

**THE ROLE OF PARLIAMENT IN THE
BUDGETARY PROCESS –
THE EXAMPLE OF THE CROATIAN PARLIAMENT
(2000-2003)**

Vjekoslav Bratić

Occasional Paper No. 19

October 2004

THE ROLE OF PARLIAMENT IN THE BUDGETARY PROCESS – THE EXAMPLE OF THE CROATIAN PARLIAMENT (2000-2003)¹

Abstract

The Croatian Parliament has the right to modify the Government's proposal of the budget, which in reality it does very rarely, because the ruling coalition has a majority of votes, as well as because the members mainly follow the party line. This is the basic reason for the relative insignificance of the Parliament as compared with the part it might really play during the legislative phase of the budgetary process. Research carried out in Parliament indicated drawbacks and shortcomings of the Parliament and showed that there is a lot of room for enlarging the importance of Parliament in the budgetary process.

JEL Classification: K40, H61

Key words: Parliament, Budgetary Process, Croatia

¹ This article is published in Croatian in the journal "Financijska teorija i praksa", 28(1), 2004, pp 7-25, and is downloadable from <http://www.ijf.hr/publikacije/indexpub.html>.

1. Introduction

Although the Croatian Parliament is one of the key institutions in the budgetary process and in government as a whole, there has as yet been no research into the topic of the role of Parliament in the budgetary process. For this reason, then, the objective of this paper is to demystify certain features and facts that characterise the state of affairs in and work of the supreme legislative institution on the budget proposal. The objective of carrying out this work was to bear out or falsify certain hypotheses, as follows: Parliament could have a much more important role in the budgetary process than it has today; the existing collaboration and communications between Parliament and Government during the budgetary process are not developed to the level that they could; and MPs have relatively little time available to them for a quality and well-grounded budget debate.

The budget is the outcome of the budgetary process. The budget is the instrument the government uses to influence the economic state of the country; it serves as a system of control of the collection and spending of budgetary resources, and it highlights the most important of objectives of government during the fiscal year. The institutions of the budgetary process, primarily parliament, should through their mechanisms make possible a quality and effective allocation and control of the spending of budgetary resources. The role of every parliament in the budgetary process, including the Croatian parliament, depends on many factors, such as the autonomy of parliament, the duration of the process and the speed with which quality budgetary decisions are made. For Parliament indeed to be a parliament the work of which is transparent and open to the whole of the nation, it should take the responsibility upon itself, rather than leaving it to some other political institutions. The precondition for this is that all the political decisions should be made actually at sessions of parliament, and not in the government or the coordinating body of the ruling coalition, in which it is, for example, the prime minister that has by far the most to say.

In theory, Parliament may modify the Government's draft budget, but in practice this is almost never done. This is because of the voting majority that the ruling coalition has in Parliament, and the fact that MPs mainly obey their party whip. And this is actually the major reason why the role of the Croatian Parliament during the legislative phase of the budgetary process is not as great or as significant today as it might be. Thus we may say that there is plenty of room in Parliament for improvement of its work with respect to budgetary matters, as well as opportunities for further development and enlargement of the role of the Parliament during the legislative phase, as well as other phases, of the budgetary process.

This paper deals with the basic elements of the budgetary process and the relations of Parliament and budget. Apart from the introduction, the paper contains four other chapters. The first three sections of the second part show the results of research carried out in Parliament. The investigation covered interviews with MPs, with members of the Parliamentary standing Committee on Finance and the State Budget (The Budget Committee), a questionnaire administered in the Croatian Parliament, and an analysis of the educational background of the MPs. This questionnaire, in conjunction with the interviews, to a large extent demonstrated what the basic problems and discontents of MPs during the budget debate are. Part three, *Parliament and the Budget*, discusses the basic postulates of

parliamentarianism and its development, and the role that today's parliaments have in the budgetary process, and what this role depends on. The next chapter, the *Croatian Parliament and the Budget*, explains the Croatian budgetary process in terms of phases and timetable. There is particular focus on the analysis of the role of the Budget Committee of the Croatian Parliament. The conclusion provides concluding considerations and recommendations for improvements of the existing state of affairs and augmentation of the role of the Parliament in the budgetary process.

2. Results of the Investigation

In order to be able to investigate as accurately as possible the role played by the Parliament in Croatia during the budgetary process, a questionnaire was administered in the parliament chamber, several interviews with MPs and members of the Budget Committee were held, and the educational structure of the Parliament and the proportion of members of parliament with qualifications in economics were analysed.

2.1 Questionnaire in Parliament

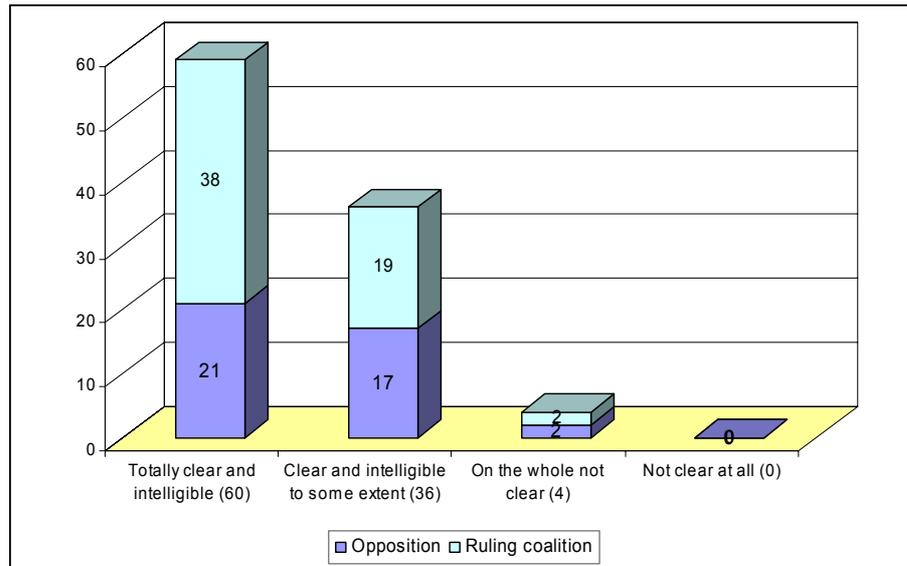
During January 2003, a small scale questionnaire with fairly simple questions was administered in the Croatian Parliament along the lines of questionnaires carried out in other countries. Two months were needed for the completion of the questionnaire and the interviews. The concern that the majority of the MPs would not fill out the questionnaire proved well-grounded, which is shown by the response of only one third of the members. In spite of this, a number of conclusions could be made, as well as proposals for the improvement of the legislative phase of the budgetary process.

