

# **Governance in Budget Approval: Institutional Determinants and the Limited Role of Legislature**

*Niphaphen Smerasuta*<sup>\*</sup>

## ***Abstract***

*This paper is a part of the dissertation topic “An Analysis of Governance in Budget Approval by the Parliament of Thailand.” In this paper, a concept of budget governance is reviewed. The emphasis is placed on the concept of accountability, which the Members of Parliament (MPs) should have when approving the budget under the representative democracy. Based on the literatures, the concept of governance in budget approval is presented. The emphasis is also particularly placed on finding what are the institutional factors obstructing governance in budget approval by the parliament. With respect to the literatures of political agency theory, new institutional economic theory, public choice theory, organizational decision-making theory, and empirical researches on budgetary process, institutional related factors of governance of budget approval proposed in this paper are composing of 1) laws and regulations; 2) the legislature’s procedures; 3) arrangement of Budget Scrutiny Committee; 4) provided information; and 5) supporting staff.*

---

<sup>\*</sup> Ph.D. student, Program in Development Administration (International Program)

School of Public Administration, National Institute of Development Administration (NIDA)

118 Serithai Klongchan Bangkok 10240 THAILAND

Email: niphaphen@gmail.com

*An analysis through the five institutional factors would show the readers the limited role of legislature in reviewing or approving an annual budget. With the institutional constraints, the budget approval process is flawed as it does not relate to the outcome of the government's budget strategies. The budget approval process does not totally disclose to public. Besides, an adherence to the legal framework as well as the responsibility of the MPs in doing approve the budget are questioned. In order to solve these problems, this study suggests that a reform blueprint which emphasizes an improvement in related-institution should be formulated. The recommendations for further development, thus, are proposed. In addition, this study aims to serve as an essential starting point for building a more robust empirical base that will significantly increase the knowledge of governance in budget approval. Theoretical contribution of the study is presented in the final part.*

**Keywords:** Governance, Budget Approval, Parliament, Thailand

## ธรรมาภิบาลในการอนุมัติงบประมาณของรัฐบาล: ตัวกำหนดทางสถาบันและบทบาทที่จำกัดของฝ่ายนิติบัญญัติ

นิภาเพ็ญ เสมรสุต\*

### บทคัดย่อ

บทความนี้เป็นส่วนหนึ่งของวิทยานิพนธ์เรื่อง “การวิเคราะห์ธรรมาภิบาลในการอนุมัติงบประมาณของรัฐบาลไทย” โดยได้ศึกษาแนวความคิดธรรมาภิบาลของงบประมาณ และหลักความรับผิดชอบ (Accountability) ของสมาชิกสภาผู้แทนราษฎรในระบอบประชาธิปไตยแบบตัวแทน เพื่อนำมาสร้างกรอบแนวคิดธรรมาภิบาลในการอนุมัติงบประมาณของรัฐบาล นอกจากนั้นยังได้ทบทวนวรรณกรรมที่เกี่ยวข้อง ได้แก่ ทฤษฎีตัวแทนทางการเมือง ทฤษฎีเศรษฐศาสตร์สถาบัน แนวใหม่ ทฤษฎีทางเลือกสาธารณะ ทฤษฎีการตัดสินใจขององค์กร และการวิจัยที่เกี่ยวข้องกับกระบวนการงบประมาณ เพื่อศึกษาถึงปัจจัยที่จะใช้เป็นการรอบในการวิเคราะห์ธรรมาภิบาลในการอนุมัติงบประมาณของรัฐบาล โดยในบทความนี้ ปัจจัยที่เกี่ยวข้องประกอบด้วย 1) กฎหมายและระเบียบ 2) กระบวนการนิติบัญญัติ 3) รูปแบบของคณะกรรมการพิจารณาการพิจารณาที่จัดตั้งขึ้น 4) ข้อมูลข่าวสาร และ 5) เจ้าหน้าที่ที่ทำงานสนับสนุน

