

# **Concept Note**

**For**

**The Establishment of a Parliamentary Budget Office (PBO) for the  
Parliament of Trinidad and Tobago**

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## Table of Contents

2. THE CONTEXT OF TRINIDAD AND TOBAGO: CHALLENGES TO BUDGET SCRUTINY.....	3
3. FINANCIAL AND LEGISLATIVE SCRUTINY: THE CURRENT PRACTICE.....	5
4. THE GROWING IMPORTANCE OF PBOS .....	5
5. ESTABLISHMENT OF A PARLIAMENTARY BUDGET OFFICE.....	7
6. SCOPE OF WORK OF THE PARLIAMENTARY BUDGET OFFICE .....	8
7. PURPOSE AND FUNCTIONS OF THE PARLIAMENTARY BUDGET OFFICE .....	8
• Simplify Complexity.....	9
• Bill Costing.....	9
• Analytic Reports .....	9
• Improve the Budget Process.....	9
• Support to Committees.....	9
• Serve both the majority and minority.....	10
8. WHAT THE PARLIAMENTARY BUDGET OFFICE SHOULD NOT DO .....	10
9. EXPECTED OUTCOMES .....	10
10. ISSUES FOR CONSIDERATION IN SETTING UP A PARLIAMENTARY BUDGET OFFICE (PBO) .....	11
11. KEY INITIAL STEPS.....	11
Step 1 - Develop an organizational structure .....	11
Step 2 - Develop a Scheme of Service.....	11
Step 3 - Develop a Training Plan .....	12
Step 4 - Develop Working Procedures for the PBO .....	12
12. RISKS AND MITIGATION STRATEGIES.....	12

## **1. INTRODUCTION**

Parliaments, the world over, exist to ensure transparency and accountability in service delivery. Through their core functions of lawmaking and oversight, Parliaments hold the government to account on behalf of the people, ensuring that government policy and action are both efficient and commensurate with the needs of the public. Parliament's role is crucial in checking excesses on the part of officials that have the mandate to disburse state resources.

In executing their mandate, Parliaments:

- Ensure transparency and openness of Executive activities. They shed light on the operations of government by providing a public arena in which the policies and actions of government are debated, scrutinised, and subjected to public opinion;
- Hold the Executive branch accountable. Parliamentary oversight scrutinises whether the government's policies have been implemented and whether they are having the desired impact;
- Provide financial accountability. Parliaments approve and scrutinise government spending by highlighting waste within publicly funded services. Their aim is to improve the economy, efficiency and effectiveness of government expenditure; and,
- Uphold the rule of law. Parliaments protect the rights of citizens by monitoring policies and examining potential abuses of power, arbitrary behaviour, and illegal or unconstitutional conduct by government officials.

In carrying out these very important duties on behalf of citizens, Parliaments need to have access to timely, up-to-date, accurate and well-researched independent information for effective oversight and decision-making.

Independent information is essential in supporting the work of parliaments for two key reasons.

- First, while the Executive branch often gets help from a large professional staff from the Ministries, Departments and Agencies. Legislatures do not have access to this kind of expertise and support. Thus, it is critical for Parliaments to explore all possible avenues to help bridge this gap of expertise and ensure that MPs have access to accurate, reliable, objective and up-to-date information to perform their work effectively. This is a very important role and vacuum that a Parliamentary Budget Office fills.
- Secondly and equally important, Parliaments need not rely solely on information provided by the Executive but to complement it with independent sources in order to understand what the alternatives are, and to have a comprehensive understanding of every issue before making any decisions.

## **2. THE CONTEXT OF TRINIDAD AND TOBAGO: CHALLENGES TO BUDGET SCRUTINY**

The Parliament of Trinidad and Tobago is mandated to perform its constitutional duties of legislation, representation and oversight of the Executive. The legislative function of Parliament as provided for in Section 61 of the Constitution consists of the passage of bills into law and the scrutiny of statutory instruments to ensure that they align with existing laws and national priorities. Legislations also found expression in various policy measures, programmes and activities that are undertaken by the government and its agencies.

