Budget Technical Offices in the Congress. The Chilean experience.
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Head Secretary of Budget Mixed Commission
Good Governance

- We believe that the quality of the budget process is an essential factor or requirement of good governance. The transparency of this process and its control are essential to improve the management of public finances, ensure proper accountability and reduce corruption.

- In recent years, greater attention has been paid to strengthen economic management institutions beyond the executive power and to improve accountability mechanisms.
Emerging global trends involve the existence of state agencies that are legally authorized and empowered to take control measures or challenges in relation to acts or omissions by other state agents. This has been possible through the incorporation of new information systems that are complementary to the budget process.

In many countries, including Chile, a Management Control System has been developed, which faces the challenge of making allocation of public resources more efficient. This system has the distinction of making the budget a tool that channels into the achievement of certain corporate goals and objectives through the definition of a great number of performance indicators and thus representing a result orientated budget.
We believe that a good government requires progress in specific areas, such as:

- macro-fiscal rules;
- anti-cyclical policies;
- information transparency and management of fiscal risks;
- participation in the budgetary process and public management by results.
Role of Parliament in a Budget

- Currently there is more awareness of the role of parliaments in the budget process and of their responsibility in the process of accountability by the government.

Their role in budgeting is critical because it helps to enforce the democratic responsibilities and provides checks and balances needed to offset the discretion of the executive in presidential systems.

The general trend is that the legislative body gets more involved in the budget process. However, they must prove that they can do it.
Role of parliament in a Budget

- It should be noted that one of the main obstacles for congressional involvement in the budget process often lies in its inability to engage in it, rather than restrictions on the budgetary powers of parliament.

  Having experienced professional staff and expertise within the legislature is a necessary condition for legislatures to exercise their oversight functions properly and responsibly. The lack of professional staff and the absence or weakness of advisory services to parliamentary committees are serious obstacles to carry out the budgetary functions of the legislatures effectively.

  Although less powerful than the Congressional Budget Office (USA), emerging budget offices now tend to appear gradually in parliaments around the world and throughout Latin America.

- The strengthening of parliamentary institutions must necessarily address budget in the broader framework of relations between the executive and legislative powers in presidential systems of government.
Role of Parliament in a Budget

However, the role of parliaments in the governance of the budget is often repressed and dysfunctional, partly as a result of executive predominance, but also because of their own shortcomings.

The audit by the parliaments is hampered by technical and political factors, often lack the institutional capacity to engage in a comprehensive budget.

A balance of budgetary powers requires, in turn, that parliaments assume a more responsible role in all stages involved in the public budget. An adequate budget reflects, we believe, a delicate balance between the prerogatives of the executive and legislative oversight.
In most Latin American countries, the executive dominates the budget process.

Parliaments are key players in the budget process; they approve assignments and often control budget execution. However, figuring out the determinants of the effectiveness of the budget is still a "black box", not transparent.

In Latin America there is a significant gap between formal powers and actual role of parliaments in the budget. We believe that at least two factors determine this:

1. The scope of formal budgetary powers of parliaments.
2. The inadequacy of institutional capacities in terms of human resources, structures, and procedures.
Chilean Budget Process

- Discussion and approval

  Period: 60 days after submission to Congress.

  Deadline: It must be approved no later than December 1st of the previous year in which it comes into force.

  Otherwise, the initial bill sent by the President of the Republic is considered to be in force.
Chilean Budget Process

Formulation → Evaluation → DISCUSSION AND APPROVAL → Execution → National Congress → Formulation
Chilean Budget Process

**Legislative Power**

**Income:**
- It is proposed by the Executive
- Revenue cannot be reduced
- Income cannot be reduced

**Expenses:**
- Costs cannot be increased
- Costs may not be redistributed
- Costs are allowed to be cut
Chilean Budget Process

PERMANENT MIX commission (13 senator and 13 representatives)

Budget Advisory

1º Sub Committee
- Economy
  - Planning
  - Finance
  - Public treasure

2º Sub Committee
- Defense
  - Control
  - Presidency
  - Government

3º Sub Committee
- Health
  - Labor
  - Justice
  - Foreing Affairs

4º Sub Committee
- Education
  - Interior
  - Housing
  - Legislative Power

5º Sub Committee
- Public Works
  - Agriculture
  - Transport
  - Mining
Chilean Budget Process

Main current system flaws:

- Information asymmetry
- Limited legislative powers
- Scope of the Budget Law (only one year)
In 2003, the Organic Constitutional Law of the National Congress was amended, through a parliamentary motion and the permanent character of the Special Budget Committee was established, noting that "it may continue to operate for the sole purpose of tracking the implementation of the budget law during the respective financial year."
Establishment and Organization of the Budget Advisory Unit

In the same year when the Permanent Joint Committee on Budgets was established (2003), the Information Office of the House of Representatives hired three professionals who were specialized in budget issues to join others that already worked in the Senate Information Office. All of whom addressed themselves to the budget work of the National Congress.

