



Parliament of  
Sri Lanka

## **Parliament and the budgetary process including from a gender perspective**

Regional seminar

*Colombo (Sri Lanka) 26-28 May 2003*



Inter-Parliamentary  
Union

### **GENERAL REPORT**

Rapporteur: Mr. Anura Priyadharshana Yapa, MP  
Chair of the Public Accounts Committee of the Sri Lankan Parliament

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

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

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

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

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

The debates took place in plenary sessions and parallel sessions for members of parliament and the parliamentary staff. The present report highlights some of the major issues that emerged from the discussions.

\*\*\*\*

## DEFINING THE NATIONAL BUDGET

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

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

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

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

## THE FUNCTIONS OF THE BUDGET

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

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

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

## CHARACTERISTICS OF THE BUDGETARY PROCESS

The National Budget is characterized by the following elements:

- It is *unitary*:  
Drawing up a single budget has its advantages in terms of clarity. It provides an overall vision of State policy. It should therefore include all items and sectors of expenditure foreseen for the period and all sources of revenues, including taxes, duties, grants and gifts.
- It is *coherent*:  
Coherence among the different sectors of activity covered by the national budget should be ensured.
- It is *thorough and predictable*:  
Drawing up a budget should be based on thorough evaluations of revenue and needs. Spending agencies should be sure of their allocations in the medium term to facilitate planning and efficient and effective delivery.

- It is *transparent*:  
The budget should be presented in a clear form and with sufficient detail to be easily understood and therefore transparent. This requires making available comprehensive, accurate, timely, and useful information on the financial activities of government.
- It is *specific*:  
Each projected expense should be listed under a specific heading within a structure of all programmes including all the activities under a particular ministry and the totality of resources allocated to those activities.
- It is *realistic*:  
Given that demand always exceeds available resources, budgeting should be done in a realistic manner. Prioritisation is therefore important.
- It is *annual*:  
Investment expenses are spread over several years while current expenditure covers the fiscal year. It is important, therefore, to ensure that details of investment expenses are clearly set out with projected costs for non-completed projects in the year ahead.
- The budget should also be *contestable*. In principle, no item in the budget should have an automatic claim to funding. All policy and funding should be regularly reviewed and evaluated in the light of determined priorities and performance of agencies.

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

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

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

- Drafting – negotiation within the executive at various levels, administrative and political, as well as consulting with parliament.
- Legislating – parliament reviews, possibly amends and adopts or rejects the draft budget.
- Implementation – revenues are collected and apportioned to departments for expenditure.
- Evaluation and audit – the supreme audit institution assesses whether the budget as approved was implemented, efficiently and effectively. Parliament is also closely involved in this stage.

## COMPOSITION OF THE NATIONAL BUDGET

### Resources

#### Taxes:

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

#### Loans:

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

### Deficit spending

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

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

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

### Supplementary budgets

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

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

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

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

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

### **Decentralisation**

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

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

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

\*\*\*

## **THE ROLE OF PARLIAMENT IN THE BUDGET PROCESS**

### **Why should parliaments be involved in the budgetary process?**

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

### **Variety of approaches**

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

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

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

### **Prerequisites for effective parliamentary involvement in the budgetary process:**

Effective parliamentary involvement requires:

- Conducive legal framework: for instance the power of parliament to amend the budget, to monitor its implementation and to call the government to account.
- Availability of factual information including through interaction with the government departments.

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

### **The role of parliamentary committees**

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

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

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

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

### **Role of second Chambers in the budget process**

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

Several cases stand out:

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

\*\*\*

## **TRANSPARENCY AND ACCOUNTABILITY IN THE BUDGETARY PROCESS**

### **Requirements for a transparent budgetary process**

A transparent budgetary process calls for:

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

### **The question of secrecy**

The requirement for secrecy in budget matters is increasingly declining in importance. Public access to information is a democratic right. Indeed, many parliaments have adopted freedom of information legislation that makes it a legal requirement for the government to make available budget-related information not only to the parliament but also to the general public. The Internet is a good tool for disseminating such information and receiving feedback from the public.

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

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

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

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

### **Ensuring accountability**

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

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

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

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

### **Outreach to civil society**

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

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

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



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

\*\*\*

## GENDER SENSITIVE BUDGETING

### Definitions

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

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

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

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

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

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

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

### Why develop gender sensitive or responsive budgets?

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

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

*Gender responsive budgets increase economic efficiency and social welfare*

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

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

*Gender sensitive budgets seek to reduce gender gaps and inequalities*

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

*Gender responsive budgets address poverty more effectively*

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

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

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

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

**Mechanisms and tools to develop gender responsive budgets**

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

This requires carrying out:

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

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

With regard to allocations specifically targeting women, it must be noted that some countries are now allocating a certain percentage of their budget resources to gender related programmes. However, discussions at the seminar highlighted the fact that there was a need to go further and ensure that gender issues are taken into consideration by every government department in all

programmes and in the allocation of corresponding resources. So the real challenge is to examine whether mainstream expenditures address the needs of women, men, girls and boys.

*Gender-Disaggregated Public Expenditure Incidence Analysis*

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

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

**Requirements to build GRB capacity in legislatures**

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

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

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

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

\*\*\*

## **WHAT PARLIAMENT NEEDS TO PERFORM ITS BUDGET FUNCTION**

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

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

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

Parliamentary oversight of the execution of the budget should be entrusted to a committee of MPs in which the opposition is well represented.

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

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

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