

# **Report on Technical Assistance to the Parliament of Trinidad and Tobago on the Budget Process**

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## **INTRODUCTION**

The Parliament of Trinidad and Tobago, in its efforts to enhance transparency, accountability and the wise use of public resources, reformed its Standing Orders with the goal of improving the Legislature's scrutiny of the annual budget. One key feature of this reform was the creation of the Standing Finance Committee as well as changes to how the Budget process will be conducted.

As part the reform process and in order to strengthen the Parliament's role in the budget process, the Consultant was hired by the UNDP to support this initiative. The Consultant was tasked to:

1. Work with the Standing Finance and the Public Administration and Appropriation Committees responsible for budget execution and audit and providing strategic consultations useful for work within the Parliament of Trinidad and Tobago;
2. Assist the Standing Finance and the Public Administration and Appropriation Committees develop required templates, guidelines and tools for further use;
3. Review the revised methodology on the 2014 budget, and
4. Prepare a final report providing expertise and share knowledge about how parliamentary budget committees can become more efficient and effective, in line with international standards for parliamentary committee work and democratic legislatures.

## **METHODOLOGY AND APPROACH**

In order to achieve the objectives of the project, the Consultant adopted the following iterative and interactive approach.

1. Reviewed key documents - the Standing Orders and Rules of Procedure of Parliament as well as the Constitution of the Republic of Trinidad and Tobago and other relevant documents to get a broader perspective as well as the context within which the assignment will be carried out.
2. Consultations with the Clerk of the House, UNDP and the Chairs of the Finance and the Public Administration and Appropriation Committees. This helped in clarifying outstanding issues as well as established a baseline for the assignment.
3. Worked with the Standing Finance and the Public Administration and Appropriation Committees to agree on areas where strategic support was needed and provided that support on a continuous basis, particularly to the Committee Secretariat.
4. Developed required templates, guidelines and tools for further use by the Standing Finance and the Public Administration and Appropriation Committees.

5. Worked with key stakeholders (MPs, Ministers and Permanent Secretaries) to review the revised methodology on the 2014 budget. This took the form of interviews.
6. Finally, prepare a report recommending, on the basis of what pertains in Trinidad and Tobago and on the basis of international best practice, how key oversight committees, particularly the Standing Finance and the Public Administration and committees can become more efficient and effective

This report constitutes the last deliverable of the project. It is divided into three (3) sections. Section one provides a broad overview of the reforms within which the assignment is situated. Section two looks at the implementation of the reforms - success and challenges. The final concluding section makes some recommendations, particularly on how future Budget hearings could be improved.

## SECTION 1

### A PARLIAMENT-LED REFORM

In the last few years, the Parliament of Trinidad and Tobago initiated a number of reforms aimed at preparing the Parliament to perform its constitutionally mandated role of lawmaking, oversight and representation.

Some aspects of these reforms could be traced to a study commissioned by the European Delegation in Trinidad and Tobago to assess the existing parliamentary practice in scrutiny of the budget and of the administration of the government and to build capacity on parliamentary oversight and scrutiny of the budget. Under the study, an assessment of the existing parliamentary practices was carried out with an aim to address shortcomings in the scrutiny process. The assessment included reference to international good practices and their applicability to Trinidad and Tobago.

The European Delegation's intervention was within the framework of efforts by the Parliament to obtain greater recognition and involvement within the often unhelpful external environment.<sup>1</sup> In addition to this study, there were two other reform-related initiatives that had the potential of creating the political space necessary for the Parliament to enhance its core function of scrutiny and oversight were (a) the Review of the Standing Orders of the House; and (b) the development of a five-year Strategic Plan (2013-2018) for the Parliament.

A bold initiative under the review of the Standing Orders was the effort to improve the Legislature's scrutiny of the annual budget. One key feature of that reform was the creation of the Standing Finance Committee.

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<sup>1</sup> See Anthony Staddon, *Activities On Strengthening Parliamentary Practices In Trinidad And Tobago: A Study On Parliamentary Scrutiny And Existing Parliamentary Practice*, February 2012.

In addition to this major reform, other Committees were created to enhance the Parliament's role in financial oversight as well as its other constitutionally mandated functions. The Committee include:

1. Public Administration and Appropriations
2. National Security
3. Energy Affairs
4. Foreign Affairs
5. Human Rights, Diversity, the Environment and Sustainable Development
6. Parliamentary Broadcasting
7. Government Assurances

The 2013-2018 Strategic Plan - clear, ambitious and realistic - envisions a modern Parliament that fulfils its constitutional duties to its fullest extent, and effectively serves the people of Trinidad and Tobago. In putting together the Plan, it was the belief of the leadership of Parliament that an increasingly effective Parliament can only be of benefit to improving governance and development in Trinidad and Tobago.

The Strategic Plan gave meaning to, and elaborated on some key aspects of the reforms under the Standing Orders. Objective 3 of the Strategic Plan clearly articulated the mechanisms through which the Parliament's oversight functions could be strengthened. Among them, how existing Committees could exercise oversight; how oversight could be deepened through the budget scrutiny functions of two new budget-related committees - the Standing Finance Committee and the Public Administration and Appropriations Committee.<sup>2</sup>

The effects of these Parliament-led reforms, particularly as they relate to the Legislature's role in the budget process can be summed up as:

- Increase in the Parliament's powers and a greater role in budget debate;
- Parliament's ability to supervise in-year movements of appropriation; and
- Tighter control of budget execution by Parliament.