This questionnaire, which was completely anonymous, was filled in by 47 representatives (30% of the overall number of members of parliament). Of this number, 19 were members of the opposition (40%) while 28% were members of the ruling coalition (about 60%). These figures show that the sample was representative.

Results of the questionnaire. According to the questionnaire, the absolute majority of representatives (*regularly*, 85%, and *frequently* about 13%), of both the opposition and the ruling coalition, take part in parliamentary debates about the budget proposal (which bears out the idea that this problem has a lot of member-appeal). At the same time most of the respondents found the proposal of the budget for the year to come intelligible and clear (*totally clear* to 60% and *fairly clear* to 36% of those questioned). When the budget is voted on, party discipline is very stringent, on both the government side and the opposite.

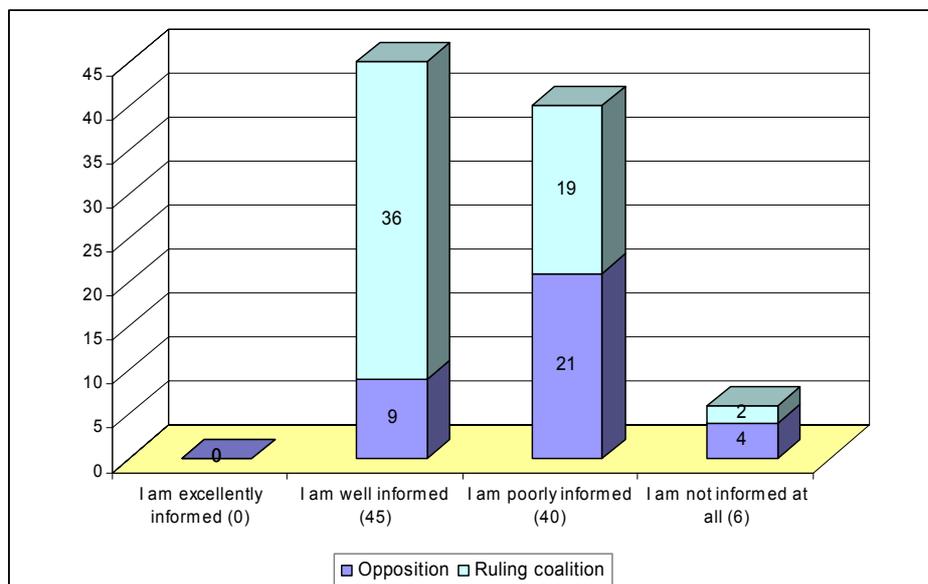
Although most of the respondents (members of parliament) find the proposal of the budget clear, a third of the respondents (32%) are dissatisfied with the time available to them, and require much more time to consider the proposal of the budget (23% of the opposition and 9% of the government side). Around 30% of the respondents think they should be given more time than they currently have for consideration of the proposal.

Figure 1 Is the proposal of the budget for the coming year totally intelligible and clear to you? (%)



Of the representatives polled, only four of them (8%) were members of the Budget Committee (one member of the government party and three from the opposition). Of the rest of the respondents, who were not members of the committee, almost 45% of them stated that they were well informed in the work of the Budget Committee, while 40% stated that they were poorly informed concerning the Budget Committee's work. This would tend to bear out the idea that the work of the Budget Committee should be made more familiar to the other members (although it is perhaps a reflection of the members being uninterested or unable to attend, since the sessions of the Budget Committee are open to all members). About 57% of those administered the questionnaire think that the work of the Budget Committee is only to some extent presented to the others, while 30% consider that the work of the Budget Committee is on the whole not presented to members of parliament who are not also members of the Budget Committee.

Figure 2 If you are not a member of the Committee, to what extent are you informed about the work of the Committee on Finance and the State Budget? (%)



Most of the respondents (51%) either *very often* (21%) or *often* (30%) sent amendments during parliamentary procedure to the budget proposal. The number of respondents who never or seldom do this is negligible, which shows that most of the members endeavour to give their support to certain projects that are of interest to them (because of the constituency, or region, from which they come). Most of the amendments relate to local needs, schools and roads, and so on. This conclusion is backed up by the fact that almost 64% of the representatives devote most of their attention to capital project outlays, while 13% are interested in all the other items of the budget – operational expenditure, financial outlays, some other items (excise duties, revenue, concessions).

Most of the respondents (about 40%) submit from 1 to 2 amendments for consideration during the budget debate. Greater opposition participation occurs in that part where during the debate more than five amendments are sent (about 13%, while the government party has 9%). The share of members who send from two to five amendments to the budget proposal is also far from negligible. Thus, each year, during the budget debate, more than 400 amendments are submitted; these simply swamp the work of Parliament and hamper the work of the representatives.

