



**USAID** | **IRAQ**  
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Legislative Strengthening Program

# COMPARATIVE GUIDE TO BUDGET OFFICES

OCTOBER 2010

Contract No. 263-I-03-06-00015-00 (REDI Task Order No. 3)

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# Legislative Strengthening Program

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USAID/Iraq SO10: Capacity of National Government Institutions Improved

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## COMPARATIVE GUIDE TO BUDGET OFFICES

OCTOBER 2010

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## **I. Executive Summary**

Legislatures around the globe are increasingly recognizing the benefits of conducting independent analysis of budgets proposed by their counterparts in the Executive Branch. Legislative Branch budget offices in size, available resources, and respective missions, but they also share some common practices. Many of these common practices can be traced to those of the Congressional Budget Office in the United States, but each legislature has adapted these practices to meet its needs.

This paper examines seven legislatures that have responded to this growing demand by creating a budget office within the Legislative Branch. While the size and scope of budget offices vary, common characteristics emerge that impact the offices' effectiveness. The examples included in this paper demonstrate that in order for a budget office to be effective they must define their mission; ensure staff has relevant expertise; publicly endorse a non-partisan role; employ internal mechanisms to ensure accountability; and ensure coverage of relevant issues/policy areas.

A budget office in the Iraq Council of Representatives (COR) would have a number of important roles, however, its primary focus should be the preparation and dissemination of budget, financial, and economic analysis in order to hold the Executive accountable and engage the legislature to effectively and efficiently participate in Iraq's budgeting process as required by the Iraqi Constitution.

A dedicated budget office can serve as a clearinghouse for economic and budget data and function as an analytical unit providing useful and understandable analysis to Members of the COR. The COR leadership will need, however, to determine whether the Research Directorate, the Finance Committee, or some other unit would be the appropriate controlling body for a budget office. To be effective, the budget office should be located where it is most likely to receive the resources and support it needs to meet the needs of the institution.

To improve its effectiveness and usefulness in the short-term, the Budget Research Department (BRD) of the Research Directorate, in coordination with the Finance Committee, should continue to increase efforts to recruit additional employees with advanced degrees and experience in budget, finance, economics, and public policy; utilize additional outside expertise, such as scholars and civil society organizations, to increase the capacity for quality analysis; and continue to build relationships with the Executive that will facilitate information sharing.

## II. Introduction

The Legislative Strengthening Program (LSP), funded by the United States Agency for International Development (USAID) and implemented by AECOM, is promoting a new era of political stability in Iraq. LSP provides a range of support to strengthen Iraq's parliament, the Council of Representatives (COR). LSP is guiding the COR along a more sustainable democratic path, promoting greater transparency and accountability.

LSP's team of international and local specialists are building the capacity of the members and staff of parliament to debate laws in a formal constructive environment, form and run parliamentary committees, analyze and properly consider proposed legislation, improve the functioning of the COR's Presidency Council (PC), improve the ability of parliament to oversee the executive branch, review and analyze the national budget, and bring the national government closer to constituents in the provinces.

Legislatures share the common tasks of representing the electorate, making laws, and serving as a check on the power of the Executive Branch. One of the fundamental vehicles for conducting this oversight of the Executive Branch is the budget process. While legislatures' authorities in the budget process vary widely, legislatures across the spectrum have acknowledged the benefit of being well informed and conducting independent analysis. An increasing number of legislatures are thus working to expand their capacity to participate in the budget development process through the creation of legislative branch budget offices. According to a recent publication released by the International Monetary Fund (IMF)<sup>1</sup>, legislatures have chosen to create budget offices for four main reasons:

- 1) Provide budget analysis and independent advice to parliamentarians from both the majority and minority parties represented in the legislature.
- 2) Provide the legislature with medium-term fiscal projections and scenarios that may differ from those prepared by the government.
- 3) Quantify the impact of alternative new tax or spending policies, especially (but not exclusively) on the budget for the forthcoming new fiscal year.
- 4) Remedy the lack of time and analytical capacity that elected representatives have to analyze the details of draft budgets and to propose alternative budget policies.

As the voice of the people, legislatures around the world have chosen to be better informed and equipped to participate in the budget-making process. With an emphasis on governance structures, regulations governing non-partisanship and organizational prototypes this paper examines seven budget offices in an effort to highlight best practices. This paper further provides recommendations for the creation of a budget office within the Iraqi Council of Representatives.

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<sup>1</sup> Ian Lienert, "Role of the Legislature in Budget Processes", IMF Fiscal Affairs Department, April 2010

### III. Governance Structure

There are examples of various governance structures used to dictate the role and functions of budget offices around the world. From the U.S. model, which is very tightly structured through statute, to the United Kingdom model, which is far less structured and not outlined by statute, legislatures have found ways to embrace the principle of more accountability within their own frameworks. Six of the seven budget offices examined in this paper were created through an act of parliament. The seventh was created administratively.

#### Budget Offices Created by Statute

- United States--Congressional Budget Office (CBO)
- South Korea--National Assembly Budget Office (NABO)
- Kenya--Parliamentary Budget Office (Kenyan PBO)
- Uganda--Parliamentary Budget Office (PBOU)
- Georgia--Parliamentary Budget Office (Georgian PBO)
- Canada--Parliamentary Budget Officer (PBO)

#### Budget Offices Created by Recommendation

- United Kingdom--Scrutiny Unit

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A common practice among legislatures that have successfully created budget offices is to dictate hiring principles based on merit and expertise in the areas of finance, economics, budget, and public policy. These hiring principles ensure the competency and reliability of the offices and protect against political interference.