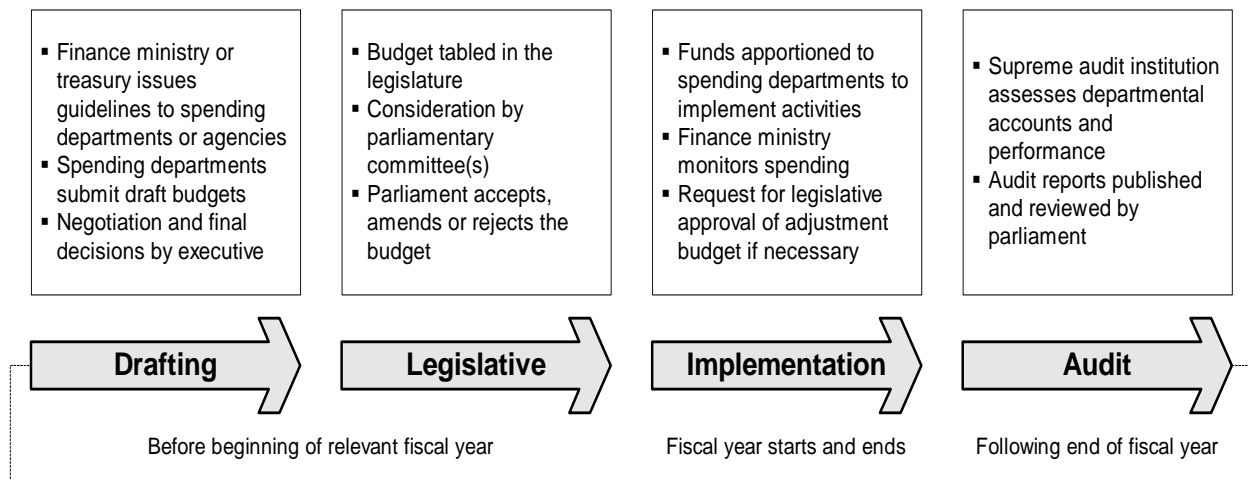
With regard increasing Parliament's powers and a greater role in budget debate, generally, Constitutions and/or budget system laws as well as Standing Orders usually elaborate on the budgetary roles and powers of the legislature. Legal constraints and budgetary practices vary greatly across countries (Lienert, 2005; Stapenhurst et al. 2008; Wehner, 2006). In the case of Trinidad and Tobago, the reform of the Standing Orders had the effect of scrapping one of the legal constraints to parliamentary role in the budget process thereby giving Parliament greater powers to debate the Budget in the Standing Finance Committee.

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<sup>2</sup> See Strategic Plan of the Parliament of Trinidad and Tobago, 2013-2018.

In terms of Parliament's ability to supervise in-year movements of appropriation, generally, the budget process has four key stages: preparation, debate and approval; implementation; and audit - see diagram below.<sup>3</sup>

### Stages of the annual budget process



The first two stages occur before the beginning of the fiscal year. The third stage - implementation begins and ends during the fiscal year to which the budget relates. One critique of the role of Parliaments in the budget process around the world is the fact that in most cases, once the appropriations bill is passed, 'the Legislature goes to sleep' during the implementation stage and only wakes up after 'a lot of damage has occurred'. For promoting good governance and fiscal transparency, the legislature's active engagement in the budget process, particularly the implementation stage, is essential.

One key reform under the Standing Orders was the creation of the Public Administration and Appropriation Committee (PAAC). Order 102 states that the Committee shall have the duty of considering and reporting to the House on:

- a) the budgetary expenditure of Government agencies to ensure that expenditure is embarked up in accordance with parliamentary approval;
- b) the budgetary expenditure of Government agencies as it occurs and keeps Parliament informed of how the budget allocation is being implemented; and

<sup>3</sup> Source World Bank (2012) Parliament and the Budget E-Learning Module.

- c) the administration of Government agencies to determine hindrances to their efficiency and to make recommendations to the Government for improvement of public administration.<sup>4</sup>

As clearly spelt out in the Standing Orders, the PAAC has the role and duty of examining the administration and policies of government departments as well as their spending in real time. This gives the Committee a critical role in the budget cycle "in that it monitors expenditure while it is being spent and may prevent and/or halt any misappropriation of funds".<sup>5</sup>

The increase in Parliament's powers to scrutinize estimates before they are approved as happens in the Standing Finance Committee coupled with the role of the PAAC has positioned the Parliament of Trinidad and Tobago to have a tighter control of Budget execution as compared to prevailing previous practice before the Parliament embarked upon its reforms.

## **SECTION TWO**

### **THE IMPLEMENTATION OF THE BUDGETARY REFORMS: SUCSESSES AND PROBLEMS**

In keeping with the provisions and the spirit of the revised Standing Orders, after the Minister of Finance and the Economy had laid the Draft Estimates and other Budget documents and introduced the Appropriation Bill on September 8, 2015 and initial debate terminated, the Standing Finance Committee held its maiden budget hearing from September 22-26, 2014.

There was a lot of excitement in the country, both on the part of MPs and ordinary citizens. The country was on the cusp of breaking new ground in its quest to advance accountability as well as its democratic credentials.

In total, the Committee examined the Estimates of fifty (50) Heads of Expenditure (Ministries and Departments). Given the limited time available for the entire process - (four days), the Committee agreed to consider ten at least ten (10) Heads of Expenditure per day. It is important to emphasize the fact that the Leader of Opposition had the right per the Standing Orders, to determine the order in which the Heads of Expenditure were considered.

In general, a Parliament's capacity to influence budget decisions is a function of both its authority over executive budget recommendations and its internal processes for decision making. With regard to the scope of legislative authority, Parliaments are placed into three categories of influence over budgeting:

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<sup>4</sup> See Standing Orders of the House of Representatives, 2014, pp. 59-60.

<sup>5</sup> See PAAC Practice Note prepared by the Clerk to the Committee, February 2015.

- I. **Budget-making legislatures:** These have the capacity to amend or reject the budget proposals of the executive and to substitute one of their own.
- II. **Budget-influencing legislatures:** These can amend or reject executive budget proposals but lack the capacity to formulate their own independent budgets. The amending power is often constrained as well: many legislatures may cut but not add to executive budgets, while others may add as long as they find offsetting cuts.
- III. **Legislatures with little or no budget role:** These lack the capacity to reject or amend executive proposals in any substantive way, largely for fear of prompting the fall of the government.

Observing the maiden Budget Hearing, it is evident the Parliament of Trinidad and Tobago falls within the second group of Parliaments. One notices an effort and a strong statement on the part of the Legislature that it intends to be an active player in the budget process.

If the reforms that have been initiated are effectively implemented, there is little doubt that the Parliament will eventually be an effective player in the budget process in Trinidad and Tobago.