Since 2005, officials of the Chamber of Deputies and the Senate who collaborate in the work of the unit have coordinated with the Secretary of the Special Joint Budget Committee to provide technical assistance, especially during the discussion of the draft Budget of the Nation.
Chilean Budget Process

Functions of the Budget Advisory Unit during the discussion process of the Budget Law:

- Provide technical support to the Special Joint Budget Committee and various Mixed Subcommittees.

- Study additional Annexes and Comparative tables sent by the Executive.

- Report to the Secretaries of the Sub-Committee over the previous law received during the year.
Chilean Budget Process

Standing Advisory Budget Office Functions

Collect, organize and update information on:
- Budget Execution monthly, quarterly, semiannual and annual.
- Donations received by the organs and public services.
- Balances of budget execution and audit results, annual operational and financial management of Ministries, Municipalities, Governments, Utilities and public enterprises.
- Expenditure on advertising and promotion made by the public agencies and services that make up the Administration.
- Semi-annual report of gross and net debt of Central Government.
- Copy of balance sheets and financial statements of companies in the state.
Chilean Budget Process

Review the information received by the Congress in terms of:

- Opportunity (if received within the time limits).
- Fullness (if it contains all required information.)
- Formalities (duly signed by the Directors, Auditors, etc.).

Prepare reports on budgetary matters and / or policy and public finance required by the Special Joint Budget Committee.

Incorporate information on budget execution monthly, quarterly, semiannual and annual computer information systems as required. These systems record the data with different levels of aggregation.
Additional Features:

The consultations requested by resolution of Parliament on issues that they deem necessary for the exercise of their parliamentary functions.

Work requested by the Parliamentarians, in order to obtain information under the preparation of proposals to help build solutions to those problems that have been entrusted.
Background monitoring of budget implementation: The Protocols of Agreements:

They are the result of negotiations between the legislative and executive branches, where the latter agrees to perform certain activities that tend to maximize the transparency and efficiency of budget execution.

Its application dates from 1997 and has established itself as a socially valid document and general compliance.

Topics that made this protocol, eventually incorporated in permanent law, as the Law of State Financial Administration (such is the case of, for example, annual reports on operational and economic management bodies and utilities).

Each year the Protocol commitments represent more demanding and more diverse sectorial issues: fiscal transparency, public sector efficiency, native forest, agriculture, regional investment, solid waste treatment, educational subsidies, employment programs, support entrepreneurship, mental health, indigenous development, telecommunications, etc.
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Evaluation

2001: 20
2002: 18
2003: 19
2004: 18
2005: 17
2006: 17
2007: 27
2008: 35
Chilean Budget Process

Results Achieved by Budget Advisory Offices:

They have established a permanent monitoring system of budgetary commitments.

It is clear what information has been sent by the Executive on what date, its content and timeliness.

There is clarity about the unfulfilled commitments by the Executive.

It has been possible to provide periodic reports to parliament on the budget information.

We developed a minimum level of processing of relevant information received.

It has consolidated a way to channel parliamentary inquiries in various subjects and it is used year to year.
## Chilean Budget Process

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<th>Budget Advisory Unit</th>
<th>Weaknesses</th>
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<td>Restricted access to budget information, especially one that involves a greater level of disaggregation (i.e., regional distribution, government programs, etc.).</td>
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<td>No software or information system according to the nature of the work to maintain databases, provide reports, etc., in an expeditious manner.</td>
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<td>There is no legal authority to request information.</td>
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<td>Lack of staff, both professionals and technical support staff, which leads to:</td>
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<td>- Limited scope and depth of the analysis,</td>
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<td>- Excessive dispersion of studied subjects prevents staff from specializing in certain areas.</td>
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