President, I just like to say that the World Bank is delighted to join with the UNDP in supporting the efforts of the Inter-Parliamentary Union, here and in many other countries. In my previous mission in Africa, I was able to observe this partnership there also. It has been extraordinarily productive. The best sort of facilitation is bringing very good people together to learn from each other. I know the UNDP Resident Co-coordinator and Head of UNDP in Sri Lanka cannot be here this morning, but he asked me to also convey his best wishes as you proceed in these few days and we wish you an extremely successful meeting.

Thank you. ■

Work Programme

Monday, 26 May 2003	
09.00-09.45	<p>Inaugural Ceremony</p> <ul style="list-style-type: none"> • Address by Hon. Joseph Michael Perera, Speaker of Parliament • Address by Mr. Anders B. Johnsson, Secretary General of the Inter-Parliamentary Union • Address by Mr. Peter Harrold, Country Director, World Bank, Sri Lanka
10.30 - 13.00	<p>➤ General introduction to the budgetary process, reviewing the variety of national approaches and processes</p> <p><i>Resource persons:</i> Hon. K. N. Choksy, Minister of Finance, Sri Lanka Mr. Joachim Wehner, Budget Analyst</p>
14.30 - 15.45	<p>➤ The budget: Purpose, composition and terminology</p> <p><i>Resource persons:</i> Mr. Paul East, former MP, New Zealand Mr. Joachim Wehner, Budget Analyst</p>
16.15 - 18.00	<p>➤ A gender perspective to the budget: What does it mean?</p> <p><i>Resource person:</i> Ms. Winnie Byanyima, MP, Uganda</p>
Tuesday, 27 May 2003	
09.00- 10.30	<p>➤ The respective roles of Government and Parliament in the budgetary process</p> <p><i>Resource person:</i> Mr. Paul East, former MP, New Zealand</p>
11.00-13.00	<p>➤ Accountability and transparency in the budgetary process: Parliamentary oversight of the budget</p> <ul style="list-style-type: none"> ▪ Reading, analysing and questioning ▪ Parliamentary tools and mechanisms <p><i>Resource persons:</i> Mr. Rick Staphenurst, Senior Public Management Specialist, World Bank Institute Mr. Joachim Wehner, Budget Analyst Mr. Paul East, former MP, New Zealand</p>
14.30- 16.15	<p>➤ Accountability and transparency in the budgetary process:</p> <ul style="list-style-type: none"> ▪ The National Audit ▪ Outreach to Civil Society <p><i>Resource persons:</i> Mr. Rick Staphenurst, Senior Public Management Specialist, World Bank Institute Mr. Joachim Wehner, Budget Analyst Mr. Paul East, former MP, New Zealand</p>
16.45-18.00	<p>➤ Gender impact analysis of the budget</p> <p><i>Resource person:</i> Dr. Patricia Alailima, Director General, Department of National Planning, Ministry of Policy Development and Implementation, Sri Lanka</p>
Wednesday, 28 May 2003	
09.00-10.30	<p>➤ Gender impact analysis of the budget (continued)</p> <p><i>Resource person:</i> Ms. Winnie Byanyima, MP, Uganda</p>
11.00-13.00	<p>➤ Mechanisms and methods for developing a gender-sensitive budget</p> <p><i>Resource person:</i> Ms. Winnie Byanyima, MP, Uganda</p>
17.30-18.30	<p>➤ Final summing-up report</p> <p>Guidelines for an efficient parliamentary contribution to the budgetary process</p>
18.30	<p>➤ Closing Ceremony</p>

Officers of the Seminar

President of the Seminar

Honourable Joseph Michael Perera, Speaker of the Parliament of Sri Lanka

Vice-Presidents assisting the President in chairing the seminar

Dr. (Smt.) Najma Heptulla, Deputy Chairman of the Rajya Sabha, India, Honorary President of the Council of the Inter-Parliamentary Union

Ch. Amir Hussain, Speaker of the National Assembly of Pakistan

Mr. Mahbubur Rahman, MP, Bangladesh

Mr. Socheat OK, MP, Cambodia

Mr. Mohammad Baagher Noubakht Haguigui, MP, Islamic Republic of Iran

General Rapporteur of the Seminar

Mr. Anura Priyadarshana Yapa, Chair of the Public Accounts Committee of the Parliament of Sri Lanka

Chair of the Parliamentary Staff Session

Mrs. Priyanees Wijesekera, Acting Secretary General of Parliament

Resource persons

Hon. K.N. Choksy, Minister of Finance of Sri Lanka

Dr. Patricia Alailima, Director General, Department of National Planning, Ministry of Policy Development and Implementation of Sri Lanka

Ms. Winnie Byanyima, MP, Uganda

Mr. Paul East, Former MP, New Zealand

Mr. Rick Staphenurst, Senior Public Management Specialist, Governance Regulation and Finance Division, World Bank Institute

Mr. Joachim Wehner, Budget Analyst

General Report of the Seminar

The regional seminar for Parliaments of South West Asia on "Parliament and the budgetary process, including from a gender perspective" was held in Colombo, from 26 to 28 May 2003. It was jointly organised by the Parliament of Sri Lanka and the Inter-Parliamentary Union, with the support of the World Bank Institute and the United Nations Development Programme.

The three-day meeting provided members of parliament and parliamentary staff from Bangladesh, Cambodia, India, Iran (Islamic Republic of), Pakistan and Sri Lanka with an opportunity to exchange views and experiences and enhance their understanding of the budgetary process and the tools at their disposal. It paid particular attention to the need to ensure that national budgets are gender sensitive and the ways and means of taking into account the particular situation and interests of both men and women in society.

The seminar was opened by Hon. Joseph Michael Perera, Speaker of the Parliament of Sri Lanka, in the presence of the Hon. Minister of Finance, Mr. K.N. Choksy, the Secretary General of the Inter-Parliamentary Union, Mr. Anders B. Johnsson, the Country Director of the World Bank, Mr. Peter Harrold and the Secretary General of the Parliament of Sri Lanka, Ms. Priyaneer Wijesekera.

The seminar benefited from the inputs of the following resource persons:

- Hon. K.N. Choksy, Minister of Finance of Sri Lanka
- Ms. Winnie Byanyima, M.P., Uganda
- Dr. Patricia Alailima, Director General, Department of National Planning, Ministry of Policy Development and Implementation, Sri Lanka
- Mr. Paul East, former MP, New Zealand
- Mr. Rick Stapenhurst, Senior Public Management Specialist, World Bank Institute
- Mr. Joachim Wehner, budget analyst

DEFINING THE NATIONAL BUDGET

The budget is the most important economic policy tool of the national government. Far from being a mere compilation of income and expenditure, it is the blueprint for a nation's socio-economic policies for each fiscal year.

The national budget is thus the fundamental indicator of what government proposes to do and what objectives it pursues. It presents the government's financial plans for an upcoming period and is a comprehensive statement of the priorities of the nation.

Beyond the numbers lie the real essence of budgets: a plan, and a concrete programme of action, determining the activities that governments will spend funds on in the pursuit of development goals; which sectors of the economy will be expected to pay for said activities; how government will respond to economic disturbances in the short term; and who will be the direct and indirect beneficiaries of public services.

The budget is about people and should respond to their needs. It is a way of determining how the Government seeks to fulfil goals for the welfare of people as set out in a country's Constitution/Bill of Rights, in international instruments and standards (e.g. MDGs), and in government policy statements.

THE FUNCTIONS OF THE BUDGET

The National Budget allocates resources, distributes wealth and income, and stabilizes the economy.

The economic stabilisation function of the budget should be balanced against the need to ensure that there are adequate resources (including from external sources) to guarantee the delivery and development of essential services especially in the social sectors.

The National Budget is a benchmark against which the government can be held to account and its performance evaluated.

CHARACTERISTICS OF THE BUDGETARY PROCESS

The National Budget is characterized by the following elements:

- It is *unitary*:
Drawing up a single budget has its advantages in terms of clarity. It provides an overall vision of State policy. It should therefore include all items and sectors of expenditure foreseen for the period and all sources of revenues, including taxes, duties, grants and gifts.
 - It is *coherent*:
Coherence among the different sectors of activity covered by the national budget should be ensured.
 - It is *thorough and predictable*:
Drawing up a budget should be based on thorough evaluations of revenue and needs. Spending agencies should be sure of their allocations in the medium term to facilitate planning and efficient and effective delivery.
 - It is *transparent*:
The budget should be presented in a clear form and with sufficient detail to be easily understood and therefore transparent. This requires making available comprehensive, accurate, timely, and useful information on the financial activities of government.
 - It is *specific*:
Each projected expense should be listed under a specific heading within a structure of all programmes including all the activities under a particular ministry and the totality of resources allocated to those activities.
 - It is *realistic*:
Given that demand always exceeds available resources, budgeting should be done in a realistic manner. Prioritisation is therefore important.
 - It is *annual*:
Investment expenses are spread over several years while current expenditure covers the fiscal year. It is important, therefore, to ensure that details of investment expenses are clearly set out with projected costs for non-completed projects in the year ahead.
- The budget should also be *contestable*. In principle, no item in the budget should have an automatic claim to funding. All policy and funding should be regularly reviewed and evaluated in the light of determined priorities and performance of agencies.

Nevertheless, it is difficult to fully challenge a budget and re-determine budgetary allocations every year. In addition to technical and time constraints, this could also provoke a climate of political crisis/tension. Each year parliament could, however, focus its attention on at least a limited number of items and examine their validity and appropriateness. Such a practice offers the possibility to regularly contest part of the budget.

The development of Medium Term Expenditure Frameworks (MTEFs) is useful in that they provide an indication of government's plans and priorities over a longer period of time than the one covered by the annual budget. They therefore allow for adequate debate on these plans and priorities before they are translated into budgetary allocations. MTEFs make it possible to gradually and smoothly shift some budgetary allocations to other sectors and set out new priorities on a medium-term basis. This approach offers greater flexibility than incremental budgeting practice which can lead to a continuation of past inconsistencies and lack of contestability and responsiveness of the budget to societal changes and needs.

The process of compiling the budget should furthermore follow a clear and reliable schedule that is agreed upon in advance. The budgetary process includes the following stages:

- Drafting – negotiation within the executive at various levels, administrative and political, as well as consulting with parliament.
- Legislating – parliament reviews, possibly amends and adopts or rejects the draft budget.
- Implementation – revenues are collected and apportioned to departments for expenditure.

- Evaluation and audit – the supreme audit institution assesses whether the budget as approved was implemented, efficiently and effectively. Parliament is also closely involved in this stage.

COMPOSITION OF THE NATIONAL BUDGET

Resources

Taxes:

- The taxation system needs to be designed in such a way as to ensure adequate budget revenue.
- In order to reduce the tax burden on the whole of the population, the tax base should be as wide as possible.

Loans:

Loans are often a major source of revenue required to finance the budget. It is important that such loans are properly authorized by parliament and that the government be fully accountable to it for their management. This means that the government must present in advance its borrowing requirements before parliament and that subsequent to obtaining such loans, must report back to parliament on their utilisation.

Deficit spending

Budget deficits may be required, for instance, to maintain essential social services but the ultimate objective should be to have sufficient revenue to cover all expenditure.

In order to keep deficits at manageable levels, a variety of methods have been used individually or collectively. These include:

- Increasing taxes, with the disadvantage of discouraging investment;
- Cutting expenditure, which may lead to a reduction in the provision of essential services;
- Spending efficiently: that is ensuring that the government gets value for money;
- Restructuring the country's debt to achieve the lowest possible debt servicing cost;
- Increasing the tax base by bringing in more taxpayers through the stimulation of economic growth and by curbing tax evasion.
- Legislating to put a mandatory limit to the deficit as a percentage of the overall budget.

Supplementary budgets

Efforts need to be made to minimise recourse to supplementary budgets (continuous budgeting) which are often used by governments to finance expenditure that is not initially authorized by parliament. They often contribute to aggravating budget deficits. Fiscal responsibility is therefore called for and governments are encouraged to make sure that budget formulation is as thorough as possible to ensure that all foreseeable expenditure and revenue is properly budgeted. Account should also be taken of all factors that may have a negative impact on the economy.

Continuous budgeting can also be minimised by reforming and tightening budget expenditure; tracking implementation by requiring the government to present regular (for instance monthly) expenditure statements; giving greater publicity to government assumptions upon which budget proposals are based.

Budget estimates have to be as reliable and precise as possible. To determine a general trend in the government's reliability in making realistic budgetary estimates, a study could be carried out on past years' results and experience.

Public participation informs the process and helps the government to correct or adjust those assumptions. Furthermore, the provision of contingency reserves makes it possible for the government to adjust to unforeseen fiscal shocks.

Donors also have an important role to play in ensuring greater predictability and stability in capital flows thus allowing for better planning and better budgeting.

Decentralisation

In recent years, decentralisation and the devolution of centrally managed functions to lower level government units has been recognized as an important element of public sector reform and a means of achieving budget efficiency.

Decentralisation of budget management generally allows for more equitable distribution of resources and makes it possible to respond more equitably to the needs of minority and underprivileged groups.

The development of decentralised budgetary units should be accompanied by the creation of adequate oversight and accountability mechanisms and effective regulatory systems

THE ROLE OF PARLIAMENT IN THE BUDGET PROCESS

Why should parliaments be involved in the budgetary process?

- Legislative approval of the budget is a constitutional requirement. The Parliament has an essential role as the link between the public/taxpayer and the government that spends the money.
- As the representative of the people, parliament is the appropriate place to ensure that the budget reflects the priorities of the nation.
- Checks and balances support transparency and good government.
- Participation can build consensus over difficult choices and trade-offs.
- Participation can improve policy, if well designed and structured.

Variety of approaches

There are three types of parliamentary involvement in the budget creation exercise:

- Budget writing legislatures: US and to a less extent Philippines, Nigeria;
- Budget influencing legislatures: changes at the margin, e.g. Scandinavian parliaments;
- Budget approving parliaments: Westminster model parliaments where amendments are rare: UK, New Zealand. In this system, parliamentary amendments adopted without the consent of the government are equated with a vote of no confidence.

In any case, the role of parliament in writing or amending the budget should not be developed at the expense of its role in monitoring and scrutinising implementation as well as evaluating the impact of government action to implement the budget. A balance between the two functions should be sought.

Prerequisites for effective parliamentary involvement in the budgetary process:

Effective parliamentary involvement requires:

- Conducive legal framework: for instance the power of parliament to amend the budget, to monitor its implementation and to call the government to account.
- Availability of factual information including through interaction with the government departments.
- Budget documentation needs to be both ample and accessible during presentation and at the implementation stages. This makes it possible for parliament and the public to monitor basis budget performance on a continuous and to provide timely feedback to allow for corrective or remedial measures.
- Independent research and analytical capacity: examples include the establishment of parliamentary budget offices and research departments.
- Timing of the budget process: the budget should be tabled before parliament in a timely manner, usually several months in advance of when the Parliament is expected to adopt it.
- In general, in seeking to build parliament's institutional capacity to handle the budget, attention should also be paid to the political constraints that impede effective parliamentary participation.

The role of parliamentary committees

The role of parliament in the budgetary process hinges on the existence of effective committee structures: committees are the engine room of any parliament. A strong parliamentary committee system is therefore a precondition for efficient parliamentary involvement and input in the budget process.

Parliamentary committees can monitor, review and assess the budget and can make suggestions. They can question and hold special meetings with senior government officials responsible for the budget. They can organize public input into the budget process by inviting public submissions, as well as holding hearings and public meetings. They can reach out to civil society to benefit from their analysis and views. They can also develop and implement personal petition systems whereby the poor and the marginalized can provide input to the budget process.

Throughout the implementation period, committees can monitor and evaluate the implementation of the budget, again with input from the public, civil society and other organisations, individuals and the media. The conclusion the committees draw from this work can be fed back into the budget process and help shape future budgets.

- Four possible parliamentary committee structures were discussed:
 - (a) No parliamentary committee is designed to oversee the budgetary process. The work is carried out by the Parliament as a Committee of the whole.
 - (b) One main budget/estimates committee oversees the whole of the process; this would require important resources and assistance. The committee would oversee the whole process with an internal rapporteur based system. Within the committee one member would be assigned a specific sector to examine – this person would be assisted by committee members of the different political parties represented in parliament.
 - (c) A two-tier system where one budget committee coordinates the process and handles the general budgetary allocations, while parliamentary portfolio (departmental) committees examine the specific budgetary allocations.
 - (d) No finance committee: the budget is analyzed and monitored by the various departmental committees.

Role of second Chambers in the budget process

In bicameral systems, the second (upper) House usually plays an important role in the budget process jointly with the lower House. It provides an additional forum for scrutiny of and informed debate on draft budgets, and ensures that the interests of the nation as a whole are taken into account. Generally, while budget responsibility is shared by both Houses, primacy is given to the lower House given the frequency in the renewal of the membership of the upper House, which could lead to the blockage of the budget process.

Several cases stand out:

- the Upper House has a short and fixed time to debate the budget, after which it automatically goes to the Lower House for scrutiny and approval.
- the Upper House has the power to make recommendations which are subject to approval by the other House.
- the Upper House's input in the budgetary process is channelled through the work of joint committees with membership drawn from both Houses of parliament to scrutinise the budget.

