Chapter 3

Establishment of Uganda's Parliamentary Budget Office and the Parliamentary Budget Committee[14]

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Uganda's parliamentary budget office (PBO) was established by an act of parliament on 27 February 2001. It came into effect on 1 July 2001, when the president assented to the bill. The objective of the act was to 'Provide for and Regulate the Budgetary Processes for Systemic and Efficient Budgetary Process and other Matters Connected therewith.'

The bill was moved as a private member's bill initiated by the chairpersons of the then Committee on Finance, Planning and Economic Development and the Committee on National Economy, Beatrice Kiraso and Issac Musumba, respectively. The bill was scrutinised and amended by the Committee on Finance, Planning and Economic Development so that it clearly prescribed responsibilities and deadlines for the various stakeholders' participation in the budget making and execution process.

Prior to the enactment of the Budget Act, parliament did not play an active role in the budget formulation process; however, parliament would approve the budget as required by articles 155 and 156 of the 1995 Constitution of the Republic of Uganda.

It was through participation in parliamentary capacity building seminars and conferences that the chairs began to see the need for parliament to play a more active role in the entire budget process. It became apparent that parliament was a mere 'rubber stamp' and that information provided to parliament on budget related matters was inadequate. Parliamentarians were kept ignorant on issues such as local resources revenue, foreign inflows in the form of budget support or project financing, national expenditure priority areas, and macroeconomic statistics.

Parliamentarians agreed in principle, as the people's representatives, that if they were to be more accountable and effective in their oversight role, the budget was one of the most important tools through which they could exert influence on the economic and social development policies of the country. The executive branch, on the other hand, was resistant to increasing parliamentary participation and to providing more and better information. For this reason, the bill faced strong opposition.

Whereas bills typically take on average three weeks between the first and second readings, the budget bill took about eight months from the time it was first introduced to the time it was passed. Article 93 of the Uganda constitution dictates that parliament shall not introduce a motion (including an amendment) that would impose a charge on the consolidated fund. The budget office and budget committee that were included in the budget bill required extra funding and therefore imposed a charge on the consolidated fund. The government used this as a convenient excuse to reject the bill. After several months of negotiation between government (led by the Ministry of Finance) and parliament (led by the two committee chairs), the government agreed to reintroduce the bill as a government bill. However this failed to materialise as the government was clearly not in favour of parliament scrutinising the budget. Parliament's demands to increase budget scrutiny were described as interference in the work of the executive and as an abuse of the separation of powers provided for in the constitution.

Following about two months of lobbying other members and sensitising them to the need for parliament to increase scrutiny of the budget, consensus grew among Members of Parliament (MPs), and it was agreed that, article 93 of the constitution notwithstanding, the private member's bill should be reintroduced and that, whether government was willing or not, parliament would pass it. After all, the constitution clearly states that if, for one reason or another, the president refuses to assent to a bill but parliament by majority decides, it shall automatically become law.

The bill was reintroduced by Hon Isaac Musumba, chair of the Committee on National Economy, and committed to the Committee of Finance, Planning and Economic Development chaired by Hon Beatrice Kiraso. The two committees worked together to finalise the bill, which was allowed by the Speaker to be read for the second time and then passed by overwhelming majority in February 2001.

The structure of the parliament of Uganda and the new budget committee

Until September 2005 when the Ugandan constitution was amended to open up to political pluralism, Uganda was governed under a 'movement' system whereby leaders were elected on individual merit. Therefore, there was no government or opposition side of parliament, and there was no majority or minority. It was easier for MPs to support a position favourable to parliament against the executive if it benefited or strengthened parliament as an institution. Government was in a weaker position to whip members to its side. As with most parliaments around the world, the Ugandan parliament elected from among its members a Speaker and a Deputy Speaker, who were non partisan. It is presumed, therefore, that the Speaker and Deputy Speaker were also elected on merit in terms of their qualifications, competence, and ability to serve the interests of parliament.

Although there were a few individuals in parliament who considered themselves as opposition – largely because they preferred a multiparty system to the movement system – the majority in parliament acted in a non-partisan, independent and objective manner. This scenario allowed parliament to look objectively at the need to have a Budget Act and to hold government more accountable to parliament as far as budget preparation and execution were concerned.