What must be the most interesting point is the opinion of the members of Parliament of the importance that Parliament has in today's political life in Croatia, with the opposition members thinking that Parliament on the whole is not (32%) or is not at all (28%) the centre of political power in Croatia. In the opinion of the opposition, this centre is constituted by the Government of the Republic of Croatia, or by some of its ministries. The reason for this manner of opposition thinking must be the frustration arising as a result of the impossibility of exerting any important or major influence on the making of crucial political decisions, which is primarily the result of the balance of forces within the last convening of the Parliament since 2000, as well as of later turmoil and changes within the ruling structure. As many as 19% of the members of the ruling coalition think, like the opposition, that the Parliament is on the whole not the centre of political power. In their view too most of the power is concentrated in the hands of the Government. But still, most of the respondents who are members of the ruling coalition think that Parliament is to some extent (32%) or totally (8.5%) the centre of political power.

2.2. Interviews with members of parliament

Representatives who are members of the parliamentary Budget Committee drew attention to many problems with which they themselves and the other members are faced during the budget proposal debate. We highlight the following:

- 1. Interventions of the Budget Committee are of a technical and not a substantive nature.** The Budget Committee only carries out the work in a technical manner, without being able to provide any measures or proposals, and there is no chance, at committee level, to repair anything bad that may come from the Government. As a result, measures of an economic and political nature are largely adopted without any detailed analyses by the Budget Committee.
- 2. Time constraint.** There is not enough time for the struggle with the mass of material and numerous figures or for quality work on the budget proposal, although the Budget Committee has the instruments (amendments) with which it can influence the legal proposals. The available time for the consideration of the budget is extremely short, the debate in the Budget Committee is thwarted because everything is summed up in one day

and the proposal is submitted without any kind of additional explanations.

3. **Budgetary constraint.** There is no budget for the Budget Committee to finance the engagement of external consultants and associates to charge, depending on the needs of the Budget Committee, with the provision of certain advice, suggestions and even the writing of amendments.

4. **Lack of infrastructure.** A member is left to his own devices and there is no infrastructure for the performance of the duties involved (offices, room, or a secretary, which only the chairman of the Budget Committee has).

A member has no adviser, no PR machinery, and everything is left to the individual, and to a great extent, if there are any opportunities for this, private connections for the provision of certain information are used.

A member has no budget to finance the provision of expert opinion about a given problem area, because no individual can cover everything, while proposals arrive in great numbers from the Government, which does have the budget and the ability to take on outside experts. The Government is thus in a privileged position.

A member cannot create his or her own working environment and bring in his own people to help, because assistants are assigned by the Secretariat of Parliament; a representative may not choose advisers or commission expert opinions. A member has to pay from his own salary of HRK 9,000 to 14,000 a month (somewhere between EUR 1,200-1,800) for such services if he or she wishes to obtain some opinion about a given problem area and to work at a higher level.

5. **Inferior position of the Parliament to that of the Government.** The Budget Committee is in an unequal position vis-à-vis the Government, which has the administrative machinery and the personnel behind it, who, although underpaid, do serve as a quality logistical support in the process of making budget proposals, and more besides.

6. **Lack of discipline in the Budget Committee.** Back of the lack of discipline of the members, it frequently happens that the Committee cannot form a quorum.

7. **The weakness of the Parliament as compared to the Government.** The Parliament should be *of the people*, and open to the public, but is this really the case? Parliament is in an unnecessarily inferior position, although it is not a matter of money. Parliament is downgraded.

8. **(In)adequate allocation of resources for the work of the MPs.** In the budget, relatively far more funds are allocated to political parties than to MPs (180,000 per representative) while independent MPs do not receive money at all. When a party receives this money, it is used to party needs and for the payment of the party administration.

9. **Inability of members to cope with the budgetary material.** Most of the MPs do not understand the budget proposal that the Government presents to the Parliament, that is, they cannot analyse the items of the budget. This is partially because of the changes in the system of budgetary accounting (in 2001 the account plan of the budget was modified) but the representatives themselves are also to be blamed.

10. **Lack of communication with the Government.** Poor Ministry of Finance – Government – Parliament communication means that the Ministry of Finance gives information to the Budget Committee concerning budgetary items for the following year no earlier than to Parliament as a whole.

Interviews were held with Tonči Žuvela, Chairman of the Committee on Finance and the State Budget; with Jadranko Mijalić, former chairman of the Committee, and Dr Đuro Njavro, Vice-Chairman of the Committee on Finance and the State Budget (since January 3 2000, but Chairman of the Committee from December 1995 to January 3 2000). They contributed a great deal to throwing light on the role played by this Committee during the legislative phase of the budgetary process. The interviews were

held at the end of 2002 and the beginning of 2003, for the sake of a better acquaintanceship with the work of the Budget Committee, as well as to provide better information about the problems that are faced by MPs during their work on the budget proposal. As we shall see at the end of this paper, the representatives interviewed gave, apart from information about the problems they encounter in their work, their own recommendations for an improvement of the whole process at committee level.

In practice to date a large number of MPs (of various occupation and educational structures) have found it hard to cope with the many tables and the vast quantity of paper that they have to study before the beginning of the parliamentary session on the budget. In most cases, the members receive the proposals just a few days before the session, which is not enough for a quality analysis. For many of them, this period is not enough for a detailed study of all the numbers or to be able to define their own viewpoints on the budget so that they can put them forward during the debate. For a more detailed and complete debate on the budget proposal in Parliament, the quality and contents of the annual budgetary proposals should be improved so as to make them more familiar to the end users. Apart from that, the effectiveness of Parliament, i.e., of the members, in the control of the execution of the budget is highly restricted, because Parliament does not have, or has not access to, relevant information concerning the budget and in addition has limited capacities to make use of any information it does have. The large number of parliamentary committees (24) and the fact that some of the members of parliament are involved in the work of several committees, as well as the great number of bills, hinder the effective and thorough work of the Croatian Parliament.

