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### **Budget analysis for parliaments: the case of Poland**

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#### **1. General remarks - Reasons for offering budget analysis services**

The democratic transformation of Poland following 1989 highlighted the issue of seeking greater impact of the Parliament and deputies on the central budget. After years of lacking any real power, new democratically elected deputies believed that they should act on the budget and attempted to take the initiative. Although it proved to be a difficult task, the deputies have not given up on the goal -- even after 10 years of strenuous effort and some frustration. Each year, in the course of budgetary debates, Polish deputies have managed (and do manage) to change around 0.5 percent of the whole central budget appropriations. The amounts so transferred and distributed anew during an almost 3-month-long debate may seem insignificant, but we must face the reality of both the importance and the difficulty of the task.

Two different approaches may be taken to describe this situation: the optimistic and the pessimistic approach. If you take the optimistic approach, one could point to the creation of important democratic mechanisms whose significance for the future cannot be overestimated. The pessimist instead would say that it is wishful thinking to believe that parliament is capable of improving a draft central budget submitted by the Government. Where the Government cannot cope with such task, the

parliament is naturally even less capable of dealing with it more successfully without appropriate information and professional staff. Additionally, in all post-communist countries, there were (and are) very few resources to distribute. The most budgetary expenditures are allocated to the so-called “fixed spending” (on public debt service, pensions, social benefits and health insurance). The optimist would naturally say that in such a situation it is even more important to ensure appropriate distribution of even the small amount that is available, since democratic processes require active participation by the legislature on such important matters. On the other hand, the pessimist would argue that the adoption of a central budget in such circumstances merely bears the traits of a ritual ceremony, ineffective by definition and producing easily predictable results – a situation that the Polish case confirms.

Regardless of the approach taken, one thing is unquestionable: the adoption of the central budget is a highly formalized, complex, labor-intensive and time-consuming process. The active and informed participation of deputies in it requires far-reaching support from both budget analysis services and independent experts. Only they can provide the deputies with the knowledge and expertise on central budget issues, verify information furnished by the Government and supply necessary information and evaluations, thereby enabling the deputies to deal skillfully with central budget issues. Let us add that their work also depends on a political and legal culture developed in a given country, as well as the deputies’ experience in the conduct of parliamentary activities.

The existence of budget analysis services in parliament does not guarantee their success. Deputies must also trust them and respect their opinions and independence. In Poland, meeting these challenges by the parliamentary administration has proved extremely difficult, and the process of creation of parliamentary budget services took five years.

## **2. A few words on history**

In Poland parliamentary budget services were set up in 1991 within the framework of the Bureau of Research, part of the Chancellery of the Sejm. At that time, the budget section had 6 employees. The very idea of a section responsible for the provision of support to deputies working on the budget turned out to be difficult to implement from the very beginning. This resulted from the following factors:

1. None of the section staff had ever been employed in parliamentary administration; therefore they were not familiar with relevant procedures,
2. None of the section personnel had ever worked on the central budget in government administration,
3. Secretaries of the public finances committee (who had served on them for many years) were reluctant to admit strangers (including the employees of the Bureau of Research) to its work, which sometimes impeded cooperation with deputies,
4. The presence of a multitude of political parties and a wide range of diversity of interests in the Polish Sejm, which manifested itself in its entirety during the work on the central budget. Deputies frequently identified their own individual or group interests with the public interest. Inexperienced experts of the Bureau were under constant fire from “dissatisfied” deputies.
5. An overwhelming majority of the deputies elected to the Polish parliament were newcomers for whom the budget process was completely unknown.
6. Objective difficulties in preparing the central budget and methodological dilemmas in areas where the parliament had not yet reached agreement.