Several legislatures have also limited the term of the director of the budget office to ensure that the budget office responds to the needs of the institution and not the director's own agenda. To further keep the needs of the institution linked with the role of the budget office, several legislatures vest the authority to appoint the director of the office with the Speaker (or similar entity). To varying degrees, legislatures also use the budget committees to regularly engage the budget offices on the types of work being conducted.

#### The Congressional Budget Office

The **Congressional Budget Office (CBO)** was created by the United States Congress in 1974 through the Congressional Budget and Impoundment Control Act ([P.L. 93-344](#)). Funding for CBO is determined annually through the appropriations process. Providing funding on an annual basis gives Congress the opportunity to evaluate its needs and the available resources within CBO. While the House and Senate Budget Committees make recommendations for the appointment of the CBO Director, ultimately the Speaker of the House and the President pro tempore of the Senate jointly appoint the Director. Either house of Congress, however, may remove the Director through passage of a resolution, which can be adopted with a simple majority vote and does not require the concurrence of the Executive Branch. The CBO Director serves a term of 4 years, which may be renewed.

The Director appoints all CBO staff, including the Deputy Director, and all appointments are based solely on professional competence, without regard to political affiliation. The compensation of the Director and the Deputy Director is set by law at levels tied to the annual rate of compensation of House and Senate officers. The Director determines the compensation of all other staff.<sup>2</sup>

The statutory mandate of CBO is to provide objective, nonpartisan, and timely analyses to aid in economic and budgetary decisions on the wide array of programs covered by the federal budget. Congress has also mandated that CBO's analysis and estimates be used during the Congressional budget process, which ensures CBO's continued relevance. The staff of the House and Senate Budget Committees routinely engages CBO on their analyses, informally through meetings and phone calls, and formally through Congressional budget resolutions.

#### National Assembly Budget Office of South Korea

The **National Assembly Budget Office of South Korea (NABO)** was created in 2006 through passage of the National Assembly Budget Office Act. Similar to the CBO model, the NABO Act clearly defines the duties of NABO and articulates a chain of command, with NABO reporting directly to the Speaker of the National Assembly. While a majority of NABO staff are appointed by the Chief of NABO, the Speaker is given authority to appoint the most senior staff. However, the Speaker may delegate this authority to the Chief of NABO. The NABO Act further states that the Chief of the Budget Office is a public official in political service and shall receive the wages comparable to a Vice Minister.

The duties of the Budget Office are outlined in Article 3 of the NABO Act and include research and analysis on the budget bill, cost estimates for legislation, and analysis on macro-economic trends. Article 10 of the NABO Act ensures the ability of the budget office to request information from the government that is necessary for its work and ensures compliance by the Executive.

#### The Kenyan Parliamentary Budget Office

The **Kenyan Parliamentary Budget Office (Kenyan PBO)** is an example of a small team, fewer than 10, adapting the CBO model to fit the Parliament's needs. Created by the Financial Management Act of 2009, the Kenyan PBO is one of the most recent examples of a fledgling budget office, but it has already fostered a reputation for developing and distributing quality analysis on a timely basis.

The Kenyan PBO is charged with providing budget related information to the appropriate committees, analyzing budget proposals, preparing reports on budget projections and economic forecasts, and analyzing financial risk associated with financial policies and proposals. Similar to other budget office structures, the Budget Committee provides oversight and some direction to the budget office as it seeks to fulfill its obligations under the statute. The office serves as the secretariat of the Budget Committee.

#### Parliamentary Budget Office of Uganda

The **Parliamentary Budget Office of Uganda (PBOU)** was created through the Budget Act of 2001. The PBOU was established as an office within the parliamentary service. The Act dictates that staff be appointed on merit and possess expertise in finance, economic, and public policy matters. The Act further dictates that the PBOU "provide the National Assembly with timely and objective information and analysis in connection with the national budget and economy."<sup>3</sup>

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<sup>2</sup> Source: [www.cbo.gov](http://www.cbo.gov)

<sup>3</sup> **The Budget Act of 2001**, Uganda

The primary duties of the PBOU include:<sup>4</sup>

- Providing economic forecasts
- Formulating baseline estimates
- Assisting in analyzing the National Budget
- Helping Parliament analyze the Medium-Term Expenditure Framework

The PBOU keeps the Budget Committee and the Parliament informed about budget developments through the production of reports and analysis.

#### Parliamentary Budget Office of Georgia

The **Parliamentary Budget Office of Georgia (Georgian PBO)** was restructured in 2008 to more closely follow the CBO model with one key exception. The Budget Office reports directly to the Finance and Budget Committee. Similar to the CBO model, the Head of Parliament appoints the Head of the Budget Office with a recommendation from the Head of the Finance and Budget Committee. Unlike the CBO model, where the CBO Director is authorized to appoint and dismiss staff, staff of the Georgian PBO are appointed and dismissed by the Head of Staff of Parliament.

The authorizing statute clearly defines the role of the Budget Office, which is to provide “financial, budget, and economic information to Committees, Factions, Members of Parliament and staff of the Parliament of Georgia.”<sup>5</sup> The governing statute further provides detailed instructions on the types of analysis to be conducted, the role of the Head of the Budget Office, and the tasks of Budget Office employees.

#### Canadian Parliamentary Budget Officer

The **Canadian** Parliament created the position of the **Parliamentary Budget Officer (PBO)** in 2006 through amendments to the Parliament of Canada Act. The amendments defined the role of the PBO, granted access to government information, and outlined the administrative authorities of the PBO. In the Canadian model, the PBO reports to the Parliamentary Librarian who, in turn, reports to the Speakers of the Senate and the House of Commons.

