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DÁIL ÉIREANN  
BAILE ÁTHA CLIATH 2



Seán Ó'Fearghaíl TD,  
Ceann Comhairle,  
Dáil Éireann,  
Leinster House  
Dublin 2

15 March 2016

### Re: sub-Committee on Dáil Reform

Dear Seán,

I wish to make the following brief submission on Dáil reform. Last year I asked the Minister for Public Expenditure and Reform to consider the establishment of an Estimates/Budget Committee for Dáil Éireann. The Parliamentary Question was in response to an OECD report which found that our Oireachtas Budget oversight was 'underdeveloped' by international standards.

When your predecessor disallowed this PQ, I contacted the Oireachtas Library and Research Service to carry out a brief research paper on the topic. I enclose a copy of their response published on January 8<sup>th</sup> last.

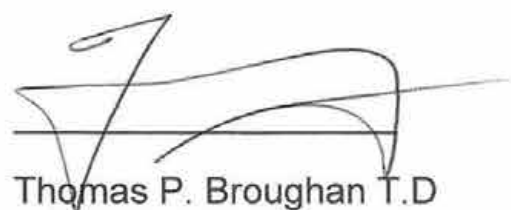
I have always believed that there is a strong case for a Dáil Estimates and Budget Committee to lead parliamentary and public discussion on budgetary and fiscal policy for the following years. In my experience, Dáil departmental committees often spend much time discussing expenditure under the current yearly budget and lack an overview of the totality of public spending requirements for the following and subsequent

**INDEPENDENT<sup>1</sup>**  
DUBLIN BAY NORTH

years. As the Oireachtas Library and Research Service paper notes, the creation of such a committee would greatly enhance ex-ante parliamentary input with a particular role relating to pre-budget parliamentary headings and collective consideration of future budgeting policy. Each yearly budget (and not simply tax changes) should also have to be approved by the Committee and a vote of the full Dáil. The ex-ante work of a Dáil Estimates/Budget Committee should mirror the ex-post scrutiny of the Comptroller and Auditor General and the Public Accounts Committee (PAC).

I also support proposals by Dáil colleagues for the reduction of the threshold for group status from 7 to 5, the setting up of a Dáil Business Committee, the introduction of Commencement Debates to replace Topical Issues and full legislative drafting supports for all Deputies. The appointment of Chairs and membership of committees should also be made under the D'Hondt system. As with the PAC, the Estimates/Budget Committee should always be chaired by a member of the opposition.

Very Best Wishes,

A handwritten signature in black ink, appearing to be 'Thomas P. Broughan', written over a horizontal line.

Thomas P. Broughan T.D

Independent T.D – Dublin Bay North

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## **Budget committees in European parliaments**

### **Research Paper for Deputy Thomas Broughan**

#### **Abstract**

This paper looks at the role of budget committees in European parliaments, and summarises recent OECD recommendations for Ireland.

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## Summary

- The role of committees in the budget cycle varies internationally;
- Around 40% of OECD countries have a specialist budget committee to examine government's draft budget proposals but there is variation on how this committee interacts with sectoral committees;
- It has been argued that a budget committee can play an important role, if it has strong powers, is charged with scrutinizing the proposed ex ante budget (see Figure 1 below), and if sectoral committees are subject to spending limits proposed by the budget committee.
- Ireland is among a number of countries who do not have a single budget/finance committee in place. It lies within a group of (largely Commonwealth) countries which focus on ex post rather than ex ante scrutiny (see figure 1 below) generally via a Public Accounts Committee;
- Budget oversight by the Oireachtas has been described as 'under-developed by international standards' in a recent OECD Report (2015);
- A recommendation to consider the establishment of an 'Estimates Committee' is one among a number of proposals made by the OECD to enhance the role of the Oireachtas and its committees throughout the budget cycle;
- The Estimates Committee would be composed of the Committee on Finance, Public Expenditure and Reform and the chairs of the various other select committees;
- The proposal is located in the context of wider procedural changes to enhance ex ante parliamentary input, with a particular role relating to pre-budget parliamentary hearings, and collective consideration of the individual Estimates in advance of a Dáil vote.

