CHAPTER 10

Legislative Budget Offices: International Experience

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As chapter 9 noted, independent, objective, nonpartisan legislative budget offices are increasingly being established for legislatures around the world. What do these offices do, and why are their numbers increasing? This chapter seeks to address these questions by examining legislative budget offices in four regions. It suggests reasons for the growing (albeit still small) number of such units and describes their functions, their characteristics, and how they can contribute to the budget process.

The focus of the chapter is on independent, nonpartisan budget offices serving legislatures. It does not address legislative research organizations that provide budget analysis as part of their services, such as the Bureau of Research of the Polish Sejm. Nor does it describe professional budget capabilities housed within finance committees, such as the three-person unit in the Guatemalan Congress's finance committee, which reports on government income and spending. Rather, this chapter focuses on the growing number of nonpartisan offices dedicated exclusively to assisting legislatures in their work with budgets.

Several chapters in this volume consider the role that legislatures are playing in national budget processes across the globe; they note that these roles vary greatly from country to country. Several factors influence these differing roles, among them are (1) the type of political system (that is, presidential, legislative, or hybrid); (2) the type of electoral system through which representatives are elected (that is, plurality-majority, proportional, and semi-proportional); (3) the legislature's formal powers (in this case, the extent of its powers to amend the executive budget); (4) the combination of the political environment within which the legislature functions, and the political will of legislators to exert parliament's powers; and (5) the technical capacity of the parliament.[1]

Philip Norton (2003) provided a simple classification of legislative roles in the budget process, identifying three types of legislatures: budget-approving, budget-influencing, and budget-making. Budget-approving legislatures lack the authority or capacity (or both) to amend the budget proposed by the executive, and they approve whatever budget the executive presents to them. Budget-influencing legislatures have the capacity to amend or reject the executive's budget proposal but do not have sufficient capacity to formulate a budget of their own. Finally, what Norton referred to as a budget-making legislature has both the legal authority and the technical capacity to amend or reject the executive's budget proposal and to substitute a budget of its own.

Because budget-approving legislatures simply "rubber-stamp" budgets submitted by the executive, they have little need for independent offices to assist them in analyzing those budgets, challenging executive assumptions, or making changes to draft budgets. By contrast, several budget-making and budget-influencing legislatures have established independent, nonpartisan budget units in the past half century or so. The first was California's Legislative Analyst's Office, established in 1941. It was followed about three decades later, in 1974, by the better-known U.S. Congressional Budget Office (CBO). The Congress of the Philippines created its independent budget office—the Congressional Planning and Budget Department (CPBD)—in 1990. The rate at which legislative budget offices are being established has increased over the past decade. Mexico's Chamber of Deputies' Center for Public Finance Studies (*Centro de Estudios de las Finanzas Publicas*—CEFP) began operation in 1999. The Uganda Legislative Budget Office (PBO) was established through an act of Parliament in 2001. Two years later, the National Assembly of the Republic of Korea passed legislation creating its own National Assembly Budget Office (NABO). Finally, both Nigeria and Kenya appear poised to establish legislative budget offices.

Examples of Specialized Legislative Budget Offices

Legislative Analyst's Office: California

Established in 1941, the California Legislative Analyst's Office (LAO) predates the Congressional Budget Office by more than three decades. According to Elizabeth Hill, California's current legislative analyst (that is, director of the LAO), the California legislature had been concerned that the balance of budget power had been shifting to the executive since the early 1930s. Rather than rely exclusively on the executive for budget information, the legislature sought an independent source of budget information and analysis, as well as professional assistance to help it conduct oversight and ensure that programs were being implemented effectively. It also sought to reduce the growing costs of state government and make government more efficient and more economical. In 1941, the state senate and the assembly passed legislation to establish their own budget office, but Governor Culbert Olsen vetoed the bill on the recommendation of his fiscal office. Undeterred, the legislature effectively overruled the governor by establishing the office through a joint rule of the senate and the assembly that same year.[2] The legislature later established the LAO by statute.

Duties. The LAO reviews and analyzes both the finances and the operations of the California state government. Unlike the U.S. Congressional Budget Office, the LAO performs specific oversight functions on behalf of the legislature, ensuring that legislative policy is implemented effectively and cost-effectively. The specific functions of the LAO include the following:

- Analyzing and publishing a detailed review of the governor's budget bill (*Analysis of the Budget Bill*). The analysis includes department reviews as well as recommendations for legislative action.
- Publishing *Perspectives and Issues*, which gives an overview of the state's fiscal status and identifies major policy issues.
- Assisting the Budget Committee throughout the budget process.
- Reviewing administration requests to make changes to the budget after it is enacted, and presenting findings to the Budget Committees.
- Publishing special reports on the state budget and on topics of interest to the legislature.
- Conducting fiscal analyses of initiatives and ballot measures. California is one of the states that allow citizens to petition the government to place special initiatives (such as tax cuts) on statewide ballots. The LAO prepares fiscal analyses of all such measures.
- Conducting legislative oversight, including evaluations of programs or agencies, and issuing recommendations to the legislature.
- Developing policy alternatives. The LAO offers the legislature options on public policy issues and is directed by statute to make recommendations on policy matters.[3]

LAO services are available to all committees and members of the legislature.