The PBO is appointed by the Governor in Council but is chosen from a list of three names submitted by a committee formed and chaired by the Parliamentary Librarian. Similar to that of CBO, the term of the appointment is not more than five years, but may be renewed. The PBO’s mandate is to provide the Parliament with independent analysis on Canada’s finances, government estimates, and trends in the country’s economy. The PBO has a legislated right to all necessary data to undertake these research and analytical activities. The PBO is also mandated to respond to requests from any committees or parliamentarians on related matters and to evaluate all funding proposals that fall under the jurisdiction of the Parliament.<sup>6</sup>

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<sup>4</sup> “Legislative Oversight and Budgeting: A world Perspective”, **The World Bank Institute**, 2008

<sup>5</sup> **STATUTE of PARLIAMENT BUDGET OFFICE EXISTING WITH FINANCE-BUDGET COMMITTEE of PARLIAMENT of GEORGIA**; September 29, 2008

<sup>6</sup> <http://www2.parl.gc.ca/sites/pbo-dpb/index.aspx?Language=E>

### Scrutiny Unit of the United Kingdom

The **Scrutiny Unit** was created within the Parliament of the **United Kingdom** in 2002 by the recommendation of the Liaison and Modernization Committees. Unlike the other examples, the Scrutiny Unit was not created through statute. The Scrutiny Unit is the product of a legislative body working internally to address significant deficiencies in available budgetary information and the level of specialized skill among its employees.

While the Scrutiny Unit is a distinct office, the unit falls within the House of Commons Committee Office. The unit provides expertise in legislative and financial scrutiny, including review of draft bills, coordinating evidence-taking sessions in committees, financial estimates, Departmental (Ministerial) Reports, and spending reviews.

#### **Best Practices for Governance Structure**

- 1) Ensure the Budget Office has a clearly defined mission or role, including the types of reporting and analysis to be conducted.
- 2) Ensure the Budget Office has hiring principles in place to recruit and retain employees with the appropriate experience and skills. Emphasis should be placed on candidates with experience in the following areas:
  - Budget
  - Finance
  - Economics
  - Public Policy
- 3) Ensure the Budget Office is responsive to the needs of the institution through interaction with relevant committees or other political leadership.

#### IV. Regulations Governing Non-partisanship

Legislatures have chosen to ensure the non-partisan nature of their budget offices in various ways, but all seven budget offices profiled in this paper are required to remain non-partisan. In some cases, legislatures have explicitly required the non-partisan nature of budget offices through statute while others have chosen to protect the budget offices by folding it into the existing parliamentary service.

Either option can be effective, but both methods are strengthened by a strong Director that is dedicated to living up to the non-partisan mandate. From explicit measures, such as public disclaimers and mission statements, to less public measures, such as hiring practices and employee reviews, the Director of the budget office has tremendous influence in the success or failure in ensuring the non-partisan mandate.

#### Congressional Budget Act of 1974

##### Section 201(a)(2)

The Director shall be appointed by the Speaker of the House of Representatives and the President pro tempore of the Senate after considering recommendations received from the Committees on the Budget of the House and the Senate, without regard to political affiliation and solely on the basis of his fitness to perform his duties. The Deputy Director shall be appointed by the Director.

##### Section 201(b)

The Director shall appoint and fix the compensation of such personnel as may be necessary to carry out the duties and functions of the Office. All personnel of the Office shall be appointed without regard to political affiliation and solely on the basis of their fitness to perform their duties.

**The Congressional Budget Office** is bound by several statutes governing its non-partisan role. Specifically, the Congressional Budget Act of 1974 includes two provisions that work to ensure the non-partisanship of CBO and its products. These provisions ensure that the CBO Director and all CBO staff are hired based on expertise and without regard to political affiliation. CBO's mandate is to provide Congress with:

- Objective, nonpartisan, and timely analyses to aid in economic and budgetary decisions on the wide array of programs covered by the federal budget; and
- The information and estimates required for the Congressional budget process.

As a further protection against potential political influence, the Congressional Budget Act also requires that information, data, estimates, and statistics obtained from the Executive Branch be made available to the public. In an effort to increase transparency, CBO publishes hundreds of reports, estimates, and other analysis on its website annually.

Mandating non-partisanship and dictating the types of research, analysis, and reports required of CBO have ensured the office's independence and integrity. CBO routinely highlights its legislative mandate to prevent inappropriate use of resources, such as conducting or publishing analysis with a political point of view.

**The National Assembly Budget Office’s (South Korea)** work is protected by two statutes. Article 2.2 of the NABO Act ensures the independence of the budget office, and Article 4.2 ensures that the NABO Chief has expertise and remains neutral. Additionally, NABO has institutional controls to ensure neutrality. The Assistant Chiefs are required to assess the impartiality and objectivity of reports, emphasize the non-partisan nature of NABO’s work during new staff orientation sessions, and consider the adherence of these policies in staff job performance evaluations.<sup>7</sup>

About 70 % of the staff is comprised of experts with advanced degrees in disciplines including fiscal policies, economics, public administration, statistics, accounting, law and public policy. The remainder of the staff provides administrative support in the areas of information systems, human resources, and others.

### **National Assembly Budget Office Act**

**Article 2.2:** The independence of the duties of the Budget Office shall be respected.

**Article 4.2:** The Chief shall, in performing his/her duties, have expertise and maintain neutrality.

The Kenyan legislature also included provisions to ensure that **Kenya’s Parliamentary Budget Office** remains focused on its mission and is not influenced by political whims. Part II Clause 3(2) of the Fiscal Management Act requires that Kenyan PBO staff be appointed on merit by virtue of their expertise in finance, economics, and public policy.