An evaluation of the reforms and the practical implementation steps taken by Parliament so far reveals a number of successes.

## SUCCESSSES

First, Parliament has risen to its constitutional responsibility of oversight and control of the purse. This, many believe, is at the heart of the role of Parliament. Contributing to the debate on the role of Australia's Parliament in budget scrutiny, Senator Murray noted that:

The transparency and accountability of Commonwealth public funding and expenditure is right at the heart of parliamentary life. Those who understand the history of parliaments know that this is the battlefield on which hundreds and thousands of people have lost their lives. It is about the right of people to determine how they are to be taxed and how that taxation is to be spent by those who govern them. The fact that the history of striving for good government goes back centuries and is steeped in blood should remind us that, as dull as this may seem to those who seek other pastures of interest, this is material which goes right to the very heart of our parliamentary function.<sup>6</sup>

Indeed, the budget is the most important economic policy tool of a government and provides a comprehensive statement of the priorities of a nation. As the representative institutions of the

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<sup>6</sup> Senator Andrew Murray, Parliament of Australia, *Senate Hansard*, 1 March 2007, p.43.



people, national legislatures are the appropriate place to ensure that the budget optimally matches a nation's needs with available resources. Effective legislative participation in the budget process establishes checks and balances that are crucial for transparent and accountable government and ensuring efficient delivery of public services.

Second, the budget hearing had the effect of deepening of democracy in Trinidad and Tobago. The representation of people and their interests is the basis of all parliamentary systems. In all of its functions, *the legitimacy of any parliament and its members rest upon a central claim:* that parliament institutionalizes political representation in society. The concept of representation focuses in particular on the questions of how MPs relate themselves to the electorate, whom they represent in their decision making and in what way they aim to represent a given constituency.

In emerging democracies such as Trinidad and Tobago, there is no greater decision making process at which citizens want to be properly represented and in which they want to participate, even if minimally through observation, than the Budget process. By holding its budget hearings in the full glare of the public, the Parliament created participatory mechanisms of citizen engagement. This has the effect of building citizens' trust, interest and participation in governance as well as making the government more accountable in matters of public financial management.

Third, and related, is the fact that the reforms, particularly the public hearing on the budget and the work of the PAAC are important mechanisms of strengthening citizens' participation in the budget process and carrying them along throughout the entire process. At every stage in the process, citizens have the opportunity to know how their tax resources are being spent and they will take comfort in the fact that Parliamentarians are 'watching' the duty-bearers who are entrusted with the responsibility of managing the public purse.

Last but not least, is ministerial involvement in the budget process? In the budget process, the role of each of the major actors is clearly defined. It is for the Executive to prepare the budget and Parliament has the responsibility of approving it as well as overseeing its implementation by the Executive. This presupposes that Ministers, who are members of the Executive, are intricately involved in budget preparation. But in most countries around the world, because of their multiple responsibilities, Ministers usually leave the task of preparing the budget to the technical staff at the Ministry, with little or no direct involvement. This minimal Ministerial involvement is even more pronounced in countries where Parliament does not play an active role in the budget process.

During the last budget hearing, because Ministers were aware that MPs have now assumed a 'watchful role' over the budget and each Ministry will be questioned on a wide range of issues related to its budget, there was active and keen Ministerial involvement in understanding the

issues related to the budgets of the sectors they oversee. This is good for budget preparation; it is also good for oversight.

## CHALLENGES

### 1. Focus

One of the observed challenges of the exercise was the fact that there was little focus on broader strategic issues affecting the economy. While there was an effort on the part of the Committee Secretariat to help MPs define issues they should focus on and the types of questions that should be asked of duty-bearers, it was clear during the hearings that a lot more needed to be done in this respect.

Admittedly, being a first, it was a learning experience and there was little or no clarity in what MPs should look out for nor what Ministries should expect. For instance, interrogating ministry budgets line by line meant that a lot of attention was given to the small/petty issues as opposed to interrogating the budget at a macro-economic level, focusing on how the figures contribute to policy outcomes and developmental gains. The group that led the questioning during the hearings (the Opposition) did not seem to have strategically prepared to effectively interrogate the governments' estimates. This meant that in some cases, major heads that should have received greater attention did not while those that could be deemed trivial received greater attention.

### 2. Time

This is considered from two angles: Duration and Scheduling.

**Duration:** Duration as a challenge can be looked at in two ways - the total number of days used for the hearings and the amount of time each Ministry had to spend before the Committee. Even though it is generally felt that five days for the Joint Finance Committee hearings was enough, there is also a consensus that more can be achieved within those number of days if proceedings are better regulated. Going through 50 heads of expenditure within five days and doing a good job of it would require streamlining of procedures and adopting strategies that improve effectiveness.

Additionally, there was no regulation on the time Ministries had to spend once before the Committee. While some ministries were questioned for hours, others were before the Committee for only a few minutes. Ministries that had their turn at the start of day tended to spend more time on the floor. As the day advanced and energy levels began to go down, Ministries that appeared at those times were hurriedly heard and discharged. An inability to maintain some standard in interrogating heads of expenditure across Ministries as a result of poor time management, is bound to have an impact on the overall outcome of the exercise.

**Scheduling:** This was a major challenge for Ministries. Even though there was a schedule, it was not properly followed because some of the hearings dragged longer than expected. This resulted in a waiting game. Representatives of the various ministries all showed up in the House at the same time, on standby and just waiting their turn. This does not amount to an efficient use of time on the part of parliament nor the ministries.

### **3. Logistics**

Aside time-related issues (which can also be considered as logistics), there were a few organizational/logistical problems associated with the hearings. First, food and refreshments were not enough to go round all invitees on some of the days. Second, there was not enough room made available for Ministry officials who were waiting for their turn and last but not least, seating arrangements were not very conducive for Ministry officials who accompanied their respective Ministers.

### **4. Accounting Officers versus Political Authority: Who is Answerable?**

The question of who should be answerable to the Joint Finance Committee within the Ministries is one that has to be resolved ahead of future hearings. Some Ministers who appeared before the Committee believe there is a disadvantage in the Minister alone answering the questions (including questions bordering on figures) when the Permanent Secretaries had the answers. Others who did not mind Ministers taking the stand believe, there should be room for Permanent Secretaries to intervene whenever necessary.