Operations and staffing. The Joint Legislative Budget Committee consists of 16 members (eight from each house) and oversees the LAO's operation. By tradition, a senator chairs the committee and a member of the assembly serves as the vice chair. Funding comes equally from each house. The legislative analyst serves at the pleasure of the Joint Legislative Budget Committee, and analysts tend to stay in their position for many years. The current legislative analyst, for example, has served for nearly 30 years.

With a staff of 56 (about 43 professional and 13 administrative staff), the LAO is divided into subject area sections (such as health, criminal justice, and social services), which are headed by directors who train staff and edit their work for content. Professional staff members generally have master's degrees in fields such as public policy, economics, public administration, and business and have strong analytical and quantitative backgrounds. Each professional staff person is responsible for, and becomes expert in, a specific portion of the state budget. The LAO 1999 budget was $4.6 million.

Congressional Budget Office (CBO): United States

The U.S. Congressional Budget Office (CBO) was established as part of the Congressional Budget and Impoundment Control Act of 1974. The Budget and Accounting Act of 1921 had centralized the budget process under the authority of the executive branch, and over the next half century the president had acquired greater and greater influence over the budget by virtue of growing control over budgetary and economic information.[4] Congress, by contrast, had not developed a similar capacity and instead continued to work through a fragmented web of committees, relying on the executive as its principal source of budgetary and economic information. The 1974 act created a new, more coherent congressional budget process, and House and Senate budget committees to oversee this new process. The act also created the Congressional Budget Office to provide committees with independent budgetary and economic information.

Duties. Each year CBO issues three major reports designed to assist the budget committees and to aid Congress in its work on the budget. These include the following:

- An annual report on the economic and budget outlook for the United States, estimating spending and revenue over the next 10 years.
- A report analyzing the president's budget. CBO generally issues this independent reestimate of the proposed budget within a month of the release of the president's budget proposal in early February.
- A report presenting various options for the budget. These options include spending cuts and increases, tax cuts and increases, and suggested implications of broad policy choices.

In addition to these yearly reports, CBO analyzes the spending and revenue effects of legislative proposals and estimates the costs of pending legislation. As part of the Unfunded Mandates Reform Act of 1995, CBO is also responsible for identifying the costs related to legislation containing federal mandates on state, local, and tribal governments, as well as on the private sector.

Finally, CBO produces reports and studies analyzing specific policy and program issues related to the budget. These are in-depth studies designed to inform the congressional budget process and may cover longer-term issues that are not dealt with in the annual budget process. In-depth studies have included reports on the long-term budgetary pressures likely to develop with the aging of the U.S. baby-boom generation (those born between 1946 and 1964), a spending issue far beyond the budget horizon lawmakers generally consider. The statute creating CBO requires agencies of the executive branch to provide CBO with the information it needs to perform its duties and functions.

Operations and staffing. CBO carries out its responsibilities with a staff of about 230 and a 2005 appropriation of just under $35 million.[5] The director of CBO is appointed jointly by the Speaker of the House of Representatives and the Senate president based on the recommendations of the budget committees of each house. They serve a four-year term, and there is no limit to the number of times they can be reappointed.

CBO's work is carried out through seven divisions; two of those are the division of tax analysis and the division of budget analysis. About 70 percent of CBO's professional staff hold degrees in economics and public policy, and all are officially employees of the House of Representatives.[6]

Each year CBO averages about 2,000 formal or informal cost estimates of pending legislative proposals before the Congress, 70–80 major reports, and dozens of testimonies for congressional committees. CBO makes its findings, methods of analysis, and assumptions widely available through the Internet (Anderson 2006).

Congressional Planning and Budget Department (CPBD): Philippines[7]

The Philippine Congress created its independent budget office in 1990 under the secretariat of the House of Representatives and modeled it after the U.S. CBO.

Duties. The CPBD has three major functions: (1) it assists the House of Representatives in formulating its agenda; (2) it provides House leaders and members with technical information, analyses, and recommendations on important social and economic policy issues; and (3) it conducts analyses on the impact of legislation and also conducts research and in-depth studies on identified policy issues.