The Kenyan PBO reminds the users of its products that it is a non-partisan organization by including the following disclaimer in its products. Here within:

“The parliamentary Budget Office (PBO) is a non-partisan professional office of the Kenya National Assembly whose primary function is to provide timely and objective information and analysis concerning the national budget and economy.”

**The Parliamentary Budget Office of Uganda** also ensures that its staff has expertise in macroeconomics, data analysis, fiscal policy, and tax policy. The legislature, through the Budget Act of 2001, created the PBOU as part of the Parliamentary Service. The legislation further defined the role of the PBOU to “provide Parliament and its Committees with objective and timely analysis required for economic and budget proposals and the information and estimates required for the Parliamentary Budget process...”.<sup>8</sup> These combined statutes work together to protect the integrity and non-partisanship of the PBOU’s work.

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<sup>7</sup> [http://korea.nabo.go.kr/etc/Faq\\_viw.jsp](http://korea.nabo.go.kr/etc/Faq_viw.jsp)

<sup>8</sup> **The Budget Act of 2001**, Uganda

**The Georgian Parliamentary Budget Office** is required by statute to provide information to all parliamentary entities, including committees, factions, Members, and staff. Additionally, the staff of the budget office is appointed and dismissed by the Head of Parliamentary Staff and is not beholden to one political party or another. As Parliamentary staff, the budget office staff is required to follow additional guidelines in conducting their work. For example, the Rules of Procedure for the Georgian Parliament clarify that the role of Parliamentary staff is to “ensure organizational and technical provision of the activity of Parliament.”<sup>9</sup> Because of these additional regulations, the staff of the budget office is mandated to serve as public servants, not political staff.

Included in the **Canadian Parliamentary Budget Officer’s** mandate is a requirement to provide independent analysis. Additionally, the PBO was created as an officer of the Library of Parliament to further insulate the position from political pressure.

In an effort to ensure its non-partisan status, the first Canadian PBO further defined the role of his office through the following, “the underlying value proposition behind the PBO’s work is to provide independent, timely and objective research-based advice with an analytical focus on core economic, fiscal and expenditure management issues underpinning budgetary decisions.”<sup>10</sup>

The Canadian PBO also adopted a fully transparent and open publishing model, including a website used to make their research and publications available to the public. Transparency and open publishing guidelines are a growing trend among budget offices.

As employees of the House of Commons, **the UK Scrutiny Unit** is required to conduct its work with political impartiality. The House of Commons Commission is a statutory body which employs the staff of the House. The Commission recruits on merit through fair and open competition and on the basis of specified criteria (including political impartiality).<sup>11</sup>

#### **Best Practices for Regulations Governing Non-Partisanship**

- 1) Define the mission of the budget office clearly and in writing.
- 2) Include clear language dictating non-partisanship, independence, and/or objectivity in the language of the statute or policy establishing the budget office.
- 3) Mandate staff hiring practices based on merit and expertise.
- 4) Enforce these regulations and policies through institutional controls and strong leadership within the budget office.
- 5) Conduct the work of the budget office in an open, transparent, and public manner.

<sup>9</sup> **THE RULES OF PROCEDURE OF THE PARLIAMENT OF GEORGIA, Part XI, Chapter XLIV, Article 254.**

<sup>10</sup> [http://www2.parl.gc.ca/sites/pbo-dpb/documents/PBO\\_Stakeholder\\_Consultations.pdf](http://www2.parl.gc.ca/sites/pbo-dpb/documents/PBO_Stakeholder_Consultations.pdf)

<sup>11</sup> <http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomm/1059/1059.pdf>

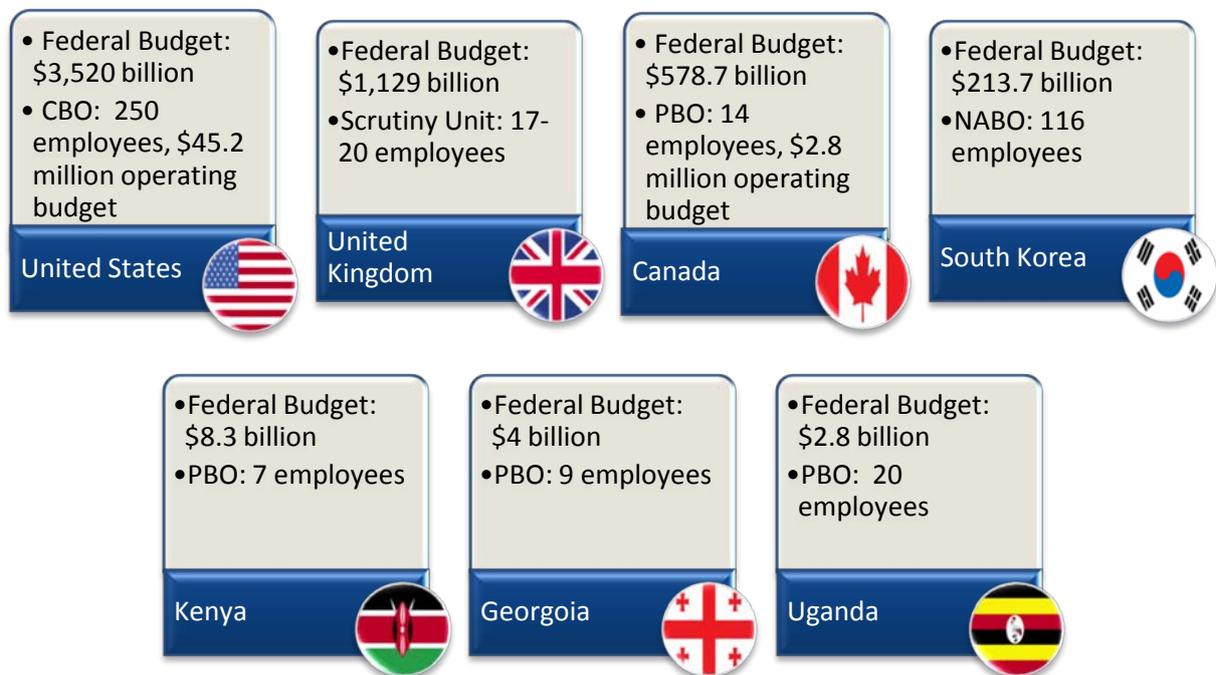
## V. Organizational Prototypes of Budget Offices in other Countries