การวิเคราะห์การอนุมัติงบประมาณของรัฐบาลไทยด้วยปัจจัยทางสถาบันทั้ง 5 จะทำให้ผู้อ่านได้เห็นถึงบทบาทของรัฐบาลในการพิจารณาอนุมัติงบประมาณรายจ่ายประจำปีที่มีอยู่อย่างจำกัด และด้วยข้อจำกัดต่าง ๆ ที่นำเสนออาจเป็นสาเหตุที่ทำให้การพิจารณาอนุมัติงบประมาณของรัฐบาลไม่ได้มุ่งไปสู่ผลลัพธ์ของยุทธศาสตร์การจัดสรรงบประมาณของรัฐบาล การพิจารณาอนุมัติงบประมาณจึงไม่มีประสิทธิภาพ ไม่ได้เปิดเผยข้อมูลการพิจารณาอนุมัติงบประมาณทั้งหมดให้กับสาธารณะรับทราบ นอกจากนี้ ในบทความนี้ยังได้ตั้งคำถามเกี่ยวกับการปฏิบัติตามกฎหมายและความรับผิดชอบของสมาชิกสภาผู้แทนราษฎรต่อการอนุมัติงบประมาณ และได้นำเสนอข้อเสนอแนะเพื่อการปรับปรุงปัจจัยต่างๆ ที่เกี่ยวข้องไว้ การศึกษาในครั้งนี้มุ่งหวังที่จะเป็นจุดเริ่มต้นหนึ่งที่ช่วยพัฒนาองค์ความรู้ในด้านดังกล่าวจากประสบการณ์ที่เกิดขึ้นจริง ในส่วนสุดท้ายของบทความได้นำเสนอความเชื่อมโยงของผลการวิเคราะห์ไปยังทฤษฎีต่าง ๆ ที่เกี่ยวข้องที่ได้กล่าวมาข้างต้น

**คำสำคัญ:** ธรรมาภิบาล การอนุมัติงบประมาณ รัฐบาล ประเทศไทย

\* คุชฌีบัณฑิต (การบริหารการพัฒนา) หลักสูตรนานาชาติ คณะรัฐประศาสนศาสตร์ สถาบันบัณฑิตพัฒนบริหารศาสตร์ เลขที่ 118 ถนนเสรีไทย แขวงคลองจั่น เขตบางกะปิ กรุงเทพฯ 10240  
สถานที่ทำงานปัจจุบัน สำนักงบประมาณ ถนนพระรามที่ 6 แขวงสามเสนใน เขตพญาไท กรุงเทพฯ 10400

## Introduction

In recent years, there has been increasing concern about governance issues in development administration. The necessity for governance reform arising in the practitioner's world has occurred with a concern of reducing or diluting the state's role. In order to increase the governance level, mechanisms such as the business sector and civil society should be allowed to lead the development of a country. For many scholars it is agreed that we should also emphasize the role of the parliament in exercising oversight and authorizing the executive. Theoretically, all state activities should be scrutinized by parliament in order to find out if everything is in order (Aldon, 2001). Wehner (2003) supports the significance of the parliament's function in the area of budget allocation by saying that when executive discretion budgeting is not adequately balanced with effective mechanisms of internal restraint and external accountability, the abuse and misuse of budget authority are more likely to occur (Wehner, 2003 quoted in Santiso, 2004). Parliament involvement can help to ascertain that government activities are serving the state as a whole and protecting the constitution, and to ascertain that the use of public money by the government is properly authorized and accounts for the public rather than narrower political or sectional interests. This is so because legislatures have stronger contact with citizens and interest groups, contrary to the executive drafting process, which takes place behind closed doors.

In Thailand, the issue of governance has been emphasized since the economic crisis and the passage of the new Constitution in 1997. The Thai government has issued its Public Sector Management Reform Plan of five main priority areas, including the budget reform in 1999. Since then, a number of reforms to its

budget preparation, implementation, and management procedures have been introduced, and efforts were begun to re-orient the budget process towards a greater focus on performance and results. At the same time efforts were made to reduce input and other central management controls, and to empower spending ministries and agencies to take more responsibility for their own activities. However, public budgeting reform is focused only on the budgetary process within the executive branch rather than the legislative branch. Rarely is there a concern with the role of the parliament in scrutinizing and adopting the budget. The parliament still has a limited role in reviewing or approving an annual budget. The authority of the legislature to change executive proposals has been very limited, and there is no prominent policy or reform blueprint stressing the issue of governance within the legislative branch.

In order to solve these problems, there should be a resurgence of legislative roles and responsibilities in budgeting, and then all related parties should support the legislature's intent in recapturing some of their influence in the budget process by strongly emphasizing the concepts of governance proposed by scholars. Only if the parliament's task in making amendments to the proposed budget at the stage of budget approval is underlined by the governance principle can it help to alleviate the current issues which limit the legislature's role in budget approval and thus assure that an annual budget allocation by the executive branch is best reviewed for the greatest benefit of Thailand. The purpose of this article, thus, is to find out what the governance of budget approval should be as well as what the factors obstructing the success of budget governance at the stage of budget approval by the parliament of Thailand are. These issues are raised for a realistic analysis of implementation. In this study, the dynamic and multifaceted interactions between the executive and legislative branches in the budget approval process during the past five years (fiscal

year 2003-2006 and 2009) are scrutinized. The results from an analysis of the proposed institutional factors are summarized and proposed for recommendations for further development.

