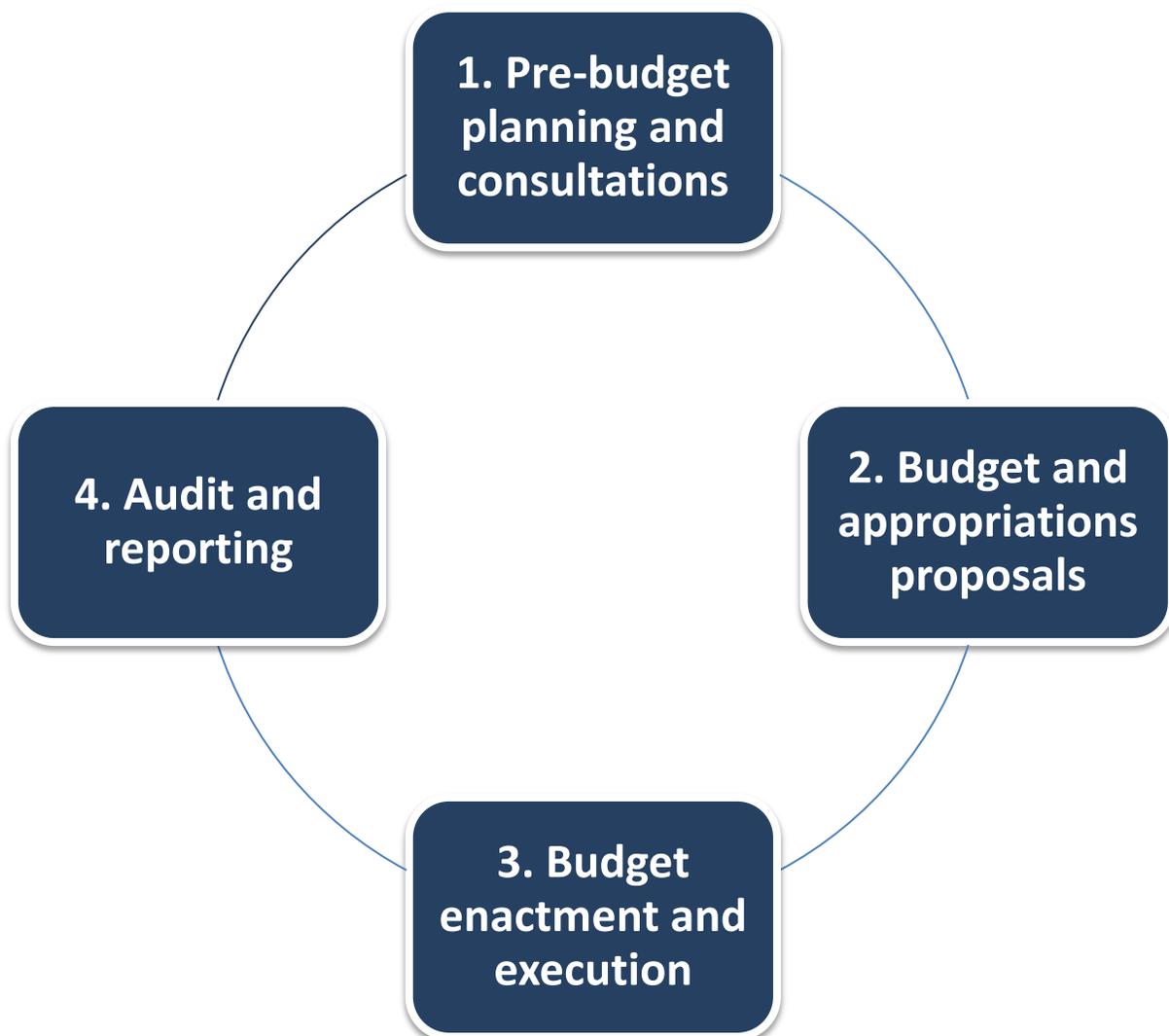


The National Budget Cycle: A Parliamentary Perspective

In any democracy, no money can be raised or spent without the prior approval of the legislature. The legislative branch of government scrutinizes the executive branch's budget proposals, debates them, amends or proposes alternatives – depending on the system of government – and approves or rejects them. The role of the legislative branch is to hold the government's spending to account by scrutinizing its assumptions, its spending and revenue raising plans, as well as the results of its spending and revenue decisions. To fulfil its role, the legislative branch performs a variety of functions throughout the financial cycle and may be supported in its functions by several sources: library of parliament, independent fiscal institution, supreme audit institution, political party research staff, and civil society.



1. Pre-budget planning and consultations

The executive branch of government is responsible for a country's spending and revenue decisions – with the approval of the legislative branch – as well as their outcomes. Underpinning their plans are assumptions and forecasts of the country's economic and fiscal state which inform direct spending and revenue proposals. These plans are usually constrained by existing fiscal rules, such as a cap on deficit or debt, frequently related to commitments for macroeconomic stabilization and long-term sustainability.

The executive branch may undertake consultations as it prepares its spending and revenue proposals for the upcoming fiscal year. Such consultations can focus on specific segments of the population (e.g. women, minority groups, business, etc.), regions (e.g. provinces/states, municipalities), or issues (e.g. skills and innovation, health care, infrastructure, etc.). The legislative branch may also undertake its own pre-budget and tax policy consultations to inform its monitoring and assessment the results of the executive branch's spending and revenue decisions.

2. Budget and appropriations proposals

The budget proposal is a document produced every fiscal year (usually, before the start of a new fiscal year) by the executive branch that defines its proposed spending and revenue raising plans. The budget proposal is tabled in the legislature which must consider its content by scrutinizing and debating it, and amending or proposing alternatives, depending on the system of government. A typical budget proposal contains new plans (e.g. one-time infrastructure investment, reconstruction efforts for a region impacted by natural disaster) as well as planned appropriations for existing spending (e.g. public servant salaries, pensions, service of the debt). Legislatures can create opportunities for public participation as they scrutinize and debate the budget proposal, such as consultations, public hearings and the receipt of submissions.

3. Budget enactment and execution

Once the legislature has scrutinized, amended, and approved (or rejected) the budget proposal and appropriated funds (depending on the system of government), it is the responsibility of the executive branch to implement the measures. Throughout this period, the legislature will hold the executive branch accountable for its action or inaction. Legislatures can establish complaint and citizen monitoring mechanisms to involve the public in these efforts.

4. Audit and reporting

At the end of a fiscal year, an accounting of the government's financial activities is presented to the legislature in the form of the public accounts. This report that contains the final accounting of the government's revenue and spending activities is generally accompanied by an audit from the Supreme Audit Institution (SAI) for assurance. At this point in the financial cycle, the legislature should have a full picture of the previous fiscal year, i.e. both financial and performance (outcomes) perspectives. The legislature should have the ability to question or challenge the government's choices and results with nearly complete information. Legislatures can conduct consultations and hold public hearings as part of their year-end review of government spending and revenue raising.