In addition, as with most parliaments, for efficient discharge of its functions, parliament operates through committees. These committees, which draft reports for debate and adoption by the whole House, do most of the detailed work. The rules of procedure of Uganda provide for standing committees, which deal with crosscutting issues (for example, public accounts, rules and privileges of parliament, approval of presidential appointments); sessional committees, which oversee the various ministries and sectors of government; and ad hoc or select committees. Standing committees' membership lasts for the life of that parliament, five years; sessional committees are constituted in every session, which is one year. It is these sessional committees under the Budget Act that scrutinise individual ministries' budgets and report to the budget committee (MPs cannot belong to more than one standing committee or more than one sessional committee, but they can serve on one of each at the same time.)

The Budget Act provides for a budget committee, which is a standing committee. What distinguishes it from other committees is that, whereas other committees are created by the rules of procedure, the budget committee is created by an act of parliament. Another important aspect of the budget committee is that all chairs of other committees (standing and sessional) are *ex officio* members of the budget committee. This makes it easier for committee members to receive reports from other committees on budget related matters. *Ex officio* membership gives the budget committee a broader and more comprehensive picture of the national budget as well as government programmes and activities being carried out in the various sectors. The major functions carried out by the budget committee are prescribed in the Budget Act, section 19 (1–2).

The parliamentary budget office

Sections 20 and 21 of the Budget Act set up the parliamentary budget office (PBO). The office is headed by a director and comprises economists with expertise in macroeconomics, data analysis, fiscal policy, and tax policy. The initial structure provided for 11 posts, but because of the high demand for the services of PBO, it has been enlarged to provide for more than 20 experts. With the new political system, it is expected that the demand on the budget office will increase, and there will be a need to fill any posts left vacant as a results of budget constraints.

Government's resistance to the Budget Act and the resulting Budget Office and budget committee continued even after the law was passed. By this time, parliament had also passed the Administration of Parliament Act, which allowed it to manage its own budget with the Ministry of Finance releasing funds required by parliament based on approved activities. However, the excuse of budget constraints affected the immediate setting up and running of the PBO. After the 2001 general elections, the 7th parliament came into being. Hon Kiraso, who had initiated the Budget Bill during the 6th parliament, was elected the first chair of the budget committee. The urgent need to carry out their work became very apparent. The chair sought assistance from US Agency for International Development (USAID), which at that time had an ongoing capacity building programme for the parliament. The special request for assistance in setting up the PBO was also shared with other donor agencies. USAID, the UK Department for International Development (DFID), the German Agency for Technical Co operation (GTZ), the European Union (EU), the World Bank, and NORAD all contributed assistance in form of furniture, computers and software, filing cabinets, and other office equipment, as well as the initial allowances for the officers. Within one year, the Parliamentary Commission was in a position to advertise posts and embark on recruitment of the PBO officers.

Later, the Parliamentary Commission ruled that any support to any department or section of the parliamentary service should be channelled to the common basket, and that the budget officers would be accommodated in the existing employment structure. They could not therefore benefit from additional funding outside the parliament's budget. Because of the heavy workload, some officers refused to accept the salary parliament was offering and opted to leave. However, the PBO attracted high calibre personnel from other organisations and later could afford to take on fresh graduates and train them. Organisations from which the initial personnel were attracted included the Ministry of Finance (budget department), Uganda Revenue Authority, the Central Bank and the Uganda Bureau of Statistics.

The PBO has been (and continues to be) non-partisan, objective, and highly committed to its functions provided for under section 21 of the Budget Act. The level of interaction with the parliamentary committees, the quality of the analysis of information, and the periodic (normally quarterly) budget performance reports have become better each year. Among the analysis that the PBO carries out are local revenue, foreign inflows, expenditure and economic indicators, as described below.

Local revenue

The Uganda Revenue Authority is required to submit monthly performance reports to the budget committee and the budget office. The budget office analyses this information and reports on it to the budget committee. The reports identify whether the revenue collections are on target, if the targets were correct or could have been better made, if there are shortfalls or over performance and possible explanations.

If the budget committee finds that there is something critical that requires further analysis, it notifies the sessional Committee on Finance, Planning and Economic Development, which oversees the Ministry of Finance under which the Uganda Revenue Authority falls. The budget office's tax policy expert will then work with the sessional committee to prepare a report and recommendations for the whole house.

The PBO has proposed to parliament different ways in which the tax base could be widened; for example, introduction of property tax, which the Uganda Revenue Authority has attempted to implement since the 2004/05 budget. The PBO has also identified possible areas where a reduction in taxes could trigger increased consumption and therefore more revenue. It has also proposed tax education methods to enhance tax administration.

Foreign inflows

Section 13 of the Budget Act requires the president to present information on the total indebtedness of the state to parliament during the presentation of the annual budget.