The CPBD issues publications designed to inform House members of the implications of government policies and legislation. Among these are policy advisories (updates on emerging policy issues), an annual macroanalysis of the budget, and an analysis of the medium-term economic development plan. The CPBD gathers information to assist the House in conducting oversight, and gives technical assistance to the Speaker and the Legislative Development Advisory Committee and other interagency committees. Finally, the CPBD publishes occasional papers and a "Facts and Figures" publication signaling trends and providing statistics on socioeconomic conditions in the Philippines. Unlike the LAO and CBO, the Philippines' CPBD serves only one house of the nation's two-house legislature.

Organization and staffing. The CPBD is headed by a director general who is assisted by an executive director. Three main divisions, each headed by a service director, report to the director general and the executive director.

The Congressional Economic Planning Service conducts policy research on macroeconomic policy, competitiveness, and reform measures in infrastructure, industrial development, trade, and investments. Congressional Budget Services conducts research and analysis on fiscal measures, including the macroeconomic implications of government taxing and spending. Special Project Services focuses on policy analysis and research regarding the labor and employment, education, agriculture, and environment committees of the House of Representatives. The CPBD also has a division for support services. In addition to their in-house staff, the CPBD makes regular use of consultants. Professional staff members generally hold advanced degrees in economics, finance, and public administration.

Center for Public Finance Studies (Centro de Estudios de las Finanzas Públicas—CEFP): Mexico[8]

After functioning as a rubber-stamp legislature during the many decades of the Institutional Revolutionary Party (PRI) rule, Mexico's Congress became a more independent, assertive institution as the PRI's power waned in the late 1990s.[9] The Center for Public Finance Studies, which the House of Deputies established in 1998, has helped the House play a more effective role in the budget process.

Duties. Similar to the other units examined, the CEFP is a technical, nonpartisan office that is staffed by specialists in public finance. Like the CPBD in the Philippines, it serves the House but not the Senate. It provides budget-related assistance to committees, groups within Congress, and individual members of the House. It has the following specific functions:

- Analyze the executive's trimester reports on the national economic situation, public finance, and public debt.
- Analyze the executive's annual report on the implementation of the National Development Plan, and provide relevant information to subject area committees.
- Analyze the budget initiatives, tax laws, fiscal laws, and finance information that the executive presents to the House.

In addition, the CEFP provides budget information to committees, legislative groups, and individual deputies as needed, and maintains a library of copies of reports on finance and public debt.

Organization and staffing. A 22-member committee comprising members of the different political parties in the House of Deputies oversees the CEFP. The committee makes its decisions by consensus and, when necessary, by majority vote. The CEFP's director is selected by the whole House through an open competitive application process. He or she serves a five-year term, which can be renewed once. Staff members are also selected through an open, competitive process, and not according to political affiliation. The CEFP has four divisions: Macroeconomic and Sectoral Studies, Treasury (or budgetary) Studies, Public Budget and Expenditure Studies, and Technology and Information Systems. The center's Web site lists a total professional staff of 27.

Mexico's more independent Congress has made additional changes to strengthen its role in the budget process since establishing the CEFP in the late 1990s. Amendments to the Mexican constitution, which became effective in 2005, require the executive to present its budget to Congress more than two months earlier than before, giving Congress more time to consider and make amendments to the draft budget. Amendments also require that the national budget be approved a month earlier (November 15 rather than December 15; Art. 74), giving state and local governments more time to plan for the upcoming January 1 fiscal year.

Legislative Budget Office (PBO): Uganda

Of all the cases under consideration, Uganda's political system was perhaps the most unique at the time its legislative budget office was established (Kiraso 2006). In an effort to cool Uganda's heated politics, President Yoweri Museveni instituted a no-party political system in 1986, prohibiting political parties from fielding candidates for office. A constitutional referendum ended this practice in 2005. Hon. Beatrice Kiraso, primary author of the private member's bill establishing Uganda's PBO, believes that Uganda's no-party system actually helped the National Assembly in establishing its budget office. "There was no government or opposition side in Parliament, there was not majority or minority. It was easier for Members of Parliament to support a position favorable 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" (Kiraso 2006, 4).

Uganda's Legislative Budget Office was established by an act of Parliament in 2001. Like the U.S. Congressional Budget and Impoundment Control Act of 1974, the act not only created a budget office but also created a centralized budget committee and made major changes in the role of Parliament in the budget process.

Duties. Uganda's PBO issues the following reports each year: local revenue analysis, foreign inflows analysis, expenditure reports, and other reports. For local revenue analysis, the PBO analyzes the monthly reports that the Uganda Revenue Authority submits to the Budget Committee and the PBO, identifying whether revenue collections were on target, reasons for shortfalls (if any), and whether revenue targets should be adjusted. Using information from these reports, the PBO has proposed to Parliament ways to widen the tax base and suggested possible methods to reduce taxes that would increase consumption.