Despite these circumstances none of the deputies questioned the need for budgetary services and existence of such a team. This, above all, resulted from the huge number of amendments to the budget proposed by deputies (700 in 2000 and 350 in 2001). Such amendments had (and still have) to be written in the prescribed form and to appropriately present their calculations. This is an onerous task that must be completed in a short time, and in a manner specified by the rules of procedure. In any such amendment, a deputy has to propose offsetting transfers within the budget. The multitude of

proposed amendments and deputies' expectations that they would be prepared by parliamentary budget staff contributed directly to development of the Budget Section in the Bureau.

Fundamental changes took place in 1995. They resulted in the setting up of the separate Budget Studies Division, which seemed to be a mere symbolically bureaucratic action. However, this led to the following real changes.

- First, it increased staff from 6 to 12 (including those who work part-time).
- Second, direct cooperation was established with the Chair of Public Finances of the Law Faculty at one of the Polish universities, reflected in employment contracts with 4 scholars employed therein.
- Third, relations between secretaries of the Public Finances Committee of the Sejm, the employees of the Budget Studies Division, and employees of the Legislative Bureau [of the Chancellery of the Sejm] were also improved. The Bureau of research assumed responsibility for the coordination of the Committee work.
- Fourth, the Division was equipped with appropriate tools: data bases, powerful computers and rooms in the main building of the Sejm.
- Fifth, previous experience in the operation of the financial section was applied. Standard formats were established for the presentation of an amendment and, perhaps even more importantly, a timetable for committee work on the budget and standard formats for publication of opinions and expert reports were also established.

These changes enabled parliamentary budget services to become an equal partner with the government budget services. Moreover, the size and professional skills of the parliamentary budget team provided an opportunity to undertake in-depth studies on the central budget – indispensable for making final decisions and granting approval for government accounts (the procedure for discharging the budget from the parliament). Very often the opinions of scientific authorities (or university professors) had a decisive influence on decision-making concerning controversial budgetary issues. Finally, the most important thing is that the staff of the Division gained recognition and respect among Sejm deputies. That respect is so great that suggestions have been made concerning the possible need for creating a separate and independent bureau of the Sejm for budget analysis.

### **3. Examples of the kinds of reports and services provided**

The Division's experts work in two teams: the State [Central] Budget Team and the Financial Analysis Team. These two teams are also supported by personnel of other divisions of the Bureau of Research and by outside experts during the period of work on the adoption of the budget and on a report on implementation of the central budget. The teams perform the following tasks:

- An analysis of materials submitted by the Government (a draft budget and a report on the implementation of the central budget), the Supreme Chamber of Control, the National Bank of Poland and the Central Statistical Office;
- Preparation of written opinions on the textual part of a budget bill, on individual parts of the budget, and on the macroeconomic targets of the bill and on the targets for monetary policy. After the delivery of a draft central budget (late September); deputies wait for its evaluation by parliamentary experts independent of the Government. This procedure also applies to a report on the implementation of the central budget, to be submitted by the Government in June. In this connection, the Bureau publishes specially prepared experts' reports and opinions on the issue, in the form of info-packs (each consisting of about 200 pages on average);
- Participation in all sittings of the Committee and subcommittees and, during the period of the adoption of the central budget, in sittings of other committees that offer opinions on the central budget. The whole period of such active participation lasts 6 months;

- Formulation of deputies' proposals for amendments (which number in the hundreds) in the course of work on the budget; putting them into a unified form; and describing the financial consequences of the proposed amendments;
- Presenting to the committee statements, illustrating the consequences of the motions accepted. This sometimes involves computer simulations of the impact of the amendments on the central budget. This has become possible due to the availability of specialized computer software;
- Carrying out other request made by committees and deputies, concerning the budget, finances, monetary policy, taxation system and banking system. The goal is to meet all needs of deputies and committees in these areas. If the Division or the Bureau are unable to do the requested task, they can commission outside experts to collaborate with the Division, paid by funds specially allocated to the Bureau for such opinions and experts' reports. The experts present written opinions on a number of subjects. They also provide the following services:
  - Preparation of motions to be voted on during the committee and plenary sittings of the Sejm;
  - Organization of training and seminars for newly elected deputies, dedicated to procedures for adoption of the budget, the structure of the central budget as well as mechanisms and the special nature of parliamentary work.