2.3. The educational structure of Parliament

The educational structure of Parliament ought to be one of the factors involved in the quality of work of MPs on budgetary matters. As well as the educational structure, the proportion of members with a training in economics ought also to play a certain role. Yet the actual importance of the educational background of MPs is questionable, because members “are on the whole more loyal to their party than to their social milieu or the profession from which they come” (Silk, 1987:12).

During the 90s a fairly wide core of representatives who acquired a certain parliamentary experience was formed, and this undoubtedly contributed to the quality of legislative work. After the 2000 election, there were major changes in the composition of Parliament and many representatives, this time from the ranks of the former opposition, entered the House for the first time. An additional problem with respect to the acquisition of parliamentary experience is a consequence of the fact that as a whole Parliament serves as a recruiting mechanism for the highest functions of executive government, some of the most experienced members thus taking on ministerial and other senior posts in the executive branch and so leaving Parliament (Zakošek, 2002: 104).

Analyses of the educational structure of the Croatian Parliament have shown that members with higher education (on average 82%) were the most highly represented in all the four parliaments elected to date, but there has also been a constant increase in the share of representatives with secondary education (from 3% in the first to 12% in the last session from 2000). In the last Parliament convened, there was the greatest number of people with tertiary education in the ranks of the two largest parties (HDZ, SDP)². Of the total number of representatives, only 19 (14%) were economists, with only one

² HDZ – Croatian Democratic Union, SDP – Social Democratic Party.

representative having a doctorate in economic science. Most of the economically educated people were found in the HDZ, HSLŠ³ and SDP. Thus the members of the Croatian Parliament are on the whole highly educated, but there is only a small percentage with an education in economics (14%), which to some extent affects their work in the matter of the budget.

3. Parliament and the budget

The increasing role of parliaments and the development of parliamentarism in society during history have been accompanied by the development of the budget (functions and postulates) and the budgetary process. The concept of parliamentarism, in its broadest sense, indicates a system of representative government, in which the sovereignty and independence of the nation is expressed in free, universal and multi-party elections. In a more restricted sense, it is a system of parliamentary government, one of the forms of the organisation of power, in which the executive branch (the government) is politically accountable to the representative body (Parliament); this is particularly in evidence in the matter of the budget.

The budget is a political and economic document and a means of communication between legislative and executive government and the public, and represents the basic link joining government and parliament. The budgetary process comprises a system of the main rules (formal and informal) that enable executive government to make the decisions leading to the preparation of the budget, its presentation and acceptance in parliament and, ultimately, the execution of the budget (Von Hagen and Harden, 1996). The budgetary process, among other things, is also a political matter, because: (1) it gives certain people involved more control over the money spent on given projects in a given place; (2) it creates competition between various ministries and programmes and (3) it affects, or is believed to affect, the political and economic effects and results, such as the overall size of the budget, the distribution of costs and benefits and the relative size of outlays for social services and defence (Rubin, 1993: 67).

Modern parliamentary and democratic societies must have the capacities to be effective in both the executive and in the legislative arm of government. Parliament debates, adopts and controls the budget, while the executive arm is responsible for the implementation of the political will thus expressed by parliament. For this reason the budget is the main mechanism linking and setting in motion both these levels of government.

The procedure for adopting the budget is more or less identical in all contemporary parliamentary systems.

The budgetary process consists of the following phases or steps:

1. *Ministry of Finance initiative for preparation and adoption of the budget*
2. *Spending agencies plan revenue and expenditure*
3. *Government (i.e., MF) shapes the proposal of the budget, which it sends to Parliament*
4. *Parliament debates and approves the budget*
5. *Execution of the budget – the spending agencies execute the budget*

The fourth step, in which parliament debates and approves the budget, consists of debates about the proposal

³ HSLŠ – Croatian Social Liberal Party.

of the budget in the working bodies of the parliament and at the sessions of parliament. At these, the overall budgetary policy of the government as proposed in the national budget is discussed. When the government's proposal of the budget is approved, and when it is published in the Official Gazette, the budget becomes a statutory instrument that has to be adhered to by all those involved in its execution and that depend on it (the spending agencies of the budget).

Since the budget is the result of the budgetary process, thus during the individual phases of the budgetary process various institutions play the main role. Thus during the preparation and execution of the budget the key role is played by the Ministry of Finance, which sets the priorities and objectives and adopts decisions pursuant to opinions and proposals of all the spending agencies (budgetary beneficiaries). In most countries a decision about the preparation of the budget is made by the heads of executive government (cabinet, finance minister, prime minister) but there are cases when this is done by other factors (e.g., in the US, the decision about delivering the budget to the House for voting lasts about six months) (See OECD, 1987: 27).

The Government is the key administrative body of central government that makes decisions about the budget and the body that sends the budget proposal [bill, draft] to the parliament for adoption.

In the debate stage, parliament is charged with approving the budget and subsequently with controlling the execution by the spending agencies.

Although today's democratic parliament has a key role in the determination of budgetary policy, over time in many countries a transfer of financial and political power has occurred, a shift from the parliament to other factors, such as executive government and political parties. Thus it is difficult in each individual case to determine to what extent the individual factors of political will have influenced the making of a given decision about the amount and structure of budgetary revenue and expenditure, and parliaments very often simply accept the government's budgetary proposal, without having any major influence over it.

But there is still the fact that parliament in most countries will each year have to approve the budget, that is, to determine the plan of public revenue and expenditure for all the spending agencies. In democratically organised countries, the rule runs that the elected parliament, that is, the members of parliament, "power of the purse". In setting budgetary policy and deciding on it, both formally and in real terms, besides parliament, many other factors take part. Some of them are the government, the voters, political parties, the civil service, non-governmental sector, firms, cities, trade chambers and professional associations, unions, the churches, public opinion (radio, the press, TV), scientific and educational institutions (research institutes, universities) and influential individuals.

