

# The state budget in the Finnish Parliament

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# In Finland the Parliament has complete budgetary autonomy

- Decision making powers in constitution are very strong and complete (no limitations) in amending the budget
- But in practise these are used very restrictively:
  - The spending limits (approved by the Government) are the ceiling for the expenditure
  - Majority governments

# The budget is based on the spending limits

- After the parliamentary election the Government approves the spending limits for the next four years. It is submitted to the Parliament as a report
- Spending limits is a political agreement and (in theory) changeable whenever Government/Parliament wants to add expenditure
- In practise Government/Parliament has never exceeded the spending limits
- Every spring Government approves new spending limits - changes are mainly technical (changes in cost and price levels)

# The budget organs in the Finnish Parliament

- The Finance Committee is in the keyposition: it coordinates the whole budget process in Parliament and draws up the report on the budget
- Sectoral committees can make recommendations to the Finance Committee
- The Audit Committee oversees the management of government finances and compliance of the budget
- In addition to committees there are not any other parliamentary budget institutions

# How is budget made?

- The Government submits its budget proposal to Parliament in the middle of September
- Handling in the Finance Committee
- Report of the Finance Committee at the beginning of December

# The Finance Committee

- The Finance Committee has 21 members and 19 deputy members.
- The committee is divided into eight sub-committees –each sub-committee has 11 members
- Each of these sub-committees handles the part of the budget that is in its own sector.
- The sub-committees work along the same lines as committees. They hear experts and conduct a final debate to decide how the Government's proposal should be changed

# Approval by the plenary session

- After the committee stage the budget proposal returns to the plenary session, where the Finance Committee's report serves as the basis for discussion.
- Parliament handles the budget in a single reading. This includes a thorough debate on each sector and votes on Members initiatives. Handling the budget in plenary session takes several days and includes hundreds of votes.
- Most often the plenary session approves the Finance Committee's report without changes.

# Budget bills handled by committees

- In connection with the budget proposal the Government submits a number of budget bills. These are bills whose content determines the level of spending in one or more parts of the budget.
- Budget bills are referred to the appropriate committees. The Finance Committee handles only the tax laws
- A large portion of expenditure is finalized when the budget bills are approved by Parliament after the committee stage.

# The budget power of Parliament has weakened

- In the 1990s Parliament's budget power started to weaken
- Budget is nowadays less specific, net budgeting means that income and expenditure are no longer budgeted separately, a sizable part of state economy has been shifted outside the budget economy, many state agencies have been turned into business enterprises etc.
- This development has happened on purpose

# **But Parliament's monitoring authority has increased**

- While the budget power of Parliament has weakened the monitoring authority has increased
  - The State Audit Office was moved from the Ministry of Finance to be an independent body in connection of Parliament in 2001
  - The Audit Committee started its work in 2007
  - Government's reporting to Parliament has improved

# Need for new budget policy institutions?

- The Parliament has always used experts of the Ministry of Finance, economic research institutions, Bank of Finland etc.
- Therefore there has been no need for new parliamentary budget institutions
- Now the situation may be different because of the increased central government debt, the economical problems caused by the ageing of the population etc.

# Future development

- Since the beginning of this year Parliament hired a researcher, whose job is to help committees and especially parliamentary groups in doing alternative calculations in budget matters
- However it seems, that we are not (yet?) going to get any new budget policy institutions in the Parliament
- We have also planned some changes which improve especially the position of the opposition in the budget issues

# Supplementary budget

- The Government submits one or more supplementary budgets to Parliament each year.
- These are used to make the necessary changes in the budget.

# Not everything is covered by the budget

- The state budget covers only part of revenue and expenditure in the public sector.
- Local authorities pay for most basic services and they also collect their own taxes.  
Off-budget funds include the Housing Fund of Finland and the Agricultural Development Fund, for example.
- The budget does not cover state enterprises. The Social Insurance Institution, through which large amounts of benefits are paid to citizens, is also outside the state budget as far as financing goes.