There is truth and merit in the argument that Political Heads of Ministries are the ones elected by the people and the ones who come up with policies thus should be in a position to defend the estimates that go with the policy. However, the vital role of Permanent Secretaries as administrative heads of Ministries cannot be ignored. A lack of clarity in roles for Ministers and Permanent Secretaries or Accounting Officers who may appear before the Committee may affect the preparation made prior to the hearings and delivery on before the Committee. This calls for mechanisms to be put in place to ensure that both the Political Head and the Administrative Head, play a role during the hearings.

### **5. Information flow**

One of the major challenges that was associated with the first hearing was the flow of information horizontally - from the Ministry of Finance to the Permanent Secretaries of other Ministries; and vertically - from Parliament to the various Ministries.

### ***a. Ministry of Finance to Permanent Secretaries***

There was a lack of information flow from the Ministry of Finance to Permanent Secretaries of various Ministries during the budget process. Most Permanent Secretaries did not receive their final or approved estimates at the time the budget was presented to Parliament. Even though these estimates were available on the Ministry of Finance's website, there ought to have been official communication to the other Ministries. The level of preparation of some ministries and their performance at the hearings can be blamed on this gap in information flow from the Ministry of Finance.

### ***b. Parliament to Permanent Secretaries***

Information from Parliament to Ministries if at all available, was very limited. As a result, there were lots of uncertainties before and during the hearing. For one thing, a lot of Ministries did not know what exactly to expect or how the hearings were going to unfold. Though this could be excused by the fact that it was a first time and so both Parliament and the executive were not clear on how things were going to shape up, the impact of the absence of clarity on the hearings cannot be down played.

## **6. Documentation**

In terms of preparation, MPs attest to the fact that they received an appreciable level of support from the Committee Secretariat by way of documentations and some analysis. This was however not enough. Parliamentarians need information based on technical analyses - the kind of independent analyses of budgets produced by Parliamentary Budget Offices (PBO) for instance - which can provide them with empirical data and analyses and help them to thoroughly scrutinize the budget estimates. The Committee Secretariat did its best to support MPs but the kind of analyses needed for effective budget scrutiny could be better provided by an outfit such as a PBO that will have specialists with various budget-related expertise.

## **7. Managing feedback from government departments**

Another challenge observed with the process was how feedback from Ministries was handled. As indicated earlier, for many different reasons, some Ministries were not able to respond to all the questions posed by the Committee or provide data to back their responses. As a result and following Parliamentary practice, the concerned Ministries were requested to, provide written responses/answers to some specific questions from the Committee within a specified time period.

According to records from the Committee Secretariat, all the Ministries that were required to provide the Committee with additional information after the hearings, complied. However, this additional information remains between the Ministry and Parliament. There is no mechanism to make the public aware of the fact that a certain Ministry did comply with the directives of the

Committee nor the content of the information supplied. As the hearings were conducted in public, mechanisms to feed the public with what goes on after the hearings have to be adopted. This is to avoid the manipulation of information provided by any one side.

## SECTION THREE

### RECOMMENDATIONS

In this final section, some recommendations are offered to improve the Standing Finance Committee Budget hearings in the future. The recommendations, aimed at improving the hearings are divided into two. The first set of recommendations has to do with organization and logistics of a Parliamentary Budget hearing. The second set of recommendations relate to what the Committee needs to do in order to improve future Budget hearings.

#### Organization and Logistics

Mundane as the issues may be, if attention is not paid to them, they have the potential of having a negative impact on the proceedings. The key issues are: food and refreshment; a waiting area for Ministry officials; sitting arrangement; and scheduling of appearances.

- a. **Food and Refreshments:** During the hearings, food and refreshments were provided but not enough for everyone in some cases. This created some unease and discomfort. For hearings, some planning will be needed in this regard.
- b. **Waiting Area for Ministry officials:** It is recommended that future hearings should anticipate possibilities of time overruns which could create crowds around the Committee hearing venue and make proper arrangements for accommodating officials who have to wait for their turn.
- c. **Sitting arrangements:** Appropriate work space should be made available not only to Ministers appearing before the Committee but also members of their delegations, particularly Permanent Secretaries. This will enable them make easy reference to the documents they carry to the hearing.
- d. **Scheduling of appearances:** Future hearings should have clearly a defined appearance schedule and the Committee should endeavour to respect the schedule as much as possible.

## **Content-related Issues**

### **1. Information**

With regards horizontal information flow, the Ministry of Finance, specifically the Budget Department, should endeavour to hold briefing sessions with the Permanent Secretaries to discuss their final approved estimates before their scheduled appearance at the Committee. Admittedly, there is a challenge with time and the many activities that the Ministry of Finance is involved in at the end of the year but this is a very important activity that could help the various Ministries adequately prepare for their budget hearing. During the last hearing, a number of Ministries could not answer questions and/or provide information to the Committee. This is partly attributable to their level of preparation and lack of adequate information from the Budget office of the Ministry of Finance.

In terms of vertical information flow, it will be helpful for the Secretariat of the Standing Finance Committee to organize a briefing session for Permanent Secretaries and where possible, with Ministers in attendance. This could be done a week before the Budget Hearing so as to adequately prepare these key stakeholders on how to prepare for the hearing and what to expect on the day of the hearing. A separate information session could also be organized for the members of the Opposition to brief them on the preparations for the hearing as well as what to expect and what is expected of them. This is important particularly because the next budget hearing will be happening after the next elections and some Members will be new to the House.

### **2. Witness Brochure**

To help with vertical information flow, the Secretariat should prepare a Witness Brochure on the Budget Hearings. This could be developed along similar lines like the one that exists for Witnesses who appear before the Public Accounts Committee (PAC) during its hearings. The Brochure should be a simplified tool that explains, step-by-step, the processes of the Standing Finance Committee. It will help complement the information sessions as well as help answer key outstanding questions that representatives from the Ministries might have.