TRANSPARENCY AND ACCOUNTABILITY IN THE BUDGETARY PROCESS

Requirements for a transparent budgetary process

A transparent budgetary process calls for:

- A sound legal framework
- Clear roles and responsibilities in the budgetary process
- The provision of thorough and clear information
- An open budget process
- Independent checks and balances

The question of secrecy

The requirement for secrecy in budget matters is increasingly declining in importance. Public access to information is a democratic right. Indeed, many parliaments have adopted freedom of information legislation that makes it a legal requirement for the government to make available budget-related information not only to the

parliament but also to the general public. The Internet is a good tool for disseminating such information and receiving feedback from the public.

Expenditure plans are more and more based on Medium Term Expenditure Frameworks, which imply the presentation and disclosure of information well in advance.

A consultative approach in the budget formulation stage allows for public input and makes it possible to make informed choices in the budget process. Furthermore, open parliamentary proceedings have the advantage of promoting transparency and therefore public confidence in the budget process. Transparency also allows for predictability which is essential for a well-functioning market economy and is greatly welcomed by the private sector.

While secrecy is therefore not a requirement with regard to the expenditure side of the budget, it may be justified with respect to the revenue side, for instance when the divulgation of government taxation plans may lead to speculation by various economic actors bringing about negative effects on the economy. Even in these instances, however, the public should be adequately informed of the government's medium to long-term taxation plans.

Efforts need to be made to encourage the government to report regularly to parliament on budget achievements and for parliament to debate these in order to provide added incentives to government officials to perform more efficiently.

Ensuring accountability

Accountability is achieved through a system that takes detailed, informative and understandable budget estimates as its point of departure. It requires subsequent yet timely submission of clear performance reports by the government. In addition, there should be public audit reports that present relevant information in a manner that is useful to the reader. On the basis of this information, parliament can exercise its oversight function by examining the information at its disposal in an open manner and by reaching conclusions with recommendations that are subsequently acted upon. The whole system is based upon respect for the public's right to information.

The public audit should be carried out by a supreme audit institution, for instance the auditor general. This institution should not be part of the government structures and the auditor general should be appointed through a mechanism, preferably by parliament, that ensures his/her total independence. The auditor general should hold the necessary professional qualifications and have adequate qualified staff to be able to ensure quality control. He or she should report directly to parliament and issue timely and public reports. Finally, the auditor general should also help ensure timely and satisfactory follow-up to the recommendations, for example by issuing follow-up reports that track action taken to implement previous recommendations over a given period of time, for instance two years.

The examination of audit findings in parliament is normally carried out by a parliamentary public accounts committees (PAC). Alternatively, this Committee oversees a process in parliament in which subject (line) committees examine the part of the audit that falls within its competence. The advantage of this approach is that it combines the general overview by the PAC with the sector-specific expertise that is available in the subject committees.

Public accounts committees should not question the underlying policy but ascertain that policy has been properly implemented in the context of the budget. The Committee functions well when it summons departmental officials (rather than political officials) to provide information, invites witnesses to public hearings, coordinates its work with the auditor general and issues minutes and public reports. Cooperation across party lines is important and efforts are usually made to reach consensus in formulating conclusions and recommendations. More often than not, public accounts committees are chaired by a member of the opposition.

Outreach to civil society

Civil society outreach and input in the budget process help to improve efficiency and accountability. Civil society can help parliament to articulate the interests of certain sectors of society into relevant policy, including in the budget. It also constitutes a pool of expertise on which the parliament can draw. Civil society organisations can for instance provide an independent source of useful information and analyses that can inform the budget process.

Civil society organisations often help in monitoring government performance, tracking public expenditure and reporting thereon, following up on audit findings, as well as exposing corruption and misconduct in government.

For civil society to play this role efficiently, it needs to have access to parliament. It is desirable for it to have access to the proceedings of and the information before parliament, including committee reports and audit findings and should be able to link up with those committees in parliament that have responsibility for financial matters.

Ultimately, the opportunity for civil society participation allows for quality outcomes and better government performance in budget matters.

GENDER SENSITIVE BUDGETING

Definitions

Sex and gender do not mean the same thing. While sex refers to biological differences, gender refers to social differences, which can be modified since gender identity, roles and relations are determined by society.

Gender is a social category, like class and race. Gender analysis is a tool to analyse and plan for all people, women and men. Gender Equality is measured in terms of capabilities, opportunity and agency.

Women and men play important roles in the economy though they are placed and remunerated differently in economy. Three sectors in the economy can be defined when analysing the situation of men and women in the whole economy:

- **Formal economy:** market and state activities which are remunerated. This paid work is generally male-dominated;
- **Informal economy:** small scale activities which make use of mostly unpaid labour carried out by both women and men;
- **Care economy:** mostly in households. It concerns activities aimed at reproducing and maintaining the labour force, caring for communities, families. This is generally unpaid work performed by women.

There is an artificial separation of public (*market & government*) and private (mostly *household & community*), work which hides the existence and input of the **care economy**. This deprives women of the rewards for their labour and results in resource misallocation.

Budgets are not neutral instruments. The strategic and policy orientations under-pinning them do reflect interests and concerns of people: men and women, boys and girls. Engendering the budget is the best means of meeting the aspirations and needs of the majority of men and women, boys and girls.

Gender responsive budgets (GRBs) are intended to break down, or disaggregate, the government's entire budget according to its impact on different groups of women and men with cognisance being taken of the society's underpinning gender relations, roles and opportunities to access and control resources. Gender analysis thus makes it possible to allocate budget resources in such a way that they provide equal or equitable benefits for men and women.

Why develop gender sensitive or responsive budgets?

Gender responsive budgets meet the needs of all sectors of society and therefore increase policy efficiency

Policies framed in gender-neutral terms impact differently on women and men as both sexes play different roles in the economy and in society. Good policy-making therefore requires understanding both the likely differential gender impacts and how policies might generally be better designed to achieve outcomes which meet the needs of women and men and girls and boys of different economic categories equitably.

Gender responsive budgets increase economic efficiency and social welfare

Ignoring the specific roles played by women in the economy and in society, as well as their needs, undermines the efficiency of certain public policies. Apart from being unfair, gender inequalities are also costly, not only to women but also to men, children and society as a whole. The cost can be measured in lower economic efficiency, lower output, lower development of people's capacities and lower societal well-being.

Gender budgeting is not a question of separate budgets or of increasing budgetary allocations for women but rather of ensuring that the available allocations are utilized in such a way as to improve upon the quality of life of both men and women. It is therefore a question of quality of expenditure.

Gender sensitive budgets seek to reduce gender gaps and inequalities

Gender responsive budgets highlight the definite but different contributions of women and men to the economy, including the care economies. They expose linkages and trade-offs between household and market economy and calls for creative ways of recognising, counting and rewarding women's unpaid labour and for equitable sharing of the budget.

Gender responsive budgets address poverty more effectively

It is important to note that women and men experience poverty in both similar and different ways. The processes through which they become poor are different yet related, and their response to poverty is different. To be just and effective poverty reduction strategies, policies and budgets should take these differences into account.

Gender responsive budgets help governments to honour their commitments to achieve equality, as set out for instance in the Beijing Platform for Action, the Convention on the Elimination of All Forms of Discrimination against Women and the Millennium Development Goals.

Gender responsive budgets strengthen Parliament's role in the budgetary process

They improve the allocations of resources to poor women and men. Gender responsive budgets enhance the links between economic and social policy outcomes. Furthermore, tracking expenditures against gender and development commitments strengthens accountability and transparency in the budgetary process.

Mechanisms and tools to develop gender responsive budgets

Developing a Gender Aware Budget Statement on each section in the budget

This requires carrying out:

1. a gender situation analysis: (i.e. determining and analyzing the social and economic situation of women and men with respect to the sector);
2. a gender analysis of policy: (i.e. determining if policy responds to the gender gaps and needs identified);
3. gender analysis of budget: (i.e. determining if the budget addresses the gender situation and if it matches policy commitments).

To that end expenditures are split into 3 categories: allocations specifically targeting women and girls, men and boys; the mainstream allocations examined for their gender impacts; and allocations intended to promote gender equality in the public service.

With regard to allocations specifically targeting women, it must be noted that some countries are now allocating a certain percentage of their budget resources to gender related programmes. However, discussions at the seminar highlighted the fact that there was a need to go further and ensure that gender issues are taken into consideration by every government department in all programmes and in the allocation of corresponding resources. So the real challenge is to examine whether mainstream expenditures address the needs of women, men, girls and boys.

Gender-Disaggregated Public Expenditure Incidence Analysis

This aims at estimating the unit cost of providing a service and the level of utilization by different groups of women and men. This analysis investigates how different income groups are benefiting from public services.

Gender-disaggregated Beneficiary Assessments This aims at determining the extent to which a certain service addresses the needs of poor women and men. It is a measure of how poor women and men themselves value a particular service.

Requirements to build GRB capacity in legislatures

To conduct a gender analysis of the budget, gender disaggregated statistics are needed to analyse the situation of women, men, girls and boys of different social/ economic backgrounds. Gender disaggregated data makes it possible for analysts, for instance, to expose how policies such as those on industrialisation, taxation, education, employment or trade affect women due to their different location and roles in the family and in the economy.

Parliaments must have access to such data and should make necessary contacts with ministries, governmental offices, research institutes and civil society gender budget advocates in that regard.

Parliamentarians need brief, accurate, simple and timely information to use in the budget debate. Parliamentary staff capacity should be strengthened so that briefs are made available in a timely way. There is a need to establish links with institutions that can carry out gender analysis of budgets, for instance, NGOs, universities and other research centres. Parliaments should ensure that oversight committees receive and use recommendations resulting from gender budget research in the budget debate. In that connection, parliamentary staff should be encouraged to collect such data and make it available to MPs.

Training for both parliamentarians and parliamentary staff on gender, economic literacy and budget reading should be encouraged.

WHAT PARLIAMENT NEEDS TO PERFORM ITS BUDGET FUNCTION

In order for parliament to play an efficient role in the budget process a number of conditions need to be fulfilled.

An appropriate constitutional and legal framework (constitution; laws; rules of procedure; standing orders) should be established that enables parliament to operate in an unhindered and independent fashion.

Parliament must have the financial, material and human (professional support staff, experts, analysts from civil society and academic) resources needed to carry out its missions. In this context, the financial autonomy of parliament must be upheld in theory and in practice. In accordance with the fundamental principle of the separation of powers, the internal budget of the parliament should be drawn up under the sole responsibility of the House and subsequently presented to the executive to be incorporated into the national budget. The executive is not to judge the appropriateness of the resources requested by parliament to carry out its functions. Parliamentary oversight of the execution of the budget should be entrusted to a committee of MPs in which the opposition is well represented.

Parliament should also receive from the executive branch of government as well as other public entities the accurate information that enables it to take the right decisions. This entails, among other things, access to comprehensive and independent sources of information, (including gender disaggregated data).

Furthermore, there is a need to strengthen the capacity of parliamentarians and parliamentary staff to analyse the budget, scrutinize relevant reports and understand general economic issues, including from a gender perspective, the knowledge of which is crucial for efficient scrutiny of the budget. Capacity-building initiatives such as training and professional development activities may be required. Seminars such as the present one are very useful in this regard and should therefore be encouraged.

Training parliamentary staff and chairs of committees in gender analysis of policies and budgets is essential. This can be done at regional level using the available expertise and the services of a global institution such as the IPU. ■

General introduction to the budgetary process, reviewing the variety of national approaches and processes

Hon. K. N. Choksy
Minister of Finance, Sri Lanka

It gives me much pleasure to make the introductory remarks at today's discussions on the topic you have chosen for the discussion this morning. I note from your seminar programme that the primary topic for discussion is the respective roles of government and parliament in the budgetary process directed towards accountability and transparency. I desire to place before you for your consideration certain relevant issues which arise in the context. As you know, in parliamentary democracy the control of public finance is vested in the elected legislature. In Sri Lanka, our Constitution mandates that Parliament shall have full control over public finance. No tax or other levy can be imposed except by Parliament. The funds of the republic form one consolidated fund. Withdrawals from this fund cannot be made except under the authority of a warrant, issued under the hand of the Minister of Finance. No bill relating to public finance can be introduced in Parliament except with the sanction of the Cabinet, which is collectively responsible to Parliament.

Public funds are audited by the Auditor-General who is required to report to Parliament annually. The estimates of government expenditure are drawn up annually and placed before Parliament. So are the government's proposals for raising revenue placed before Parliament in the annual budget. The debate on the budget is governed by the Standing Orders of Parliament. After debate firstly on the fiscal principles underlie the budget, there is an elaborate process of the discussion of the votes of each Ministry in the committee of the whole Parliament. The estimates of expenditure of each Ministry and the previous years performance of the Ministry are scrutinized at this Committee Stage Debate. The budget has to be approved by the majority of Parliament, firstly. Then, a second time prior to the Committee Stage scrutiny and once again, finally, at the conclusion of the Committee Stage proceedings.

Once Parliament has debated and accepted budgetary proposals, these proposals have to be implemented through new legislation or amendments to existing legislation. Further, the approved estimates of expenditure cannot be changed, except with prior parliamentary sanction. The above is a framework within which the interaction between the Executive and the Legislative is regulated in the realm of public finance. It is a process which virtually ends with the passing of the budget by Parliament.

However, the relevant question arises as to whether the interaction between the Executive and Parliament should cease there and commence once again only with a consideration by Parliament of the following year's budget. This is an important aspect which I commend for your discussion today.

Another issue related to public finance which is common to most countries, is the availability of funds to governments outside the budget, through bilateral and multilateral sources of financing. I am here referring to aid finance and grants that are received by governments from the international funding agencies such as the World Bank, the IMF, the ADB and other direct grants received from donor countries. In Sri Lanka, we have addressed the first of these issues in order to ensure the continuity of interaction between the Government and Parliament in the budgetary process. We have taken steps to overcome the cessation of this interaction between the Executive and Parliament with the passing of the budget. This we have done by enacting legislation which enables Parliament to have supervision over the government's implementation of the budget proposals.

We enacted the Fiscal Responsibility Management Law in March this year. This legislation is certainly innovative. It requires the government to keep the Legislature periodically informed of the progress of implementation of the budget, so as to ensure both its due implementation and also have a check on any departure there from. I will briefly outline this new process.

With the budget estimates, the Minister of Finance is required to present to Parliament a fiscal strategy statement. This statement is required to contain the government's medium-term fiscal policy, the key fiscal measures to be implemented and the expected outcome of the key measures. The next step is the presentation by the Minister of Finance to Parliament of a midyear fiscal position report. In this report the Minister is required

by the law to review the progress of the budget in the first six months of the year. Matters such as whether the estimated revenue has been achieved and the progress of the implementation of the budget proposals are revived. Key government decisions having a material effect on the fiscal position must be disclosed in this report to Parliament.

The final stage is the requirement that the Minister should, at the end of the financial year, present to Parliament his final budget position report. This report is required to inform Parliament on the estimated and actual revenue derived for the year and also provide updated information on the government's fiscal performance during the year as compared to what was contained in the original fiscal strategy statement submitted with the budget. In other words, Parliament has to be informed of whether budgetary targets were realized, whether budgetary proposals were implemented and the general state of economy. Thus, there is a periodic parliamentary review of the due implementation of the budgetary proposal. The law contains a further stringent provision. It is that, if there is to be any departure from the requirements of the statute, the Minister of Finance has to notify Parliament of the reasons for such departure, the steps contemplated to overcome the causes for such departure and the period of time within which the Government expects such departures to terminate. What is important is that Parliament has to approve and sanction this departure by resolution of Parliament. Therefore, we have now in place legislation which continues interaction between the Executive and Parliament even after the final passing of the budget.

In order to enable the general public to access the government's economic performance prior to a general election, Sri Lankan Law requires the Ministry of Finance to publish what is termed a pre-election budgetary position report, prior to the holding of a general election of Members of Parliament. This document is required to set out a fiscal position of the country and also to spell out certain basic information which will enable the public to know how far the incumbent government has been successful in attaining its promised economic goals. The above process strengthens parliamentary control over finance, inasmuch as it paves the way for supervision by Parliament on an on-going basis, of the implementation of the budgetary proposals. Simultaneously, it provides for transparency of government financial activity.

I would commend and recommend this new process that we have implemented in Sri Lanka for your consideration and discussion at your Seminar today and tomorrow. I must also mention that there are other nations in the area who have adopted similar legislation. An important issue that will arise is whether, once the Minister's reports are presented to Parliament, such reports should be discussed in a committee of Parliament or be discussed by the Committee of the whole. The Law has left this aspect open for Parliament to decide and once the Minister's reports are presented, the House will have the authority to scrutinise his report and to decide whether it should be referred to a committee of Parliament for investigation of the reports or whether Parliament, as a whole, could debate the reports. This is also an important aspect and I trust that we would have the benefit of your views on this aspect of this innovative law, called the Fiscal Responsibility Management Law.

Mr. Speaker, the next issue I referred to earlier is financing that comes from outside the budget, from international sources. Parliamentary control over the same is a matter that is required to be addressed fairly closely at this Seminar. In Sri Lanka we have embarked on the new scheme as a start to ensuring governmental accountability in this area also. I might briefly explain the manner of our control. The utilization of such funds for development schemes and projects commences for us with appointment of a tender board by the Cabinet. Procedures for the functioning of such boards have been laid down by the Cabinet. The recommendation of the board is scrutinized by a Cabinet subcommittee chaired by the Minister of Finance. This subcommittee then submits its report to the Cabinet on the decisions of the Tender Board. Cabinet thereafter makes the final decision. The Constitution makes Cabinet collectively responsible and answerable to Parliament and so in this way parliamentary supervision and control over this aspect of spending is also now available in Sri Lanka.