The Constitution also vests in Parliament, the control of all public funds in Trinidad and Tobago. Specifically, Section 112 states that expenditure can only occur based on an Act of Parliament. Parliament also has the power and duty to monitor the expenditure of

public funds to ensure that the monies it has authorised are used for the purposes for which they are intended by taking appropriate action on the Auditor-General's Reports. In addition, Parliament's financial powers cover the authorisation of expenditure and the oversight of that expenditure.

Although various Parliamentary Committees have been established by the Standing Orders to assist Parliament in its scrutiny, accountability and oversight functions, they lack capacity with regards to experts and professionals in various fields to assist Parliament make informed decisions. The current involvement of Joint Select Committees in the scrutiny of policy, legislative and financial proposals focuses largely on an assessment of the efficiency and performance of the relevant department, rather than a detailed examination of the policy impact, implication and policy alternatives available to the Legislature and its Committees. The institutional support within Parliament such as the Committee Secretariat and other allied bodies, have limited capacity due to resource constraints and lack of expertise. This situation only reinforces and justifies the position of the Executive in terms of policy options.

### **3. FINANCIAL AND LEGISLATIVE SCRUTINY: THE CURRENT PRACTICE**

Currently, committees within the Parliament of Trinidad and Tobago carry out their budget and financial scrutiny functions without recourse to historical data, with little reliance on facts and figures, and most importantly, without any rigorous analysis. Committees' work in this regard is mostly not based on evidence. This is the case when the Standing Finance Committee considers annual estimates of Ministries, Departments and Agencies (MDAs) or when, for instance the Public Administration and Appropriations Committee (PAAC) reviews budgetary expenditures of Government agencies to ensure that expenditures are in accord with legislative intent. Ultimately, this can create a situation where committees are able to easily escape accountability on the basis of the 'excuse' of lack of evidence to guide their work.

To be fair, committees find themselves in a situation where they do not have enough time to discuss and analyze budget estimates that come before them. During budget hearings for instance, the Standing Finance Committee has only four (4) days to review and approve estimates of MDAs.

In addition to the issue of time constraint, one of the weakest link in the budget process is the monitoring role of Parliament. Once the budget is passed, there is little or no monitoring throughout the year. This is currently the responsibility of the PAAC. But this role cannot effectively carried out without rigorous research and analyses.

The effect of all of the above is simple: without proper support, data and analyses, Parliament is unable to effectively perform its scrutiny function.

### **4. THE GROWING IMPORTANCE OF PBOS**

In the last few years, there has been a growth in the number of countries establishing Parliamentary Budget Offices given that these Offices have come to be seen as a very important resource that helps Parliaments to:

- Address bias toward spending and deficits, and more generally enhance fiscal discipline;
- Raise quality of debate and scrutiny; and ultimately
- Promote transparency and accountability.

In some countries, the establishment of a PBO is part of a broader package of reforms, as is the case in Trinidad and Tobago. In other instances, there seem to be a push from donor institutions, i.e. the European Commission, IMF and Organization for Economic Cooperation and Development (OECD). In the last few years, the following countries have established PBOs or Institutions that perform similar functions:

- Korea: National Assembly Budget Office (2003)
- Sweden: Fiscal Policy Council in Sweden (2007)
- Canada: Parliamentary Budget Office (2008)
- Kenya: Parliamentary Budget Office (2008)
- Hungary: Fiscal Council (2009) but effectively abolished as of 2011
- UK: Office for Budget Responsibility (2010)
- Australia: Parliamentary Budget Office (2011)
- Institutions planned for Greece, Ireland, and Portugal

Countries and Parliaments that were pioneers in establishing PBOs include:

- California: Legislative Analyst's Office (1941) (several state legislatures)
- US: Congressional Budget Office (1974)
- Philippines: Congressional Planning and Budget Department (1990)
- Georgia: Parliamentary Budget Office (1997)
- Mexico: Centre for Public Finance Studies (1998)
- Uganda: Parliamentary Budget Office (2001)

## **5. ESTABLISHMENT OF A PARLIAMENTARY BUDGET OFFICE**

In order to strengthen the on-going budget process reforms within the Parliament of Trinidad and Tobago and on the basis of the foregoing arguments, it is recommended that the Parliament establishes a Parliamentary Budget Office (PBO).