### **3. Time for Budget Debate**

One of the major challenges during the budget hearing was the issue time available to the Committee to thoroughly debate the budget estimates before it. In total and as per the provisions of the Standing Orders (Order 81 (5)), the Committee had four (4) days to consider all Heads of Expenditures that it wants to review. Going by international standards and practice, five (5) days is too short a time. Even though many MPs believe the time is adequate, it is important for the Committee to re-examine the issue as a long-term measure.

Globally, on average, for Parliaments to properly scrutinize budget estimates, the budget needs to be tabled before Parliament at least three months before the fiscal year to which the budget relates. The table below provides some guidance on the subject.

**Table 1: Requirements for the Date of Submission of the Budget to the Legislature**

Number of months in advance of fiscal year	Legal requirement			Practice (no legal requirement)
	Constitution	Law	Regulation of parliament	
More than 6 months		United States (8 months)		
4–6 months	Denmark (4 months), Finland <sup>1</sup>	Germany (4 months)	Norway (4 months)	
2–4 months	France, Spain (3 months), Korea (90 days)	Japan (2–3 months), Sweden (3½ months)		
0–2 months				Canada
After year begins		New Zealand (no later than one month after year begins)		United Kingdom

<sup>1</sup>Finland's Constitution requires submission of the budget "well in advance". In line with this requirement, the budget normally is submitted about four months before the new fiscal year begins. Source: Lienert and Jung, 2004.

While moving from one week to three months might be a stretch, it is still important for Parliament and the Committee to give some consideration to this issue. As the table shows, changes such as this could be internal to the Parliament and included in its Standing Orders (as is the case with Norway) or simply, it could be through practice as is the case with Canada and the United Kingdom.

It is important to stress that where Parliaments do not have enough time to discuss budget estimates, Committee hearings are reduced to political exercises used by parties enhance their image.

#### **4. Focus**

It will be important for MPs to focus their interventions at the strategic level, particularly within the framework of the government's economic and social transformation agenda which has four (4) key principles:

- I. Generate productivity-led growth on the basis of a more diversified production structure with the emphasis on value and wealth creation;
- II. Create the conditions for greater inclusiveness and equity in socio-economic development;

- III. Build the knowledge and talent of our human resources; and
- IV. Pursue socio-economic development in the context of prudent spatial management and environmental limits.<sup>7</sup>

Within the framework of the above-named principles and in keeping with international best practice, some guidance is offered here in terms of what Parliament should aim to achieve during the budget hearings. Suggestions include:

- The relevance of budget requests and how resources will be used economically, efficiently and effectively;
- Better alignment between policy and expenditure;
- Focus on outcomes and outputs instead of activities and inputs;
- Focus on how to improve transparency and accountability;
- Improved service delivery; and most importantly;
- Value for money.

In terms of specific issues that Parliament should look out for during its scrutiny of the budget, some suggestions include:

- a. Fiscal Rules and Debt Strategy;
- b. Macroeconomic Assumptions;
- c. Revenue Projections; and
- d. Extra Budgetary Funds, Fiscal Risks, and Tax Expenditures.<sup>8</sup>

#### **a. Fiscal Rules and Debt Strategy**

Fiscal rules are mechanisms that are used to instil fiscal discipline in a government. According to Lienert, "a fiscal rule is a durable constraint on budgetary discretion, often through numerical limits on budget aggregates such as the fiscal balance, total revenues, total expenditures, and/or debt"<sup>9</sup>. In general, such rules work best when there is political consensus to enforce them and when there is room to deal with adverse shocks. It is generally believed that a legislature's adoption of fiscal rules signals that elected representatives are also concerned about fiscal discipline, especially in times of austerity.

It is recommended that during Budget hearings, the Standing Finance Committee should review and endorse the government's annual debt management action plan which should be consistent with agreed medium-term objectives for gross and net debt.

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<sup>7</sup> Government of The Republic of Trinidad & Tobago, *Medium-Term Policy Framework, 2011-2014*, Ministry of Planning and the Economy, October 2011, p. 5.

<sup>8</sup> See Ian Lienert, "Role of the Legislature in Budget Processes", IMF Technical Notes and Manuals, pp. 2-14

<sup>9</sup> *Ibid.*, p. 6



## **b. Macroeconomic Assumptions Underlying the Budget Projections**

The main macroeconomic assumptions underlying the annual budget estimates are presented to parliament in some jurisdictions but most parliaments do not interrogate these assumptions in depth nor change the Executives proposals. In countries that do have an independent Parliamentary Budget Office (PBO), i.e. the United States and Canada, the office provides independent opinions on budget assumptions and policies to Members of Parliament. This helps minimize questioning by parliaments of the economic assumptions underlying the budget projections.

In Trinidad and Tobago, where an independent PBO does not yet exist, it is important that as part of the Budget hearings, one of the focus areas should be the assumptions underlying budget projections.

## **c. Revenue Projections**

The methodology and assumptions underlying the budget's revenue projections are publicly available in most countries. It is important that as part of the Budget hearings, the Standing Finance Committee be concerned not only with issues related to how monies are going to be spent but also revenue policies, particularly how the government intends to generate the necessary revenues to fund the budget. Of particular interest to the Committee should be any possible changes in revenues projections which the government proposes in a bid to achieve fiscal targets.

## **d. Extra Budgetary Funds, Fiscal Risks, and Tax Expenditures**

Off-budget spending is spending outside the authority of annual appropriations acts. This takes place in most countries around the world. If this is applicable in the case of Trinidad and Tobago, it is important that it does not escape parliamentary control. The Legislature needs to be fully informed in budget documents of any off-budget spending and contingent liabilities.

On fiscal risks, it is important as part of the Budget process, some analyses is done of the various risks that threaten a country's fiscal position. Best practice suggests that as part of documents presented to Parliament during Budget hearings, there should be a fiscal risk statement that lists all major potential claims on the government. This is critical information that a Committee needs before it approves the annual Budget.

Tax expenditures are usually exemptions and concessions that fall outside the usual benchmarks for taxes which are adopted to provide benefits to specific activities or class of taxpayers. Parliament needs this information when scrutinizing and approving the Budget.