The world over, the importance of parliament (the supreme legislative authority of a given country) in the budgetary process varies, depending on:

- a. the extent of the power possessed by individual MPs
- b. the role and power of the parliamentary committees.

The role of the parliamentary committees, in turn, depends on:

- who can propose and vote in amendments, and where

- which committees are involved in the consideration of the budget, and the relations among these committees,
- what their power is in the proposition of amendments,
- the time for the consideration of the budget and the voting of statutory instruments inside the committee,
- the opportunities for undertaking independent research and the hiring of experts if the time for debate on the budget is very short,
- the interaction of parliament and the budget committee with the executive's office for the budget and the offices for the budget within the individual ministries,
- the existence of political will (Krafchik, Wehner, 1999: 9).

Apart from that, the influence of parliament on general, economic and budgetary policy also depends on:

- external factors – the relation with external institutions and participants, particularly with executive government and the domestic electorate,
- internal factors – internal structural features of the legislatures (organisation of committees, councils, personnel employed and parliamentary parties),
- the nature of the political scene (LeLoup, 2000: 4).

4. The Croatian Parliament and the budget

The Republic of Croatia is a relatively young state, which achieved independence in 1991. During this time, political, economic and business reforms have gradually been carried out. In particular, great changes have occurred in a political sense, such as the change in the constitution and the many changes in laws, the transfer of power and so on.

According to the Croatian Constitution, political power is organised on the principle of the three-way division of power, into the legislature (Parliament), executive (Government of the Republic of Croatia) and the judiciary. The semi-presidential system, which had large presidential authorities in budgetary matters too, was replaced in the constitutional changes of 2000 by a parliamentary system, and in 2001, when the County or Upper House of the Parliament, the Croatian Parliament became a one-house system.

4.1. The budgetary process with its phases and timetable

Croatia does not have a unified budget. In Croatia, there are the separate national (central government), extra-budgetary funds and units of local self-government and administration budgets. Together, these constitute the budget of general government, which does not go through the whole administrative procedure and the phases of preparation, adoption and execution as is the case with the national budget. The general government budget, which unites the three levels of budgeting, is nevertheless important as an overall indicator of how government has collected and at the same time spent revenue.

Because of the exceptional importance of the budget in the functioning of the economy as a whole, the budgetary process is carried out according to a fixed plan according to precisely determined rules. The

procedure for the adoption of the national budget is fairly long and complex, and has several phases. The budgetary process in Croatia has three basic phases – preparation, adoption and execution of the national budget. The budgetary process consists of a complex of relationships among the main participants, according to which Parliament debates and then adopts the budget. Apart from this, each of these phrases goes through several steps or sub-phases, the whole process lasting around two and a half years.

The key participants in the budgetary process are the Parliament, the Government of the Republic of Croatia, the Ministry of Finance, spending agencies, taxpayers and the National Auditing Office, each of them with a clearly defined scope of rights and obligations. The Ministry of Finance first of all collects applications for budgetary resources from all the spending agencies. When it does this, the Ministry of Finance makes up a proposal of a budget from all the spending agencies, respecting however certain previous projections and not allowing too great an amount of wilfulness on the part of the agencies, and sends this proposal to the Government for consideration. After the Government has adjusted and harmonised this proposal, it sends it down for parliamentary debate and the adoption procedure. After this the parliamentary committees, particularly the Committee on Finance and the State Budget, analyse and discuss in detail all the relevant and important items of the budget. At the same time, the Parliament, as supreme legislative body, holds its budgetary debate. After the majority party or coalition has arrived at a consensus about the acceptability of the budget, the adoption of it is addressed. Let us look in more detail at each of the phases of the budgetary process, with its own sub-phases.

The preparation of the budget

Everything starts with the fiscal policy proposal for the coming year, in which a key role is played by the Ministry of Finance. Then comes the national budget circular that the Ministry of Finance supplies to spending agencies in September, so as to determine the total amount of budgetary resources for the following year. Negotiations concerning and harmonisation of the demands of the spending agencies with the Ministry of Finance end on October 10. The Ministry of Finance then sends the budget proposal to the Government.

World Bank's Croatia Country Office study (2001) showed that the "Ministry of Finance should have a more important role in the setting of standards, the coordination of matters of a financial nature for all the government institutions, the analysis of sectoral policies and the analysis of the realisation of the budget as well as assistance to central decision-making bodies (such as the Cabinet). Furthermore, spending agencies need greater flexibility in order to be able to adapt to changing circumstances".

Debate and adoption of the national budget in the Croatian Parliament

After the government has considered it, the national budget proposal, with its rationale, is sent to the President of Parliament. The budgetary document that the Government, after consideration, sends to the Parliament has to go through the detailed analysis of the Committee on Finance and the State Budget. After parliamentary debate about the budget come the voting and the adoption of the budget in the Parliament. Parliament must vote in the budget for the following year by December 15. The

approval of the budget and the passing of the Budget Law start the phase of the execution of the budget.

Execution of the budget (implementation, supervision and control)

In phase three, government gathers the planned revenue, puts them into the budget, and spends it on the purposes planned in the budget for that year. After voting and adoption of the budget in Parliament, the Ministry of Finance informs the ministries and other spending agencies of the money that they have been allocated. The fiscal year in which this budget is to be executed (collecting revenue and spending the money), alongside supervision and control of the operations, starts on January 1. In order to establish the state of the budget, in the middle of the year the Ministry of Finance is bound to draw up a report on the half-year execution of the national government and deliver it to the Government, which, after debate, sends it to Parliament.