The budget office, on behalf of parliament, scrutinises these presentations and reports to the budget committee, pointing out issues that require the attention and discussion of parliament. Article 159(1) of the constitution allows government to borrow from any source, but article 159(2) gives the authority to approve any loan or guarantee to parliament. Until recently, up to about 50 per cent of the national budget was externally funded, although the percentage was reduced to about 42 per cent in the 2004/05 financial year. Any departure from budgeted disbursements of foreign funds would distort the budget. The PBO monitors and reports on such disbursements from both multilateral and bilateral donors in order to point out possible shortfalls that would require government to reprioritise its expenditures.

The PBO has greatly improved the relevant committee's capacity to understand the loan agreements between the government and the donors, and parliament no longer passes loans automatically. Parliament is now in a position to question or even request government to renegotiate provisions that are found to be unfavourable.

Expenditure

Section 6 of the Budget Act requires each minister to submit a policy statement to parliament by June 30 in each financial year. The statement is expected to reflect, among other things, the funds appropriated for that ministry for that financial year and to describe how much was actually released and what it was used for.

The PBO then reconciles the shortfalls (or in some ministries the supplementary funds) with the total budget performance, and if there are discrepancies, it brings this to the notice of the budget committee. The PBO has also developed measurement modules – which are still simple – that committees use to monitor the performance of the sectors they oversee. Whereas ministries are by law required to submit annual policy statements, the PBO has been producing quarterly budget performance reports, based on information collected from the treasury, as well as from all the sectors.

This has enabled parliament to follow the general budget performance and particular sector performance throughout the year.

Economic indicators

The PBO at any given time is able to file an independent report (independent of the executive) on the performance of the economy. Since the PBO was established, parliament has been able to follow the implications of macro-economic policies, receive independent information on poverty trends, and verify figures given by government on economic growth. Parliament is now able to debate from an informed position, the socio-economic trends and, as is required by the Budget Act section 2, analyse programmes and policy issues that affect the national budget and economy, where necessary recommending alternative approaches to government.

On issues that are budget and economy related, at the close of each financial year the PBO produces a record of parliament's recommendations to government, and government is expected to respond, showing where they have not complied, and give parliament the reasons for non-compliance. This procedure has greatly improved the quality of parliament's oversight role, and it has enhanced government's accountability and consequently the accountability of members of parliament to their constituents.

The budget cycle

The Uganda budget, under article 155(1) of the constitution, is prepared and laid before parliament no later than the 15th day before the commencement of the financial year. The financial year commences 1 July. Article 155 also requires the president to request the preparation of the following, to be presented to parliament:

- Fiscal and monetary programmes and plans for economic and social development covering periods exceeding one year; and
- Estimates of revenue and expenditure covering periods exceeding one year.

Parliament, in return, is expected to debate and approve the budget. Before the budget is passed, the constitution allows the president to authorise issuance of money from the consolidated fund account to meet expenditures necessary to carry out the services of government for up to four months. This authorisation is also endorsed by parliament and constitutes approximately one third of the total budget for that financial year.

Prior to passage of the Budget Act, parliament would receive the budget when it was presented on or about 15 June in each financial year. Committees would then look at the policy statements of their relevant ministries and present reports to the full parliament, which would pass the budget by the end of October. Meanwhile, government spent funds appropriated as vote on account. A vote-on-account is a temporary spending authority for the government to spend funds. This is normally applied when the budget has not been passed or for authority to spend funds during an election. In 2001, when the Budget Act came into force, parliament began participating more in the process by setting the expenditure priorities for the following financial year and for the three years to follow. The priority setting for the three years indicates government programmes with medium term expenditure frameworks, which in turn are drawn from the long term plan, the Poverty Eradication Action Plan.

Among the most important changes that demonstrate greater participation of parliament with the assistance of the PBO are the following:

1 Whereas prior to 2001 parliament would receive the budget figures at the time that the budget was read, the Budget Act section 4(2) now requires the president (represented by the Ministry of Finance) to request the preparation of the indicative, preliminary revenue and expenditure framework of government for the next financial year to be laid before parliament by 1 April in each financial year. The indicative figures are then committed by the Speaker to the budget committee and all sessional committees. Sessional committees consider, discuss and review the indicative allocations and prepare reports, which are submitted to the budget committee by 25 April. When sessional committees are reviewing the indicative allocations, an economist from the PBO is attached to each committee to give guidance and assist in pointing out areas of importance or discrepancy with earlier approved policies. Sessional committees are then able to agree or disagree with the activities and programmes for which funds have been allocated in that year's budget or to recommend reallocations (within the ceilings given to the respective sectors).