## **5. Written submissions from Ministries**

To address some of the challenges that characterized the first Budget hearings, it will be important for the Committee to request all Ministries to make written submissions that provide some key information related to their budgets. Some suggested areas are:

- The strategic direction of the Ministry
- The broad goals and targets the Ministry intends to achieve with its budget
- Any particular sections of the budget that require explanations, i.e., lines that have seen a dramatic jump from the previous year

Once such information is provided, the Committee will be in a better position to focus its interventions on broad, strategic issues such as those outlined in the preceding section, rather than mundane questions.

## **6. Managing feedback from government departments**

The Standing Finance Committee hearing was a public event and Ministers made promises regarding supplying additional information to the Committee where it was required. When such Ministers fulfill this promise, mechanisms should be put in place to make the information available and accessible to the public. It is therefore recommended that supplementary information provided by Ministers subsequent to their appearance, once accepted by the House, should be published on Parliament's website as well as those of respective Ministries.

## **7. Documentation and Templates<sup>10</sup>**

To help deepen the Budget reform process as well support the work of the key oversight committees - the Standing Finance Committee; the Public Administration and Appropriations Committee; and the Public Accounts/Enterprises Committee, three templates have been developed. These are the Budget Scrutiny Guide; the Inspection Visits Guide; and Public Hearing Guide.

### **a. Budget Scrutiny Guide**

This Guide has been developed to help the Standing Finance Committee as well as its Secretariat in scrutinizing the budget. It provides some guidelines on some basic minimum requirements on what to look out for when examining the estimates that come before the Committee. It is a useful tool that can help the Committee strategize ahead of budget hearings.

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<sup>10</sup> See Appendix A, B and C

## **b. Inspection Visits Guide**

Inspection visit is one of the means by which parliament conducts oversight especially in determining value-for-money of projects executed as part of budget implementation. Beyond the mere presence of parliamentarians at project sites, monitoring or oversight is effective only if parliamentarians ask the right questions. The guide is designed to help the Public Administration and Appropriations Committee perform its oversight functions during budget implementation. It is a tool that can be used by other oversight committees.

## **c. Public Hearing Guide**

Public hearings have been used by Parliaments around the world as important oversight tools. This guide has been developed to help oversight committees, particularly the Public Accounts Committee conduct its *ex-post* hearing on the accounts of government. The tool can also be used by other committees during legislation to elicit input from citizens and other key stakeholders.

## **8. Strategic Organisation by the Opposition**

The Opposition is government in waiting and the citizens of Trinidad and Tobago expect the Opposition to lead the way in holding government to account for its mandate. The Opposition is expected to lead and focus on the representative and watchdog functions performed by Members of Parliament. One of its key functions is to ensure that legislation is carefully considered, and that differing views on important initiatives are publicly expressed and defended. One unique opportunity every year for the Opposition to do this is during the Budget hearings.

It is important to note the simple presence of members of the opposition in committees is not enough to guarantee effective parliamentary oversight. Ensuring oversight particularly during budget hearings requires strategy, preparation as well as focussed questioning and intervention.

Observing the first budget hearings, while it is important to commend the Opposition for performing its role, a lot more could have been done with a clear strategy and adequate preparation. Given that the Opposition has 'Shadow Ministers' for all Ministries, one would have expected that the task of questioning Ministers would have been solely led by 'Shadow Ministers' with other Opposition Members intervening only where there are gaps to fill in. Rather, what happened was a situation where all Opposition Members wanted to ask questions. Thus, the questions were often scattered, lacked focus and depth and in some instances, could not pin down Ministers to specific issues.

For future budget hearings, the Opposition needs to be strategic, carefully coordinate and select its questions as well as get key Members to lead the scrutiny of various Ministries. This way, they will be focussed and have enough time for follow up questions.

## **9. Further Institutional Reforms to Strengthen the Budget Process**

One major institutional reform needed to strengthen the budget process in Trinidad and Tobago is a Parliamentary Budget Office (PBO). A PBO is an independent, objective unit that specializes in high quality research and analysis on fiscal policy for the Parliament. It provides independent, non-partisan and policy neutral analysis on the full budget cycle, fiscal policy and the financial implications of proposals.

The budget process has been described as an essential part of accountable governance which requires Members of Parliament to make decisions based on comprehensive, accurate and timely information. In most Parliaments, often, the only source of narrative information is the budget speech as well as other information that comes from the Executive. Members of Parliament do not have access to independent sources of information that for instance, explain to them policies underlying tax and spending proposals in the Budget.

It is strongly recommended that in order to deepen the reform process and in order for MPs to be properly equipped with information to scrutinize budget estimates that come before them, a Parliamentary Budget Office be established in the Parliament of Trinidad and Tobago. A Concept Note as well as guidelines for setting up such an Office is attached to this report.

## APPENDIX A: BUDGET SCRUTINY GUIDE



### BUDGET SCRUTINY

#### A. Budget Scrutiny Guide

##### *Introduction*

This brief Guide is prepared to guide the Chair and Members of the Standing Finance Committee of the Parliament of Trinidad and Tobago in their scrutiny of the annual Budget estimates of Ministries, Departments and Agencies. The Guide is simple and straightforward and will be used alongside the analyses framework for Budget Scrutiny which is designed for use by Parliamentary Researchers/Committee Clerks to generate information for use by the Committee.

The Guide is made of up three sections - Objectives of the Scrutiny; Conditions and Context; and finally How the Budget should be Analyzed.

##### ***1. Objectives Of Parliamentary Scrutiny***

- i. Exercise of Constitutional Mandate of oversight.
- ii. Hold the Executive accountable for expenditures made.
- iii. Ensure that proposed policies and strategies will provide the optimum services to be delivered.
- iv. Ensure consistency between the estimates and allocations in the statement (check all the sources of revenue and the different budget classifications).
- v. Drive improvements in public service delivery.
- vi. Allows for the concerns and interest of the general public and their communities and constituents.

##### ***2. Conditions And Context***

- i. The Chairperson should receive the budget at least three days before the Hearings.
- ii. Briefs should be provided by Committee Secretariat to all Members of the Committee.
- iii. Notice should go to all Permanent Secretaries and Accounting Officers of MDAs with a request to submit their expenditure plans (using the template provided by the committee secretariat) for the upcoming fiscal year.