## Governance in Budget Approval

A study of governance in budget approval has not been directly carried out by scholars. In the field of public finance, governance of budgeting is gradually becoming emphasized. It is defined as encompassing the interests and incentives of individuals and institutions governing the formulation, approval, execution, and oversight of the budget (Santiso, 2005). The concept of the governance of the budget is applied to capture the dynamic aspect of budgetary cycles, the institutional dimensions of public budgeting, and the political economy of public expenditure management. Its general concept covers the pillars of accountability, transparency, predictability, efficiency, and participation (Schiavo-Campo and Tommasi, 1999; Abedian, n.d. quoted in Fubbs, 1999). In the early 1990s, the first wave of budget reform focused only on improving transparency and efficiency in governmental financial administration within the executive branch, targeting finance ministries, tax authorities, and the central bank. Legislative budget capacity was neglected at the first stage of economic reform and financial administration modernization. In the second-generation, greater attention to budget reforms was directed at strengthening the institutions of public finance management beyond the executive and improving the mechanisms of oversight and accountability in budget management. In this way, representatives' accountability was emphasized as the cornerstone of citizens' influence on decision-making (Strøm, 2000: 261-289).

A review of the literature on accountability by scholars shows that the core components of accountability vary. Much literature explains accountability by identifying the responsibility of those entrusted with power and keeping them in check through oversight and constraints so that they carry out their responsibility and do not abuse their power (De Renzio 2006; Eyben and Ferguson 2004; Schedler 1999; Goetz and Jenkins 2004). For many scholars, accountability is most often regarded as a two-dimensional concept involving answerability and enforceability (De Renzio 2006: 3; Goetz and Jenkins 2004: 9). First, answerability is an actor's obligation to inform and to explain his/her action. Answerability is composed of two components. The first part of answerability refers to its information dimension, which involves the right to receive information and the corresponding obligation to release it, and it also implies the institutional mechanisms to make the actions and decisions of the accountable agents transparent; the second part refers to the explanations and justifications of the actions, not only to "the rule of law," but also "the rule of reason." Second, accountability also implies the idea of responsibility and punishment for improper behavior. It is not enough that accountable actors explain what they do and why; they also have to bear the consequences of their actions, including eventual sanctions. Based on the literature on representatives' accountability, the concept of governance in budget approval in this study can be summarized as follows (see table 1).

Table 1: Conceptualization of Governance in Budget Approval

Concept of Governance in Budget Approval		
Representatives' Accountability	Governance Areas	Indicators
Justification/ Explanation	Rule of law	Adherence of decisions and actions to rules and regulations
		No abuse of power within budget approval process
	Allocative	Uses of strategic objectives for budget approval
	Efficiency	Assessment of effectiveness and outcomes of public programs to strategic objectives
Transparency	Transparency	Program prioritization and reallocation of resources from less to more effective programs
		Disclosure of any decisions and actions on budget approval
		Provision of the reasons behind decisions and actions on budget approval
Responsibility	Responsibility	Subjection to greater scrutiny and more widespread comments
		Responsibility of the MPs in carrying out the task of budget approval
		Liability for immediate and medium-long term consequences of annual approved budget



## Theoretical and Empirical Literature on Governance in Budget Approval

There are only a few studies with clear theoretical frameworks for analyzing specifically the determinants of governance when it is linked to budget approval. In this study, relevant theories and empirical studies are scrutinized.

### Political Agency Theory

According to the political agency theory, parliamentary democracy is a chain of delegation and accountability, from voters to ultimate policy makers (StØrm, 2000). The premises of the delegation under a parliamentary democracy are that every delegation involves a principal and an agent; many delegations entail the possibility of conflicting interests; and many delegations contain the possibility of limited information (Lupia, 2003). The agency problem may be poorly served by politicians since the politicians may have preferences that differ from those of the citizens (Muller et al., 2003). The politicians may use their offices and influences overtly for personal gain or for the benefit of their families, friends, business associates, fellow tribesmen, or other acquaintances (StrØm, 2003: 86-89). If all of the relevant information has not been tabled or discussed but narrow and narrowest committees of parties and party coalitions make decisions behind closed doors, moral hazard will occur (Schmitt, 1969 quoted in StrØm et al., 2003). Well-designed institutions with citizen participation are needed. Participatory institutions should be designed so that they improve people's competence in making reasonable political judgments.

