

General Studies – 2; Topic: Parliament and State Legislatures – structure, functioning, conduct of business, powers & privileges and issues arising out of these. Paper-3; Government Budgeting

Parliamentary Budget Office (PBO)

1) Introduction

- Parliamentary Budget Office (PBO) is an independent and impartial body linked directly to Parliament.
- It provides technical and objective analysis of Budgets and public finance to the House and its committees.
- A PBO is comprised of independent and specialised staff, such as Budget analysts, economists, public finance experts.
- There is a legitimate democratic need in the country to strengthen the capacity of Parliament and its members.
- As representatives of the people, they can help improve Budget policies by providing inputs on public needs and priorities.

2) Role of PBO

- **Four core functions**
 - a. Independent and objective economic forecasts
 - b. Baseline estimate survey
 - c. Analysing the executive's Budget proposal
 - d. Providing medium- to long-term analysis
- **Other tasks**
 - a. General economic analysis, tax analysis and long-term analysis
 - b. Options for spending cuts
 - c. Outlining a budgetary framework that reflects priorities of the nation
 - d. Reduce information asymmetries.
 - e. Ensure timely information is available to all members in the parliament.

3) Need for PBO

- Parliamentary scrutiny of public finance is an important aspect of governmental accountability.
- As 'the guardian of the public purse', Parliament must play a greater role in budgetary governance.
- Multiple indicators suggest that executive-led budgetary governance has not been successful in India.
- Despite high economic growth, India suffers from income inequality, poverty, unemployment, malnourished children, and underinvestment in key social services such as health and education.
- The role of Parliament and State legislatures in budgetary decision-making and oversight is far from satisfactory
- It is meaningful to have a legislative-executive balance of power in budgetary governance.
- For addressing bias towards spending and deficits and for enhancing fiscal discipline and promoting accountability.
- It can generate quality public debate on Budget policy and public finance
- Parliament, as a representative institution of the people, can ensure that the budget allocates resources to all sectors equitably.

4) International Practice

- There is growing trend among OECD countries to establish specialised Budget research units.
- Traditionally, independent budgetary units are more common in developed countries, but many developing countries are now establishing such entities
- For example: Benin, Ghana, Kenya, South Africa, Morocco, the Philippines, Uganda, Nigeria, Liberia, Thailand, Afghanistan, and Vietnam.
- The other functioning PBOs are in U.S., Canada, Australia, Austria, South Korea, Italy, and Mexico.
- There are PBOs established in subnational legislatures. New York City has a well-functioning Independent Budget Office (IBO).

5) Concerns / Challenges

- It is likely to attract opposition from the bureaucracy as any aspect of strengthening Parliament (or State legislatures) has always been unwelcome and met with less consideration from the executive.
- Guaranteeing independence and viability of the office in the long-run
- Ability to carry out truly independent analysis.

6) Way Forward

- The PBO must be non-partisan, independent and mandated to serve all parliamentarians.
- The core functions of the PBO should be codified in law.
- The methods by which the outputs are prepared, must be transparent, accessible and understandable.
- Consider global standards and best practices to promote financial and budgetary transparency.
- PBO should also replicate the values of scholarship, impartiality, timeliness and confidentiality which form part of most parliamentary services.

7) Conclusion

- The goal of the PBO is to render budgets more transparent and accountable.
- Parliamentary scrutiny of public finance is a very important aspect for holding the government(s) accountable to the people.
- Establishing the PBO in India will require political will and public support.