The 2001 Budget Act requires the president to present information to the Parliament on state indebtedness. Uganda's PBO analyzes indebtedness reports, in the form of foreign inflows analysis, on behalf of the Budget Committee and identifies issues for committee attention. The Budget Act also requires ministers to submit a yearly policy statement to Parliament showing the funds appropriated for the ministry, funds released, and what they were used for. In addition to these expenditure reports, the PBO also produces quarterly budget performance reports, enabling Parliament to follow the general budget performance of different sectors during the year.

Other reports include a yearly economic indicator report, which the PBO provides to Parliament, as well as a report recording all of Parliament's recommendations to the government, whether government was expected to respond, whether or not it complied, and reasons for noncompliance.

The PBO also assists Parliament in the revised budget process. The Budget Act expanded Parliament's role in the budget process; technical expertise provided by the PBO helps the National Assembly fulfill this new role. The new budget process gives Parliament an opportunity to review, comment on, and propose amendments to a draft executive budget, and gives the executive branch time to respond by amending the draft budget and negotiating changes with the National Assembly, all before the budget is officially released.

Previously, the National Assembly's first glimpse of government's budget figures was when the budget was read on about June 15, just before the new fiscal year, which begins July 1. Under the new system, the president presents a draft revenue and expenditure framework for the next financial year to the National Assembly by April 1, a full three months before the fiscal year begins. Parliament's sessional committees, with the assistance of PBO economists, consider the indicative allocations and prepare reports to the Budget Committee, which may include recommended reallocations within sectoral budget ceilings.

The Budget Committee, on which the chairs of the 10 sessional committees sit, considers all proposals, and may propose reallocations both within and across sectors. The PBO helps the committee prepare a comprehensive budget report to present to the Speaker, who must forward it to the president by May 15. During the executive-legislative discussions over the remaining month leading up to the formal budget presentation, the executive generally makes a number of budget changes in response to Parliament.

Organization and staffing. The PBO is headed by a director. There are positions for about 27 experts, but at times vacancies have not been filled because of budget constraints. Professional staff members are economists with expertise in macroeconomics, data analysis, fiscal policy, and tax policy. Initially they were drawn primarily from the Ministry of Finance, the Uganda Revenue Authority, the central bank, and the Uganda Bureau of Statistics.

According to Hon. Beatrice Kiraso, author of the Uganda Budget Act, the act, along with the technical assistance provided through the PBO, has strengthened Parliament's role in the budget process in several ways. First, government now provides Parliament with three-year revenue and expenditure projections. The Budget Committee, with expert assistance of the PBO, reports to Parliament on any inconsistencies in these projections and on revenue and expenditure provisions for the following three years. Second, policy statements from ministries are now reported on time—by June 30—allowing sessional committees to adequately scrutinize them. The PBO, in partnership with the Ministry of Finance, standardized the policy statement format. With assistance from PBO economists, committees review the policy statements. The statements must include value-for-money information, not just spending data, and report on the extent to which sectoral targets were achieved. Third, the 2001 Budget Act requires that every bill introduced in Parliament be accompanied by a certificate of financial implications. The PBO verifies the accuracy of these certificates and advises on the implications for the budget for that financial year. The National Assembly has, in fact, made the government delay several initiatives after the PBO determined that they were not included in the current year's budget. Fourth, the Budget Act requires that government keep supplementary expenditures to within 3 percent of what is budgeted. The PBO works closely with the ministries to ensure that these limits are adhered to. Finally, the PBO drafts an easy-to-understand version of the president's report on state indebtedness.

National Assembly Budget Office (NABO): Republic of Korea[10]

The Republic of Korea's National Assembly Budget Office (NABO) was created in 2003 through an act of the National Assembly. NABO has a twofold purpose—one, to encourage greater discipline in public spending, and two, to allow the legislature to play a larger role in determining how the state obtains its revenue and how that revenue is spent. Those who drafted the act considered expanding the duties of the Budget Policy Bureau in the National Assembly secretariat but concluded that NABO budget assistance was unique and that it merited establishing a separate agency within the Assembly.

Duties. NABO provides nonpartisan, objective information and analysis to committees and members of the National Assembly. It conducts research and analysis on the budget and on the performance of the government's fiscal operations, estimates the cost of bills proposed in the legislature, analyzes and evaluates government programs and medium- to long-term fiscal needs (audit function), and conducts research and analysis at the request of legislative committees or members of the National Assembly.