Finally, it should be mentioned that the Budget Studies Division completes over 300 written requests each year (e.g., 311 in 2000 and 330 in 2001).

#### **4. Benefits and risks connected with the provision of budget analysis services**

An attempt to balance benefits and risks of providing parliamentary budget services is a difficult task, but I will try to cover the main issues. On the one hand, it is an indisputable fact that the parliamentarians' work on the central budget is both important and requires support because of its great complexity. On the other hand, it is an open question whether parliamentary administrations should create their own budget services, or rather rely on government services, given the expense of creating such a service. The question is easy to answer in relation to those countries in which the civil service functions properly and there is a long history of democratic control of the government budget. Proper operation of civil service provides arguments against development of budget services in parliaments and for relying on government services. The more so as the number of specialists in this field is limited in each country and, moreover, there are no reasonable grounds to assume that the government services have not provided the deputies with appropriate information. This is rather a question of tradition and political culture.

The situation in new democracies (including Poland) is quite different. Frequent changes in government, immaturity of a democratic political party system, and the lack of a strong and professional civil service, as well as poor preparation of parliamentarians to perform the public role assigned to them by the electorate, all justify the need for setting up such services. Furthermore, their existence is essential for the proper functioning of parliamentary committees and, in fact, for the work of deputies as representatives. It is easy to say, but much more difficult to turn into reality.

Possible risks affecting the realization of this undertaking are as follows:

- Difficulties in building a good team. There is a narrow group of specialists in this field in Poland, most of them working, not surprisingly, in government institutions. In consequence, there is no guarantee that enough outside specialists exist to create and maintain a strong team.
- Maintenance of objectivity and fairness in providing equal services to all political forces represented in parliament, which is extremely difficult concerning cooperation between the experts and deputies in the process of adopting a budget prepared by the governing party. Moreover, we should never forget the special problems faced by representatives of the

Opposition, whose access to information on the budget process is more limited (remembering that they could become the governing party in the future).

- To keep pace with the skills and knowledge of government experts and officers, as a requirement for informed discourse between the government side and parliament. This is a really difficult task, since the government side which prepares (creates) the draft central budget has a natural advantage.
- To build the authority and expertise of the parliamentary budget service, which is always time-consuming and requires experience and training.

And, finally, experience tells us that the work in parliamentary research services requires from the staff great psychological strength and good physical condition. The committee debates may last several consecutive days and, sometimes, the Public Finances Committee works through the night. The nature of such work varies in some respects from that of the more traditional librarians or researchers. We should note that the traits necessary to be a good accountant are also needed.

### **5. What professionals, and how many make up an adequate team?**

I have already mentioned that the work of parliamentary budgetary staff is different from that of librarians or researchers. It is arguably more stressful, subjected to powerful political pressures and, above all, requires some skills in mathematics and an enjoyment in working with numbers.

In building up a team of budgetary analysis team the following issues should be considered:

1. We must decide whether we shall be making: **a)** a small team (of up to 6 people), or **b)** a larger one (10 to 20 people), or **c)** a few dozen-strong analytical staff which, for obvious reasons must be a separate organizational unit, and which requires funds that most parliaments do not have (excepting perhaps the USA). In practice this becomes a choice between options **a** and **b**.
2. It is important to decide whether the new unit is to function within the bureau of research (as is the case in Poland), as a service to a parliamentary committee, or as part of library services, for its situation largely determines its possibilities. The most compelling advantage of placing it within a bureau of research is the ability to assign part of the tasks to experts in different areas of specialization corresponding to different parts or chapters of the budget. They are more familiar with topical issues behind the figures the budget contains. Moreover, they add to the team and offer additional hands in critical moments.
3. Broadly speaking, the team should include specialists in three areas: economists, lawyers, and accountants or bookkeepers. It is also necessary to employ scientists specializing in public finance, although this is not a must in cases of small teams (option **a** above).
4. After answering those questions, we must decide whether we shall expect the team only to assist the finance committees in their work, co-operating with the other deputies within general knowledge concerning the central budget, or to prepare independent analyses and publications, and to execute various in-depth committee projects. In the first case the team would be more managerial and secretarial – gathering information and analysis from others and working only for the commission. In the second one - their tasks would concentrate on analyses. Each type is governed by different rules - the first commissions more opinions and studies outside its ranks, the second generates its own.
5. The budget staff must enjoy political independence, and meet the criteria required of civil servants. This is much more important than in the case of most other parliamentary services. They must not be related to any governmental services, interest groups, or political parties.
6. All members of a team must have solid command of the parliament's standing orders and the Budget Law. This is a precondition for success in their work. Adoption of the budget is a very special kind of practice, and it is governed by its own rules.
7. When building a team, it is important to assure proper compensation and career rewards which will help to maintain it appropriately.