4.2. The role of Parliament in the budgetary process

Executive government (the Government) prepares and draws up the budget. During the preparation of the budget, the major role is played by the Government or the Ministry of Finance, while the role of Parliament is negligible, although at the beginning of the planning and preparation of the budget there are the greatest opportunities for exerting an influence on the making of the decisions, which are much reduced by the time the budget appears in parliamentary procedure. The reason for this, among other things, is the shortness of the time available for parliamentary debate on the budget, during which it is extremely difficult to change anything, since any modification at all of any of the proposed items will necessarily involve changing and adjusting the remaining items. A situation of this nature, together with the pressure of time under which the budget is most often passed, results in the budget as proposed by the Government being pushed through. It is the viewpoint of the Government that invariably wins the day in the process of drawing up the budget, since it is government objectives that are reflected in the proposal of the budget (Jelčić, 2001:519).

The budget, after the debate concerning it, is approved by Parliament. The budget proposal that the Government sends to parliamentary procedure must not infringe on the political and economic prerogative of Parliament. In December, in parliamentary session, the national budget proposal is debated. In most cases the amount of the money that is allocated to individual spending agencies is inadequate, and the debate tends to be a way of putting forward the explanations and wishes of individual representatives, who are lobbying for their own ministry, county, constituency or interest group.

The President of Parliament gives the draft budget (with the accompanying proposal of the law) to all the working bodies of Parliament and all the members for their consideration. At sessions of Parliament and sessions of the committees, the budget is debated, and the programmes and fiscal policy proposed by the Government are analysed. After consideration, the working bodies shape their proposals into concrete amendments, in accordance with the draft national budget and the final draft for the execution of the national budget. The Committee on Finance and the State Budget, the Legislation Committee

and other interested working bodies of Parliament, after reviewing and debating the budget proposal, submit their report to the President of Parliament.

Since less attention is paid to professional informed opinion than to the party whip, which is crucial for the making of all economic and political decisions, there is much justice in the opinion that the parliamentary debates about economic problems are attended with inadequate professionalism and expertise. If during the year the budget is not balanced, Parliament can theoretically undertake direct measures. Practice, however, shows that Parliament accepts the proposals of the Government without taking any responsibility upon itself.

Parliament and the parliamentary committees at the budget debates analyses the Government's budget proposal. Although Parliament may modify the budget proposal, practice shows that most of the items in the budget as proposed by the Government are voted in by Parliament and obtain the force of law in unchanged form.

Proposals for amendments to the budget are submitted in writing in the form of an amendment plus an explanation to the President of the House. The President sends these amendments to all the key figures in Parliament taking part in the adoption of the national budget. Here the major role belongs to the Committee on Finance and the State Budget and the Legislation Committee, which have to give their opinion concerning all amendments. Until the Parliament actually makes a decision on the national budget and the final bill for the execution of the national budget, the Government may not propose its own amendments. The government's amendments, as a rule, are not voted on separately, but become a component part of the national budget. If it considers adjustment of or addition to the budget essential, the Government can ask the Parliament (Sabor) to postpone making its decision or voting on the finance bill. In the event that Parliament determines to discuss the budget proposal in two readings, the Government can alter its national budget proposal in the second reading.

MPs believe, which came out particularly in some of the interviews, that the government has more jurisdiction over and is more responsible for the financial matters that appear in the budget proposal than Parliament. Their normal work on the budget proposal is greatly hindered by the fact that until the draft budget comes into the parliamentary procedure, there are no negotiations at all between Parliament and Government. We may thus say that Parliament is poorly informed, which, together with the absence of any earlier negotiations of Government and Parliament, is at odds with one of the budgetary principles, that of the provision of information.

From what has been said so far, we may conclude that during the preparation of the budget, Parliament has almost no influence at all, while during the budgetary debate it has a key role. But although Parliament may alter the Government's budget bill, in reality, most of the Government's budgetary items go into force in unchanged shape after the parliamentary debate. All this happens because of the majority of the votes that the ruling coalition has in Parliament, because of the members' habit of obeying the party line, and thus of not making any great difficulties for the Government in its work.

4.3. The role of the Committee on Finance and State Budget

All the accounts of the budget are supplied to the Budget Committee, which then proposes changes to the Government, which it can accept or reject. At the end, the Government sends the budget back again to the Budget Committee, together with the amendments that have been rejected or accepted. The level of importance of the role of this Committee during the budgetary process is shown by the fact that it is only after it has put forward its opinion on the budget bill that Parliament can start the debate. If the Budget Committee gives an unfavourable opinion, Parliament will receive both the budget and the Budget Committee's opinion, and then will have to decide whether to follow the opinion of the Government concerning the continuation of the procedure, or that of the Committee concerning the return of the bill for additional treatment.

The MPs and the deputy clubs still do not have enough expertise at their beck and call as compared with the parliaments of developed – but also of some new – democracies, in which the MPs can as a rule rely on support of ramified Staff Services (Zakošek, 2002:103). The composition of the Finance and Budget Commission in the period from 2000 to 2003 (Official Gazette 15/00) changed several times (we are speaking here only of members with voting rights, although members with no voting rights also changed). These frequent changes must be reflected in the quality and scope of the work, because constant changes inevitably affect the stability of the work of such a committee.

Neither the Budget Committee nor Parliament has enough employees to be actively enough involved in serious analyses or to get involved in important matters of the budgetary process. The Budget Committee currently has only one consultant (until recently there were two) and a secretary. It can be assumed that they are swamped with papers and various bills for statutory instruments from their area of work that they have to analyse and study before every session of the Budget Committee. This comes out particularly at the time when the budget bill comes into the parliamentary procedure. For this reason it is necessary to strengthen the Budget Committee with several experts and analysts to deal with the budgetary process and the analysis of it.

Apart from this, the large number of parliamentary committees (24), the membership of particular representatives in a number of committees and the abundance of bills all tend to militate against effective and thorough work by the working bodies of the Croatian Parliament and the Budget Committee. This claim is supported by the fact that quite frequently during sessions of the Budget Committee, the secretary of this Committee has to go in search of the MPs that are the members of the committee in order to be able to make up a quorum. The same holds true for other committees.