The theme of your Seminar is of much significance in the realm of accountable and transparent democratic government. I trust therefore that you will be able to formulate practical procedures to further strengthen the interaction between the government and Parliament in the budgetary process and the control of public finance in the course of the discussions today and tomorrow.

I thank you for the opportunity granted to me to address you and I trust that the two matters I have referred to will assist you to generate discussions on two important aspects of parliamentary control over the budgetary process. ■

General introduction to the budgetary process, reviewing the variety of national approaches and processes

**Mr. Joachim Wehner
Budget Analyst**

This presentation aims to provide a comparative international overview of the role of parliament in the budgetary process and the variety of approaches that exist in this area. It is divided into five main points: the reasons for parliamentary participation in the budgetary process; the variety of approaches to parliamentary involvement in the budgetary process; international trends; the factors that explain the differences in the way in which different parliaments influence the budgetary process; and a summary of observations and remarks.

1. The case for parliamentary participation

There are at least five reasons why parliaments should be involved in the budgetary process.

First of all, there is a constitutional demand for legislative approval of the budget. Constitutions around the world prescribe that parliament needs to approve the budget. This constitutional mandate has to be taken seriously.

Second, as the representative body of the people, parliament is the appropriate forum to ensure that the budget reflects the priorities of the nation. The budgeting process is often very closed. Only parliament can claim to represent the wide spectrum of views in society.

Third, parliament's involvement in the budgetary process provides a system of checks and balances, which, in turn, support transparency in government. For instance, the Organisation for Economic Co-operation and Development (OECD) has published best practices on budgetary transparency that recognize the role that parliaments can play in scrutinising draft budgets and ensuring the integrity of public financial management.

Fourth, participation can build consensus about difficult trade-offs. Parliament is a platform for public debate; it can help to build the consensus that is needed to make tough and sometimes painful choices.

Fifth, participation can improve policy if it is well designed and structured. Some sceptics believe that parliamentary involvement is fiscally dangerous. Parliaments might make exaggerated and unsustainable demands. There are, however, quite a few examples of parliaments making positive contributions to budget policy. If the parliamentary budget process is well structured and designed, this is a real possibility.

2. The variety of approaches

No two budget processes are the same and, therefore, no parliamentary budget process is the same. However, the budgetary process approach can be divided into three broad categories.

The first is the "budget-writing" approach. A few legislatures can literally write the budget by themselves. The prime example is the United States Congress. Up until 1921 there was not even a consolidated executive budget proposal. The process has changed somewhat, but US Congress still is a dominant player in the budget policy arena. There are not many legislatures like it.

Perhaps the largest category is that of the second type of approach, which can be described as the "budget-influencing" approach. Parliaments falling in this category make modest, but not necessarily insignificant, changes in the margin of the budget. Sometimes small changes can have a very important effect: they can realign priorities; they can set the right incentives; they can reward departments that are doing well in spending their budgets and can punish those that are not doing well.

The third category is the “budget-approving” approach. This is essentially the Westminster tradition of parliamentary government. In many of the Westminster-type systems, the convention has emerged that when parliament changes the budget without the support of the government, this is perceived as a motion of no confidence in the government. In several parliaments in the Commonwealth that follow the Westminster tradition, the government would resign if parliament passed an amendment that was not supported by the government.

3. International trends

Overall, there has been a long-term declining role of parliaments in many OECD member countries. The United Kingdom is a prime example but it is seen elsewhere as well. There are several factors that have played a role in this decline. One of these is the rise of disciplined political parties that have stabilised political majorities in the legislature. That did not exist, for example, in the United Kingdom Parliament in much of the 19th century. Before disciplined political parties came about, the voting process in parliaments was a lot less predictable. The growth of budgets is another very important factor. Since the Second World War, the functions of the State and citizens' expectations from the State have expanded. The rise of the welfare state has increased the overall size of the public sector, in some cases up 50 per cent of GDP or more. The role of entitlement spending, such as spending on welfare benefits, constitutes a large portion of expenditures, making spending less flexible. This increasing role of entitlement spending has also contributed to lessening the flexibility that parliaments have in influencing budget policy.

The trend across developing countries is far less clear. In some countries, the development of parliamentary participation in the budgetary process is stagnating and in others strong activism is emerging. This is the case in some African countries and also in a variety of Latin American countries, where parliaments are trying to redefine their role in the budget process and to reshape the voice they have in these important debates. Democratisation and democratic revitalisation are two of the reasons for this development, inasmuch as these processes have provided the opportunity to reconsider parliamentary involvement. In addition, international financial institutions have started to recognise that development debates should be opened up and subject to greater participation. This new current of thought advocates the need to open the doors of the debates between financial institutions and governments and to bring in parliaments and civil society.

4. Explaining the differences

Not all parliaments have the same function, the same powers, or the same level of influence in the budgetary process. These differences are the result of a combination of a variety of factors. Here we survey some of them.

The political nature of the budgetary process is a very strong factor, as budgets reflect power relationships between political actors. Party majorities and party discipline are important. Where governments are backed by strong and disciplined parliamentary majorities, they can marshal support in the legislature and risk very little dissent. The case is very different for coalition or minority governments that rely on the support of several political parties in parliament. These situations often open up space for bargaining because it is necessary try to muster support in the legislature for the government's budget.

The nature of the legal framework for parliamentary engagement is also a strong factor. Sufficiently broad parliamentary powers to change the draft budget tabled by the executive are an important component of a legal framework that enables parliamentary participation.

Table 1: The right of the legislature to modify the budget proposed by the executive

	Number of legislatures	Percentage of total
Restricted	23	56%
Unrestricted	18	44%
Total	41	100%

Source: OECD (2003), <http://ocde.dyndns.org/>

A third factor is the role that parliamentary committees - namely the specialised committees, not the committees of the whole house. As a matter of course, strong parliaments have strong committee systems and this applies to the budget process. For instance, most of the congressional budgetary process in the US takes place within a wide range of highly developed committees. Many parliaments have specialized budget committees. In the

Westminster-type model, however, the committee of the whole house has a much stronger role. Specialised committees that can bring expertise and specialisation to the debate are not as important.

A fourth factor concerns the level of interaction with departments and the availability of relevant information and the question of continuing parliamentary oversight, beyond the approval of the budget. Where oversight takes place on a continuous basis, parliaments are better able to engage budgetary debates.

Oversight also depends on the availability of relevant information. There are fiscal transparency codes and best practices that outline disclosure requirements. Parliament needs good, comprehensive budgetary documentation to make sound decisions. To oversee budget execution, it also requires actual spending information and sound audit reporting.

The fifth factor is the level of the independent research capacity of a parliament. Budgets are very complex documents and certainly the stronger parliaments in the world are able to draw on research capacity. The parliaments that struggle to engage with budget debates, very often do not have adequate research capacity.

Table 2: Is there a specialized budget research organisation attached to the legislature?

	Number of legislatures	Percentage of total
Less than ten professional staff	7	18%
Ten to 25 professional staff	1	2%
Twenty-six or more professional staff.	3	8%
No	28	72%
Total	39	100%

Source: OECD (2003), <http://ocde.dyndns.org/>

The last factor is the timing of the budget process. Experience has shown that parliament needs at least three to four months to scrutinise the budget properly. Budgets should also be tabled sufficiently in advance to allow passage before the fiscal year begins. The Westminster tradition is that the budget is tabled late and approved some months into the fiscal year. That practice emerged several centuries ago because the British Parliament wanted to force the King to spend his own money before relying on tax revenues, and it wanted to extract concessions. Back then that tactic made sense. But the age of absolute monarchs is over. Nowadays, Parliaments should conduct a budget debate based on advance scrutiny, rather than approve a budget four or five months into a fiscal year when it does not really matter anymore. Outside the Commonwealth, most countries manage to pass the budget before the beginning of the fiscal year, so it is not impossible to do so.

Table 3: How far in advance of the beginning of the fiscal year does the executive present its budget to the legislature?

	Number of legislatures	Percentage of total
Up to two months	10	26%
Two to four months	23	59%
Four to six months	5	13%
More than six months	1	3%
Total	39	100%

Source: OECD (2003), <http://ocde.dyndns.org/>

5. Concluding remarks

Although there are strong arguments that parliaments can make a positive contribution to the budget process, there is no single model for parliamentary participation. In certain countries the role of parliament in budgetary decisions is minimal, in others the legislature is a powerful actor. In the end, any models need to be adapted to each country's situation. This is important to remember at a time when the parliaments of developing countries in particular are seeking ways to redefine their role and to re-engage with development debates. In many instances, there has been a disengagement from those debates for too long and that is changing. ■

The budget: purpose, composition and terminology

Mr. Joachim Wehner Budget Analyst

What is budgeting all about?

A well-known American student of the budgetary process, Aaron Wildavsky, once said that budgeting is about translating financial resources into human purposes. The challenge to parliament is to ensure that this really happens. The budget is a document in its most simple form that contains the financial plans of the government for upcoming periods. It is a comprehensive statement of priorities and the most important economic policy tool of the national government. The budget is also an accountability tool for parliament.

Components of the budget

Revenues and expenditures are the main components of the budget. The balance between these components may be a deficit or a surplus. The appropriate size of the deficit is fairly contentious, although the conventional deficit is widely accepted as an indicator of overall fiscal health. However, it is possible that at certain times there is a higher deficit or a lower deficit without a change in government policy, as revenues and expenditures are sensitive to economic developments that are hard to forecast accurately. Whether the deficit is considered too high for a particular economy depends on a range of factors; there is no single overall standard.

There are attempts for budgeting to move away from being an annualised process towards a time horizon that is more medium term. This is done by introducing medium-term budgeting frameworks and, in some instances, more long-term reporting requirements that aim to capture the fiscal effects of demographic trends, for instance. Medium-term frameworks have become important components of budget systems in the industrialized countries and increasingly of those of developing countries.

Stages of the budget process

Four stages can be conventionally discerned in budgeting and they occur in various permutations in more or less all public budgeting systems in the world. The **drafting** stage is mostly internal to the executive. It does not have to be secret, though, and involves negotiation within the executive at various levels about the finalisation of a draft budget. The **legislative** stage is typically where parliament comes in for the first time, when the budget has been drafted and tabled in parliament by the minister of finance. Parliament can review, perhaps amend or even reject the budget. Once parliament has approved the budget, it has to be **implemented**. That is the third stage. The fourth stage is the **evaluation and audit** stage where a supreme audit institution assesses whether the budget as approved was actually implemented and whether it was done efficiently and effectively.

Budgets cycles are not straightforward processes because the budget cycle does not start and end before the next budget cycle starts and ends. There are numerous budget cycles going on at the same time and that is what is meant by "scrambled budget cycles". At any one time, there are different budgets that are at different stages of the budget cycle and that the challenge that faces parliament is to make sure that it has continuous oversight in order to effectively keep track of all the issues. Situations can arise where parliament simultaneously has before it one budget to approve, monitors another budget that is currently being implemented and maybe has to deal with a third budget at the auditing stage. Fiscal oversight is actually quite a difficult job.

The three objectives of budgeting

The first objective of budgeting is affordability. A budget must be affordable, i.e. parliament must ensure that the total amount of spending affordable and it must control expenditure.

The second objective is prioritisation, i.e. setting priorities and allocating adequate resources: this is the allocative level of spending.

The third objective is operational efficiency, i.e. how well the resources are spent. This objective falls within the scope of the management function of the budget. That is something that occurs at departmental level, where competent financial managers are needed in the spending departments in order to meet that objective.

Supportive institutional mechanisms

There are certain supportive institutional mechanisms that can help public budgeting systems to meet these three important objectives.

(a) *Affordability*

Three institutional mechanisms can help reach the affordable spending objective. One is the ability to produce credible macro-economic forecasts. That is a function that sits within the purview of the central budget office, the ministry of finance or the national treasury. The forecasting function is important because assumptions about growth, employment and inflation influence spending. If growth is strong, revenue will be higher and there will be more money to spend. If unemployment is increasing, expenditure pressures may be rising as well, as more resources will have to be allocated to help alleviate poverty and help the unemployed. If inflation is running high, procurement might get more expensive. Unrealistic budgeting is a widespread illness. Over-estimating or being over-optimistic in forecasting growth, employment and inflation can seriously undermine fiscal stability.

The second mechanism involves the publication of those assumptions and projections so that they can be independently assessed. No independent assessment of the projections could lead to serious trouble. Transparency in this area is very important because macro-economic projections are the basis of a budget.

In order to drive this process, it is necessary to have a strong budget office. In the budget drafting process, the central budget office has the role of the guardian of the purse. Spending ministries usually want to have more money to spend and the ministry of finance has to try to hold it all together. So those are three key institutional mechanisms which ensure that spending remains affordable.

(b) *Prioritisation*

Before the prioritisation process can start, it is necessary to set a firm expenditure ceiling and a hard budget constraint for line agencies. In fact, if agencies are allowed extra funds on an *ad hoc* basis, the priorities that have been established in the budget will be distorted. There can be no proper prioritisation if that happens and parliament's authority might be undermined. Furthermore, better prioritisation can be achieved using a good system of medium-term forward estimates as these allow for monies to be shifted between different functions and departments. Prioritisation from one year to the next is very difficult without a medium-term perspective is difficult.

The publication of policy and strategic objectives helps in setting budget priorities. Budgets that are put out with very little policy information behind them are very difficult to assess since lack of knowledge about policy priorities, objectives and targets makes it impossible to know what the budget priorities should be.

(c) *Operational efficiency*

A slight increase of agency flexibility in operational decisions, merit-based recruitment, promotion and pay, and reporting on achievement to parliament are a few measures that have been found useful in boosting operational efficiency. To increase agency flexibility, some countries appropriate a lump sum for operational expenditure. In some countries, merit-based recruitment, promotion and pay might give officials a good incentive to perform at their best. In many cases, the quantity of output- and outcome-focused information in the budget documents has increased, but Parliament has not yet taken up the challenge of scrutinising that information.

Principles of a good budget

Comprehensiveness – the budget must cover all fiscal operations of the government. Not knowing the aggregate expenditures makes it very hard, for example, to properly assess your priorities. Information has to cover arrears and outstanding bills to be paid by government departments. Fiscal risk should be properly reported.

Predictability is another principle of a good budget. Spending agencies should have certainty about their medium term allocations to facilitate planning and effective and efficient delivery. Ad hoc adjustments undermine budget implementation.

The concept of *contestability* means that no item in the budget should have an automatic claim to funding. All policy and funding should be regularly reviewed and evaluated in order to ensure prioritisation and performance of agencies. Not reviewing spending at regular intervals could lead, for example, to agencies becoming used to receiving monies and become less attentive to improving their spending policies. Furthermore, policy and policy priorities change over time. Again, if the budget is not reviewed at regular intervals, spending policies are not re-evaluated often enough, which may lead to a potential waste of a large amount of resources.

Periodicity is the last principle. The budget should cover a fixed period of time - typically a year. The process of compiling the budget should follow a clear and reliable schedule that is agreed upon in advance. Some governments have two-year or biannual budgetary systems. They actually appropriate money for two years at a time, but that is fairly rare. Biannual budgets are perhaps more feasible for small countries or subnational governments than for large and complex government structures. ■

The budget: purpose, composition and terminology

**Mr. Paul East,
Former MP, New Zealand**

The national budget: what is it?

The national budget is the most important statement that any government has to make. Far from being a mere compilation of income and expenditure, it is the blueprint for a nation's socioeconomic policies for each financial year. It defines in concrete terms the direction of national policy, the plan of action and the cost implications of government programmes and projects. The national budget should be the fundamental indicator of what the government is doing and what objectives it is pursuing.

Beyond the numbers should lie the real essence of the budget: a plan, a concrete programme of action determining the activities that governments will spend funds on in pursuit of development goals, defining which sectors of the economy will be expected to pay for such activities and how governments will respond to economic conditions in the short and longer term. In particular, the budget should say who will benefit from the expenditure, both directly and indirectly.

The functions of the budget: what does it do?

The national budget should allocate resources and establish priorities as to where those resources should be spent. It should distribute wealth and income, and try to reduce inequality between rich and poor, and disparities between various socioeconomic groups. The budget should be used as a way of stabilising the economy by stimulating growth, reducing the government deficit and trying to stabilise prices so that there is not rampant inflation. But the economic stabilisation of the budget must almost always be balanced against the need to ensure that there are adequate resources to ensure the delivery and development of essential services, particularly in the social sector of health, education and welfare.

By way of an example, in his inaugural speech, the new President of Argentina made it very clear that he saw his first priority to be in maintaining living standards, particularly in the areas of health, education and welfare, even if it was at the expense of the payment of interest and the repayment of overseas loans. There could be problems on the horizon for Argentina. It is a very heavily indebted country, and will need the cooperation of the International Monetary Fund and banks if its population is to continue even enjoying its existing standard of living, let alone a better one, given that so much of the country's budget is dependent on borrowing.

But the budget should be an excellent tool for ensuring social order and harmony. It should provide a sense of direction about where the country is going, and offer some parliamentary and popular control of government action. It should also be a measure of government performance. When the budget is scrutinised and compared with previous budgets, it is possible to check whether or not the government is performing well.

The budget: What form does it take?