## Introduction

In a recent draft report on a review of budget oversight by the Oireachtas, the OECD (2015)<sup>1</sup> made a number of recommendations for enhancing engagement of the Oireachtas in the process. The recommendations include the establishment of an 'Estimates Committee' with a role in the budgetary process. This paper reviews the role of committees in the budgetary process in European countries, outlines suggested good practice for such committees, and summarises the recommendations of the OECD as they pertain to the specific role of committees in the Irish budgetary process.

### **Role of committees in budgetary process: European countries.**

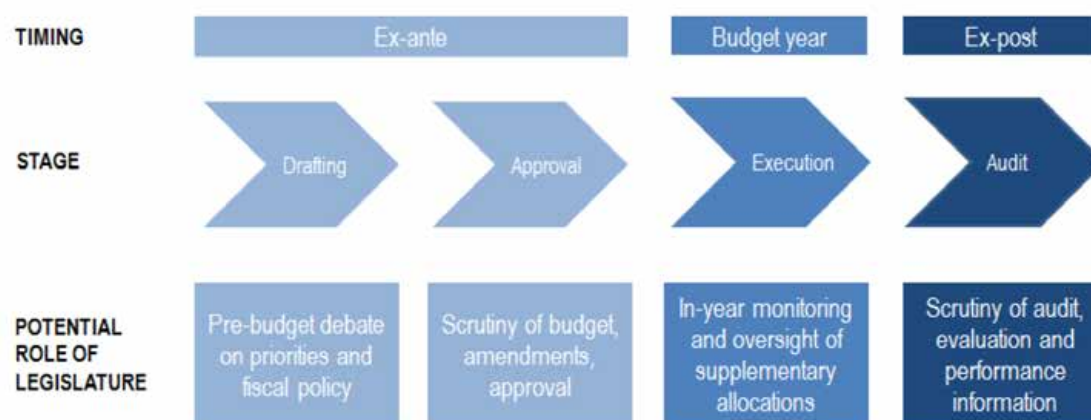
In an IMF note, Lienert (2010) reviewed the role of the legislature in budget processes across a range of countries, pointing to a changing role for the legislature and a more active role in budgetary matters for parliaments.<sup>2</sup> However, legal constraints and budgetary practices vary greatly across countries, and the specific powers of committees in relation to the budget are clearly related to the overall role of the parliament.

Figure 1 over (reproduced from OECD 2015, p. 39) summarises the different stages of the annual budget cycle, indicating the various entry points where legislatures might engage with the process. This paper focuses solely on the role of specialised budget or finance committees.

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<sup>1</sup> OECD (2015) *Review of budget oversight by parliament: Ireland* (Preliminary draft) OECD: Paris

<sup>2</sup> Lienert, I. (2010) *Role of the Legislature in Budget Processes* International Monetary Fund (IMF): Technical Notes and Manuals.

**Figure 1: The basic sequence of an annual budget cycle**

Source: OECD (2015)

Specifically in relation to the role of committees Lienert notes:

- Most countries' parliaments have a number of sectoral committees to deal with specific budget-related issues in agriculture, defence, education, health etc.;
- About 40% of OECD countries have a specialist budget committee to examine the government's draft budget proposals.

The precise role of this specialist budget committee (where it exists) varies, particularly around its engagement with sectoral committees. Table 1 below (drawn from the OECD International Budget Practices and Procedures Database<sup>3</sup>) summarises some of these variations for a number of European countries for which information was available.

Note that bicameral parliaments vary in whether they have a committee in both houses, and in how the role varies across the two chambers. For the sake of brevity, and as the Dáil dominates the budgetary process in Ireland, only the role of budget committees in the lower house is included in Table 1 below.