The structure and organization of budget offices varies widely from country to country. While the United States and South Korea have large budget offices with significant resources, most budget offices employ a relatively small number of staff. Five of the seven budget offices examined have fewer than twenty staff. Even with fewer staff, these budget offices have been able to significantly increase the capacity of legislatures to participate in the budgeting process. This is due to a number of common practices among budget offices and include: 1) dividing economic analysis from budget analysis; 2) creating an institutional hierarchy to manage the process; and 3) clearly delineating staff responsibilities by issue area. All of these practices combined ensure that each issue receives proper attention and expertise and that the budget office will be able to recruit staff with the appropriate experience.

While there is no direct correlation between the size of a country's federal budget and the size of the budget office, there is a correlation between the number of staff and the number of services a budget office can provide the legislature.

For example, CBO and NABO provide extensive research and analysis on a wide array of topics, including program performance. Smaller budget offices, such as the PBOs in Georgia and Uganda, have a more narrowly tailored mission with a primary focus on the annual budget proposal. However, an exception to this rule is the United Kingdom's Scrutiny Unit, which serves as a force multiplier for various committees. In this way, the Scrutiny Unit often serves as a process expert rather than a subject matter expert.

### Size of Federal Budgets Compared to Size of Budget Office Staff



SOURCE: FY 2009 budget information compiled from the CIA World Factbook, and other publicly available data.

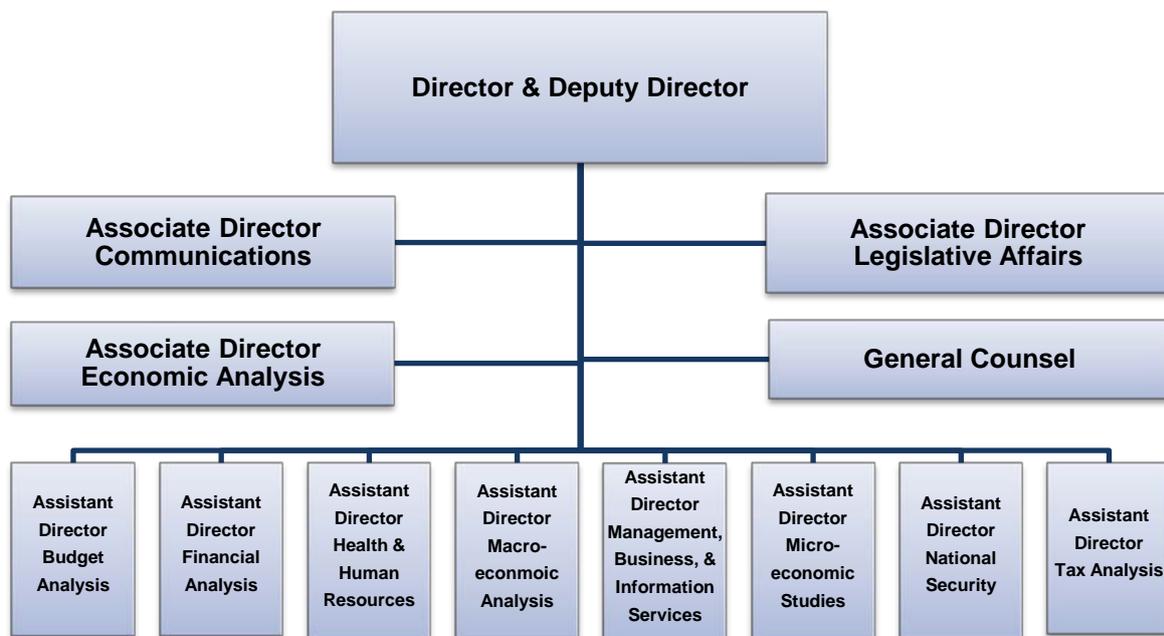
**The Congressional Budget office**, which is the largest budget office, retains approximately 250 employees. CBO is composed primarily of economists and public policy analysts. About 70 percent of its professional staff holds advanced degrees in either economics or public policy.

With bountiful staff resources, CBO divided its organizational structure among eight Assistant Directors. Four basic divisions include economic analysis, financial analysis, tax analysis, and budget analysis. However, CBO also has dedicated staff to examine the largest portions of the federal budget, including National Security and Health and Human Resources.

It is important to note that while CBO does have a very tightly structured organization its leadership is first to admit that the institution’s analysis is highly collaborative and routinely cuts across these functional divisions.