5. Concluding remarks

Parliament is invested with legislative and the Government with executive powers in the Republic of Croatia. The key participants in the budgetary process are Parliament, the Government, the Ministry of Finance, the spending agencies of the national budget, the taxpayers and the National Auditing Office. From the achievement of independence in 1991 and the existence of a democratic Croatian parliament, its role was diminished by the semi-presidential system and the centralisation of most of the functions and decisions in the hands of the President (this was partially also insisted on by the state of war).

Political and constitutional changes in 2000 led to the abandonment of the semi-presidential system, and a larger role is given to the Government in the budgetary process. For this reason the role of the last parliament was similar to the role of previous parliaments, but for essentially different reasons (the dominating role of the president was replaced by the domination of the Government). Thus we can claim that the role of the Croatian Parliament is not all that it could be, and that the Parliament has to develop its own analytical capacities, because there is room and place for further enlargement of the role of Parliament in the budgetary process.

Analysis of the level of education of MPs has shown that they are mostly graduates, only a small percentage of them, however, having knowledge of economics, which to some extent must affect their work on budgetary matters. In addition to this many MPs believe that in principle, there is no way that any kind of parliamentary debate is going to change the decision of the Government. An additional problem is constituted by the fact that too many of laws are passed in the urgent procedure, which means without being properly considered. The views of the parliamentary deputy clubs are also very important, because as a whole the members support the views of the deputy club or the party. On the other hand, MPs represent not only the views of the constituents, but also those of certain lobbies and interest groups. Thus it can happen that decisions about budgetary spending are often made as the result of collusion among executive government politicians, MPs, lobbies and the bureaucracy. A greater role in the determination and implementation of budgetary policy should be given to the taxpayers, because they actually provide the budgetary resources. Some results of the questionnaire administered in Parliament give particular reasons for concern. Most worrying are the facts that almost 40% of members of parliament only to some extent understand the budget proposal, over 60% are discontented with the amount of time allowed for consideration of the bill, and ask for much more or more time, and almost a half of the members polled are poorly or not at all informed about the work of the most important committee in the budgetary process, Committee on Finance and State Budget. The possible shortcomings of the questionnaire are that it was filled in by only 30% of the representatives, and in any subsequent research it will be necessary to insist on a higher percentage of response, as well as a more wide-ranging questionnaire with more detailed questions.

The Government, or the executive branch, that is, the Ministry of Finance, prepares and draws up the budget. In this phase, Parliament has almost no impact whatsoever, while in the voting phase, the entire onus and responsibilities are upon it. Although the legislature may modify the government's bill, in reality, because of the majority that the ruling coalition has in Parliament, and the fact that most members obey the instructions of their party, it does not, on the whole, do so. Parliament is, by and large, poorly informed, and until the bill comes down to Parliament, there are no negotiations at all between Government and Parliament, which is against one of the principles of budgeting, the principle of the provision of information.

Parliament and the parliamentary committees debate the government's budgetary proposal. Between the first and the second reading Parliament has the most chances for having an impact on the bill, but this goes mostly for MPs who are members of the parliamentary majority. If there were more investment in qualifying and giving further training to the Staff Services of Parliament and the development of human resources, this would make possible a more active and serious participation during the

budgetary process, making Parliament at the same time an instrument of accountability, which at the present moment only true the of Government.

This was brought out too in interviews with members of the Budget Committee. The work of this committee does have a certain weight, although it is not extremely significant, because of the composition of the Budget Committee and its respect for the line set by the Government.

This was brought out in the interviews. Also deriving from the interviews are certain basic recommendations for what needs to be done to improve the legislative phase of the budgetary process and improve the conditions of work of the MPs. We would highlight the following:

For an improvement of the legislative phase of the budgetary process, among other things, the following are essential:

1. **Establish a budget for the Committee on Finance and the State Budget**, enlarge the authority of this committee, and extend the process itself, both in Parliament and in Committee;
2. **Improve the work and efficiency of the Committee** by increasing its capacity and collaboration with various non-governmental experts;
3. **Additionally work on the expertise and level of information of MPs and the parliamentary office staff** because understanding budgetary matters requires a particular kind of knowledge and quality information. In order to obtain true and accurate budgetary information, private information and connections are often used;
4. **Improve the communication between Ministry of Finance, Government of the Republic of Croatia, Parliament and Budget Committee.** The committee should be kept informed of the course of the budgetary progress and even before the bill has arrived in Parliament the Ministry of Finance ought to inform the Committee in camera concerning the premises of the next budget and the outline items so that the Committee should be able to work more qualitatively on the budgetary proposal for the next year. Apart from that all the other MPs could also be informed of this, because sessions of the Committee are not held in camera especially where such importance matters as the budget are concerned;
5. **The Secretariat of Parliament should increase the resources for the additional employment of extra consultants in the Committee and Parliament and the further professional training of the Parliament's Staff Service.** As the consultants of the Committee mostly belong to the technical staff with economy-oriented education, they should be additionally trained and new legal experts should be employed in order to facilitate the drafting of legislation;
6. **Additionally educate MPs about the budgetary issues**, to introduce the Internet and Intranet for all MPs in order to facilitate and speed up their work, which primarily relies on information. This would help in reducing the need for travelling, as MPs would be able to perform their work in their own constituencies in a more efficient and cost-effective way. Besides, Members of Parliament should also be educated in the basic IT-concepts. The computerisation of the parliamentary chamber is praiseworthy, but it also created additional problems (due to difficulties in handling the equipment or insufficient skills on the part of MPs).
7. Impose **some kind of financial sanctions for representatives** (salary reductions, for example), members of the Budget Committee who fail to attend the meetings of the Committee or the clubs of parliamentary parties (**deputy clubs, party caucuses**), in order to improve the discipline and efficiency of the Committee's work.