<sup>3</sup> This database contains the results of the 2012 OECD survey of budget practices and procedures in OECD countries. The database provides a comprehensive source to compare and contrast national budgeting and financial management practices from across the 34 OECD member countries. 90 questions cover the entire budget cycle: preparation, approval and execution. It is available here: <http://qdd.oecd.org/subject.aspx?Subject=7f309ce7-61d3-4423-a9e3-3f39424b8bca>

**Table 1: Role of budget/finance committees in selected European countries (lower house).**

Model	Description	Countries
A	A single Budget/Finance Committee coordinates a process in which sectoral committees make recommendations to the Budget/Finance Committee. The Budget/Finance Committee then reviews and accepts or rejects these recommendations and formally considers all budget-related matters.	Czech Republic, Estonia, Greece, Luxembourg, Poland, Portugal
B	A single Budget/Finance Committee formally considers the budget, but members from sectoral committees attend meetings of the Budget/Finance Committee when expenditures in their specific areas are discussed.	Austria, France, Germany, Italy, Slovak Republic, Slovenia
C	A single Budget/Finance Committee formally considers budget aggregates (total level of revenue and spending and their allocation to each sector) and sectoral committees formally consider spending for sector specific appropriations.	Belgium, Sweden
D	Sectoral committees formally consider appropriations for each respective sector. No Budget/Finance Committee is in place or it provides technical assistance only	Netherlands, <b>Ireland</b> <sup>4</sup> , UK
F.	There is only one budget committee in each chamber involved in the budget debate.	Spain
	A single budget committee formally considers all budget-related matters, but it does not have to follow recommendations of sectoral committees	Switzerland

Source: OECD

### Countries with no single budget/finance committee

As Table 1 above indicates, a number of European countries do not have a single budget committee (Netherlands, UK, and Ireland). A number of sources have noted that countries which do not traditionally have single committee for ex ante budget scrutiny are, in particular, those in the Westminster mode (which includes Ireland), who traditionally have a PAC to scrutinise budget outcomes. As Pelizzo et al (2005)<sup>5</sup> describe:

<sup>4</sup> The remit of the Joint Committee on Finance, Public Expenditure and Reform is fiscal policy in general. It does not consider specific appropriations to individual Departments or agencies (outside the Departments/agencies within its remit) and it does not have any role coordinating with other sectoral committees in their role in considering Budget expenditure allocations in the Departments/agencies under their remits.

<sup>5</sup> Pelizzo, R. Stapenhurst, R. and Olsen, D. (2005) *The Role of Parliaments in the Budget Process* World Bank Institute, Washington D.C., available [here](#).

“The absence of such a committee for ex ante scrutiny means that a government-wide view of budget policy and fiscal aggregates cannot easily be formed. The involvement of sectoral committees is useful, but it can never substitute, only complement, the broader perspective of a specialized budget committee. On the other hand, all former UK colonies in the sample have a specialized Public Accounts Committee (PAC).... [part of] an audit model predicated on close interaction between parliament and the supreme auditor that has been widely adopted throughout the Commonwealth [...] National legislatures outside the Commonwealth that use audit committees include those of Argentina, Austria, Denmark, Hungary, Israel, Japan and Mexico.

What is unique to the Westminster system is the *combination* of low ex ante capacity with highly developed ex post capacity. In other words, the Westminster model back-loads financial scrutiny, whereas legislatures outside the Commonwealth tend to apply committee expertise either in a more balanced way or in favor of ex ante scrutiny. One reason may be that, in the Westminster tradition, successful attempts by parliament to amend the budget proposal of the executive are considered tantamount to a vote of no confidence in the government [...] As a result, party discipline is particularly high during debates on ‘money bills’ and the only possible space for critical in-depth engagement with public finance is the PAC, which upholds a cross-partisan convention of not questioning the merits of underlying policy [...]”