Organization and staffing. The Speaker, with the approval of the House Steering Committee, appoints the chief of NABO. With a total of 92 full-time staff positions (approximately 70 professional and 20 administrative), NABO is the second largest budget office considered in this chapter. Professional staff members hold advanced degrees in accounting, economics, public policy, law, and related fields. The NABO chief appoints all NABO staff. As is true with the other budget offices examined, staff members are selected solely on the basis of professional competence (not political affiliation). NABO's 2006 budget was approximately US$12 million.

Budget offices are only as good as the information government provides them, and if government ministries are unwilling to give them financial information, their utility is hampered. In Korea's case, the legislation establishing the office requires executive agencies to provide NABO with the information it needs to carry out its functions. This has proved very useful in convincing reluctant agencies to provide necessary data. Like the U.S. CBO, NABO's analyses and work products are available to all members of the Assembly, and also to the public via the Internet. Also similar to the CBO, NABO shares its methodologies and assumptions freely. Each year NABO averages 80 to 90 formal cost estimates of pending legislative proposals before the Assembly and issues 30 to 40 major reports and other publications.

Proposed Budget Offices: Nigeria and Kenya

Two National Assembly budget offices appear to be so close to being established that it is useful to mention them here. Both are in Africa.

National Assembly Budget and Research Office (NABRO): Nigeria. The National Assembly of Nigeria is moving toward establishing an independent, nonpartisan National Assembly budget office to help ensure, among other functions, that the budget enacted is properly implemented (Nzekwu 2006). The bill establishing NABRO was passed by the Senate in May 2007, in the same version as that of the House of Representatives so that there would not be a need for harmonization by conference committee. However, in June 2007 the president refused to sign the NABRO bill into law and sent it back to the National Assembly for revisions.

The bill sought to clarify roles and responsibilities of the legislative and executive branches of government and required that government present its budget to the National Assembly at least three months prior to the end of the budget year, giving the Assembly ample time to consider and to pass the appropriations bill before the new year. The Assembly has a budget line and earmarked funds to establish the budget office.

According to the original agreement worked out in the National Assembly, the office will perform the following tasks:

- Review the budget submission of the executive to ensure that it is realistic and objectively defensible.
- Provide technical assistance and briefings to relevant committees to help them understand and appraise the proposed budget.
- Review, monitor, and evaluate the government's budget performance of the previous year.
- Forecast economic trends and draft budget impact briefs and statements.
- Support committee oversight functions.

Legislative office of fiscal analysis: Kenya.[11] A private member's bill by the Hon. Oloo Aringo, author of Kenya's "Independence of Parliament" Act (1999), was introduced in Kenya's National Assembly in March 2006. The bill, which is quite similar to Uganda's Budget Act (2001), now has the support of the government and is expected to pass (Kathuri 2006). Currently, however, it has remained in the third reading. Though the legislation has yet to be enacted, the Kenyan Parliament has nonetheless gone ahead with setting up a budget office and has hired several staff members.[12]

The bill seeks to ensure that government follows principles of prudent fiscal management, including reducing government debt, increasing transparency, and establishing predictable tax rates (Part 2 of the Fiscal Management Bill). Like Uganda's Budget Act, it would require government to set before the National Assembly a detailed budget statement well in advance of the new fiscal year (by March 31). It would establish a Fiscal Analysis and Appropriations Committee and an Office of Fiscal Analysis, requiring the finance minister to provide the National Assembly with specific economic and fiscal reports, and would grant the permanent secretary of the Finance Ministry specific authority to obtain information required under this legislation from public officers, setting severe penalties for public officers who fail to comply.

With regard to the Office of Fiscal Analysis and the Fiscal Analysis and Appropriations Committee, the bill states, "The Office will comprise qualified budgeteers and economists while the Committee will ideally be composed of members who have demonstrated competence or interest in the subject. Thus the two institutions will not only be reservoirs of expertise and continuity but also the fulcrum of the budgetary mechanism in the National Assembly."

Independent Budget Office Issues

Thus far this chapter has considered the duties, operations, staffing, and budgets of nonpartisan legislative budget units in several nations. The next section discusses a number of general aspects of legislative budget units.

Increase in the Number of Budget Offices

Why are a growing number of legislatures establishing nonpartisan, independent, objective analytic budget units? One reason may be that, using Schumpeter's procedural (electoral) concept of democracy,[13] there are simply more democracies today than at any other time in history. With the end of the Soviet Union and the resulting proliferation of new nations, the dramatic reduction in military governments in Latin America and Africa, and the sharp decline in African one-party states, more legislatures exist than ever before in history—and several of them have the potential to exercise some level of independent power. Independent financial expertise, such as that provided by professional nonpartisan budget units, aids them in exercising that power.