In brief: building a team is a complex process and depends on adequate financial means and on many other factors, such as: the commitment of the secretary general of the parliamentary administration, on the situation in the labor market, as well as - most importantly - on the tradition the given country has in passing its budget, and the role its parliament plays in the process.

## **6. A few final remarks**

The demand for parliamentary budgetary services may be the result of a number of factors:

- The nature of democratic political developments, such as, for example, the democratic transformation that took place in the countries of Central and Eastern Europe,
- The strength of the parliament in the general policy-making processes of the nation and in the process of adopting the budget in any given country,
- The growing complexity of modern central budgets, caused by globalization of the economy, and resulting in less transparency for the deputies,
- Differences in the models of operation of the parliamentary administration - the status of experts, research services and secretaries of parliamentary committees,
- The size of parliamentary administration.

Do the above-listed factors influence the model of parliamentary research services? Of course, they do. Is it possible, therefore, to offer some general advice concerning the functioning of these services in the future? Generally, yes, it is.

Let us remember that the nature of these services prefers that they be created in an evolutionary process - step by step - even, if this would mean operating on a trial-and-error basis.

In the case of "small" parliaments there are many arguments for establishment of a data acquisition and secretarial strategy, based on co-operation with external experts. They might choose to concentrate on maintaining a cadre of external experts, and sharing prepared opinions with all their deputies on a timely basis and in the proper form. The question of preparation of the deputies' amendments to the budget should, in this case, be left to the government side. Small budget analysis teams are close - in their nature - to more typical research services.

Human relations is a very vital issue. Proper cooperation with the governmental budgetary services, secretaries of public finance committees, and legislation services frequently means reconciling quite diverse interests and ambitions. My experience is that in such circumstances interpersonal conflicts come easily, and may effectively hamper realization of any project.

And a final remark: it is undoubtedly easier to set up budgetary services in those parliamentary administrations in which research services have been established as separate units. It is more difficult in the case of the parliament that has few research services, and most difficult if such services do not exist at all. On the other hand, if the purpose is important enough we should not be limited in our role of creators by existing bureaucratic structures.

The problem of the role of parliamentary services in adoption of the central budget is - without a doubt - extremely important and complicated, especially in those states of the world, which do not have fully developed democracies. It is fundamental to ensure that, when the budget is considered and adopted, the parliament - as the legislative authority - be independent in its opinions and proposals for the government. Another key issue is to provide the parliament with highly qualified specialists, who can support the lawmakers - competently and independently - in the performance of their role as demanding partners in governing the nation.

This is extremely difficult, as, quite frequently, it is not only a matter of creating an institution from scratch, but it is accompanied by lack of any substantial tradition of the proper functioning of public institutions in a system of tripartite division of power, as well as poorly developed political and legal cultures. Still, it is worthwhile to try, and efforts should be made in this respect -- for the development and strengthening of parliamentary democracy depends largely on whether, and to what extent, the parliament will really influence the shaping of financial policy of the state, and whether or not it will find effective ways and tools for exercising control over executive authorities.