### New Institutional Economics Theory

According to the new institutional economics theory, the question of governance is to examine the role that institutions play in the process (Pierre and

Peters, 2000). The theory holds that institutions matter and are susceptible to analysis (Matthews, 1986). According to Coase (1964), modern institutional economics should study people while acting within the constraints imposed by real institutions. Modern economics is economics as it ought to be (Coase, 1964). North (1981) has emphasized the fundamental rules of the game or the basic ground rules provided by constitutions and the law. His model of the state (1981) highlights the rules of the game for competition and cooperation provided by the state as a mechanism to reduce transaction costs and to maximize output as a consequence (North, 1981). For Williamson (1994), the mechanisms of governance are proposed in a three-level schema. Governance does not operate in isolation; rather, it is bracketed by more macro feature of the institutional environment and more micro features of the individual. The comparative efficacy of alternative modes of governance varies with institutional environment on the one hand and the attributes of the economic actor on the other. If there is a shift in the board parameters of the institutional environment, this induces changes in governance as a consequence (Williamson, 2003).

### Public Choice Theory

Public choice theory can explain the behavior of politicians and public servants that would affect decisions on public expenditures, including budget approval. The economic theory of democracy demonstrates that “parties formulate policies in order to win elections, rather than win elections in order to formulate policies” (Down, 1957). Information is one important determinant of what the policies are and of the projects voters intend to engage in. Regarding the positive theory of congressional dominance, each MP seeks to win reelection by supplying legislation to his or her constituents and the interest groups that supply him/her with campaign funds. The organizational structure of congressional committees, thus, has been

designed to help the parliament delegate authority and responsibilities in carrying out budget approval much more clearly, and to discipline agencies by drawing up their budget (Weingast and Marshall, 1988). For the bureaucrats maximizing budget approach, it is proposed that budgetary decisions can be seen as the transactions by which bureaucrats sell their services to politicians. Under the lack of a condition of competition, the bureaucrat will maximize the budget rather than the producer's surplus (Niskanen, 1971). Setting up a budget approval process that is open to participation from either the parliamentarians or citizens should be one way of creating a mechanism for checking and balancing the bureaucrats' power.

### **Organizational Decision-Making Theory**

According to the organizational decision-making theory, there is an ambiguous procedure for measuring and combining the preferences of two or more individuals to provide a ranking for total social preference even if cost-benefit analysis is applied (March and Simon, 1993). An incremental model of decision-making, thus, is the basic model of politics emphasizing conflict resolution through negotiation. Charles E. Lindblom (1959) has supported the idea that in complex situations there are limitations of time and information to investigate all the full range of alternatives and their consequences. The literature on the rational and incremental approach, thus, ascertains the significance of the information factor as one limitation to rational decision-making within the budget approval process. In this connection, the information provided to political actors should be complete. The provided information should have predictive capacity regarding the result of an approval in terms of budget, and economic, social, and political impacts. This is to encourage the political actors to use rational decision-making for the best application of fiscal policy rather than an incremental budget negotiation.

### **Empirical Studies**

Research by Stein et al. (1998) and Alesina et al. (1999) has underscored the notion that budget institutions contribute to explaining cross-country variance in the fiscal experiences in Latin America and they have identified three main institutional arrangements that are more conducive to fiscal discipline, composed of: 1) laws which establish ex ante constraints on deficits; 2) top-bottom or hierarchical procedural rules; and 3) transparent procedures (Alesina et al., 1999). Carlos Santiso (2005) has studied the budgetary process and revealed that legislative oversight could help foster political accountability by enforcing the government to adhere to the different phases of the budget cycle. His evaluation of the role of parliament in budgeting revealed the broader context of parliaments that are institutionally weak and largely unconsolidated. In order to solve this problem, Santiso (2005) has emphasized several sets of critical factors, including the extent of parliament's formal budgetary powers and the adequacy of their institutional capacities in terms of internal resources, structures, and procedures.

### **An Analysis of Governance in Budget Approval by the Parliament of Thailand**

Based on the theoretical framework, budget approval by the parliament of Thailand in fiscal year 2009 (B.E.2552) is analyzed through five institutional-related factors, composed of: 1) legal framework, 2) budget approval process, 3) Budget Scrutiny Committee structures, 4) budget documents, and 5) supporting staff.