Another reason may be an extension of what Huntington called "demonstration effects or snowballing." According to Huntington, the demonstration effect of successful democratization in one country is a powerful incentive to other nations, especially countries geographically proximate, and culturally similar (1991, 100–06). It may be that the demonstration effect is important not only as an impetus to carry democracy from one nation to another, but as a model of the *infrastructure of democracy* as well. The Philippines CPBD is patterned after the U.S. CBO, and Kenya's private member Fiscal Management Bill (2006) has a great deal in common with Uganda's Budget Act (2001). Hon. Beatrice Kiraso, author of the Uganda Budget Act, conferred with her Kenya counterpart, Hon. Oloo Aringo, in developing his legislation. Indeed, much of the work of the international community to encourage legislative strengthening involves the sharing of best legislative practices across regions.[14]

A third reason for the growing number of legislative budget offices may be related to the increasing demand worldwide for government transparency and accountability. The proliferation of Transparency International offices, the growth of anticorruption agencies and watchdog organizations, and the increasing number of budget transparency think tanks all indicate a greater interest in and scrutiny of government finances. Legislatures need the assistance of budget experts if they are to play their role in developing and overseeing the budget, and in controlling government spending.

Potential Value

What benefits do legislative, independent, nonpartisan, objective analytic budget units provide for legislatures, committees, legislators, and citizens?[15] First, independent legislative budget units break the executive's monopoly on budget information, placing legislatures on more equal footing with the executive. In the cases of the California legislature and U.S. Congress, legislative leaders were concerned that their budget powers were being eclipsed by those of the executive, and they established budget offices to help redress that imbalance.

Budget offices simplify complexity. Executive budget agencies often fail to provide legislatures with the budget information they need, but even when they do it may be presented in a form too complex for legislators to understand. Effective legislative budget offices simplify complex budget information provided by executives so that legislators can understand and use it.

Next, these offices help promote budget transparency—not just between the executive and legislatures, but for the public as well. Many legislative budget offices publish national budget information and analyses on Internet sites (see, for example, reports by the Mexican House of Deputies' CEFP at http://www.cefp.gob.mx, or the Congressional Budget Office at http://www.cbo.gov/). Greater transparency discourages subterfuge by executives and executive agencies.

Effective budget offices can also help enhance the credibility of the budget process. Because these services encourage simplification and transparency, they help make budget forecasts easier to understand and more credible. Nonpartisan budget offices often reveal their assumptions and methods along with their findings, enabling everyone to understand the bases on which the offices make projections.

Budget offices can help increase accountability. The offices' scrutiny of executive estimates used in the budget process enhances executive accountability. The realization that their assumptions and figures will be carefully reviewed by budget experts from a separate branch of government encourages executive budgeters to be more careful and precise. In addition, the simpler, more transparent and accountable budget resulting through the work of a legislative budget unit makes the budget process more straightforward and easier to follow. Hon. Beatrice Kiraso, for example, stated that because of the work of the Uganda PBO, Ugandan ministries now produce yearly spending reports to Parliament in a standardized, easy-to-use, and more understandable format.

Having effective legislative budget offices may also lead to greater discipline in public spending. An important purpose of the U.S. Congressional Budget and Impoundment Control Act of 1974 was to control government spending, and rationales for establishing several of the budget offices examined here include this same justification.

Functions

According to Anderson (2006), the first core function of an independent analytic budget office is to make independent budget forecasts. He states that these forecasts should be objective; take into account the forecasts of private forecasters, bankers, and experts; and be a bit conservative. Conservative forecasts are preferable, because politically it is easier to use the results of a better-than-forecasted economy to reduce deficits than to find last-minute spending cuts or tax increases to deal with unanticipated deficits.

Second, independent legislative budget offices establish baseline estimates, and they do so by making *projections*, not *predictions*. That is, they should assume that laws in place will stay in place, and should not factor in policy proposals not yet enacted. The third core function of budget units is to analyze executive budget proposals, making a *technical* (not political) review of the budgetary estimates contained in the executive budget. A final core function is to conduct medium-term analyses. A medium-term analysis alerts policy makers and the public to possible future consequences of proposed policy actions. It also provides a basis on which to build long-term analyses.

Independent budget units may perform several other functions as well, among which are estimating costs of both executive and legislative policy proposals; preparing spending-cut options for legislative consideration; analyzing the costs of regulations and mandates to corporations, subnational governments, and the economy; conducting more in-depth and longer-term economic analyses; analyzing the impacts of proposed and actual tax policies; and producing policy briefs that explain complex budget proposals and concepts.