There are four parts to the budget process: the planning and formulation of the budget; the enactment of the budget by parliament, which requires the scrutiny and then the approval of parliament; the implementation of the budget; and the monitoring and auditing of the budget, which again involves parliamentary scrutiny and approval in terms of the monitoring and auditing of where the money has been spent.

A budget generally is dependent on resources which come either from taxes or loans. The budget makes allocations to specific sectors. There is likely to be an increasing trend towards decentralisation, where there is a devolution of spending away from the central administration to the outer reaches of government, including regional and local governments and perhaps even to agencies in the private sector, non-governmental organisations and other entities with a history of prudent delivery of services. In such cases, it is thought that things can be done more efficiently and more cost-effectively than if the government does them itself. But the point to make here about decentralisation, which is a growing trend, is that it must always be accompanied by

appropriate oversight and by measures of accountability so that the people who spend the money can be held accountable for what they are doing.

The national budget: What are its characteristics?

The national budget should be:

- Unitary
The budget should be one document that provides an overall vision of the government's policy.
- Coherent
All the sectors of activity covered by the national budget should fit together.
- Thorough
A budget should be drawn up on the basis of extremely thorough evaluations of all the appropriate revenue that can be gained, and all the needs that there are in the community and in the country.
- Transparent
All items and sectors should be taken into account in the national budget. Any bequests, loans or other resources expected to come through in the fiscal year should also be included in the budget, so that it is unitary, contains everything and is also transparent.
- Realistic
Given that demand always exceeds available resources, budgeting must always be realistic.
- Annual
Investment expenses are sometimes spread over several years, but the budgeted current expenditure should be just for the financial year in question.
- Specific
It is important that all revenue and expenses be clearly set out.

Terminology

•Estimates		
•Appropriations		
- Operating expenses - Capital - Interest on debt - Debt repayment	- Budget surplus - Budget deficit	- Consolidated fund - Contingency fund
Taxes		
-Direct, on income and profit -Indirect, on goods and services	-Fees and other levies -Death duties; gift duties	
•Supplementary estimates; Supplementary appropriation bill		
•GDP – value of goods and services in the whole economy		

Direct taxes are taxes paid by corporations, fees and other levies, including excise duties on liquor and cigarettes, import duties, licensing fees for motor vehicles or fees that might be required for various occupations, etc. Indirect taxes are goods and services taxes, such as value-added taxes, simple retail taxes, wholesale taxes, etc.. In some jurisdictions there are death duties or gift duties when assets are transferred between people. All tax revenues (direct and indirect) and all other forms of revenue, including supplementary estimates, should be set out as well in the budget. If the budget needs to be amended during the course of the year, supplementary appropriations bills may be drawn up on the strength of supplementary estimates; this gives parliament the authority to issue final approval for the expenditures in question.

Gross domestic product (GDP) is an important indicator of the comparative performance of governments, particularly because the most common measure of a budget deficit is as a percentage of gross domestic product. The size of indebtedness of a country, the amount of loans that a country has, is also commonly referred to or measured in terms of the indebtedness expressed as a percentage of the country's gross domestic product.

The best approach involves presenting the budget to parliament before the beginning of the financial year. The budget is then scrutinised in detail before parliamentary approval is given, at the latest early in the financial year – certainly not later, after all or most of the money has been spent. ■

A gender perspective to the budget: what does it mean?

Ms. Winnie Byanyima, MP
Uganda

The budget is the main instrument of economic policy at a government's disposal. It reflects the values of that government because it determines who will be rewarded and who is recognised for what. For example, the budget decides who will receive services of a certain kind, where they will be placed and how they will be used. As employment is generated through the budget, it also determines which jobs will be created and where. These are clearly political decisions, and they have various effects on men and women in different categories.

Certain assumptions are made in the budget, for example, about who the breadwinner or head of the family is. That person may receive subsidies or credits on behalf of the household he or she is assumed to head. When those assumptions are made without recognising the different situations of men and women, differential impacts inevitably result. It is very important that throughout the economy the work that women and men do should be supported by the budget. If the budget supports only men's work in the formal sector, then the rest of the work, that is very important but is hidden, does not get support. That is inefficient.

It is very important to have a gender perspective in the budget because we also know that men and women have different capabilities. Men and women have traditionally not had the same access to health and education. There are gaps. It is important to address those gaps using the budget. It is also very important to have a gender perspective in the budget because men and women have different needs, as they play different roles. It is important to see whether their different needs are being addressed equitably.

Budgets may appear to be gender-neutral because they are not framed in terms of men and women. They do not explicitly state that men will receive certain benefits and women will receive other. They ostensibly deal with everybody equally. That is called gender blindness. Gender blindness occurs when it is assumed that people of both genders have the same needs, and that they are being addressed in exactly the same way.

A gender perspective in the budget is necessary because there is much evidence now that poverty has a gender dimension. Men and women fall into poverty for different reasons, and also for similar reasons. Once they are in poverty, men and women respond differently to their situation of poverty. For example, in Uganda, one very common reason why women fall into poverty is widowhood. When they lose their spouses, their status and their income suddenly drop, but this does not happen to men. No man ever says that he became poor because his wife died. And the reason is that Ugandan society is patriarchal, and property, particularly the land and animals which are the possessions of the poor, is owned by men and passed on to sons. Women only gain access to land through spouses. They gain access to the use of cows through husbands or brothers. So when a woman loses her husband, the property goes away to a son, and sometimes it is a polygamous marriage and the son is from another wife. So women lose access to property and access to land when they become widows. But for men it is not so. At the same time, there is also evidence in Uganda that when poor people get poorer and poorer, the response from men is that they feel that their gender identity has been stripped away from them. Their gender identity is to be a provider. Men believe that their role in the family is to put food on the table, to bring in money, to pay for the food in the family, and when they cannot provide it, then they feel that they have lost their manhood. Their response is to try to escape through alcohol or by abandoning the family.

On the other hand, women respond differently. When they are hit hard by poverty, they try to keep the children together. They also sometimes resort to doing any kind of work that will bring in something to allow them to care for the children, even prostitution.

In summary, therefore, if policies and the budget must address poverty, it has to be understood that poverty has a gender dimension, and therefore the budget must look at poor men and poor women as different in their roles and needs, and as having different causes of and responses to poverty. It is important to have a gender perspective to be able to address poverty effectively.

There are also other reasons for having a gender perspective in the budget: to foster economic efficiency and to honour the commitments that governments make to achieve equality. If we accept that men and women are unequal in their capabilities and opportunities, and if we know that the budget is that instrument that drives economic and social policy and implements them, then we should use the budget to bridge that inequality in order to fulfil the agreements that our governments make to achieve equality.

There is much evidence that if a budget is used to reduce gender inequalities, the efficiency of the economic plan increases. For example, it has been found through research that Kenyan women farmers, if given the same agricultural inputs as men and if they have the same education level, have agricultural yields more than 20 per cent higher than men. There are many similar studies in other parts of the world. Time-use surveys and research on how women use their time provide evidence that when women's domestic burdens – such as fetching water and firewood, looking after children, cooking and cleaning – are reduced through the effects of public policy, such as the provision of water or energy-efficient stoves, household income increases because women have more time to look for paid work and bring money into the home. Also, more children go to school, because daughters are usually kept at home to help their mothers with domestic work. Studies have shown there is a strong linkage between reducing the time burden on women and school attendance by girl children.

There is also evidence that when mothers have incomes, a greater part of that income goes towards children's health, nutrition and education. So if the government has made children's primary education a policy priority, then that policy can be more efficient if it also helps women earn an income, because then they will buy school uniforms and books; they will feed their children better, and the children will go to school and study better. These are examples of how economic efficiency is increased by interventions that address men and women in their particular roles and by reducing gender inequalities.

Policies and budgets should also take into consideration the hidden economy. For example, many countries around the world, both developed and poor, are restructuring health services to achieve what they call greater efficiency. The efficiency indicators they use are reduction in cost per patient treated; they try to make sure that for every patient treated they are reducing the cost. To achieve this, there is a policy in Africa that we call home-based care. Home-based care is a policy aimed at discharging patients as soon as possible from hospital and encouraging families to care for their patients at home.

In my opinion, this is not economically efficient. This is a transfer of cost, because the cost of patient care has been transferred from the hospital, from the public service, and passed on to the family, in other words to the woman in the household. In the long run, this may have implications even for the economy. If the woman is employed, she will have to leave her job to stay at home to provide the care. She may lose her job because she is off work too often. This kind of analysis is really what we mean when we talk about gender-responsive budgeting. The economy must be seen as the wider economy, not just the formal economy.

Gender-responsive budgeting is the idea that a gender approach or perspective is applied to the budget by using certain analytical tools to analyse the budget from a gender perspective. The budget should not be the only element analysed in this fashion – in gender-responsive budgeting we also go behind the budget and look at the policy which is captured in the budget. We look at the macroeconomic and sectoral policies from a gender perspective; we examine the budgets to determine their impact on men and women, girls and boys. Are the interests of urban and rural men and women being served equitably by the budget and its underlying policies?

In gender-responsive budgeting, we attempt to highlight the different but definite contributions of women and men to the economy, including the care economy. We also expose the linkages and trade-offs between the household economy, the care economy and the market economy, as my example showed. We call for creative ways of recognising, counting and rewarding women's unpaid work and for equitable sharing of the budget. I emphasise creative: we are not asking for a cheque to be given for the work they do in the household, but we would like to see public funds being used, first of all to reduce the burden of care work so that women have the opportunity to go out and earn an income, and also to contribute to the economy in that respect, but also to ensure that justice is done, and that men and women are rewarded fairly for the work they put into the whole economy. ■

The respective roles of government and parliament in the budgetary process

**Mr. Paul East,
Former MP, New Zealand**

A. Parliament and the executive: their roles in the budget process

There is no doubt that the maintaining and raising of a country's standard of living requires prudent financial management. In that regard, parliament plays an essential role because it is the link between taxpayers and the public on the one hand and the executive that spends the resources on the other. With better budgeting and better processes, people will know what is affordable and what they are entitled to expect from their government.

No discussion on the role of parliament and government can start without an overview of the system of separation of powers – the parliament, the executive and the judiciary. It is the role of the parliament to approve taxation. It is an ancient and time-honoured principle in the Westminster system that was established beyond any doubt in 1649 when Charles I was beheaded at the Palace of Whitehall because he had the audacity to endeavour to raise taxes without the authority of parliament. What followed, in English history, was a revolution; eventually, a Bill of Rights was established in 1689, and that Bill of Rights became a foundation document for many Commonwealth countries. It clearly stated that it was the role of parliament to authorise taxation, and there could be no taxation without the approval of parliament.

The executive branch of government is primarily responsible for the planning and formulation of the budget, identifying priorities, designing programmes to respond to those priorities and allocating resources. It is also responsible for implementing the budget, for monitoring the implementation and ensuring that there are controls to see that money is well spent within the various government departments. Finally, it is responsible for reporting on the implementation of the budget, and most importantly, for reporting on the implementation of the budget to parliament.

The role of parliament is to scrutinise the budget itself, the priorities that have been set in the budget as well as its implementation. It also scrutinises and approves budget proposals and authorises the expenditure necessary so that governments can be held to account for their spending. Generally, parliament plays an authorisation, oversight and supervisory role, which fosters transparency and accountability.

As the body representative of the people, parliament is the appropriate place to ensure that a budget best matches the needs of the people. Greater parliamentary input into the budget process contributes to a better understanding of economic policy on the part of the people. It leads to greater government accountability, and it can build substantial national consensus on economic policy. It can also provide a greater opportunity for community input from the people out in the provinces and the regions. Where government, as it properly should, informs parliament of its intentions, it allows parliament to engage in healthy debate, which helps to ensure that the adopted policies are understood by the people and should reflect their wishes. The public will accept that there are limitations to how much a government can provide, will recognise that hard decisions have to be made and will accept that it might not receive everything that it had hoped for.

Involving parliament after the money is all spent does not produce the same result. It only provides a sterile political confrontation between political parties. It does not involve the representative part of parliament in ensuring that the hopes and desires and aspirations of the people are addressed in the budget process.

In some systems, parliament is given the opportunity to provide more input during the formulation stage of the budget. In some countries, there are economic forums and parliamentary committees that go out into the community to discuss budget matters, to try to build a public consensus around the budget. In some cases, parliaments have made it possible for civil society groups and community groups to work closely with them, via business and labour organisations, in an effort to build public consensus around the budget process.

B. A case study: financial management in New Zealand

Having described in general terms the role of parliament and the executive, it is useful to use a case study to illustrate the steps involved to set up a budgetary process and ensure good financial management.

In New Zealand, the first step taken was to implement a Reserve Bank Act to make the central bank independent of government. The Governor of the Reserve Bank has a contract with the Minister of Finance which leaves the Governor of the Reserve Bank in charge of monetary policy. He sets interest rates, and in so doing controls the money supply and inflation. In New Zealand, the Governor has a contract stipulating that he must keep inflation – the increase in the cost of living – between 0 and 3 per cent per annum. He has been able to do so for the last 13 years.

The second step was the reform of the state sector, as payment of state sector activities always represents a substantial portion of the budget. Increasing the efficiency of the state sector reduces the amount of expenditure. In the case of New Zealand, the system was reformed so that chief executives working in government ministries obtained contracts from the ministers in charge of their departments. They were given authority similar to that of the chief executive of a private corporation. They could hire and fire staff and structure their units as they wished, but the end result was that they had to deliver what was required under the contract with their ministers. The old structures of the public service were swept away.

A Public Finance Act was introduced which changed the method of holding accounts in that country. It moved from cash accounting to accrual accounting, so that the actual costs and also liabilities were more visible, so that it was easier to know exactly what the financial situation of the country was. In addition, a balance sheet was established so as to set out the assets and liabilities of the country: the assets in terms of infrastructure rating and public assets, and the liabilities, including borrowing.

Following that, a State-owned Enterprises Act was introduced to try to bring some efficiency to government departments that were operating in the private sector. Railways, airways, the postal service and other organisations that in many countries are still owned by the State and in other countries were formerly owned by the State, were set up as companies operating in a normal trading environment like private sector companies. Many of them were privatised. For political reasons, some of them have not been privatised, but they are no longer a burden to the taxpayer, as they used to be.

Lastly, there is the Fiscal Responsibility Act, which is a very important part of New Zealand's budgeting process. Similar enactments are becoming very important in other countries' budgeting processes as well. New Zealand's Fiscal Responsibility Act gives Parliament authority in the budgeting process by making that process more rigorous and detailed, so that the Parliament knows exactly what the state of the accounts is. It also lays down the principles and objectives that the Parliament believes should be applied to economic policy. These are:

- To reduce the total Crown debt to prudent levels so as to provide a buffer against future adverse events, by achieving operating surpluses until such acceptable levels of debt are achieved;
- To maintain total Crown debt at prudent levels by ensuring that, on average over a reasonable period of time, total operating expenses do not exceed total operating revenues;
- To achieve levels of Crown net worth that provide protection against adverse events in the future, in other words making sure that the economy can withstand a major earthquake or a big national disaster, and that the government, if need be, can borrow without having to move into an unsustainable position of debt;
- To manage prudently the fiscal risks facing the Crown, recognising where the risks are and taking steps to ensure they are covered; and
- To pursue policies that are consistent, with a reasonable degree of predictability about the level and stability of tax rates in future years.

These principles allow Parliament to prevent taxes from fluctuating from one year to the next, thus ensuring the predictability which is necessary for the private sector to invest in the economic future of the country.

It is all very well for parliamentarians to tell the government what to do. But what do we as parliamentarians require from the executive in terms of advising parliament of what it is up to? There is a requirement for the

Government to do so in New Zealand. It is reasonably similar to requirements in Sri Lanka and in other jurisdictions.

The first requirement is that the Government produce, well before the budget is presented to Parliament, a budget policy statement setting out the broad strategic priorities for the budget, including the Government's fiscal intentions over a three-year period. This gives Parliament the possibility of ensuring that the intentions of the Government over that three-year period are consistent with the principles enunciated in the Fiscal Responsibility Act. The budget policy statement sets a base against which subsequent financial performance can be judged. The fiscal strategy report, which must be presented at the same time as the budget, ensures that there is consistency in fiscal policy. It must indicate whether there is any departure in the budget from the budget policy statement which has already been presented to Parliament.

There are some other reports that are required under this Act. There is an economic and fiscal update for the three years ahead, which is also tabled on budget night. Every six months, the Government must produce an economic fiscal update, which covers not only the year to come, but also the three-year period ahead. One is submitted at budget time, followed by another six months later, and then there must be – and this is a very important point – a pre-election update, submitted at least 42 days before the date of a general election. That update is prepared and published by the Treasury, and it sets the ground for a general election. The law requires that before an election the executive, through its Treasury, must produce a clear and definitive outline of the state of the nation's accounts, and how it expects the situation to evolve in the next three years. That forms the framework on which political parties must campaign in the general election.

This requirement for a pre-election economic and fiscal update means that politicians have to stand up and justify how they can promise things in the light of the official documents published by the Treasury about the state of the nation's accounts. That is a very important provision in any fiscal responsibility legislation, and it is one of the ways in which spending can be contained and increasing debt problems can be tackled.

The budget process in New Zealand is based on a financial year that begins on 1 July. During the period from November until February, the Government sets the strategy for the budget; it starts preparing it and it starts considering new initiatives based on what it can afford. Then, from February until April, it reviews what are called the "baselines", i.e. the aggregate expenditure in various programmes within a government department. It looks at the new initiatives alongside that, and from February to May it makes decisions about what it can afford. The budget is then presented by the Minister of Finance by 31 July, and Parliament approves the budget before the end of September.