For example, the Macroeconomic Analysis Division develops the economic projections that underlie the cost estimates, budget projections, and analyses prepared by the Budget Analysis Division, the Tax Analysis Division, and the four program divisions. The program divisions then take the lead in preparing the required analyses and reports for Congress.<sup>12</sup>

**Structure of the Congressional Budget Office**



SOURCE: <http://www.cbo.gov/aboutcbo/organization/>

Additionally, CBO hosts two panels of outside experts and scholars to help enhance their analysis. One panel focuses on economics and the other focuses specifically on health policy. Each panel includes approximately 20 experts who meet twice annually.

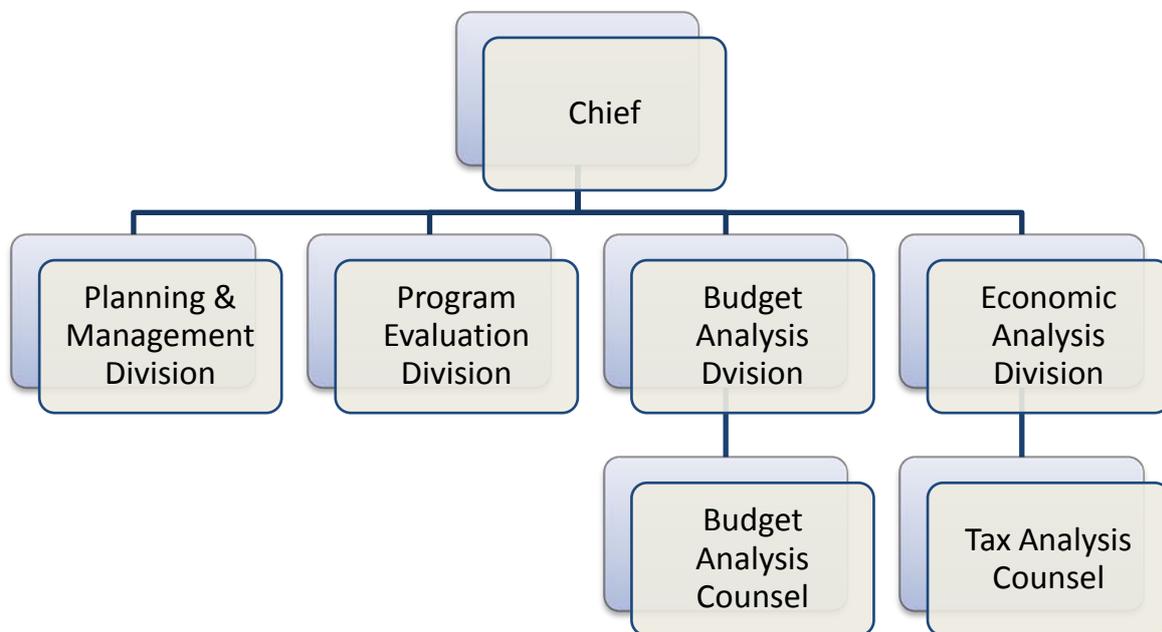
<sup>12</sup> Source: <http://www.cbo.gov/aboutcbo/organization/>

**The National Assembly Budget Office of South Korea** is organized into four divisions whose directors report directly to the Chief of NABO. These four divisions, with a total of 18 sub-divisions, are:

- Planning and Management Division
- Budget Analysis Division
- Economic Analysis Division
- Program Evaluation Division

The Planning and Management Division is the administrative arm of NABO, providing support to the program offices. Similar to other budget offices, NABO divides budget analysis and economic analysis into two distinct divisions. Due to the additional resources provided to NABO by the National Assembly, it also includes a third division focused on program evaluation.

### Structure of the National Assembly Budget Office



Source: [http://korea.nabo.go.kr/org/Org\\_viw.jsp?t=m1&v=7](http://korea.nabo.go.kr/org/Org_viw.jsp?t=m1&v=7)

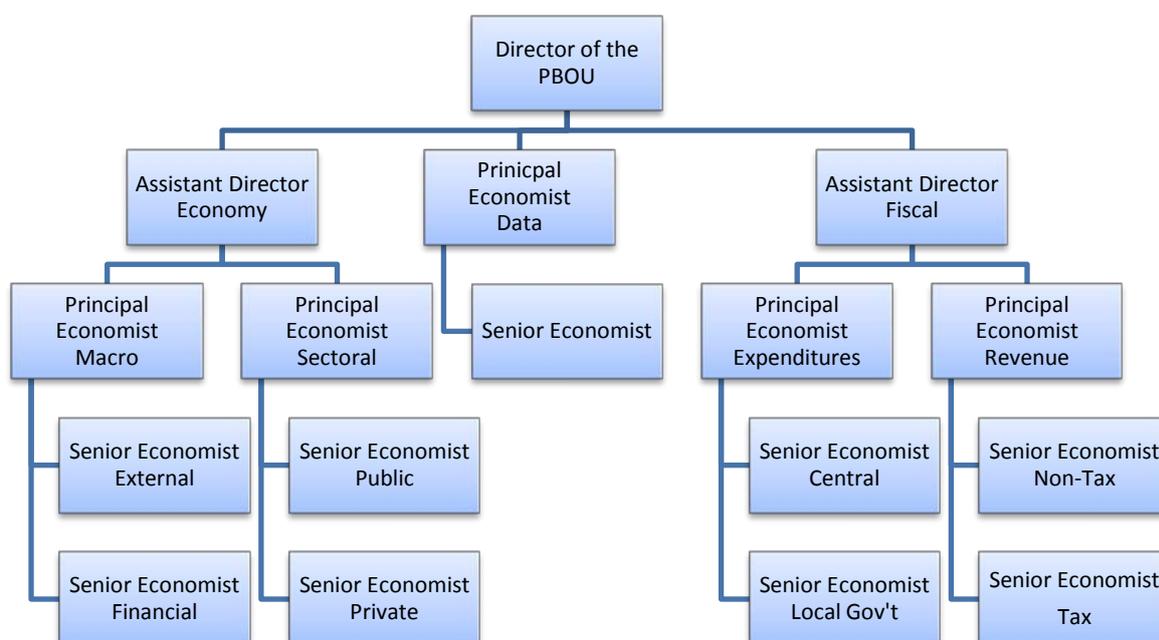
Like CBO, the National Assembly Budget Office also utilizes outside experts through its Panel of Advisors. The panel includes scholars with experience in economics and public finance. Each scholar serves a two year term.