Other budget offices that were examined offer different functions. For example, California's LAO makes recommendations to the legislature on ways government can run more efficiently and economically. Also, acting as institutional watchdogs, LAO seeks to ensure that the executive has complied with the letter and spirit of legislative intent, and Uganda's PBO keeps a record of how well the executive has complied with legislative recommendations to government. Finally, the CPBD in the Philippines assists in formulating the legislative agenda of the House of Representatives.

Considerations in Establishing Effective Legislative Budget Units

The budget offices described in this chapter must be nonpartisan if they are to be effective. Anderson (2006) made a distinction between bipartisan (or multipartisan) and nonpartisan services. A bipartisan or multipartisan service would attempt to analyze matters from the perspective of both (or all) political parties, whereas a nonpartisan office would attempt to present information objectively, not from a political perspective at all.

Legislatures use several means of ensuring that their budget units become, and stay, nonpartisan. In some (for example, California and Mexico), bipartisan or multipartisan committees oversee the budget units. Directors might be selected through open competitive processes or they might have broad support in the legislature. In all cases, legislatures select unit staff for their professional expertise, not for their political affiliation.

Nonpartisan, independent budget offices should serve all parties in the legislature, potentially providing minority parties a greater voice in the budget process than they would otherwise enjoy. Anderson (2006) noted, in fact, that as independent budget units age and executives adjust to their presence, their information may become more valuable to minority than to majority powers in the legislature. Parties in power should resist the temptation to underfund, undermine, or politicize independent budget units, realizing that they may be in the opposition someday and will need access to professional budget services.

Effective legislative budget units should also have their existence and their core functions codified in law, so they cannot be easily shut down or changed to suit some political purpose. Anderson states that budget units should avoid making recommendations to their legislatures. Many do, however, as table 10.1 indicates. Anderson further recommends that legislative budget units should principally serve committees and subcommittees, rather than serve individual members; meet with representatives from all sides of an issue in order to be able to present informed and balanced analyses, and avoid the limelight.

Budget units need access to government budget information, and in many cases the statutes establishing the units also grant them authority to compel the executive to provide it (United States and Korea). The Kenya legislation has a creative approach to meeting this need. Rather than grant the National Assembly the authority to compel government to provide budget information, it grants the Finance Ministry the authority to obtain budget information requested by the National Assembly. Public officers who do not comply face heavy fines and jail terms.

In some of the cases considered (for example, the Philippines and California), the legislature established the budget office as a stand-alone reform to the budget process. In others, however, legislatures established budget offices as one component of a larger budget reform. The U.S. Congressional Budget and Impoundment Control Act of 1974 not only established the CBO, it also established a new congressional budget process and budget committees in each house to manage the process. Uganda's PBO was a part of a similar reform that, for the first time, made the National Assembly a major player in the budget process. Kenya's new budget legislation and Nigeria's proposal include legislative budget offices as part of broader budget process reforms. In many cases, and this may be a trend, budget offices are a component of larger reforms designed to strengthen the role of the legislatures in the budget process.

What is an appropriate size for a legislative budget unit? Those examined range from about 20 to 200 professional staff (see table 10.1). Their size helps determine the number and frequency of services they provide, but even nations as poor as Uganda consider a legislative budget office a good investment. Legislatures that pay their staff very low salaries may find it difficult to attract the level of expert staff needed in a budget office and may need to consider adjusting their pay levels.

Should unit responsibilities extend beyond pure budget work? California's LAO includes program evaluation among its responsibilities, as does Uganda's PBO. The PBO also keeps track of all of Parliament's recommendations to the government, whether government was expected to respond, whether or not it complied, and reasons for noncompliance. The Philippine's CPBD lists as its first responsibility assisting the House of Representatives in formulating its agenda. One can understand the importance of such services to legislatures, and it may be that budget offices are called upon to perform them, especially when legislative services are very thin. Nonetheless, architects of new legislative budget offices should generally keep them focused on their central mission, and thus avoid diluting the offices' effectiveness by asking them to do too much.

Table 10.1 compares the budget offices examined in this chapter in terms of professional staff size, whether or not the office conducts program evaluations

Table 10.1. Characteristics of Budget Offices Reviewed

Name and Year Founded	Professional Staff Size	Perform Program Evaluations?	Associated with a Larger Budget Reform Process?	Make Policy or Budget Recommendations to Legislature?
California Legislative Analyst's Office (LAO), 1941	44	Yes	No	Yes
U.S. Congressional Budget Office (CBO), 1974	205	No	Yes	No
Philippines, Congressional Planning and Budget Department (CPBD), 1990	—	Yes	No	Yes
Mexico, Center for Public Finance Studies (CEFP), 1998	27	No	No[a]	No
Uganda, Legislative Budget Office (PBO), 2001	27	Yes	Yes	No
Korea, National Assembly Budget Office (NABO), 2003	70	No	No	No

Source: Author's compilation.
a. Mexico's budget timetable was reformed a few years later.
Note: — = not available.

of government agencies, whether its creation was part of a larger budget reform process, and whether or not it makes recommendations for legislative action.