By the end of July (although traditionally in May before the financial year has begun), the budget is presented with its estimates, the fiscal strategy report and other reports. Between August and September, select committees consider those reports and report back to Parliament, and then the budget is passed.

There are other papers that are presented to Parliament and are considered and debated. In particular, in December, a half-yearly economic and fiscal update is tabled in Parliament, which is considered by a select committee and debated in plenary. Alongside that is the annual report of each government department. That is tabled in Parliament and considered by a parliamentary select committee, and then each month there are financial accounts produced and tabled in the house, that show how the Government is tracking revenue and expenditure. Each month it gives a picture of how much the Government is receiving in taxes and how much it is spending on its programmes.

This only works because New Zealand's Parliament has a committee process that allows it to look at the expenditure in detail. In fact, assimilating estimates and large volumes of information on detailed payments to various government departments, debating them in chamber and processing the information can only be done with the use of parliamentary committees. The parliamentary committee process, whereby a complete budget is presented to parliament, passed on to parliamentary committees that scrutinise the expenditure details and report back to parliament for approval, allows all members of parliament to become involved in the budget process, and to represent their constituents and the aims and desires of the people that they are there to look after. ■

Accountability and transparency in the budgetary process: parliamentary oversight of the budget: reading, analysing and questioning parliamentary tools and mechanisms

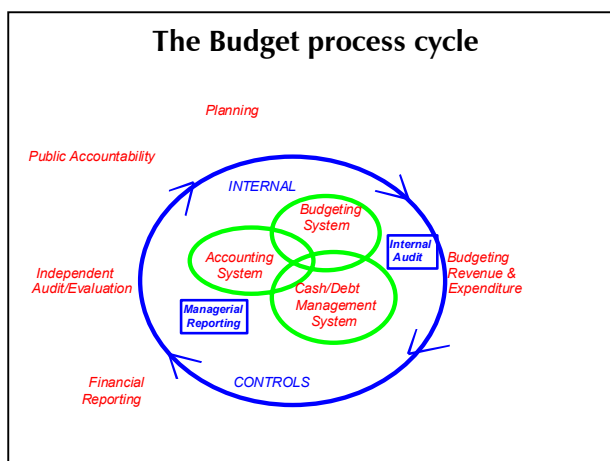
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The budget is an ongoing set of government activities which shape government financial planning. The budget presents broad economic choices on national policy issues and it sets spending and revenue patterns, shaping what happens in specific sectors and services. It is of vital importance to the economic well-being of a nation, as it affects both income distribution and social change and has an impact on the overall level of economic activity, by affecting aggregate demand, inflation and investment. The budget is particularly important because it is the tool that matches government financial resources with stated government policy priorities. Of course, if a government policy priority is not matched with resources in the budget, then it is not really a priority of the government. It is just talk. It is the budget which really translates the stated policies into meaningful actions.

A distinction must be made between the budget as a single event – the presentation of a pre-determined revenue and expenditure level by government to parliament for consideration and approval – and the concept of a budget cycle, which is a process which sees the government as a system of planning, budget approval, financial reporting and independent audit. In the United Kingdom, for example, in the past there was tremendous secrecy around the budget. Nobody talked about what was in the budget prior to the day of its consideration, and there was a lot of speculation. That is the exact opposite of the way many parliaments are treating the budget now as a budget cycle.

The diagram below illustrates the concept of a budget cycle. In this diagram there are elements within the circle and there are elements outside the circle. Within the circle are the internal financial controls and systems of government. These are internal audits, managerial reporting and cash debt management. All these issues and activities are controlled by government, typically by the ministry of finance. These are the financial management issues internal to government. This is not an area where parliaments typically become directly involved.

There is also a set of activities outside of this circle. These are the parts of the budget process that are external to the cycle: planning, authorising and reviewing budget spending in detail, by parliaments, financial reporting by government, and independent audit. It is in this external focus on public accountability where parliaments can play a major role in the budget process. So it is in the external management of the budget, rather than the internal government systems, where parliaments can be most effective.



The components of this cycle are best described by giving them a context: the internal mechanisms of the budget cycle, i.e., those inside the circle, are those used in Canada.

In Canada, it is the Treasury Board that does the detailed accounting and auditing of government accounts. It is the Finance Ministry that does the detailed budget preparations, and it is the Bank of Canada that manages the

debt situation and the foreign exchange balances. However, external to the budget process are those reports on financial performance that are submitted regularly by the Canadian Government to the Parliament. There is a requirement for the Government to detain from Parliament the right to borrow for ongoing operational purposes. There are the approvals of estimates, budget debates, confidence motions, input and discussions prior to budget finalisation with the Finance Committee, so that Parliament has the opportunity to shape the budget before it is submitted for adoption. In addition, there is post hoc accountability to the Public Accounts Committee.

The role of parliament in the budget cycle

Parliament is the one place for broad debate on national goals. If the budget is to reflect truly national priorities, as opposed to merely government priorities, then parliamentary debate and review of the budget, including public consultations and public hearings, are necessary. Parliamentary committees can monitor, review, assess and make suggestions during the formulation, implementation and audit phases of the budget. In addition, parliamentarians can question ministers and hold special meetings to probe government policy. Most importantly, committees can organise public input across the country both before and after the budget is drawn up, and in this way they can help provide public input into the budget process, an issue which is becoming increasingly common throughout the world; as governments seek public input and parliaments ensure that such public input finds a place in the budget cycle. This truly enhances parliament's role in the budget cycle, because parliament is the one institution which represents the people. If you want public input into the budget, parliament is the best-placed institution to ensure it.

Ex-post auditing and monitoring institutions such as the public accounts committees or other oversight committees, the national audit office or the auditor general play a key watchdog role in terms of analysing government expenditures.

In practice, however, parliament is not playing the important role that it could play in the budget cycle. Indeed, parliaments themselves often restrict their role in the budget cycle. They do not provide input into the planning phase of the budget, they do not demand regular financial reporting from government, and all too often independent audits are late and parliamentary oversight committees do not have adequate resources to scrutinise public accounts. In theory, parliaments play a key role in the budget process, but there is a tremendous gap in many countries around the world between the potential for action by parliaments and the actual role that they play. Yet the budget cycle is the key vehicle which allows parliamentary participation in the shaping of national policy priorities. Parliaments can debate the issues of economic and development policies and priorities, but it is the budget that allocates resources to those priorities, and parliament can play a key role if it wishes to.

It should be noted, too, that parliamentary participation can be especially effective if the budget cycle can be set in the multi-year expenditure framework. The World Bank is actually encouraging governments to develop multi-term or medium-term expenditure frameworks, which allow parliaments to look at the priorities on a rolling basis rather than viewing a budget as a single event with little opportunity to change the broad thrust of government spending. Such a medium-term framework makes possible greater debate and influence than when single yearly budgets are presented for approval.

A commonly heard argument against greater parliamentary input into the budget process is that parliaments only want to increase government spending, and in doing so they worsen the fiscal situation of the country. In fact, recent evidence shows that greater parliamentary involvement does not necessarily lead to more spending by government. It leads to greater government accountability and transparency. It results in substantial national consensus regarding macroeconomic policies, and greater possibilities for community-level input into the budget. In other words, parliamentary input can help the budget better reflect broad-based national goals, rather than simply government goals.

Greater parliamentary involvement results in greater transparency and better government accountability. Instead of budgets being prepared behind the locked doors of the ministry of finance, there can be wider public participation, better economic performance and greater focus on poverty reduction and gender issues. Here, once again, it is the parliamentary committees that can take the lead, with finance, budget and public accounts committees or their equivalents being particularly important.

In terms of national consensus-building and building linkages at the community level, parliaments and parliamentarians can again play a critical role. Individual parliamentarians can work at both national and constituency levels to draw in many civil society groups, including those which represent women, the poor and the underprivileged, and thus counter the historically privileged access to public influence enjoyed by the wealthy and elites.

National economic forums are another vehicle that parliaments can use to build public consensus around the budget. Parliamentary committee hearings at community and district levels can also be helpful. However, all too often parliamentarians do not have sufficient resources to play an effective role in the budget cycle, to hold public hearings, to play a proactive role at the constituency level and to help build national consensus around budget issues. This is a serious problem around the world. It is reflected in a lack of qualified research and support staff to support the members of parliament, poor library facilities and a host of other constraints. While the development of parliamentary research facilities and services is necessary, there are additional initiatives that can supplement and complement parliament's own sources.

These are resources that are found outside of parliament, in society at large. For example, parliaments can often have access to alternative information and analysis and can count on the support of community groups and civil society organisations. In Canada and the Netherlands, for example, the legislatures have worked with various business and labour groups to help build consensus and obtain public input on key policy issues, while in South Africa, Ghana and Ukraine, parliaments' own research and analytical capacities are enhanced with input from independent NGOs. Parliament's own resources are overwhelmingly important, but parliament also has access to a whole array of analyses and inputs from society at large. It can and perhaps should draw upon them.

It has to be recognised up front that most parliaments have been reluctant to engage closely with small community-based civil society groups of the poor. There are exceptions. In South Africa, for example, parliament has developed personal petition systems that are treated seriously by members of parliament and that give ordinary citizens significant input into both the budget and other decision-making processes.

An important initiative that is being encouraged by the World Bank, the International Monetary fund (IMF) and other donors is the development of country-owned poverty reduction strategy papers, or PRSPs. In an effort to move away from the strict conditionality of the past associated with World Bank loans, the Bank is encouraging countries to develop their own poverty reduction strategies and to reflect those strategies in the budget. Thus, if a government makes reduction of gender inequality a priority, and wants to put a particular focus on girls' access to primary and secondary education, that priority should be reflected in the budget.

Through the development of these PRSPs, the World Bank and other donors can provide budget support to national priorities aimed at reducing poverty. Because the PRSP initiatives themselves should be reflected in the budget, this gives parliament a tremendous opportunity and much influence with which to make sure that the poor and the underprivileged are better served by the budget process. A key question in this process is whether the money in the government budget actually does go into benefits for the poor. It is here that parliamentary oversight can be particularly important.

One of the concerns in many countries is the large proportion of the budget that goes for civil service salaries, leaving very little money to deliver services to the poor. In many countries, such a large proportion of a department's budget goes into salaries that there is no money left for anything else. The worst examples are found in some countries where government agricultural extension services hire thousands of people, but there is no money to buy the fuel to allow those extension workers to go out and serve the farmers. When parliaments are looking at the budgets, they should look not just at the items for individual activities and individual departments, but should also consider whether there is a reasonable breakdown in the recurrent expenditure to make sure that there are services being delivered to the people that are supposed to be served by those departments.

Parliaments have a particular responsibility to assess government policies and programmes and, in particular, to ask whether the expenditures are producing results. Parliaments have to emphasise the importance of monitoring, including the encouragement of participation of the poor, and ensuring that there is feedback from the lessons learned from audit and evaluation in the budget cycle, so as to improve the planning of the next budget.

One of the weaknesses we found in the Westminster system – and that is a system, with variations, adopted by many Commonwealth countries – is that there might be public and parliamentary input to the budget formulation (there is typically relatively strong budget or parliamentary involvement in the audit and the monitoring of government spending), but if government does not actually do what parliament authorised, parliaments often lack the ability to make sure that governments do better next time around. That is the missing link in the cycle. Parliaments approve the budget, they monitor the budget, they audit the budget, but if the governments do not spend as authorised in the first place, how can parliaments ensure that governments do better in the next cycle?

In conclusion, parliaments have a key oversight role in the budget process. Parliamentary committees, especially the finance, budget, public accounts and oversight committees, are some of the tools and mechanisms that are available to fulfil this role.

Outreach by parliamentarians to civil society and other groups is another very powerful tool that can be used to enhance parliament's role in the budget process, along with public hearings both at the national level and at the local district level. Nothing can strengthen parliament more than enhancing its representativity of its constituents. One of the ways to achieve that, in addition to parliamentarians' working individually at the constituency level, is for the legislature to hold public hearings and regularly keep a finger on the pulse of the feelings of the electorate.

Parliaments need appropriate resources to do their work properly. But, in addition, they need to have access to a whole array of institutions such as universities, think-tanks and policy institutes from which to draw additional analyses, input and advice, which can only make them stronger in dealing with the executive.

Finally, as regards the evaluation monitoring of the budget itself, one of the best ways to ensure that governments do what is approved in the budget is to make sure there is rigorous auditing and monitoring of government expenditures, and sanctions if governments do not do what has been authorised by parliament. ■

Accountability and transparency in the budgetary process: public accounts committees

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The purpose of public accounts committees

The audit report that is produced by the auditor general or another type of supreme audit institution is only effective if the findings are used to improve public financial management. Parliament's task is to ensure the quality of the report and the implementation of the report's findings and recommendations. An essential advance was made in 1861 when the British House of Commons resolved to establish a public accounts committee. Gladstone, who was then Chancellor of the Exchequer, saw this reform as instrumental in closing the circle of financial control, thus ensuring that not only there was an audit report but also that it was used.

Traditionally, there has been a focus on spending regularity and propriety and on compliance. More recently, audit institutions, and therefore public accounts committees, have been focusing increasingly on the results of spending, on the basis of "value for money" or performance audits. For example, the auditor general of Canada introduced value for money audits in the 1970s, which today make up the majority of audit activity.

Policy neutrality and non-partisanship

Policy neutrality and non-partisanship are key points of departure for the work of public accounts committees. When these fundamentals are undermined, the audit process and parliament suffer and the relevant committees lose their effectiveness. Mechanisms exist that support or help parliament in making sure that these principles are safeguarded.

Traditionally, public accounts committees are not asked to question the underlying policy of spending. Their task is not to review policy but rather to determine whether policy was efficiently, effectively and properly implemented. Ninety-seven per cent of public accounts committees in the Commonwealth usually summon departmental officials when conducting budget reviews. Very few committees actually summon the minister, who is the political head of the department; the focus is more on interrogating the accounting officers. In practice, however, it is often very difficult to separate administrative and political responsibility. Some countries have found it useful to implement one of the mechanisms of the Westminster system: if an accounting officer feels that certain expenditures ordered by the minister would result in disbursements that are not in accordance with the budget, he or she can request a written instruction from the minister. That way, the accounting officer has a mechanism to protect him or herself against political interference. This mechanism may not work well in other contexts, but it is used, on average, about once a year in United Kingdom.

To maintain the spirit of non-partisanship, committees often strive to reach unanimous decisions. Very often reports, even though it is not required by the rules, are adopted unanimously. Also, 67 per cent of public accounts committees in the Commonwealth are chaired by members of the opposition.

The committee process

The review process in the public accounts committee starts with the tabling of an audit report by the auditor general. Public accounts committees rely on the documents they get from the auditor general and, hence, it is quite important to coordinate the work schedule of public accounts committees with what the auditor general.

Hearings are the key mechanism and tool of parliamentary public accounts committees. Witnesses are called and the key focus is on departmental officials, including, very often, the auditor general. In fewer cases the ministers are also called. These hearings focus more on the administrative side of the department. Fifty-five per cent - the majority of public accounts committees - hold their hearings in public. The minutes of evidence and the committee report are usually published. Eighty-seven per cent of public accounts committees make them freely available to the public, even via the Internet, when possible.

Very often government is required to formally respond to the report produced by the public accounts committee on the auditor general's findings. Sometimes referred to as an action-taken report, or a treasury or executive minute, this report is a formal reply by the government to the findings of the public accounts committee.

Table 1: Selected results from a survey of Public Accounts Committees

	Yes	No
Is the chairperson from an opposition party?	67%	33%
Are departmental officials normally summoned?	97%	3%
Is the auditor general normally summoned?	79%	21%
Are ministers normally summoned?	31%	69%
Is the committee required to be unanimous in its decisions?	33%	67%
Are committee reports freely available to the general public?	87%	13%
Are hearings open to the press and the general public?	55%	45%
Does the committee depend primarily on the auditor general's report?	85%	15%
Is the committee report debated in the legislature?	57%	43%
Is the executive required to respond to committee recommendations?	80%	20%
Are mechanisms in place for the measurement of committee performance?	33%	67%

Source: McGee (2002); based on a survey of 70 branches of the Commonwealth Parliamentary Association.

Some challenges and possible approaches to deal with them

Public accounts committees face many challenges. Here are some common issues: how to ensure follow-up to their recommendations; how to strengthen their relationship with the auditor general; and how to deal with the varying quality of reports.

(a) *How to ensure follow-up*

One mechanism to ensure follow-up consists of publishing tracking reports or tracking chapters. Some auditors general produce a separate report that tracks the extent to which the government has implemented the recommendations made two years before. The report, and the recommendations it contains, is submitted to parliament and it is scrutinised by recommendation by recommendation. Each recommendation is covered in the tracking reports so parliament has an opportunity to assure itself that whatever was recommended was actually followed up on by the government.

Another mechanism is to use audit findings in the following budget approval process. For example, in one country an audit report highlighted one of the public broadcasting corporations' over-generous pay package for employees of a publicly financed radio station. No remedy was brought and the budget committee cut the allocation commensurately in the following budget.