In its draft report the OECD (2015, p.35) pointed to a lack of meaningful debate and discussion of the Estimates in Dáil Éireann. They noted that while Standing Orders of the Dáil provide that the Estimates are referred to select committees for their “consideration”, committees have no power to accept or reject the Estimates, nor to make or recommend changes.

### **Do committees hold public hearings?**

In a World Bank Institute study, Barraclough and Dorotinsky (2008)<sup>6</sup> note that an additional dimension to the role of committees concerns whether committees hold public hearings at which executive agencies must justify their budget requests. Some 42% of the countries in their study held public hearings either extensively or on key administrative units. The table below is reproduced from their study, and summarises

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<sup>6</sup> Barraclough, K. and Dorotinsky, B. (2008) “The role of the legislature in the Budget Drafting process: A Comparative Review”, Chapter 6 in Stapenhurst, Rick; Pelizzo, Riccardo; Olson, David M.; von Trapp, Lisa. (2008) *Legislative Oversight and Budgeting : A World Perspective*. Washington, DC : World Bank. © World Bank (available [here](#))

their findings in this respect. (MIC stands for middle-income countries and LIC for low-income countries).

**Table 6.8. Does a Legislative Committee (or Committees) Hold Public Hearings on the Macroeconomic and Fiscal Framework Presented in the Budget in Which Testimony from the Executive Branch and the Public Is Heard?**  
(percent)

Answer	All countries (36)	Presidential (24)	Parliamentary (12)	MIC (12)	LIC (24)
a. Yes, extensive public hearings are held on the budgets of administrative units in which testimony from the executive branch is heard.	11	13	8	17	8
b. Yes, hearings are held, covering key administrative units, in which testimony from the executive branch is heard.	31	29	33	58	17
c. Yes, a limited number of hearings are held in which testimony from the executive branch is heard.	17	25	0	17	17
d. No, public hearings are not held on the budgets of administrative units in which testimony from the executive branch is heard.	42	33	58	8	58
e. Not applicable/other (please comment).	0	0	0	0	0

Source: Open Budget Survey (question 76).

Source: Barraclough and Dorotinsky (2008)<sup>7</sup>

## Best practice

Lienert (2010) notes the merits of having a single strong budget committee:

“A strong budget committee can play an important role, especially if its decisions are final, that is, the plenary session endorses the committee’s budgetary decisions.”

He identifies good practice for budget committees as follows (Lienert, 2010, p.15):

- Establish a budget committee<sup>8</sup> charged with setting (or endorsing) aggregate spending targets and sectoral allocations. Such a committee can be responsible for scrutinizing the government’s proposed ex ante budget, as well as ex post budget allocation.
- The work of sectoral parliamentary committees should be subject to spending ceilings proposed by the budget committee;
- Provide the budget committee with strong powers and adequate analytical support to enforce budget spending discipline on sectoral committees.

<sup>7</sup> Ibid. (Footnote 5, p.7).

<sup>8</sup> Or two committees in the case of bicameral legislatures

## The role of a budget committee in Ireland

This section looks at the current budget process in Ireland, and the proposals for change made by the OECD Report 2015.

### General overview of current Irish Budget Process (Estimates / Spending)

The following information is taken from the OECD (2015) draft report *Review of budget oversight by parliament: Ireland* as commissioned by the Houses of the Oireachtas.

The budget (including publication of the Estimates) is presented to the Dáil in October.

The Revised Estimates are published in mid-December and presented to the Dáil, which refers the individual Estimates to various sector specific select committees (committees with Members from both houses that tend to shadow government departments) for consideration.

In early spring of the next year the select committees meet to consider the relevant Estimates and the relevant Minister and senior officials are present. The committees do not make recommendations or proposals regarding the Estimates.

The Dáil subsequently decides on each of the individual Estimates by motion.