The PBO will provide a high quality research that is independent of the Executive in order to assist Members of Parliament and Committees of the House. The PBO will engage in providing services for the conduct of independent expert analysis of policy measures, including the scrutiny of the annual Budget estimates, international agreements and other documents introduced in the House. The quality of information that would be provided is critical in ensuring that MPs are well informed and knowledgeable on the issues that are brought to them for approval.

The Budget processes for instance are complex and often difficult to understand, requiring specialist knowledge and time to research and gain full understanding of the issues. The inherent complexity of budgetary issues presents a barrier to effective engagement by parliamentarians, who are rarely trained in fiscal policy, in addition to the numerous issues that compete for their time and attention.

The establishment of the PBO will add value in helping Parliament to navigate the budget and to provide independent analysis and forecasts of the economy and public finances in a simple and easy to understand format.

The creation by Parliament of an independent unit or body to assist parliamentary scrutiny and undertake research would potentially address Executive bias in policy making. This will enhance fiscal discipline, raise the quality of debate and promote transparency and accountability in governance. It will also enable MPs have access to



quality information and sufficient knowledge about the often-complex financial issues and international loan agreements that are brought to the House for approval.

## **6. SCOPE OF WORK OF THE PARLIAMENTARY BUDGET OFFICE**

The scope of work of the Parliamentary Budget Office will basically revolve around three (3) main themes: Financial Scrutiny, Legislative Scrutiny and Financial Research and Analysis. The Financial Scrutiny function will involve analysis of the Budget and Financial policy of the Government; international loan agreements, economic forecast, project monitoring and evaluation reports etc. The Legislative Scrutiny will include the analysis of draft legislations, bills, legislative and constitutional instruments and international agreements that are brought to the House for approval. The Financial Research and Analysis function will include proactive disclosures as well as, specific requests for information from individual Members of Parliament and Committees.

Apart from these, the PBO will undertake and review various government policies as well as conduct an assessment of the impact of existing policies and laws. Periodically it will undertake research on various topical issues affecting the country - the economy, energy, health, agriculture, housing, infrastructure etc., for the information of Parliament and its Committees.

## **7. PURPOSE AND FUNCTIONS OF THE PARLIAMENTARY BUDGET OFFICE**

The main purpose of establishing the PBO will be to strengthen the scrutiny functions of the Parliament of Trinidad and Tobago. The PBO will provide objective and independent analysis on all policy initiatives and proposals that are brought to the House for approval. Such research will help raise the quality of debate and scrutiny in Parliament as well as enhance national fiscal discipline. Most importantly, the Office will strengthen the role of Parliament in financial and legislative scrutiny.

Specifically, the Office will help:

- ***Simplify Complexity:*** The Office will provide independent advice on the impact and implication of various bills and policy measures. The Budget, Bills and other documents that come from the Executive are frequently so complex that the legislature has difficulty understanding them. A Scrutiny Office will make such complex information understandable to the Legislature.
- ***Bill Costing:*** The Office will also provide cost estimates to all Bills and legislations. Often, before Bills are passed into law, no effort is made to find out the financial implications of those Bills. The end result is a law without the necessary resources for implementation. The Office will help address this anomaly.
- ***Analytic Reports:*** The Office will produce analytic reports on specific government programs such as health care, economic growth, income security, education, housing, taxes, infrastructure, energy, the environment, national security etc.
- ***Improve the Budget Process:*** The Office will work to provide a more simple, transparent, credible, and accountable budget that is more straightforward and easier to understand and follow. This way, it will produce independent analyses of budgetary and economic issues to support Parliament in the budget process. It will also provide Parliament with information on the nation's economic outlook.  
In addition, during the implementation stage of the budget, the Office will work to gather evidence on budget implementation. This information will be useful each time committees are asked to approve budget estimates of Ministries, Departments and Agencies (MDAs).
- ***Support to Committees:*** In the areas of government expenditure, performance reporting and pre- and post-legislative scrutiny. It will also provide a general supporting role for select committees; carry out analytical and other tasks when the committees' own staff teams are over-stretched. In addition the office will also support committees during evidence taking sessions.