(b) *How to strengthen the relationship with the auditor general*

It is crucial for public accounts committees to have a good working relationship with the auditor general because they depend almost exclusively on the contents of the audit report. Without the audit report, and without a good working relationship with the auditor general, the committee's work is undermined. Some auditors general have established parliamentary liaison officers for that purpose of maintaining a good working relationship with parliament. They have an office in parliament to follow the debates in the public accounts committees and an officer from the auditor general's office sits in on the debates and responds to research queries. Some countries have addressed the issue by making the auditor general an officer of parliament, so he or she is directly attached to parliament and works under the authority of parliament.

(c) *How to deal with the varying quality of reports*

One solution involves skills enhancement and ensuring sufficient funding. Though this solution is difficult to implement, it is the role of parliament, as the institution that approves the annual budget, to make sure that audit institutions are sufficiently well resourced. Skills development can help maintain the quality of reports through a variety of approaches, including skills development in the auditor general's office, exchanges with auditor general staff from neighbouring countries, etc.

Another solution is for public accounts committees to come together and learn from each other. There are a number of public accounts committee networks that have emerged in various countries. In Canada there is the Canadian Council of Public Accounts Committees and in South Africa there is the Association of Public Accounts Committees. At this association's latest conference, which was a regional conference, a decision was taken to establish a regional umbrella body for Southern Africa. That could be one way in which public accounts committees in a particular region of the globe could share expertise and learn from each other, share good practices and learn from the negative examples that might exist as well.

Concluding remarks

Overall, public accounts committees are based on very similar principles and procedures. However, their performance varies quite tremendously because of the different challenges they face and their varying ability to respond to these.

In developed countries – many OECD member countries – public accounts committees are having to deal with new audit content, value-for-money audits and so on, and they have to adapt to the changing structure of the public sector. In these countries, there is a proliferation of what are called executive agencies that operate at arm's length from government departments and carry out some very important functions. Mechanisms to render these departments accountable to parliament were neglected when these entities were established, but remedies are being brought, as is the case in the United Kingdom, for example.

Developing countries often have very different sets of challenges. There is often a struggle with scarcity of resources in general. In the case of one country, there were 500 chartered accountants of which 100 were foreigners, so there were 400 indigenous chartered accountants. Of these, four worked for the government. In such an instance of scarcity of expertise, it is very hard to get the audit system to function properly. Another big challenge faced by public accounts committees is political constraints, which can be significant. ■

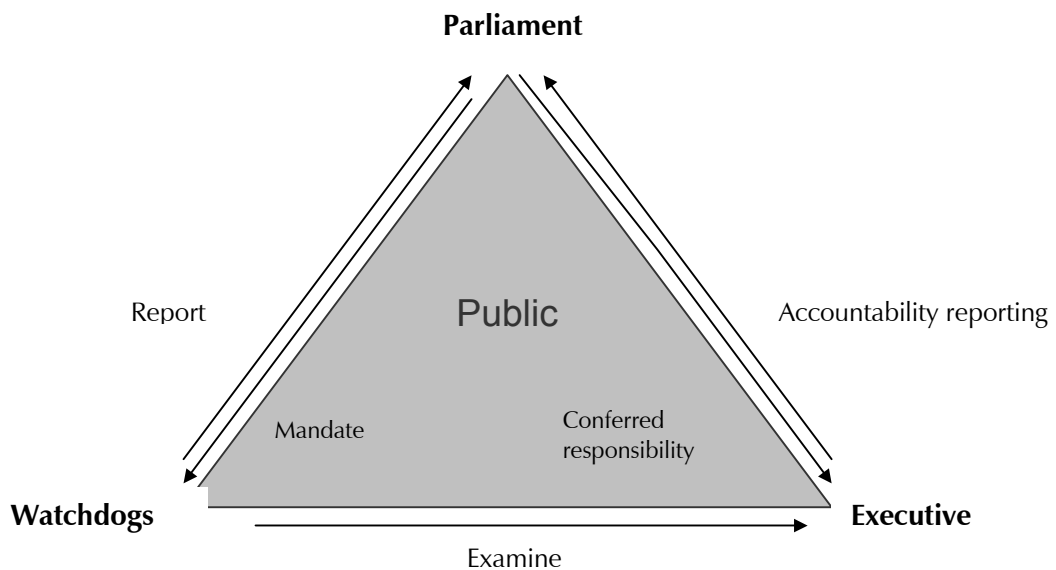
Accountability and transparency in the budgetary process: the national audit

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In a general sense, accountability is defined as the obligation to answer, coupled with an ability to respond. More specifically, financial accountability is the relationship between the executive and the legislature based on the government's fiduciary obligations to demonstrate and to take responsibility for performance in the light of agreed expectations regarding the management and use of public funds.

To describe this relationship diagrammatically we can consider a triangle of fiduciary obligation. Parliament confers the responsibility to the executive and, at the same time, requires accountability reporting from the executive. Also at the same time, the oversight agencies or the watchdog agencies - principally the national audit office - examine the performance of the executive and in turn report to parliament. In terms of this diagram, of course parliament itself is accountable to the public.

THE TRIANGLE OF FIDUCIARY OBLIGATION



In summary, parliament confers responsibility for raising revenue and spending funds to the executive but, in turn, the executive is accountable to parliament for the use of these funds. Parliaments enforce this accountability by mandating supreme audit institutions, auditors general and other watchdogs to examine the executive and report back. That is the way that governments are held to account for the use of public funds. Because there are three main players - executive, supreme audit institutions and parliament - for this system to work, all three have to have the ability to undertake their responsibilities. If they do not, if any one leg of this triangle is weak, then the system does not work.

This system describes an interrelated set of institutions and institutional arrangements, namely the preparation of government estimates and reporting by government to parliament on its achievements and especially on public accounts; it includes third-party verification by the national audit office or the auditor general, parliamentary review and oversight through public accounts and other committees. Underlying all of this is the importance of access to information. In order for parliament and civil society to have a greater input into the budget, the form

and the content of the budget and estimates must be both informative and understandable. Government reports must be timely and give a fair presentation of the facts. Public audit reports must be relevant and useful, and parliamentary oversight must be open. It must encourage public participation, be conclusive and make a difference.

It is also important that governments report on their use of funds in a timely fashion and give a fair presentation of the facts. About a year and a half ago, the World Bank Board of Directors received a report that examined the state of public accounts in Africa. The report's findings showed that in 15 or 20 of all the African countries, the governments were at least eight years behind in their production of public accounts. How can the system of financial accountability and fiduciary responsibility of governments work if the accounts are out of date? Parliament cannot hold government to account if the information it has is that old. Public audit reports need to be relevant and useful. Some of the audit reports focus on the misuse of perhaps a few hundred or a few thousand dollars. The usefulness, in terms of parliamentary oversight and in terms of members of parliament spending time auditing those reports, of reports that focus on systemic weaknesses in government accounting is already debatable. Surely, focusing on the misuse or the misallocation of a relatively small amount of funds is not as important as tackling the systemic problem that causes or allows the misuse of funds.

Lastly, parliamentary oversight needs to be open. Parliamentary oversight needs to encourage public participation. It needs to be conclusive and to make a difference. One of the weaknesses in the Westminster system is that even when government accounts are up to date, even when audit reports are relevant and informative, even when parliamentary oversight of those audit reports is open and perhaps conclusive, there is no mechanism that ensures that government will act on the recommendations of parliament. How, then, can parliament ensure that those recommendations are implemented and that the government's intentions are acted on? Again, the bedrock of this system is the right to information. If information is not freely available, if governments try to hide how government works, then government accountability is a farce. How can parliament hold government to account if it does not know what government is doing? Access to information is absolutely critical.

The supreme audit institution

"Supreme audit institution" (SAI) is the generic name for the auditor general. In some countries there is no auditor general, but there is instead an audit board or a *Cour des comptes*. The World Bank has devoted considerable time to examining what criteria mark an effective supreme audit institution. A number of issues have been identified which can be reviewed and can help determine the effectiveness of the national audit office: whether the head of the supreme audit institution holds professional qualifications; whether the supreme audit institution is independent of the executive arm of government; whether the staffing of the audit office is adequate, both in terms of quality and quantity; whether there is adequate quality control of the audit; whether the supreme audit institution reports directly to parliament, or reports to the executive; whether the reports are timely; whether the reports are publicised; and whether there is satisfactory follow-up.

A survey of supreme audit institutions was conducted in Africa and it was found that, of 25 countries, only one had a supreme audit institution that came close to meeting all of the above-mentioned criteria for effectiveness. Eight countries met only one or two of the criteria, while five met only one criterion.

Central government auditing key questions

- SAI holds professional qualification?
 - SAI independent?
 - Adequate staffing? (quality+quantity)
 - Adequate quality control?
 - Reports directly to parliament?
 - Timely reports?
 - Reports publicised?
 - Satisfactory follow-up?
-

In South Africa, it was judged that the follow-up to the audit recommendations is not adequate. That is the best situation in Africa. In Burundi, Niger, Senegal and Tanzania, none of the criteria were met. When an audit office is weak, if it suffers from interference by the executive, when it does not have adequate staff or when its staff is not trained, or when the head of the audit office is not qualified, parliament cannot rely on the reports that it produces.

The above-mentioned triangle shows the links between parliament, the watchdog - i.e. the supreme audit institution - and the executive. Because parliament relies on the reports of the supreme audit institution in order to hold government to account, when those supreme audit institutions are so weak that their reports are not helpful, parliament itself cannot be effective.

The surveys carried out in South Asia are not as extensive as the ones done in Africa, but their analyses indicate that legislative oversight tends to be weak in this region; that parliaments and auditors are often fed poor information by governments; that legislative oversight is undertaken behind closed doors; and that follow-up on whether the government has actually acted on the recommendations of parliament is questionable.

In all probability, many legislatures are weak in terms of the accountability triangle, and there is a need to build the capacity of parliaments. The World Bank's assessment clearly states that legislatures need to have their capacity developed. However, complaints are being voiced about the fact that international organisations and the donor community advocate the building of democratic institutions but provide little in the way of support to ensure their success.

The World Bank believes that it is necessary to build the capacity of the watchdog institutions, and of the audit offices as well, since one of the most important keys to good accountability is the relationship between the supreme audit institution and parliament. When that relationship works well, there is much better scope and potential for effective oversight than when that relationship is weak. Also, the relationship between parliament and the media is very important. By way of an example, the chair of the public accounts committee in Jamaica said that in Jamaica they had considered for quite some time the advantages and the disadvantages of opening public accounts committees to the media. He eventually decided to take the risk, and opened the committee meetings to the public and to the press. Two years later, he said that it was one of the best things he ever did. He said he felt the media was a strong ally in holding government to account. Obviously, reports from the auditor general regarding misappropriation or misallocation of funds that go to committees in the presence of the media receive much more attention than if the meetings were closed to the public. The presence of the media at committee meetings can really help the work of the accounts committee ensure that the government pays attention to the deliberations and recommendations of the committee. ■

Accountability and transparency in the budgetary process: outreach to civil society

Mr. Joachim Wehner Budget Analyst

The topic of this presentation is outreach to civil society, particularly from the point of view of what parliament can gain from opening the budget process to public participation. The first part of this presentation will cover the various means and ways by which civil society can bring a positive contribution to parliament's work in the development of a budget. Across the world, civil society organisations have developed products and produced analyses which parliaments have found useful. The second part presents two South African case studies: one on how parliament's role in scrutinising the draft budget has been supported by civil society, and the other on civil society's support of parliament's role in ensuring that audit findings and the recommendations that parliament actually makes have a meaning, and are translated into practice. The third part of this presentation will briefly cover the requirements for participation in the budgetary process.

What can civil society offer?

Over the years, civil society organisations have provided independent types of analysis of budget policy and of budget figures. Civil society groups have produced submissions on the budget to parliament; they have produced more in-depth sector analyses of the budget, focusing, for example, on health, education, and so on. They have produced analyses of cross-cutting issues, for example HIV/AIDS, which do not only have to do with one particular sectors but cut across many areas, for example health, education, social development and so on, where you have to widen your perspective.

Civil society groups have also analysed the effects of the budget on different population groups, for example women, children, the elderly and the disabled. A very interesting example in India is a local group in one of the States called DISHA, which stands for Developing Initiatives for Social and Human Action, which has been concerned with issues in tribal areas and one of the first reports of budget analysis they produced was entitled "Injustices to the Tribals". It looked at the impact of spending in that particular State on the tribal areas and, amongst other things, highlighted errors in the budget documents. During the assembly discussions of the budget, legislators found that very useful and that certainly made the Government in that particular State realise as well that someone else was scrutinising those budget documents, that they must take greater care in the way they were compiling the data because some of the figures did not add up.

Though revenue analysis is not as well developed as other activities, some civil society groups have focused on scrutinising the impact of taxation on various sectors of the population.

Society can also participate directly in the budgeting process. In some Latin American countries, local authorities have been experimenting with participatory budgeting. Because of the nature of this process, participatory budgeting is more easily done at local level than at a national level. In fact, this process involves having people assemble for instance in the village square and determine budget priorities. Its purpose is to put to the best use possible the limited resources available by finding out what the people really want as their first priority. A vote is held on the different priorities to enable the local authorities to decide whether they should build a bridge or rather a new school building, for example. The Porto Alegre (Brazil) experience is the prime example of this process.

In Africa, civil society groups are carrying out expenditure tracking studies to support budget implementation. Expenditure-tracking activities entail budget groups following the disbursement of funds down to the local level. A very prominent civil society group in Uganda, the Uganda Debt Network, is carrying out such studies, which involve, among other things, touring individual schools and clinics to find out what happened with the funds that were disbursed. That kind of analysis has had a tremendous impact in Uganda.

Civil society groups have also supported parliaments in ensuring that audit issues that are highlighted in auditor generals' reports are actually followed up.

Two case studies

A South African non-governmental organisation called the Institute for Democracy in South Africa (IDASA) put in place a Budget Information Service in 1995. The aim was actively to support the new Parliament that was being assembled after the first democratic elections in that country. Parliament had little resources and the South African parliamentary tradition did not allow for a strong role in the policy process. The Institute went about doing that by producing regular submissions to national and provincial legislative committees on draft budgets and public finance legislation. South Africa has the benefit of a very progressive constitution, which requires Parliament to be accessible to the public. Soon parliamentarians got used to the idea and a cooperative relationship emerged. One of the key actions of the Institute was the putting together of a submission on the legislative cornerstone of budget reform in South Africa: the Public Finance Management Act. During the process of reviewing and revising that bill, Parliament received 33 submissions from the public and it spent an entire year rewriting and reviewing the bill clause by clause, and drew very substantially from the input by civil society and independent think-tanks. There are quite a few examples of very substantial improvements to that bill that go back to the submissions that the civil society groups made. Overall, the Institute's participation in the budget process triggered the participation of other groups.

Lack of government responsiveness to audit findings and reports of misconduct or corruption can present a major challenge. An example of an innovative response is the work of an independent initiative, the Public Service Accountability Monitor (PSAM) in South Africa. One of the activities of the PSAM is to follow-up reported cases of corruption and misconduct with the departments concerned. Once the relevant details of the case have been established, a summary of these details together with a list of potential breaches in regulations is faxed to the head of the department. After one month, the head of department is contacted to establish what the disciplinary outcome of the case was. This response is recorded by way of a telephonic interview and is made available in text and audio format on the internet. In the event of a non-response the PSAM will then request this information in terms of the Promotion of Access to Information Act. The success of the initiative demonstrates how legislative scrutiny can be actively supported and complemented by civil society.

Open committees as a requirement for participation

A substantial number of legislatures open their proceedings and committee meetings to the media and the general public. Half of the legislatures recently surveyed by the OECD report that committee proceedings related to the consideration of the budget are open to the public. With regard to the audit process, more than half of the public accounts committees surveyed by the Commonwealth Parliamentary Association reported open access.

Table 1: Are committee meetings generally open to the public to observe?

	Number of legislatures	Percentage of total
Yes	20	50%
No	20	50%
Total	40	100%

Source: OECD (2003), <http://ocde.dyndns.org/>

Open committees provide a number of opportunities. Increased transparency can help to build trust in government, in particular in systems where secrecy in budgeting in the past allowed the diversion of funds for corrupt purposes. Open proceedings also allow the media to report on parliamentary debates and the legislative process. This gives individual parliamentarians and parliamentary committees a channel for making their views heard. The media is likely to give more attention to budgetary debates when it has access to parliamentary deliberations on the budget in both the chamber and committees. By transforming into a platform for open discussion on the contents of the budget, legislatures can help to broaden and deepen public debate.

But the benefits of open committees are not automatic. An unintended effect might be to simply shift decision making from parliamentary committees to other forums such as working groups and party caucuses that are closed to the public eye. If this is the case, the gain in transparency from opening up committee meetings to the public is an illusion. Moreover, some critics warn that there are risks involved in ending secrecy in legislative deliberations. The apprehension is that opening the doors of committees to the media and the public might politicize committee debates and undermine effectiveness. Reformers should be sensitive to these issues, but overall the experience with opening up the committee process has been positive. It is true that there might be grounds for barring the public in exceptional circumstances, for instance for discussions that relate to a central

intelligence agency or highly sensitive defence matters. But generally there are few good reasons to prevent open access of the media and the general public.