Towards the end of the year the Dáil may be asked to decide on supplementary Estimates to cater for higher than expected spending. These are also sent to sectoral committees for consideration.

All of the Estimates are finally implemented in legislation via the Appropriation Act at the end of the year.

Some specific issues identified in the OECD Report (2015) include that the Standing Orders of the Dáil provide that the Estimates are referred to select committees for their 'consideration' but the committees have no power to accept or reject the Estimates nor to make or recommend changes.

## OECD Recommendations

The OECD Report (2015) makes a number of recommendations including ‘procedural changes to promote parliamentary engagement’. As part of this the report suggests that:

1. Ex ante parliamentary hearings on fiscal planning should be conducted in February/March, under the Joint Committees on Finance, Public Expenditure and Reform, to inform government’s draft Stability Programme update setting out Ireland’s medium-term fiscal plan which should then be submitted to the Dáil for approval before presentation to the EU Commission.
2. Pre-budget parliamentary hearings on budget priorities should be conducted in July under sector specific joint committees involving Ministers and societal stakeholders and should culminate in the submission of a summary report to government.
3. A new **‘Estimates Committee’** should be constituted composed of the Committee on Finance, Public Expenditure and Reform augmented with the chairs of the various other select committees to (a) co-ordinate the qualitative pre-budget report to government in July and (b) consider collectively the individual Estimates in advance of the Dáil vote.

The role of this Estimates Committee would be to act as a plenary forum for the pre-budget hearings, and to submit a single, co-ordinated report to government outlining the results of the hearings in the various joint committees.

Over time, the Oireachtas committees should be accepted as the primary forum through which societal stakeholders input into budgetary decision making. A proposed Irish Parliamentary Budget Office would be a valuable resource for the committees in undertaking these tasks.

4. The full detailed Estimates of Expenditure not currently published until December should be published on budget day and thereby enable the Revised Estimates to be discontinued.
5. Dáil select committees should bring forward consideration of the Estimates to the October-December period, and the Dáil vote on the estimates should occur before the start of the budget year. The committee hearings could be scheduled to take place alongside any supplementary estimates for the year just ending.

As an institutional innovation to support this accelerated procedure, it may be appropriate to replace the multiple hearings across various select committees

with one single hearing, over one or two full days, of the Estimates Committee that is proposed under section (b) above.

The purpose of this hearing would be to obtain an explanation from the relevant Ministers, and in particular from the two budget Ministers on the extent to which the recommendations from the ex-ante stage have been carried through to the budget itself.

## Conclusion

The specific proposals for an Estimates Committee are located in the context of wider inter-related procedural reforms, rather than being stand-alone items. As the Executive Summary notes:

“These proposals update the existing model of parliamentary interaction, which can be characterised as a disconnected series of annual set-piece events, with an **ongoing engagement by the Houses of the Oireachtas and its committees throughout the course of the budget cycle**. The focus of attention would accordingly be re-balanced from the formal authorisation of financial allocations, where the powers of committees remain tightly circumscribed, towards ongoing and *ex ante* interactions on policy priorities and performance, where there is real scope to exercise influence and accountability.”

As outlined above, the role of the Estimates Committee might include that it:

- acts as a plenary forum for pre-budget hearings in July, and coordinates the report on these to Government;
- and augments the multiple Estimates hearings across various select committees with a single hearing (over one or two full days) of the Estimates Committee. The purpose would be to obtain an explanation from Ministers on the extent to which the recommendations from the ex ante stage (above) have been carried through to the budget itself.<sup>9</sup>

In this sense, the OECD (draft) report clearly proposes a move towards a stronger and more specialised Budget committee in the guise of an Estimates Committee. However it does not explicitly suggest specific powers for this Committee vis-à-vis sectoral

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<sup>9</sup> See OECD, 2015: Annex: Summary of Recommendations pp. 70-72.

