



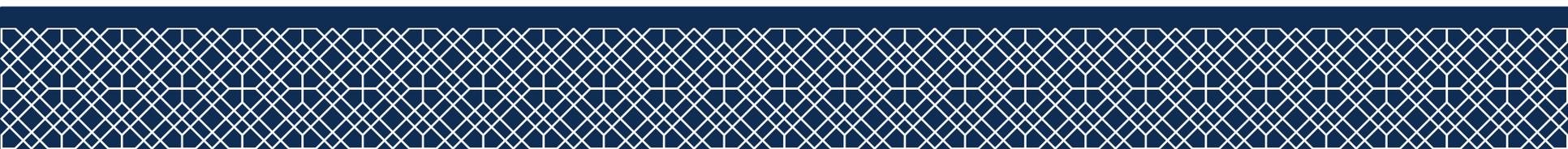
# The Parliamentary Fiscal Scrutiny Function: Lessons from Canada

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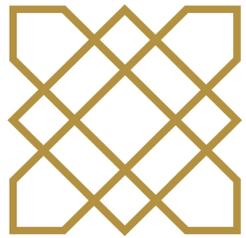


# Argument

- Parliamentary fiscal scrutiny and parliamentary democracy warrant the attention of researchers for three reasons:
  - 1) Fiscal scrutiny - the most common obligation of legislatures – is rarely a lens for assessing parliaments.
  - 2) Studies of public finance have tended to focus on the executive branch's budget, to the exclusion of the balance of the fiscal cycle.
  - 3) A recent survey of Canadian parliamentarians suggests dissonance in perceptions of roles.

# Overview

- 1) Define fiscal scrutiny
- 2) Context: historical analysis and literature review
- 3) Discussion of survey results
- 4) Conclusions and next steps



# Defining fiscal scrutiny

# Fiscal scrutiny

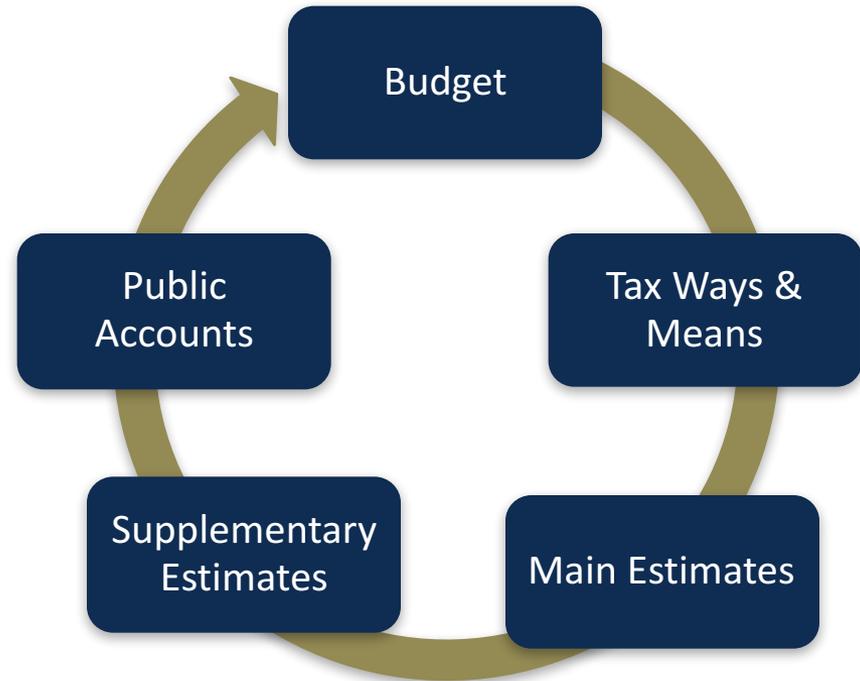
- Legislative fiscal scrutiny is an obligation of legislators to hold the government to account by *assessing its economic assumptions, its budgetary plans and by evaluating its performance in these areas.*
- Parliamentarians may suffer from an *information asymmetry* in fiscal scrutiny.

# Fiscal scrutiny defined

- There are three parts to fiscal scrutiny:
  - 1) **Contextual analysis:** accounting of a country's broad economic environment.
  - 2) **Planning:** assessment of the executive's content and tools in their plans that extend from budget to estimates to the tabling of the public accounts.
  - 3) **Performance evaluation:** assessment of whether the government's contextual assumptions and plans hold up in reality.