**The Kenyan Parliamentary Budget Office** has a staff of seven experts. Their work is supported by an internship program developed to increase the capacity of full-time staff in execution of their duties. While an organizational plan detailing the duties of staff is not publicly available, the authorizing legislation that created the budget also highlights the need for budget, economic, and financial analysis. This is consistent with other budget office models.

**The Parliamentary Budget Office of Uganda** initially totaled 11 staff, but quickly grew to more than twenty. The Uganda PBO originally recruited policy and subject matter experts from the Ministry of Finance, Uganda Revenue Authority, the Central Bank, and the Uganda Bureau of Statistics.<sup>13</sup>

The PBOU is headed by a Director supported by two Assistant Directors. The Assistant Directors head two divisions, economy and fiscal policy. The sectoral and macro economists report to the Assistant Director for Economy, and the economists for expenditures and revenues report to the Assistant Director for Fiscal Policy.

### Structure of the Parliamentary Budget Office of Uganda (PBO)



Source: *Legislative Oversight and Budgeting: A world Perspective, The World Bank Institute 2008*

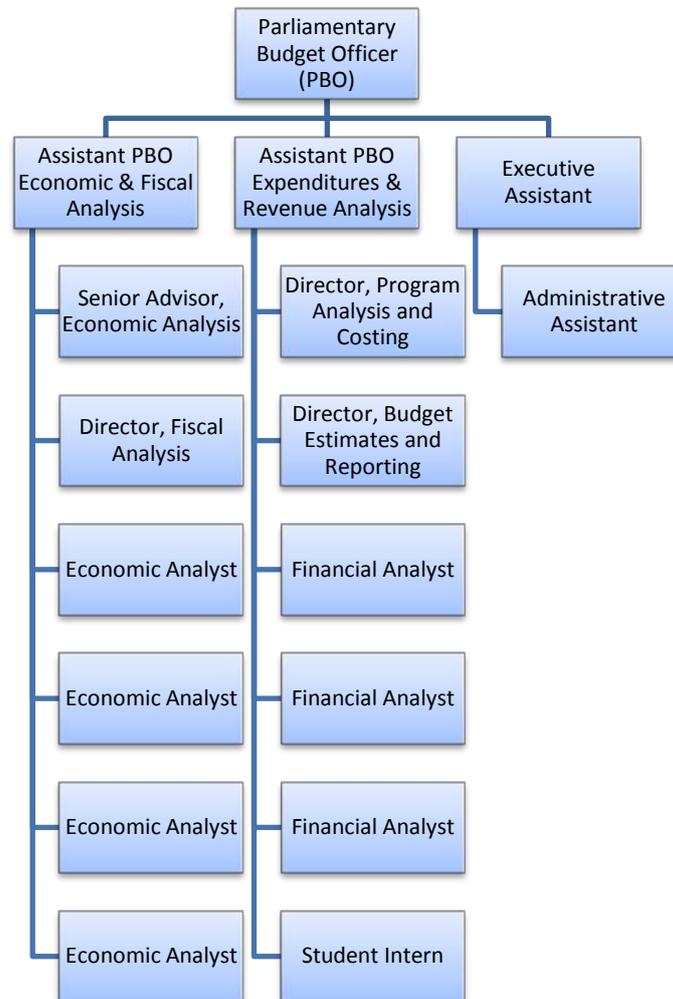
**The Georgian Parliamentary Budget Office** is divided into three basic divisions. The first division focuses on budget analysis specific to the annual budget process. The second division is responsible for macroeconomic issues and the third division focuses on finance and revenue. The Georgian PBO is one of the smaller budget offices (9 employees), but it has recognized the need to clearly define staff responsibilities to ensure its mission is fulfilled and to ensure its ability to recruit within specific areas of expertise.

<sup>13</sup> *Legislative Oversight and Budgeting: A world Perspective, The World Bank Institute 2008*

**The Canadian Parliamentary Budget Officer** serves as an independent officer of the Library of Parliament, which is an independent division of Parliament. The Canadian PBO has two deputies; one is in charge of economic and fiscal analysis while the other is in charge of expenditure and revenue analysis. Each of the deputies has several staff members that report to them.

The Canadian PBO shares a similar structure to CBO, but with a much smaller staff. The office is divided into two divisions, rather than the eight divisions CBO employs.

### Structure of the Canadian PBO



**The United Kingdom's Scrutiny Unit** employs a staff of approximately seventeen, including lawyers, accountants, an economist and a statistician, as well as House of Commons Clerks and a small team of administrative staff. The Head of the Unit is supported by two deputies, one for legislation and one for finance. Approximately one-third of the unit's resources are focused on draft bills, one-third on reviewing expenditures, and one-third on other tasks.