For the Croatian Parliament to be a parliament indeed, which does not keep its distance from the people, it will first of all have to open itself up; Parliament will have to see itself as the body of primary

responsibility, rather than some other political institutions, primarily the Government. The precondition for this is that all the political decisions should be made precisely in the Parliament, in the chamber, and not in the Government or in the coordination of the ruling coalition in which the key role is played by the prime minister.

Finally we can conclude that there is plenty of room for enlarging the existing role of the Croatian Parliament in the legislative phase of the budgetary process, on which in the future work of Parliament both the professional/expert public and general public opinion should insist. Thus we can conclude that the Croatian Parliament has many opportunities for further development and for the strengthening of its role during the legislative phase, as well as in the other phases of the budgetary process.

References

- Bratić, V. (2003). Uloga parlamenta u proračunskom procesu. Magistarski rad. Ekonomski fakultet, Zagreb.
- Ilišin, V. (2001). Hrvatski sabor 2000: strukturne značajke i promjene. *Politička misao* 2: 42-67.
- IMF (1998). Hungary: Economic Policies for Sustainable Growth, *Occasional Paper No. 159*.
- Jelčić, B. (2001). Javne financije, *RRF-plus*, Zagreb.
- Krafchik, W. and Wehner, J. (1999). The Role of Parliament in the Budget Process. Budget Information Service. Institute for Democracy in South Africa. Cape Town.
- LeLoup, T. L. (2000). Parliamentary Budgeting in Hungary and Slovenia. Paper presented at the American Society for Public Administration Annual Meeting in San Diego. California.
- OECD (1987). Control and Management of Government Expenditure. OECD. Paris.
- Olsen, M. D. and Mezey, M. (1991). Legislatures in the Policy Process. Cambridge: Cambridge University Press.
- Ott, K. (ed.) (2000). Proračunski vodič za građane. Institut za javne financije, Zagreb.
- Politički vodič kroz Hrvatsku. (2002). 10th ed., Lexis and Hrvatski sabor. Zagreb.
- Poslovník Hrvatskog sabora [Standing orders of the Croatian Parliament] (revised) (2001). Official Gazette 9/01. Zagreb.
- Rubin, S. I. (1993). The Politics of Public Budgeting – Getting and Spending, Borrowing and Balancing. 2nd ed. Northern Illinois University, Chatham House Publishers, Inc., Chatham, New Jersey.
- Silk, H. (1993). How Parliament Works. Longman: London and New York.
- Von Hagen, J. and Harden, I. (1996). Budget process and Commitment to Fiscal Discipline. IMF Working Paper 96/78. International Monetary Fund, Washington.
- Wildavsky, A. (1992). The New Politics of the Budgetary Process. 2nd ed., University of California, Berkeley.
- World Bank (2001). Croatia: Regaining Fiscal Sustainability and Enhancing Effectiveness – A Public Expenditure and Institutional Review. World Bank Croatia Country Office, Zagreb.
- Zakošek, N. (2002). Politički sustav Hrvatske. Fakultet političkih znanosti, Zagrebu.
- Zakon o proračunu (2003). Official Gazette 96/03. Zagreb. June.

INSTITUTE OF PUBLIC FINANCE – OCCASIONAL PAPER SERIES

- No. 1 *State Intervention for Growth Promotion in Market Economies*
Marina Kesner Škreb, January 1997
- No. 2 *Estimate of Revenues from the Value Added Tax in the Republic of Croatia*
Danijela Kuliš and Žarko Miljenović, October 1997
- No. 3 *The Unofficial Economy in Croatia: Causes, Size and Consequences*
Ivo Bičanić and Katarina Ott, November 1997
- No. 4 *Price Effects of VAT Introduction in Croatia*
Martina Dalić, December 1997
- No. 5 *Tax Administration Reform in Transition: The Case of Croatia*
Katarina Ott, April 1998
- No. 6 *The Present Sate of the Croatian Public Debt*
Zoran Bubaš, December 1998
- No. 7 *Public Investment in Croatia*
Katarina Ott and Anto Bajo, March 1999.
- No. 8 *Welfare Policy and Social Transfers in Croatia*
Predrag Bejaković and Alastair McAuley, July 1999
- No. 9 *Is Unofficial Economy a Source of Corruption?*
Vedran Šošić and Michael Faulend, November 1999
- No. 10 *Banking Sector Problems: Causes, Resolutions and Consequences*
Ljubinko Jankov, March 2000
- No. 11 *Toward a Long – Term Strategy of Economic Development of Croatia: Where to Begin, What to Do, and How to Do It?*
Dubravko Mihaljek, June 2001
- No. 12 *The Underground Economy in Croatia*
Katarina Ott, March 2002
- No. 13 *An Estimate of the Extent of Tax Evasion in Croatia*
Sanja Madžarević Šujster, April 2002
- No. 14 *Opportunism, Institutions and Moral Costs: The Socio – Cultural Dimension of the Underground Economy in Croatia 1995 – 1999*
Aleksandar Štulhofer and Ivan Rimac, April 2002
- No. 15 *Dollarisation and the Underground Economy: Accidental Partners?*
Vedran Šošić and Michael Faulend, April 2002

- No. 16 *Decentralization in the Republic of Croatia – A City Budget in the Period from 1996 to 2000*
Mihaela Pitarević, March 2003
- No. 17 *Inequality in Croatia in the Period from 1973 to 1998*
Danijeli Nestić, April 2003
- No. 18 *State Aid to Enterprises in Croatia in 2001*
Marina Kesner-Škreb, Ivana Pleše and Mia Mikić, October 2003
- No. 19 *The Role of Parliament in the Budgetary Process – The Example of the Croatian Parliament (2000-2003)*
Vjekoslav Bratić, October 2004