- iv. Submissions received from MDAs should be circulated first to Members and then published on the websites of Parliament and the relevant MDA.
- v. The Committee Secretariat should organize two briefing sessions: One for Opposition Members and the other for Ministers and Permanent Secretaries/Accounting Officers.
- vi. Subsequent to the briefings, the Opposition should determine their collective approach for questioning and the Ministers/Permanent Secretaries should determine their strategy for the meeting.
- vii. In the interest of time, Members wishing to raise issues can submit their questions to the Committee Secretariat to be forwarded to the MDA in advance.
- viii. The Clerk should work with the Budget Officer and the Chief Director of the relevant MDAs.

### ***3. How Should The Budget Be Analyzed?***

#### **Appropriation is based on:**

- I. Organizational Units - Helps with Institutional Limits.
- II. Economic Classification - Expenditure item limits.
- III. Program/Service delivery limits.
- IV. Location - geographical and ensures equity.

#### **Issues to consider:**

- i. *Budgetary Integrity*
  - Are resources going to be used in conformity with legal requirements?
- ii. *Authorizations and Mandatory Requirements*
  - Based on the appropriations for the current fiscal year, how much has been spent and how much is left?
- iii. *Operating Performance*
  - How much do programs cost?
  - How are the program costs determined?
  - Are any comparative analyses made?
  - Are issues of efficiency and economy considered?
  - How are programs financed?
  - Who/How/What determines the allocation of resources?
  - What is expected to be achieved?
  - How do you measure impact?
  - What liabilities are expected from program execution?
  - How has the government managed its assets?
- iv. *Stewardship*
  - Did the MDA's financial condition improve or deteriorate?
  - What provision has been made for the future?
- v. *Systems and Control*

- Are there systems to ensure effective compliance, proper management of assets and adequate performance?
- What is the status of the MDA’s internal audit and how is this function assessed?

**B. Framework for Budget Analyses to be used by Committee Secretariat**

<b>Documents Needed for Analyses</b>	<ol style="list-style-type: none"> <li>1. Sector Medium term frameworks/Strategic Plans</li> <li>2. Annual Budget Statement</li> <li>3. Sector Estimates</li> <li>4. In year monitoring report</li> <li>5. International Commitments</li> <li>6. Auditor General’s Report</li> <li>7. Civil Society Organizations and other Specialists Sector Analyses</li> <li>8. Sector Results Framework</li> </ol>
<b>What Should Be Analyzed</b>	<ol style="list-style-type: none"> <li>1. Previous year budget performance</li> <li>2. Variance analysis</li> <li>3. Trend analysis</li> <li>4. Output delivery</li> <li>5. Program and sub-program results</li> <li>6. Were targets met?</li> <li>7. Current year’s budget</li> </ol>
<b>Objectives of the Analyses</b>	<ol style="list-style-type: none"> <li>1. Alignment of MDA budget to National policy framework</li> <li>2. Policy Coherence</li> <li>3. Consistency between the Budget Statement and the Estimates</li> <li>4. Efficiency and Economy</li> <li>5. Value for Money</li> </ol>
<b>Sector Results Framework</b>	
Assess Targets and Indicators (SMART-ness)	
Achievements against Targets	
<b>Sector Medium Term Frameworks/Strategic Plans</b>	
Sector Objectives vrs. National Strategies	
Annual Progress Reports	
<b>Annual Budget Statement</b>	
Performance - previous year	
Sector priorities and target	
Resource Allocation	

<b>Sector Estimates</b>	
Identify Programs	
Previous Performance of the sector using indicators	
Allocations and Actuals	
<b>International Commitments</b>	
Specific to the Sector	
Are Sectoral Allocations Responsive to the International Goals?	
<b>In Year Monitoring Reports</b>	
Revenue Performance against Targets	
Expenditure performance against targets	
Sector by Sector Expenditure trend	
<b>Audit Reports</b>	
Check for Sector Issues	
<b>CSOs and Other Specialists Reports/Analyses</b>	
Data and Information from CSOs, Development Partners and Think Tanks	



## APPENDIX B: INSPECTION VISITS GUIDE



### INSPECTION VISITS<sup>11</sup>

The oversight function of Parliament extends to scrutiny of financial, administrative, and management practices of public officers and other public institutions. Parliament holds public institutions to account for expenditure of such funds approved by the House to ensure transparency and accountability.

Critical areas of the national economy where thorough and persistent parliamentary oversight is necessary include: progress made towards national aspirations or development vision; economic policies and strategies; revenue, expenditure and debt management; management of natural resources; environmental sustainability; and robust monitoring and evaluation for results.

In general, inspections form part of Parliament's oversight role and visits to a facility or site (e.g., health facility, road infrastructure, school, local government authority) are for the purpose of gathering information to determine whether such projects are in compliance with legislative intent.

Specifically, inspections provide immediate feedback, ensure that the inspected activity is in compliance with oversight regulations and hold service providers accountable for their responsibilities to provide quality services. In addition, inspections are equally important in maintaining awareness of parliamentary oversight, in helping the inspected activity with its own program, and in providing on-the-spot interpretations of policies and regulations.

Inspection visits generally include three key sets of activities: pre-inspection activities; on-site activities; and post-inspection activities.

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<sup>11</sup> This Guide is developed for use by the Public Administration and Appropriations Committee. It could however be used by other oversight committee.