#### **Best Practices for Designing the Organizational Structure of a Budget Office**

- 1) Ensure that the organizational structure supports the mission of the office.
  - Focus on the priorities within the legislation or directive that created the office before branching out into new territory.
- 2) Create a clear delineation of duties, but allow for collaboration among divisions and subdivisions.
  - Ensure the divisions highlight the importance of budget, economic, and financial analysis within the institutional framework.
- 3) Utilize interns, fellows, and outside experts to support the mission when necessary.
  - A panel of outside experts on any given issue can ensure the accuracy and integrity of the office's work product as well as lend additional credibility.

## VI. The Iraq Model and Recommendations

International organizations, including the Organization for Economic Co-operation and Development, the International Monetary Fund (IMF) and the World Bank, have developed budgetary best practices for legislatures, some of which are listed below. The goal of these Best Practice Guidelines is to standardize basic functions of legislatures in providing effective oversight of the Executive and its management of the federal government programs and resources.

### Budgetary Best Practices for Legislatures

1. Parliament needs reasonable assurance that due diligence has been exercised in spending proposals and in budget estimates.
2. Parliament needs timely information in an analyzable format.
3. Parliament needs information on the sources of funds of departmental expenditures.
4. Parliament needs timely and accurate information on how departmental expenditures comply with Treasury Board authorities and policies.
5. To ensure informed voting on appropriations, Parliament needs to assess the reasonableness of departmental initiatives.
6. The impact of any other government decisions or other circumstances

### Current Status of the Budget Process in Iraq

The Iraqi Financial Management Law (FML) acknowledges many of the international budgetary best practice guidelines. The COR further acknowledged the need for increased involvement in and understanding of the budget-making process through the creation of the Budget Research Department (BRD) within the Research Directorate. However, there remains a need for better quality analysis of the budget to improve the legislature's ability fully participate in the budget-making process. The current staff of the BRD does not possess the expertise in budget, finance, economics and public policy that is seen in other budget offices, but they are working to improve their capacity.

While the BRD has effectively organized itself to reflect the committee structure within the COR, it has been unable to produce quality analysis that is useful to Members of the COR on a routine basis. There remains a need for increased coordination between the BRD and the Finance Committee, which has jurisdiction over the Executive's budget proposals. The Director General of the Research Directorate has attempted to fill this void by developing a list of research products that the BRD will routinely produce, but this information has not been made public to date.

### Recommendations for Iraq

The Iraqi Constitution requires the COR to conduct oversight of the Executive and serve as a check on its power. The Constitution further provides the COR with the authority to amend the proposed budget law. These responsibilities can be fulfilled through active participation in the budget process, but Members must have timely and accurate information to do so. A dedicated budget office can serve as a clearinghouse for economic and budget data, but it can also serve as an analytical unit providing useful and understandable analysis to Members of the COR.

Before a decision is made on the future of a budget office within the COR, the process would benefit from the COR making a renewed public commitment to improving oversight of the budget. This can be achieved through a refocusing of COR resources to provide comprehensive oversight at the committee level or more formally through a review of the current FML. Regardless of the vehicle, the Presidency Council and the chairpersons of relevant committees should prioritize the effective implementation of the FML, including all reporting requirements.

#### **Financial Management Law Reporting Requirements**

- 1) Spending units shall submit reports on realized receipts and executed payments to the Minister of Finance within 30 days following the end of each month.
- 2) By the 15<sup>th</sup> of the subsequent month, the Ministry of Finance shall compile a consolidated report on realized receipts and executed payments and make it publicly available in the official gazette and other media.
- 3) Minister of Finance shall submit to the COR quarterly and mid-year reports on budget performance.
- 4) Final accounts and audit report submitted to the COR by June 30<sup>th</sup>.

Following a public declaration of its commitment to improving oversight of the budget, the COR leadership will need to determine whether the Research Directorate, the Finance Committee, or some other body is the appropriate institutional home for a budget office. To be effective, the budget office should be located where it is most likely to receive the resources and support it needs to meet the needs of the institution. These initial decisions will determine the next appropriate steps in the creation of a budget office.

To improve its effectiveness and usefulness in the short term, the BRD, in coordination with the Finance Committee, should continue to increase efforts in the following areas:

- 1) Recruit additional employees with advanced degrees and experience in budget, finance, economics, and public policy.
- 2) Utilize additional outside expertise, such as scholars and civil society organizations, to increase the capacity for quality analysis.
- 3) Continue to build relationships with the Executive that will facilitate information sharing.

Additionally, the following actions would help to improve the quality of BRD's work and continue to lay a foundation for an official budget office within the COR.

- 1) Make public a list of reports and analysis it hopes to provide on a routine basis, focusing first on the needs of the Finance Committee and the Executive's compliance with FML reporting requirements.
- 2) Make a public statement or disclosure regarding the objectivity and non-partisan role of the BRD.
- 3) Adopt a policy of open publishing, making the reports of the BRD available online to Members of the COR and the public.

## VII. Conclusions

Regardless of the size and scope of a legislative branch budget office, there remain several constant themes for effective implementation. These themes include: 1) defining the mission of an office; 2) ensuring the staff has related expertise; 3) protecting the integrity of the office's work by endorsing a non-partisan role; and 4) organizing in a way that ensures accountability and coverage of relevant issues/policy areas. While a budget office can serve many important roles, its primary focus should be budget, financial, and economic analysis necessary to hold the Executive accountable and expand the capacity of the legislature to participate in the budgeting process.



## ANNEX 1: STEPS IN CREATING A BUDGET OFFICE