Conclusion

Given the increasing rate at which independent legislative budget offices are being established, it is likely that several more will be appear over the next decade. In addition to Kenya and Nigeria, which appear close to establishing such units, interest has been shown by legislatures in Ghana, Guatemala, Thailand, Turkey, and Zambia, and undoubtedly many more countries.

Legislatures with long-standing traditions of nonpartisan legislative services (as exist in many Commonwealth nations with professional secretariats) may have an easier time establishing professional, nonpartisan budget offices. Similarly, legislatures in systems where divided government occurs, or where the legislative and executive branches are elected independently of each other, may have more incentive to develop independent budget offices than their counterparts in true legislative systems. In a true legislative system, the party or coalition controlling the legislature selects a government to represent it and thus has little incentive to use parliament's resources to develop professional capabilities to challenge that government. Legislatures without a tradition of nonpartisan staff, and those whose entire administrations consist of political appointees replaced after each election, may also find it difficult to establish independent budget offices—difficult, but not impossible. The U.S. Congress and state legislatures, which have a high level of partisan staff, have developed such professional services and nonpartisan services, and they are becoming increasingly common in Latin America as well. Institutions rarely change quickly, but they do change.

When budget offices are established, keeping them nonpartisan is a critical challenge because the institution they serve is partisan both by nature and design. When and where they succeed in remaining nonpartisan, they will improve the quality of government budgeting and budgets (thus generally enhancing the credibility of government) and make the budget process more transparent and easier to understand for both legislators and the public.

Notes

1. For a detailed discussion of these factors, see Johnson and Nakamura (1999) and Johnson (2005).
2. Much of the information on California's Legislative Analyst's Office is taken from Elizabeth G. Hill (2003a, 2003b) and Vanzi (1999).
3. "About the Legislative Analyst's Office." http://www.lao.ca.gov/2006/cal_facts/2006_calfacts_toc.htm.
4. Much of the information for this section comes from CBO Director Dan Crippen (2002).
5. U.S. Congress. House Report 109-139, Legislative Branch Appropriations Bill, 2006. Library of Congress, Thomas. http://thomas.loc.gov/cgi-bin/cpquery/

?&dbname=cp109&sid=cp109DGdGa&refer=&r_n=hr139.109&item=&sel=TOC_43975&.

6. Congressional Budget Office Web site: Staffing and Organization. http://www.cbo.gov/organization/.

7. Much of the information on the CPBD was collected from the Congressional Planning and Budget Department's Web page, "Budget Briefer." http://www.geocities.com/cpbo_hor/.

8. Most of this information on the CEFP can be found at http://www.cefp.gob.mx/.

9. This shift in power is illustrated by the dramatic reduction in the percentage of executive (relative to legislative) proposals enacted into law in the early years of the 21st century. In the spring 2001 term, 48 percent of legislation enacted into law was initiated by the president. Just four years later, in the spring 2004 term, that percentage had fallen to 7.1 percent. Figures are taken from Weldon (2004, 25–26).

10. Information in this section was provided by Dr. Jhungsoo Park, from "Budget Control and the Role of the National Assembly Budget Office in Korea" (Park 2006). Park is a professor of Ewha Woman's University and former director general for budget analysis of the National Assembly Budget Office, Korea.

11. Much of the information on the proposed Kenya Budget Office comes from the Fiscal Management Bill, 2006, introduced in the National Assembly March 24, 2006.

12. Interview with Hon. Oloo Aringo, February 2008.

13. Samuel Huntington, in *The Third Wave: Democratization in the Late 20th Century*, uses the Schumpeterian minimal definition of democracy when he defines a political system as democratic to the extent that its most powerful collective decision makers are selected through fair, honest, and periodic elections in which candidates freely compete for votes and in which virtually all the adult population is eligible to vote (1991, 6).

14. The World Bank Workshop on Legislative Budget Offices, held in Bangkok on May 15–17, 2006, was designed to share international practices regarding the establishment of legislative budget offices.

15. Several of these benefits were presented by Barry Anderson, former acting and deputy director of the U.S. Congressional Budget Office, in his paper "The Value of a Nonpartisan, Independent, Objective Analytic Unit to the Legislative Role in Budget Preparation," which was presented at the World Bank Workshop on Legislative Budget Offices in Bangkok, May 2006.

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