<b>Before The Visit</b>	
<p>Inspection visits require proper planning and coordination to help with the timing of an inspection. It is important to schedule the inspection visit at times convenient to the organization or facility being inspected.</p> <p>It is also important for the Committee Secretariat to conduct research on the project to be visited and provide background information to members of the Committee. This helps in adequately preparing the Committee for the visit.</p> <p>When the parliamentary oversight team arrives at the institution, they would normally begin by clearly explaining the objective of the visit; why the program/project was selected for a Parliamentary visit; as well as what the Committee will be doing during the course of the inspection.</p> <p>Following this initial protocol, officials of the program/project are invited to provide information on the institution and its on-going major activities. They will be required to speak specifically about the program/project which is the subject of the visit.</p>	
<b>During The Visit</b>	
<b>Step 1: Confirm Institution's Budget</b>	<p>During inspection visits, especially of big public projects, the parliamentary committee needs to first and foremost, check the institution's budget. This will allow the committee confirm that the resources approved by Parliament have indeed been provided for. The budget should indicate the period over which the investment is expected to take place. It will also indicate that the associated cash (out) flows had been incorporated in government's cash management plans.</p>
<b>Step 2: Contract Process</b>	<p>The inspection team should, if applicable review:</p> <ul style="list-style-type: none"> <li>• The formal offer and acceptance of the project.</li> <li>• The applicable conditions of contract, that deal with the risks, liabilities and obligations of both parties and the procedures for administration of the contract.</li> </ul>

	<ul style="list-style-type: none"> <li>• The criteria and assumptions that the tenderer must have taken into account when pricing his/her bid.</li> <li>• The tenderer’s actual price for providing the construction works, supplies or services – which are described in the Scope of Work section in the contract.</li> <li>• The Scope of Work section, which describes in sufficient detail, what is to be undertaken and related performance stipulations – including the timing.</li> </ul>
<p><b>Step 3: Project Execution</b></p>	<p>A parliamentary committee on a visit to a project site needs to determine the following information regarding the project execution:</p> <ul style="list-style-type: none"> <li>• Financial viability of the project.</li> <li>• How long it will take to complete.</li> <li>• How risks and uncertainties are being dealt with.</li> <li>• Performance indicators and targets.</li> <li>• Modalities for reporting progress.</li> <li>• A dialogue strategy with project stakeholders.</li> <li>• That the government has followed the appropriate capital project practices and processes.</li> <li>• That there was full and proper planning and decision-making.</li> <li>• Any other concerns regarding the project arising out of the work of the Committee.</li> </ul>
<p><b>After the Visit</b></p>	

<p><b>Step 4: Feedback</b></p>	<ul style="list-style-type: none"> <li>• Hold a feedback meeting with key stakeholders to discuss identified issues and recommend possible solutions.</li> <li>• If the findings of the committee for example indicate any irregularity in the course of contract award or execution, the legislature can sanction both the government and the contracted company.</li> <li>• The relevant legislative oversight committee(s) can produce public reports explaining the findings of their visit. Such reports can be used to encourage the government to act on an issue.</li> <li>• The Auditor General can be asked to conduct an audit on the awarding procedures of certain contracts.</li> <li>• The legislature can use question time to obtain clarity from Ministers on the selection process and qualification of the winning company.</li> </ul>
<p><b>Step 5: Reporting On The Oversight Visit</b></p>	<p>The content of the report may include:</p> <ul style="list-style-type: none"> <li>• The date of the inspection.</li> <li>• A summary of the type of evidence gathered during the inspection.</li> <li>• Make recommendations on whether there are areas that require improvement.</li> </ul>

## APPENDIX C: PUBLIC HEARINGS GUIDE



### PUBLIC HEARINGS<sup>12</sup>

Public hearings are used within Parliamentary settings mainly for two purposes; i) during legislation, to get views from the public in support of or against a proposed law and ii) for oversight purposes.

They can be an effective oversight tool if applied appropriately. The Public Accounts Committee in most cases, uses this medium to conduct oversight. Other parliamentary committees (especially oversight committees) can also use this approach in performing their watch-dog role over government Ministries, Departments and Agencies (MDAs).

### Procedure and Processes

#### *Establish Goals for the Hearing*

Before a Committee embarks on holding a public hearing, it is important to determine and outline what the Committee wants to achieve. This gives direction to the Committee in the rest of its organization - for instance, it guides the Committee in choosing the right witnesses, request for the right information etc.

After determining the goal of the hearing, the Committee should:

- Determine which issues of importance to interrogate during the hearing;
- Decide on which witnesses to invite and from which departments or agencies;
- Determine the kind of information required from witnesses;
- Determine whether there is a need to issue a public call for submissions.

*Before the hearing*

*The day of Public Hearing*

*After the Public Hearing*

<sup>12</sup> This Guide is designed to be used by the Public Administration and Appropriations Committee as well as the Public Accounts Committee. It could however be used by any oversight committee that undertakes Public Hearings,

<p>Once a Committee decides to hold a hearing, the following need to be done in advance:</p> <ul style="list-style-type: none"> <li>i. The Clerk to the Committee should write to invite all MDAs concerned to the hearing, stating the reasons why they are being invited and the issues they are expected to respond to. The invitation should be accompanied by a brochure providing guidelines to the witness.</li> <li>ii. Invited witnesses should be required to write to formally accept the invitation and confirm their availability to testify at the hearing.</li> <li>iii. Invitees must be required to send written responses to queries by a certain date ahead of the hearing.</li> <li>iv. The Clerk to the Committee should publish an announcement of the hearing for the benefit of the public in all the required media.</li> </ul>	<ul style="list-style-type: none"> <li>i. The actual hearing should be moderated by the Chairman of the Committee or his Deputy according to laid down meeting procedures.</li> <li>ii. Witnesses should be called according to how they have been scheduled to appear.</li> <li>iii. The Committee should agree on which Members should lead the questioning process.</li> <li>iv. These Members will take turns to ask questions to clarify issues they are not clear on.</li> <li>v. Committee staff should record all proceedings. The Committee's report will be based on these records.</li> </ul>	<ul style="list-style-type: none"> <li>i. Committee Secretariat should share transcripts of proceedings with witness in order for them to confirm (by a given timeline), the accuracy of their testimonies as captured.</li> <li>ii. Committee Secretariat, should proceed to put together a report which will be presented to the House. Written responses to queries will also form a basis of the report.</li> <li>iii. Upon laying of the Committee's report, the Committee Secretariat should write to inform the MDAs concerned, requesting a ministerial response to the recommendations of the report within sixty days.</li> <li>iv. Subsequent to the ministerial response, the Committee may follow-up on the implementation of the recommendations which can include visits.</li> </ul>
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<p>v. Ideally, the Committee should meet to examine written responses received from witnesses and determine the queries that have been satisfactorily answered and those that need to be probed further during the hearing. This exercise allows the committee to narrow down to only important and outstanding issues.</p>		
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