Conclusion

In conclusion, civil society can be an ally and partner of parliament in making the budget process more transparent. Parliament provides a key potential forum for participation and a platform for public debate. This is important because very difficult budget choices need to be debated openly. Through that debate the public can be made to understand some of the difficult trade-offs that are involved making choices and would therefore be willing to accept the final budget. Public debate provides the opportunity to build consensus through participation. Once the media and civil society organisations see there is an opportunity to come to parliament, greater participation is likely to enhance the quality of contributions and reporting. ■

Engendering the national budget in Sri Lanka

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Background

Women are in the forefront of the demographic, epidemiological and agro-industrial transitions that are taking place in Sri Lanka. Thanks to the small size of the country, a good road network and subsidized transport services, free education and health services are readily accessible in physical as well as financial terms. The cultural attitude towards female autonomy and the value placed on literacy and education have reinforced accessibility and resulted in a high level of participation of both boys and girls in education. Improved education has contributed to increased mobility of the female labour force, both internal and external. Not only have women been moving out of agriculture (a traditional area of occupation) into industry (particularly the garment industry) and services, but they are also moving abroad for employment. Private remittances, about 75 per cent of which were from women working abroad, financed around 15 per cent of imports in 1997, while women on the plantations and in the free trade zones together accounted for 53 per cent of exports.

Despite the increasing women's contribution to the economic growth of the country, little was known of the benefits that they derived from government programmes financed through the budget, the government's most important economic policy instrument. It was recognized that integration of a gender perspective into the national budgetary process would improve the impact of public expenditure and enable women to increase their contribution to nation-building. The Government of Sri Lanka therefore requested technical assistance from the Commonwealth Secretariat, and participated in a Commonwealth Secretariat programme as one of the five countries chosen for a pilot study.

Objectives of the study

The purpose of the study was to assess the gender impact of the Sri Lankan budget by examining actual expenditure in 1996 and using the knowledge gained to improve the gender impact of future budgets. The study covered only the main ministries in the services and production sectors: the Ministries of Education, Health, Social Services, Industries, and Agriculture. The gender distribution of employment throughout the public service was also analyzed.

Procedure

Five research teams, consisting of officials from the ministries involved and each with an identified leader, started their work on 1 June 1998. The study on employment by sex in the public service was handed over to the Department of National Planning. An inter-ministerial committee was set up comprising representatives of the respective ministries and officers from the Ministry of Women's Affairs and the Department of Census and Statistics, to assess the progress and the performance of the project. A consultant assisted the working groups and reported on their progress to this Committee. Two workshops were conducted in order to present the findings of the studies to a wider audience, including donors and other researchers.

Methodology used

The study considered only the recurrent budget of the agencies concerned. An assessment of the gender impact of capital expenditure was desirable but required data on accumulated assets and valuation of their service lifetimes, and these were not available. The recurrent budgetary allocations of the participating ministries were considered in terms of (1) service deliverers and their personal emoluments, travelling expenses, contractual services, and other recurrent expenses which were considered service delivery expenditures, and (2) the impact of total recurrent expenditure on the programme recipients. Although each ministry had its own database, in many instances special surveys had to be conducted to obtain the required information because collection and collation of existing data was not sex-disaggregated.

Expenditure on those activities in the education and social service sectors, which in 1989 devolved to the Provincial Councils under the 13th Amendment to the Constitution, has also been included in this study, although such activities were not funded through the recurrent budget of the central line ministries. In addition, the analysis of public sector employment and wages covers the Provincial Councils and semi-governmental institutions and gives a comprehensive overview of the public service, as well as the relative significance of its different components.

Study highlights

(a) *Education sector*

Young girls with higher education have become important agents of modernisation and increasingly participated in economic activities. More than 86 per cent of girls in the 5-14 age group participate in primary and lower secondary education, and about 38 per cent of girls in the 15-17 age group take part in the upper secondary level. However, in the primary cycle, there is still an imbalance in entry at Grade 1, with girls accounting for less than 49 per cent of total primary enrolment. As boys drop out at a higher rate than girls, the disparity tends to narrow and reversed in higher cycles: girls account for 50 per cent on average in the secondary cycle; 53 per cent of those sitting the GCE O levels and 55 per cent of those sitting the GCE A levels. In addition, the percentage of those who qualify at each of these exams is also higher for females. However, at the university level there is still a gender discrepancy in enrolment, varying from a female enrolment of 31 per cent at the Southeastern University to 50 per cent at Colombo University. Overall only 42 per cent of university students are women, although 54 per cent qualify at the A level examination. Fields of study also have some imbalance: only 12 per cent of engineering students and 33 per cent of architectural students are women, as compared to over half of the students in arts, law and veterinary science. Looking at the gender distribution of students as direct beneficiaries, 48 per cent of total expenditure accrues to females.

Although female teachers predominate at the primary and the secondary levels (84 per cent and 63 per cent, respectively), they only represent 45 per cent at universities. The participation of female teachers in management level courses is also lower, resulting in a low percentage of female managers in the education sector: only 20 per cent of principals are female. Looking at teachers as direct beneficiaries of salaries and teacher education programmes, 68 per cent of total expenditure accrues to females.

(b) *Health sector*

The demographic transition in Sri Lanka started with dramatic declines in mortality in the late 1940s and 1950s which were sustained by increased participation in preventive and promotive health programmes. The transition moved ahead further by declines in fertility in the past quarter century, brought about by delayed marriage thanks to longer schooling and acceptance of family planning. These socio-demographic changes have determined the age structure, marital status, and educational and labour force participation pattern of females. The demographic transition, together with urbanisation, changes in lifestyles and other factors, have given rise to an epidemiological transition.

Usage of the government-sponsored western health system is slightly more prevalent among females (56 per cent of users), with one third of admissions being for obstetrics and gynaecology. The proportion of male admissions is higher for surgical, dental and psychiatric wards. Women appear to favour the larger hospitals where specialist care is available. In this sector too, while overall there is a predominance of women among health workers, senior managerial levels are dominated by men.

(c) *Agriculture sector*

About 22 per cent of women are employed in agriculture, but agricultural service provision has continued to follow a traditional pattern which neglects their farming potential. Participation of women is low, both in the staff of the agriculture-related departments and in the programmes they run. Within the Ministry of Agriculture itself, 36 per cent of the workforce is female, and those women are concentrated in lower level jobs such as clerks or typists. Among professionals, about one third are females, but this reduces to 9.5 per cent in senior management and zero in top management.

The propagation of modern methods of agriculture takes place through in-service and field training, but female participation in the institutional and field training conducted by the departments is rather low. Of the Department's training courses, women are more interested in agricultural processing, horticulture, seed

production, and water management than in crop production, animal husbandry and organisational management and farmer nutrition. The proportion of female trainers in extension courses and in-service training institutions is also low (averaging 36 per cent), except in agricultural processing. Among extension workers, who provide the interface between the government agencies and the farming community, only 23 per cent are female.

Farmers' organisations are an important means of increasing agricultural production and credit disbursement. The higher the percentage of female membership, the higher the credit utilisation by women. In general, however, female membership in farmers' organisations is low. The proportion of women farmers in decision-making positions in these organisations is also very low, suggesting that they may be relegated to being passive onlookers.

However, female participation in work carried out under the World Food Programme is high. With the exception of Anuradhapura, where it is 42 per cent, in the eight districts where the programme is operating, female participation ranges from 60 per cent in Hambantota to 85 per cent in Ratnapura. The number of days worked per female participant in 1996 varied from 121 in Hambantota to 250 in Moneragala, suggesting that there is a considerable pool of female agricultural labour still available in some districts which could be trained to improve cultivation techniques, and that this programme was responding to a deeply felt need, particularly in 1996, when the country experienced a severe drought.

(d) Industrial sector

The private sector has been the engine of industrial activity growth. The Government has been withdrawing from regulatory and production activities, and has taken on the role of policy development and the provision of incentives. The Ministry of Policy Development and Implementation promotes small-scale entrepreneurial development and hand loom textile development through training, technology transfer, credit mobilisation, etc. It also retains some residual regulatory functions with respect to the exploration and exploitation of minerals.

The Ministry facilitates the establishment of medium scale industry through the development of industrial sites and services. The focus of government expenditure over the last few years has been the dispersal of industries into remote areas through the setting up of a chain of 25 industrial estates. The Industrial Park at Sitawaka, accounting for 70 per cent of the Ministry budget, combines planned facilities and utilities with the development of the surroundings as an industrial city. While the ownership of lots in these estates is mainly male, 80 per cent of the employees are female. Incentive packages provided by the Government encourage the adoption of more advanced technologies and increased employment opportunities at a higher skill level for men and women. Board of Investment incentives and guaranteed quotas for the 50 garment factories being set up in the south are expected to have a very favourable impact in reducing the high unemployment among women in these areas.

Direct beneficiary impact takes place mainly through training programmes in entrepreneurship development and technology transfer, but these account for less than 10 per cent of the recurrent budget. Female participation in the courses of the National Institute of Business Management is around 30 per cent; in those of the Textile Training and Service Centre, 44 per cent, and in the Clothing Industry Training Institute, 34 per cent. Specific programmes to develop women entrepreneurs have given rise to sustainable enterprises at the village level, though on a small scale.

(e) Social services

Social welfare expenditure focuses on maintaining the living standards of vulnerable groups such as the very poor, those affected by floods and droughts, and the physically and socially handicapped. The expenditure for long-term rehabilitation is as low as 5 per cent. The gender breakdown in the administration of these programmes shows an unusual and fairly equal gender ratio at managerial and staff levels (except in vocational training), but a predominance of males at the lower level. Overall, about 58 per cent of recurrent expenditure benefits females, as they tend to predominate as beneficiaries of programmes for the very poor and invalids, and flood and drought victims. However, women seem to be neglected in vocational training for the physically and socially handicapped. The gender ratio for abandoned children and orphans in institutional and foster care was fairly equal, but boys predominate in correctional facilities such as certified schools and remand houses.

Gender ratio in the public service

In the public service as a whole, only one third of employees are female. This proportion varies from 20 per cent in corporations, to 24 per cent in central government, and to 56 per cent in the provinces. Women predominate

in the professional category (66 per cent) in the provinces and central government (as teachers and health professionals) and in the clerical category in semi-governmental institutions. At managerial level, however, women account for only 15 per cent of the cadres and 23 per cent of the technical category. There is hardly any discrepancy in earnings between men and women in the different occupational categories, as they are on the same pay scales.

Overall, while economic growth has been expanding employment opportunities for both men and women, the quality of employment has also been improving. Many people who were formerly unpaid family workers are now in paid employment. The women's share in public sector employment is increasing thanks to their strength in professional occupations which are expanding and their increasing significance in managerial and technical occupations; on the other hand, there has been a decline in male employment, due to the restructuring and privatisation of semi-governmental institutions where they have been predominant.

Conclusions

While very little of the government budget is targeted specifically to women, the study found an equality of access and usage in the main service sectors. In education, 48 per cent of recurrent expenditure benefited females, in health 56 per cent and in social services 57 per cent. In the production sectors such as agriculture and industry, women receive little support. There is evidently a need to devise programmes, delivery systems and sex-disaggregated impact assessments that will lead to equalising opportunities for men and women. More resources should be given to technology transfer, organisational strengthening, training, extension services and communication systems so as to improve the participation of women. Inequalities in public sector employment also need to be addressed to allow women to have better access to managerial levels.

Each of the Ministries examined had distinct characteristics. The education sector, which has been a priority sector for the last century and continues to be a sensitive area, has already gone a long way towards disaggregating data by sex on an ongoing basis. In the health sector, maternal and child health has been a focus since the 1930s. However, the participation of girls and women in other areas of health care has tended to be neglected, and sex-disaggregated data is not collected on a routine basis at the institutional or central level, except for epidemiological data. In the social welfare services, which are almost entirely devolved, there is no routine data collection at the central level, and no sex-disaggregated recipient data is collected by the provinces. In the agricultural and industrial sectors, no routine sex-disaggregated programme assessment had previously been undertaken; it was this study that highlighted for the first time the lack of female participation in training and other programmes.

The budgetary policies underlying the allocation of resources in these five Ministries are not deliberately discriminatory. However, the inadequacy of sex-disaggregated data and the lack of attention paid to the little existing sex-disaggregated data have perpetuated the programmes from which women derive low benefits, while new ones in the areas popular among women continued to be restricted. In order for the improved education of females to have an impact on productivity and incomes, the propagation of modern methods of agriculture, agro-processing and technology transfer are particularly important. For small-scale entrepreneurs, public sector programmes must respond to their needs for continuous advice on testing and quality control and for access to specialised research institutions. In this connection, the gender of the service provider can also play an important part, and should be kept in the forefront of programme planning in all sectors.

Sociological research is necessary to ascertain the causal relationship and remedial measures that can be taken to improve female participation in the areas highlighted. New issues that are emerging, such as female migration for work abroad, also need to be carefully assessed. Current inequalities are likely to continue in the absence of a deliberate effort to change the systems in place and to monitor changes with adequate sex-disaggregated data. Therefore, the information generated in this study should be presented by the respective work teams to all the departments and agencies concerned, so as to increase awareness of inequities in service usage with a view to remedying them when programmes are reviewed. ■

Gender impact analysis of the budget

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Uganda**

Once it has been established that a gender perspective on budgets is important, the next step involves setting the groundwork for parliament to introduce a gender perspective on the budget. However, a detailed review of the mechanisms that need to be put in place to ensure that a budget is gender-sensitive is necessary in order to understand the gender impact of a budget. The examples presented below aim to illustrate some of the factors that enter in the analyses of this impact.

One of the reasons it is important to have a gender perspective on the budget is that poverty has a gender dimension. Therefore, policy interventions and budget allocations that are intended to eradicate or reduce poverty need to address the gender dimensions of poverty.

Another reason is one of economic efficiency, which is related to poverty reduction. When policies are blind to the fact that men and women are doing different things in an economy, they are bound to be inefficient. When allocations ignore the important contributions that are made in the household to the larger economy or the measured economy then policies and budgets can misallocate.

One of the tools used to put a gender perspective on the budget is called the gender-aware budget statement. The gender aware budget statement is a tool that can be used to analyse the whole budget, or sections of it. It can be used to analyse the revenue side as well as the expenditure side. It is usually used to analyse the expenditure side of the budget and, thus, analyse each sector of the budget.

The first step of the process is what is called a gender situation analysis. This involves analysing where men and women stand economically and socially within a sector. In order to do so, it is necessary to have access to the relevant documents and statistics.

In the education sector, for example, there are statistics available on girls and boys: how many enter primary school, how many stay in primary school, up to the end, how many enter secondary school, how many enter different disciplines at university, how many go to technical colleges. By analysing this information, it is possible to see how boys and girls are accessing education services. It is also possible to know not only how many boys and girls are going to school, but also how many do not go to school at all.

Furthermore, still taking the example of the education sector, it should be possible to study and analyse reasons for any differences in rates or levels of attendance between boys and girls. By looking at parental attitudes, it is possible to analyse society and to study the causes and see the consequences of any disparity between girls and boys, men and women in that sector.

It is also good to analyse the delivery system, how government delivers education: the schools, starting from the crèches, who works there in terms of men and women, who are the teachers, who are the heads of the schools who are the managers of the education policy, who sets the policy, who supervises the schools, who decides the school construction, who works at the ministry at the highest level where the decisions on the education sector are taken, etc.

Once all of these aspects have been studied and analysed, the next step is to move on to the policy level. It is at that level that the ministerial policy documents are analysed. Sector budgets are accompanied by a policy statement, which provides the policy objectives and outlines their financing for the year. By studying the policy statements in the light of the gender analysis described above, it is possible to know whether the policy responds accurately to the actual gender situation.

Policies are often written in such a way that they address all people as if they are the same, as if they were facing the same problems. However, some countries have started including gender references in their policy

statements. These references as well should be analysed in order to see whether the policy is responding to the gender gaps and the gender needs have been identified.

The third step consists of looking at the budget allocations for the sector. Two questions should be raised regarding budget allocations: "Do the budget allocations budget address the gender situation of each sector as it has been presented?" (In the case of the education sector, it was found that there are gaps between men and women, between girls and boys: does the budget address the problem; are any disbursements foreseen to resolve it; what is the budget paying for?). If the policy has been making some commitments to address gender issues, then the question to be raised is "Is the budget paying for the policy objectives that were stated?" In other words, is the government providing resources to implement its stated commitments, or not?

The example of Uganda

Uganda has been praised for managing its macroeconomic framework carefully. There are macroeconomic targets and they are followed very precisely. The inflation rate is not exceeded, the fiscal deficit, the exchange rates, the interest rates, the economic growth rates, all these are followed very precisely through, among other things, the budget. However, Uganda is also a very poor country that has suffered many crises in recent years. One of them is the HIV/ AIDS pandemic. Apart from HIV/AIDS, people suffer from all kinds of diseases. There is a health crisis and health services are poor because the Government in previous years had not invested much in health. The health investment per capita in Uganda is very low, even by African standards: it is about \$8 or \$9 whereas elsewhere in Africa the average level is about \$12. The Ministry of Health wanted to increase this investment to at least \$15 per person per year. A recent report commissioned by the World Health Organisation and carried out by a very famous economist called Professor Jeffery Sachs brought out evidence that links the health of populations with economic growth. The report made a powerful case for investing in the health of people in order to achieve high growth rates and the Ugandan Government is very focused on economic growth, which it is indeed achieving.

There was a debate last year in the making of the budget. The Minister of Health tabled the proposal to increase its budget by a certain level so that there was an investment of \$15 per person per year. The donor community, which funds 50% of the Ugandan budget, was willing to put in more money in the health sector. However, the Minister of Finance took the view that this money could not be absorbed and the reason given was that if all those dollars that the donors wanted to put in were absorbed, this of course would upset the exchange rate. Our local currency, the shilling, would appreciate against the dollar, and it would hurt our fiscal targets and hurt our exports. It was believed that too many dollars coming in would upset the macroeconomic targets, fuel inflation and hurt exports.