At the budget committee level, where all chairs of other committees participate, the ten sessional committees' reports are reviewed and recommendations are adopted or rejected, normally by consensus. It is at this level that reallocations across sectors are proposed to government. All these recommendations, proposals and advice on policy issues are contained in one comprehensive report which the budget committee, again with the assistance of the PBO, prepares and submits to the Speaker. The Speaker must then forward it to the President no later than 15 May. The period between this submission and the final budget (about one month) allows the executive to incorporate parliament's recommendations and wishes in the budget. If the executive has strong reservations about some recommendations, this one month offers an opportunity for the two arms of government to discuss and come up with commonly agreed upon positions.

2 The constitution requires that the President submit to parliament fiscal and monetary programmes as well as estimates of revenue and expenditure for periods exceeding one year. In practice, the President had only submitted one-year programmes and budget estimates. With the coming into force of the Budget Act, the practice changed, as the act, specifically in section 4(1), emphasises the constitutional requirement. Therefore, parliament now has received not only annual estimates but also estimates for the three consecutive years. The budget committee, with the assistance of expert scrutiny from the PBO, then reports to parliament, pointing out any inconsistencies, policy changes and justification (or lack of it), and revenue and expenditure projections for the following three years. MPs are now able to inform their constituents more authoritatively on government programmes with a clearer indication of when they will be implemented.

3 Policy statements, which used to be submitted any time before the budget was passed, are now submitted by 30 June (Budget Act section 1). This gives sessional committees enough time to scrutinise them and report to parliament as part of the appropriation exercise. Again, an official from the PBO is attached to each sessional committee as they scrutinise the policy statement. Section 6(2) requires that these policy statements reflect value for money and extent of achievement of targeted objectives. The standardisation of the policy statement was done by the PBO together with the Ministry of Finance and approved by the budget committee.

4 It was recognised that there are pieces of legislation that, when passed during a financial year, distort the budget, such as bills and motions whose implementation would require amounts of funds not previously budgeted for. The Budget Act section 10 now requires that every bill introduced in parliament be accompanied by its indicative financial implications, if any. The certificate of financial implications is tabled together with the bill on its first reading and is committed to the relevant sessional committee along with the bill. Committees seek the expertise of the PBO to verify the accuracy of these certificates and advise on the implications of the budget for that financial year. Parliament is now able to defer bills to another financial year after accommodating their implications in the MTEF (medium-term expenditure framework).

5 Section 11 of the Budget Act mandates that parliament analyse programmes and policy issues which affect the national budget and economy and, where necessary, recommend alternative approaches to the government. Parliament would not be able to do this without the assistance of the PBO, which prepares economic performance reports on a quarterly basis. These include revenue-related as well as expenditure-related issues.

6 The constitution provides for supplementary expenditure over and above what parliament has appropriated. Before the Budget Act came into force, these expenditures could be as high as 20 per cent of the initial budget. This distortion is addressed in section 12 of the Budget Act. The PBO helps the budget committee analyse the figures to ensure that the supplementary expenditure is within the 3 per cent allowed by law. The PBO is also in constant touch with the various ministries to ensure that budget execution is as approved by parliament. Parliament is now able to receive reports on reallocations both within and across ministries or departments. Such timely information allows parliament to keep track of budget discipline.

7 The reports from the President on the total indebtedness of the state are scrutinised by the PBO. A more simplified and easier to understand analysis is then prepared for the budget committee, which in turn presents a report to parliament. The Uganda parliamentary budget office, in doing all the above, carries out its important functions, namely:
- Providing economic forecasts;
- Formulating baseline estimates;
- Assisting in analysing the national budget; and
- Helping parliament analyse the MTEF.

The PBO has also been a key factor in identifying alternative policy approaches and has presented such modules, particularly on taxation, to the relevant committees. The non-partisan and professional nature of the unit has enabled it to perform the above functions to the satisfaction of parliament as well as the executive. The executive branch now recognises and appreciates that parliament is able to deal with budget issues on an equal footing.

The successes

With the assistance of the PBO, the budget process has been demystified. What was earlier overlooked as a specialised, difficult, and even boring area – dealing with figures – has now become accessible, interesting, and easier to understand. Budget discussions are livelier, both inside and outside parliament.

