

AN INDEPENDENT FISCAL WATCHDOG FOR PARLIAMENT

Relevant for: Indian Polity | Topic: Parliament - structure, functioning, conduct of business, powers & privileges and issues arising out of these

When most people arrive at the ballot box, they vote with their gut. But getting there requires absorbing and shaping months and years of conversations, long-held opinions and ideally, hard facts and evidence.

What is then important for our electorate and the representatives we vote for is that they have an independent, non-partisan source for these hard facts and evidence. This is particularly important for our Parliament, which controls where and how money flows into our government and our country. This body needs to be appointed not based on political allegiance or expediency, but on its expertise in budgetary, fiscal and economic matters.

Regardless of a majority or minority government, this body serves parliamentarians equally and without prejudice. Even in a majority government, besides the few Ministers privy to expertise from the civil service, most parliamentarians do not benefit from timely access to good quality analysis on economic, fiscal or financial matters.

This body exists in many countries around the world, going by many names but most commonly as Parliamentary Budget Offices (PBOs). These bodies help shape the debate and discourse around the state of the nation's finances and the fiscal implications of significant proposals. The work done by PBOs naturally ends up in the public sphere; when they do, they help drive smarter, more focused debate in the media and with our electorate.

What distinguishes India's democracy, besides its diversity of views and opinions wrought by its size, is its ability to evolve and remain dynamic. What is gravely in danger is evidence-based discussion around important policies that affect the trajectory of our Republic, discussions which can quickly blur the line between fact and fiction.

Take an example: the Rafale deal with Dassault Aviation. Part of the controversy resulted from uncertainty regarding the true lifecycle costs of the aircraft bought. In 2011, the Canadian PBO released a cost estimate for Canada's purchase of F-35 jets. This estimate far exceeded the one presented by the Department of National Defence.

Defence costing, typically the purview of the Defence Ministry, was a completely new area of analysis, information and research that parliamentarians could now access to hold the government to account. Besides costing policies and programmes, PBOs provide significant and sometimes the sole source of information on fiscal and economic projections.

The role of such an office does not always mean challenging the government; it is often the case that economic and fiscal projections of a PBO and the Ministry of Finance are similar. This is unsurprising as data sources and economic methodologies for such projections are well established and uniform.

However, without the existence of another data point, generated by an independent, non-partisan office, it is difficult for parliamentarians to ensure that these projections and estimates continue to be reliable enough for them to make decisions on.

When these projections come into question, the Cabinet can tap the civil service for further research and analysis. Most parliamentarians do not have this luxury and may have to rely on poor quality third-party data and analysis, done without relevant expertise. This is a situation that must be avoided.

A question — and a reasonable one — that often arises is the necessity of such an office when we already have an auditor general. However, this misunderstands the role the auditor general performs, which is to provide retrospective audits and analysis of the financial accounts and performance of government operations.

These audits are often focused on the day-to-day goings on of government, and often hone in on the performance of the civil service. A PBO provides prospective, forward-looking economic and fiscal projections, as well as policy costings. This distinguishes it from an auditor general, which provides useful information, but only after the fact.

Internationally, similar offices have been established across the world, with the most prominent being the Congressional Budget Office in the United States which provides impartial advice to both upper and lower houses of the legislature. Offices in the Netherlands, Korea, Australia and the United Kingdom have also been established for varying lengths of time. PBOs are also making an appearance in emerging economies in Sub-Saharan Africa and Southeast Asia.

In some countries, including Australia, the Netherlands, and most recently, Canada, PBOs have been playing the unique role of costing electoral platforms during an election campaign. In this period, PBOs provide independent cost estimates of electoral platform measures to political parties.

A PBO, or a similar independent fiscal institution, will not solve all these problems but is a relatively cost-efficient way to arrive at a solution. As the process toward the Union Budget 2020 has already kicked off, it would be prudent for parliamentarians to examine the case for a PBO more deeply.

The amount of information parliamentarians need to scrutinise in Budget documents has exponentially increased and a PBO would assist parliamentarians in this process of scrutiny.

Legislatures across the world have witnessed an increasingly stronger executive try to wrest away its rightful power of the purse. A PBO would help resuscitate these powers that have fallen into disuse. This is why India's Parliament and government need to work quickly and energetically to establish such an office; it is in everyone's interests to do so.

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