Uganda's main exports are agricultural products: coffee, fish, tea, etc. and the producers of agricultural products are women. Because 80% or more of agricultural labour is done by women, it was therefore necessary to introduce a gender perspective on that debate. In other words, it was necessary to examine how a lack of investment in health services would ultimately affect exports. If the Government's interest is protect exports by refusing to invest in the health sector, what would happen if there is no investment in health? When there is no investment in health, the poor people who grow the crops remain ill but, on top of that, women who have to care for the sick because the clinics are not being built near their homes cannot work the land enough and produce sufficient crops. By analysing the gender impact of the government's position, by bringing a gender perspective of the question of health and exports, by illustrating that in protecting exports to the detriment of health services the Government was running the risk of ultimately achieving the opposite outcome. Some of the economists were struck by these arguments because for them the exporters in their imagination were genderless. They did not think about exports in terms of who produced the exports and whose work was compounded or complicated by a lack of health service. This is just to show the trade-offs that happen at the household level and at the macro level have gender dimensions at which economists may not be looking because they are not looking at who does what in the economy. Therefore, having a gender perspective on the budget and on economic policy helps to see those trade-offs and to work out precisely how to achieve goals more efficiently.

The budget is complex because it is set of figures that need to be broken down in order to ask these questions. An Australian economist has provided quite a simple framework which can be used to break down budget

allocations, classify them and analyse them with respect to whether the budgets are addressing the gender needs of men and women, girls and boys.

The breakdown is divided into three categories. The first one is breakdown by sector and consists of looking for allocations which specifically target women or men, girls or boys in the budget of a specific sector; any allocation that is specific to one gender is called a gender-specific allocation. For example, it may be that in the agriculture sector, the government has put aside some special funds that can be accessed by women's groups as credit, special credit for women. That is a gender-specific allocation. It may be that in education, the government has made a special policy to provide free education for poor rural girls. That is a specific expenditure for girls. All these allocations are special women's budgets and that is what should be looked for in the scrutiny of the sector budget. Sometimes, women's budgets are specific allocations put aside to solve a particular problem. But this is not the big part of the budget; usually it is not even 1 per cent of the budget but it is important because targeting specifically a disadvantaged group helps it reach the level of other groups.

The second category is breakdown by allocations in the mainstream budget. The mainstream budget is the biggest portion of the budget: more than 90 per cent. Analysing this expenditure requires disposing of a large amount of data because it is that data that shows the different problems of men and women, girls and boys. Without a clear picture of those needs it is impossible to know what that expenditure impact will be on the different groups. It also requires knowing the plans behind the budget and knowing how the money is going to be spent.

The third category is breakdown by allocation intended to make the public service more gender equitable. Gender equality in the public sector is important for two reasons. First of all, the delivery system (i.e. the ministries) is a powerful decision-maker, inasmuch as that is where all the detailed decisions regarding implementation of policies. For example, parliament votes the monies allocated for the construction of health clinics, but it is the "delivery system" that decides where those clinics are going to be located. If this delivery system is dominated by one gender, particularly at the high levels of decision-making, there is every likelihood that the needs, the interests and the perspectives of the other gender will not be accommodated properly. Men cannot think like women, women cannot think like men, so if there is going to be good planning and good delivery of service, you need to have both sitting there and bringing their perspectives to the table. So gender equality in the delivery system is vital. Secondly, most governments have made commitments to achieve that equality. They have gone to Beijing; they have signed the Beijing Platform for Action which gives as a target that at least one-third of the decision-makers be women by 2005. A breakdown of the budget by allocation intended to make the public service more gender equitable will show whether or not a government has a policy aimed at reaching that target.

Gender budgeting is not about criticizing, it is about being constructive. The intention of putting a gender perspective on the budget is put forward alternative proposals of how government could be spending its money more efficiently. In the agricultural sector, for example, it was proposed that, along with the move towards privatisation of agricultural extensions, there ought to be a cushion for a certain category of women: very poor, particularly widowed, women as they would not be able to access privatised agricultural extensions. It was recommended that the Government should take a position to strengthen women's land rights and pay for a campaign on women's land rights and fund awareness campaigns to help change the patriarchal mentality of farmers who still hold on to the idea that land should be owned by men only and passed on to their sons.

It was found that, especially among the poorest households, there was a high level of alcoholism and violence against women. This was impacting negatively on agriculture; women were spending too many hours running away from their home at night, running back to their parents' houses, nursing bruises instead of being strong and being out there in the field working. It was therefore recommended that the government fund campaigns to prevent violence against women, or allocate resources to other agencies that could fight that crime. It could also strengthen the legal system to address the problem.

The important part is applying the tools mentioned in this presentation because, through their application, can be derived alternative proposals on how money should be spent in order to serve poor men and poor women more equitably to generate faster rates of growth and to achieve equality between men and women. ■

Mechanisms and methods for developing a gender-sensitive budget

Ms. Winnie Byanyima, MP
Uganda

Parliamentarians need brief, accurate, simple and timely information to use in the budget debate. Also, in order to be able to use this kind of information effectively in debate, parliamentarians need to have a fairly broad understanding of gender issues in the economy. If they are given simple information on how to incorporate gender perspective in the budget, but they lack the foundation and understanding of what men and women do in an economy and how their lives can be affected by policy, then it will be difficult for them to use this kind of information. There is a certain base of knowledge of the issue that parliamentarians should have if they are going effectively to use information of this kind.

Parliamentarians need the opportunity to debate the budget in detail. If a budget is presented and passed in a day, then the opportunity to incorporate a gender perspective in the budget is very small. In some countries, the budget is introduced in an afternoon session, and passed there and then by the parliament, that just rubberstamps it. In that case, even if parliamentarians have good information, there is little or no opportunity to use it in the budget debate. It is necessary to have a system in place that enables fairly detailed scrutiny of the budget. The best is a committee system, where different sections of the budget are discussed by different committees and where the rules of procedure enable parliamentarians to engage deeply in the budget debate so that new perspectives can be discussed.

Steps to be taken for the introduction of gender analysis of the budget in parliament

(a) *Examination of the legal mandate of parliament*

Examination of parliament's legal mandate provides the opportunity to understand the scope of parliament's powers and to verify that parliament is actually using them to their fullest. It also enables parliament to decide whether amendments to the law are needed in order to empower it to have more say on the budget. It is also necessary to examine the rules of procedure in order to know how parliament has organised itself in matters relating to the debate on the budget. When necessary, those rules should be amended.

The final objective of this examination is to determine whether or not it is necessary to reform the budget process so that participation is increased, transparency is guaranteed and different perspectives - such as the gender perspective - can be embraced.

(b) *Ensuring sufficient staff capacity*

It is important to assess whether parliament has sufficient staff at its disposal to carry out a budget analysis. In dealing with budgetary matters, members of parliament need to be seconded by analysts and researchers who provide them with information and documents that can be used during debates. This assessment should be conducted bearing in mind parliament's need for reliable budget information and analyses, not only in terms of data analysis but also in terms of gender analysis.

(c) *Identifying outside sources of data and information*

It is possible to tap sources of information outside parliament to complement the research carried out by parliamentary staff or to palliate understaffing and budgetary constraints which prevent an increase in staff

Gender-disaggregated beneficiary assessment: an analysis tool

This tool can be used to collect the views of beneficiaries - both men and women - of a service, and therefore measure the service's real impact. For example, let us assume that there is a programme on which government is spending a large quantity, but feedback from constituencies indicates that it is not really benefiting people. This tool can be used to conduct a survey of how men and women are appreciating or not appreciating the service, and to measure from a gender perspective their degree of satisfaction with the project. The results of that survey will prove whether or not the programme is useful or whether or not the resources are put to good use. The results can also be used when the relevant minister is questioned on the subject.

capacity. These sources can be found mainly in civil society and in universities, where there are many budget and gender analysis specialists. Once the researchers, non-governmental organisations (NGOs), and academic institutions that are involved in budget and gender analysis, budget advocacy and general advocacy are identified, links can be established so that parliament can begin working with them to provide the required information. This information can then be processed by parliamentary staff and produced in short and focused information documents for parliamentary debates.

(d) Developing gender-awareness training programmes for parliamentarians and parliamentary staff

Though parliamentarians do not need to be literate in economics to debate the budget, most have a general understanding of economic policy (macroeconomics, fiscal policy, etc.) and of the budgetary process that is sufficient for this purpose. However, very few have the basic understanding of gender issues that is required in order to bring a gender perspective to the budget. It is therefore necessary to develop a plan for training parliamentarians and parliamentary staff in gender awareness and gender analysis. In Uganda, many institutions and NGOs provide different types of budget training programmes; some give training in gender, others give training in budget advocacy, etc. In Asia, there is the Centre for Legislative Development, which offers very good packages on most of these topics.

Essential elements for sustaining gender-responsive budgets

(a) Gender-disaggregated data

Gender-disaggregated data is essential in order to carry out an analysis of the main budget and of mainstream allocations. This type of data enables parliamentarians to understand the various impacts of a budget on men and women, and on girls and boys. Collection of this data is assigned to statistical offices. Ministries also collect statistics on a daily basis, but statistical departments collect it from the ministries, compile it and publish it.

It is important to establish a good working relationship with statistical offices to know what data is available and to ask them for more gender desegregation of data. Of course, analysis tools are available; the gender-aware budget statement is one such tool, but there are very many others; in fact, so many others that it would be necessary to hold another seminar to go through some of the tools for analysing a budget from a gender perspective. It is important to know that they are available so that you can commission work using these tools.

(b) Coalitions

Asking government officials and parliamentarians to question and change assumptions that have taken root over years of compliance is not an easy task, as it also involves asking them to start thinking differently and change their methods of work. It requires a sustained, long-term argument that can benefit from the input of large coalitions, composed to one degree or another of parliaments, research institutions, independent researchers, NGOs, trade unions and journalists, all advocating change. Working with these coalitions and with the people can be the best way to begin putting a gender perspective in the budget.

(c) Participation

It is essential that government and parliament allow citizens to participate in the budgetary process. If the doors are not open, even an elaborate committee system will not receive all the inputs into its reports that it could have if participation was promoted. Furthermore, participation promotes change, inasmuch as those who really want to

Enhancing participation in Uganda

In Uganda, when we wanted to start analysing the budget from a gender perspective, we found that the budget process was deficient; it was not open to our participation, and by "our" I mean both the Parliament's and civil society's. In 1996, the whole Parliament was invited to discuss the budget process. We discussed it in a comparative way, and compared the budget process in Uganda with those in the United States, the United Kingdom and Germany. We considered the four different budget processes, and at the end of the discussion there was a resolution by parliamentarians. We were in fact in a separate forum, we were not in Parliament but just at a seminar. All the parliamentarians at the seminar said, "We must reform our budget process, we have too little power, and we cannot influence the budget as we would want to." Following that, we prepared a Private Members' Bill, and it took five years, but eventually we passed it. Within those five years many reforms of the budget process took place. We now have a Budget Act that gives Parliament a greater role and that has many openings for civil society. It is important to work on the reform of the budget process itself.

see changes come before the committee, make their case passionately, get reported in the media, and hence build pressure for change. Open parliamentary processes will be what will bring the gender perspective more firmly into the reports of parliament. But government too needs to be open. We need more open government and more open parliament for these new perspectives to be integrated.

(d) *Advocacy*

Any process of change needs a champion. It may be a committee that is passionate about issues of gender equality. It may be a committee that is interested in issues of economic growth and has accepted the notion that integrating a gender perspective enhances the likelihood that targets of economic growth are attained. It may be a caucus, perhaps composed of women and men who are interested in equality issues and who are advancing this kind of perspective in parliament. A group or an individual who wants to champion this change in the budgeting process is a necessity. ■

**Mr. Anura Priyadharshana Yapa,
Chair of the Public Accounts Committee
Parliament of Sri Lanka**

CLOSING SPEECH

I am pleased to introduce to you my report on the proceedings over these last three days. You will find the written version of the report in the document that has been distributed to you. As it is quite extensive, I do not propose to read it in full. Instead, I will take you through the report, highlighting some of its content.

Before doing so, let me however clarify that I table this report as the Rapporteur of this seminar. While you are therefore not expected to adopt or endorse the report, I hope it will be of use to you as you return to your parliaments and follow up on its result.

I have tried to capture the debate that has taken place and you will see that those issues that were raised during the discussions have been given pride of place. I have, however, also included some of the basic concepts that were presented to us by the panellists to arrive at a comprehensive and coherent report that can be used also by those who have not had the opportunity to attend our seminar.

Let me then turn to the report. It starts by defining the budget and listing the budget's essential functions, underscoring that the budget is as much about people and their needs as it is about money. It is also an important benchmark for us in parliament against which we can hold the government to account.

The report also highlights the basic characteristics of the budget. The need for it to be unitary, coherent, thorough, predictable, transparent, specific, realistic and annual. Moreover, it must be possible to contest its content and the report reflects some of the suggestions that were made for achieving this in a realistic manner. Here, I also underline the importance of developing Medium Term Expenditure Frameworks.

This part of the report also sets out the four stages of the budget process: drafting, legislating, implementing and evaluating and auditing.

Turning to the composition of the budget, you raised several issues. One relates to deficit spending and how to avoid it, acknowledging nevertheless that it may sometimes be needed to maintain essential social services. The report reflects the different suggestions that were made in this respect. Moreover, you talked extensively about supplementary budgets and here again the report lists the recommendations that were made to avoid having to seek recourse to supplementary budgets.

Finally, this section of the report also deals with the consequences of decentralization and its implications for the budget process.

The role of parliament in the budget process is one of the cornerstones of my report. It explains why parliament should be involved in the process, lists the different approaches that exist and enumerates the prerequisites for effective parliamentary involvement.

Throughout our discussions we have made the point that a strong parliamentary committee system is a precondition for efficient and effective parliamentary involvement in the budget process. This is reflected in the report, which elaborates on the manner in which parliamentary committees – be they public accounts, public enterprise, budget, estimates and/or subject committees – can work and cooperate amongst each other during the budget process.

Not surprisingly, you also raised the role of the second Chamber during the budget process and I have reflected this as well in my report.

The next, also very extensive, section deals with transparency and accountability. You discussed secrecy issues and I included a sub-section on this issue, pointing out that secrecy really no longer has a place in the budget

process and certainly not on the expenditure side. Much can be gained in public support and confidence by having open parliamentary proceedings.

My report also draws on your discussions regarding how best we can ensure accountability and you will find extensive information on the role and functioning of the Public Accounts Committee.

Still in the area of transparency and accountability, I have included a section on civil society, emphasizing – as many of you did – that parliaments can reach out to civil society organisations during the budget process, seek their input and benefit from their expertise, and thus help improve efficiency and accountability.

The third major section of my report deals with gender sensitive budgeting. I have followed the same pattern as the earlier part of the report and started by including some of the basic definitions, the most basic of which is that gender and sex are not the same thing. Gender refers to social differences, not biological.

I also underscore the need to look at gender taking into account the fact that in all our countries there is a formal wage-earning economy, an informal one, as well as a care economy mainly performed by women within the household with remuneration.

One of the things I believe that we have all learned during these last days is that there are several reasons very good reasons why developing a gender-sensitive budget is in all our interest. By doing so we can make sure that the national budget meets the needs of all and not just some of us.

Gender-sensitive budgeting increases economic efficiency, economic growth and social welfare and helps us to address poverty more effectively. Moreover, it reduces inequalities in society. Finally it is an important tool for the government to honour its commitments to achieve gender equality and for us in parliament to strengthen our role in the budget process.

Another truism that has been underscored is that gender-sensitive budgeting does not mean making special budget allocations for women. What it does mean is ensuring that gender issues are taken into consideration by every government department in all programmes and the allocation of corresponding resources. In other words, making gender-sensitive budgets does not require more money, simply making better use of existing funds.

The report outlines some of the mechanisms and tools at our disposal to develop gender-sensitive budgets and ends with ideas for how we can build capacity in parliament to undertake gender analysis on a continuous basis. Here again, civil society organisations can play a very important role.

Throughout our discussions we have referred to the importance of parliament having sufficient financial, material and human resources at its disposal. My report therefore ends with recommendations relating to strengthening of parliamentary capacity through a variety of activities. It also recalls the obvious, namely that the financial autonomy of parliament must be upheld.

* * *

Let me conclude by extending a warm thanks to the panellists who have guided us through our proceedings. You have done a wonderful job and we are very grateful to you. You have provided us with a great many insights, engaged us in rich discussions and left us with many ideas on how we can strengthen the parliamentary involvement in the budget process. Thank you very much.

Let me also thank you, Mr. Speaker, and, through you, the Parliament and its staff for all you have done to host this important event. The proceedings have gone very smoothly and I know from my conversations with colleagues from the visiting delegations that they have enjoyed their stay very much. On their behalf, I therefore thank you most warmly.

Finally, a word of thanks to the Inter-Parliamentary Union, the World Bank and the United Nations Development Programme who, together, have made this seminar possible. We thank you for your support and we hope to be able to continue to count upon it also in the future.

Thank you. ■

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- Contributes to the defence and promotion of human rights - an essential factor of parliamentary democracy and development;
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