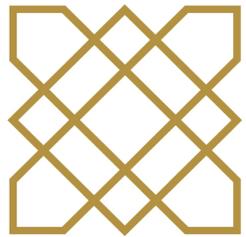
# A typical financial cycle

Most research focuses on the budget, to the exclusion of the balance of the financial cycle.



# Fiscal scrutiny

- Legislative fiscal scrutiny means looking beyond the budget to cover the executive's contextual assumptions and plans as well as to evaluate their outcomes.
- Fiscal scrutiny has become more complex as government spending increases; yet it remains a core function of legislatures.



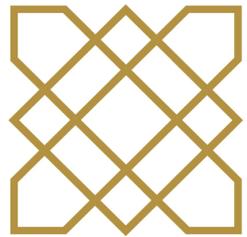
# Historical context & literature review

# Existing research on parliaments

- Studies of parliament abound, with focus on:
  - Ethnographies of the institution, assessing their legal-institutional frameworks (e.g. rules, organization);
  - Roles and responsibilities of legislators;
  - Issues of representation in parliament (e.g. gender, linguistic/ethnic diversity, etc.);
  - Electoral systems and their repercussions;
  - Decline of parliamentary democracy and the decreasing effectiveness of the institution.
  
- The literature on parliaments and money tend to focus nearly exclusively:
  - On the budget process
  - On ex-post (rather than ex-ante) through the scrutiny of public accounts

# Gaps in the literature

- Parliament's role as guardian of the public purse and surveyor of government spending emerged in parallel to the Magna Carta and extends across the financial cycle.
- Returning to first principles may reinvigorate parliaments:
  - OECD, IMF, World Bank promoting stability through parliamentary fiscal scrutiny.
  - E.g. growth in the number of independent fiscal institutionals



# Lessons from Canada

# Survey of Canadian parliamentarians

- First survey of Canadian parliamentarians on their perception and understanding of their fiscal scrutiny obligations.
  
- Survey components:
  - Role of parliamentarians
  - Capacity and support
  - PBO
  - Improvements to the scrutiny system
  - General respondent indicators

# Tested hypotheses

- There is dissonance between parliamentarians' perceived roles and their obligations throughout the financial cycle.
- The majority of parliamentarians are not equipped to perform their scrutiny function due to lacks in knowledge and time.

# Results

House of Parliament	Full Potential Population (2015)	Vacancies at dissolution (August 2, 2015)	Actual Population at dissolution including vacancies (August 2, 2015)	Number of participating parliamentarians	Participation by percentage of actual population
House of Commons	308	4	304	67	$67/304 = 22\%$
Senate	105	20	85	11	$11/85 = 12.9\%$
Parliament (House of Commons + Senate)	413	24	389	78	$78/389 = 20\%$

# Results – Hypotheses confirmed

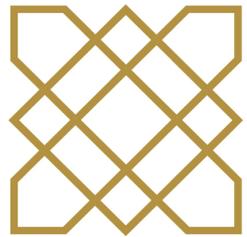
- Confirming  $H_1$ : there appears to be some dissonance between parliamentarians' actions and perceptions and the full breadth of their fiscal scrutiny function.
- Confirming  $H_2$ , Respondents indicated that a lack of time is a significant challenge in executing their fiscal scrutiny function.

# Results

- Fully 91% of respondents found it at least moderately challenging to perform their fiscal scrutiny function, with 51% indicating that it is extremely to virtually impossible for them to perform their role effectively.
- Principally opposition parliamentarians cited a lack of information as a problem in comparison to parliamentarians of the governing party (86% v. 6%).

# Results

- 81% of parliamentarians cited the budget as the focus of their fiscal scrutiny efforts.
- The estimates and the public accounts only garner 12% and 6% respectively, of parliamentarians' time over the course of a parliament.
- All three of the principal documents of the financial cycle were viewed as needing some improvement: the public accounts (63%), estimates (62%), and budget (59%).



# Conclusions & next steps

# Conclusions

- Parliament's fiscal scrutiny role is at the very core of its existence from historical and functional perspectives.
  - However, fiscal scrutiny as defined in our paper, remains understudied in the literature.
- The survey of Canadian parliamentarians provided a baseline set of data on their perceptions and understanding of their fiscal scrutiny function.
  - Challenges attributed mainly to a lack of time.

# Ways forward

- Encourage the development of the literatures on democratic development and sustainability, parliamentary democracy and public finance.
- Practitioners in the field and researchers would stand to benefit from this work with increased data, case studies and analysis.
- This research may also inform communication with legislators (e.g. IFI-Legislature; SAI-Legislature, etc.)
- An increased focus on legislative fiscal scrutiny, could reinvigorate the very core of parliaments at the nexus of money and democracy.