The strict measures prescribed in the Budget Act on how to deal with the budget have assisted in making budget formulation and execution more transparent. Since all parliament committee meetings are open to the press and the public, budget-related issues are now understood by most of the population.

The participation of MPs as people's representatives has enhanced the credibility of the budget. There is more ownership. Other stakeholders such as civil society organisations and the donor community, though not addressed specifically in the act, are able to interact with the committees during the budget discussion stage. In fact, interest groups such as manufacturers, exporters, farmers, and so forth, who are affected by tax measures, are accommodated by parliament, which has a better understanding of the issues they face.

The deadlines in the Budget Act have improved the discipline in preparation as well as execution of the budget. Though at first there was resistance from the executive, the players now appreciate their roles, those of others, and the time frames. Government compliance has improved, and accountability has been promoted.

Parliament is able to respond rapidly to problems because of the better flow of information and greater scrutiny. Government is more alert and mindful of making mistakes in implementing the budget. Donors seem to have more confidence in the process than ever before, and this manifests itself when parliament is included among the stakeholders to be continuously consulted.

Parliament is now able to participate and contribute during public expenditure review meetings and formulation of poverty reduction programmes. All in all, the ownership between the executive and parliament was greatly improved by the Budget Act.

Challenges

In performing its duties outlined above, the PBO has faced a number of challenges. Key among them are the following:

- **Information**. Before the Parliamentary Commission insisted on having all funds that go to parliament as basket funds, the budget committee and the PBO had worked out the costing of having information technology connectivity to the key centres where budget related information could be accessed by the PBO more easily and quickly. This has not happened, since parliament itself has other requirements apart from strengthening the budget office. The PBO therefore relies on information provided by other centres, such as the Ministry of Finance, the Bank of Uganda and the Uganda Bureau of Statistics, and has no way of cross checking the information it receives. There are times when the information furnished to the PBO has been inaccurate, inadequate, or not timely.
- **Establishment structure**. Since the structure was revised to provide for more officers in the PBO, some posts have remained vacant because of budget constraints. The existing officers are therefore faced with a very heavy workload, and they work long hours, especially during the budget scrutiny period.
- **Co-operation**. Though co-operation with government sectors has generally improved, some ministries either deliberately or out of incompetence do not furnish PBO with the information it requires to assist parliament with comprehensive reports. The Prime Minister (leader of government business) has been particularly co-operative in compelling ministries to provide information but some still do not comply.
- **Discrimination and bureaucracy**. Surprisingly, the PBO suffers to some extent from discrimination by the administration of parliament under the Parliamentary

Commission. There is a general feeling among other officers that the PBO is a 'super department' because it has better facilities, including offices, office equipment, and vehicles. These facilities were provided by donors to support the establishment of the PBO. Some donor agencies have continued to directly fund the PBO outside the general budget of parliament, a practice that did not satisfy the Parliamentary Commission.

The bureaucracy in the administration of parliament sometimes causes delays in the PBO's work. The time spent between the requisitioning and the release of funds for office accessories (even small ones including paper, toner, fuel, and so forth) hinders the PBO's work.

- **Demands from Members of Parliament**. Most MPs have shown little interest in reading reports containing a lot of figures. Only a few MPs take advantage of them. At the same time, they continuously demand information, which has often already been provided to them, and some even expect information to be collected for them for individual projects. The PBO sometimes finds itself overwhelmed with individual MPs' demands. Although requests for information are required to go through the budget committee or the chair, some MPs do not follow the procedure.

- **Lessons for other parliaments**. Legislatures in different countries are at different levels in terms of participation in the budget formulation process. The need for as much participation as possible cannot be overemphasised, as the budget is the single most important tool through which economic and social policy can be influenced. With more participation, parliaments will be in a better position to play their three basic roles: representation, law making and oversight.

  The executive branch in most governments will not support the parliament's increased participation in budget formulation. This means that parliaments, especially in Africa and other transition economies, should initiate their own legislation that will ensure that they are able to participate fully and in a meaningful way.

  Parliaments can benefit by sharing experiences and assisting in building capacity in other parliaments to make them more effective and to ensure better public policies and more prudent management of public resources. Parliaments may need to be assisted with funds, personnel and initial office equipment, as well as capacity building to use mechanisms such as private members' bills, and lobbying skills to bring on board colleagues and non-governmental bodies, including civil society organisations that support more transparent budgeting.

  Uganda's Budget Act and the subsequent establishment of the parliamentary budget office, its successes, and the challenges it has faced offer many useful lessons for other parliaments.

Note

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