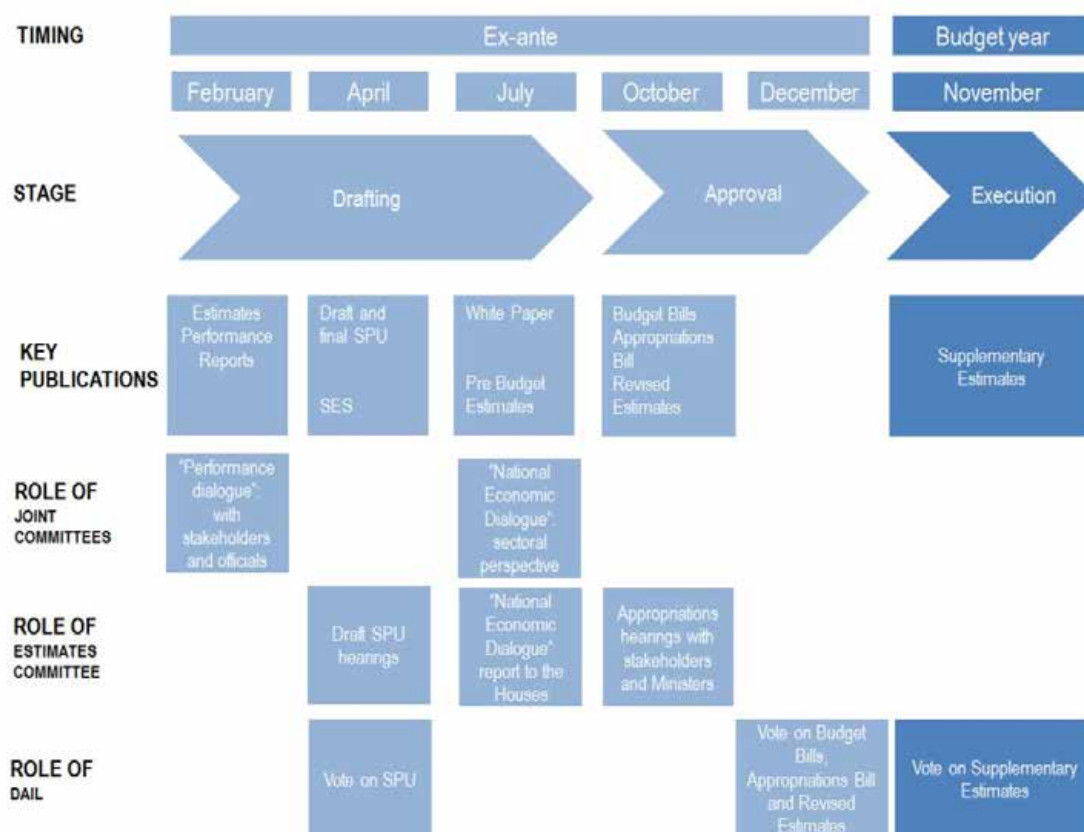
committee (e.g. power to accept or reject sectoral committee suggestions) as per the discussion above re the features of strong budget committees.

The Report also points to potential procedural changes to the role of select and joint committees – e.g. as a result of changes to the timings of the budget cycle, joint committees might have space early in the year (in the time currently allocated to Estimates hearings before select committees) to focus on scrutiny of performance information.<sup>10</sup> Additionally, the report suggests that committees might have power (which would require changes to Standing Orders) to recommend changes to performance information e.g. relating to quality and clarity.

Figure 2 over (reproduced from OECD, 2015) summarises the proposed revised process, including the roles of the Estimates Committee and Joint Committees.

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<sup>10</sup> See Section 4.3.1, OECD (2015).

**Figure 2: Whole-of-year budget process incorporating performance budgeting**

Source: OECD, 2015, p.68

The report notes many additional requirements to support the procedural reforms proposed, such as enhanced information to support parliamentarians, and a variety of institutional supports (in particular the introduction of an Irish Parliamentary Budget Office). However, these are not outlined further here.