- *Serve both the majority and minority:* If truly nonpartisan and independent, the Office will provide information to both the majority and all minority parties of the legislature as well as the Speaker and Committees, thereby advancing the country's democratic process.

## **8. WHAT THE PARLIAMENTARY BUDGET OFFICE SHOULD NOT DO**

The PBO will not:

- Review National Budget assumptions.
- Scrutinize fiscal policy.
- Audit the accounts of Central Government and other public bodies and produce reports on the economy, efficiency and effectiveness with which they have used public money.

## **9. EXPECTED OUTCOMES**

The PBO when established will be seen as one of the major reforms that Parliament has undertaken to strengthen itself. The following are the expected outcomes:

- i. Improved and quality debate of issues that are brought to the House. This helps reduce the partisanship that is normally associated with debates in Parliament.
- ii. Members of Parliament will become well informed on the impacts and implications of the policy measures they approve.
- iii. Parliament will have alternatives policies and choices at their disposal when approving policies of the Executive.
- iv. Committees of Parliament and MPs will have access to timely and quality information and analysed data.
- v. Parliament, MPs and Committees will have at their disposal experts and professionals in various fields of specialization of the PBO - legal, economic, finance etc.

## **10. ISSUES FOR CONSIDERATION IN SETTING UP A PARLIAMENTARY BUDGET OFFICE (PBO)**

A number of important issues have to be taken into consideration in the process of setting up the PBO. These include:

- Non-partisanship;
- Service to all parties in the Legislature;
- Existence and core functions codified in Law;
- Access to government information;
- Appropriate size;
- Should responsibilities extend beyond pure budget work?;
- Overriding criteria: Independent and Objective;
- Relationship between the PBO and MPs;
- Relationship between the PBO and Ministry of Finance;
- The need to protect the confidentiality of information.

## **11. KEY INITIAL STEPS**

A PBO, usually a part of Parliament, is an independent outfit. Some level of independence is needed if the Professionals who will occupy the office are to do their work effectively. On the basis of this assumption, the following are four (4) initial steps that must be taken:

***Step 1 - Develop an organizational structure:*** This is important to provide guidance and clarity necessary to govern the workflow of the office.

***Step 2 - Develop a Scheme of Service:*** This will establish and prescribe the grades of Officers that will be employed, qualifications and work experience required for direct entry into the various grades.

**Step 3 - Develop a Training Plan:** This is needed to expose staff of the Office to the workings of parliament, parliamentary institutions as well as other relevant public sector organizations.

**Step 4 - Develop Working Procedures for the PBO:** The purpose of the working procedures will be to:

1. Outline the core values of the Office through a Code of Conduct;
2. External and internal working relationships;
3. Performance measurement and quality control;
4. Products and services; and
5. Funding sources.

## **12. RISKS AND MITIGATION STRATEGIES**

Based on the experience of countries that have PBOs, it is important to note that efforts to establish such an outfit within Parliament is often confronted with some initial resistance from within Parliament as well as externally.

Internally, existing organizational arrangements do not often permit the smooth take-off of such offices because of perceived threats to existing roles. External resistance often emanates from the Executive who perceive a strong institution of Parliament as a threat to its dominance.

This is normal with every organizational change process. It is important to be mindful of this risk as the process unfolds as well as identify motivations for the resistance and tailor proposals that can neutralize them.

Apart from internal and external resistance, another risk that is usually associated with the creation of such offices is the absence of a legal framework - the need for a legislation

to back the existence of the office. Legislation is important to ensure the sustainability of the office and avoid its disappearance with the change in institutional leadership. Once codified in law, it will be difficult for new leadership to easily scrap the office.

Two important strategies for mitigating any risks associated with this process, in addition to those already identified above are: (1) the need to identify project champions within the Legislature or the Executive who will drive the process; and (2) the urgent need for the office and its initial crop of staff to exhibit a high degree of professionalism especially in the first critical six months after establishment. That gives the Office the opportunity to get Members appreciate the value of its work.