### **Legal Framework**

Thailand's constitution and the Budget Procedure Act represent the key documents for budget approval in fiscal year 2009. The Constitution of the Kingdom of Thailand B.E. 2550 (2007: 1-127) sets out major and broad terms of budget approval by the parliament in the following sections.

- Section 166: Budget law shall be made in the form of an Act.  
The preceding fiscal year shall apply if it is not enacted in time.
- Section 167: Supporting documents are specified by law.  
Reasons and necessity for the determination of the central budget must be provided.
- Section 168: Time duration set for the consideration of the Houses of Representatives and the Senate.  
Restriction on a motion adding or reducing some items or amounts to the Bill.  
Submission for the scrutinizing of violation by the Houses and the Constitutional Court.

The Budget Procedure Act of B.E. 2502 (1959: 454-471) and its amendments represent the key document for the budget approval process in the following sections.

- Section 8: The Components of the Annual Appropriations Bill submitted to the parliament.
- Section 15: The Bureau of the Budget (BOB) Director must submit the Annual Appropriations Bill to the cabinet at least two months prior to the beginning of the budget year.
- Section 16: If the Annual Appropriations Act is not promulgated in time for the new budget year, the expenditure budget for the previous budget year will continue to apply under the direction of the BOB director and with approval of the Prime Minister.
- Section 17: If the event in which debts are in excess of prescribed amount in the Appropriations Bill, the cabinet may submit a supplementary bill to the parliament.

Base on the above legal framework, the constitution imposes time limits on how long the House of Representatives and the Senate has to consider the budget. That is, the House of Representatives must finish consideration of an Annual Appropriations Bill within 105 days, whereas the Senate must approve or disapprove it within 20 days from the date the Bill is passed to them. Additionally, the constitution also imposes limitations on the power of the legislature to amend the budget by stipulating that any proposal, submission of a motion, or commission of an act which results in direct or indirect involvement by the MPs, senators or members of a committee in the use of the appropriations shall not be permitted. The Senate cannot make any changes to the budget. The Senate can only approve or disapprove the budget as a whole in order to prove the propriety of the budget approved by the House of Representatives. For the House of Representatives, the MPs shall not submit any more items or amount to the Bill. Its members may consider only reductions in expenditures which are not related to money for payment of the loan principal, interest on a loan, or money payable in accordance with the law. As to restrictions, the Senators are not allowed to propose either any additional expenditure or their own Budget Appropriations Bill. Any proposal to increase expenditure would be ruled out of order immediately.

According to the constitutional provision, the time allowed for the parliamentary budget process meets with international standards, as the OECD suggested that the budget should be tabled at least three months in advance of the fiscal year to enable meaningful legislative scrutiny (OECD, 2002: 7-14), and the Public Financial Management Performance Measurement Framework earned the highest level score for countries that took more than two months for scrutinizing the government's budget proposal before the beginning of the next fiscal year (World Bank, 2005).

However, according to the constitution, the starting date is counted from the date the budget proposal is submitted to the parliament, not the date the parliamentarians begin scrutinizing the proposed budget. The actual time left for detailed scrutiny might be shorter than is specified in the constitution if the parliament does not begin scrutinizing the proposed estimates on the submitted date. Further, although the time allocated for the parliament meets with international standards, it takes far less time than in some developed countries, such as in Germany, which allows 4 months for budget deliberations, or in the U.S. where the congressional budget process lasts almost a year in order to allow Congress to make and shape the budget; the U.K. has a three month parliamentary budget process (Krafchik and Wehner, 2004). The time available for budget consideration, thus, is relatively insufficient to make sense out of such a complex set of government information. Thus, it would be very difficult to make an in-depth scrutinization of how best to reallocate the estimates to meet the strategic objectives, or to consider the consequences of budget allocation as required by the meaning of allocative efficiency and responsibility.

As for the legislative powers of the parliament, the constitution disallows the parliament to become involved in the stage of budget preparation, even in developing the agency budget instructions or drafting the budget legislation independently. Although the constitution allows for an amendment which reduces existing items, in practice the rule of majority vote obstructs the amendment's ability. At the stage of committee consideration, only a little of the reduction proposed by the members of opposition parties is agreed on by the majority. Only if strong evidence of corruption or non-transparency is presented can the opposition parties take on the role of overseeing the budget approval process. An individual member of an opposition party could only reserve an amendment to the motion in order to amplify suspected

issues in the parliament chamber. The constitutional provision, therefore, has more symbolic value than anything else.

A study in this sub-section also found that the constitution guarantees the executive's pre-eminence through the process of budget approval rather than empowerment on of legislative side in approving an annual budget since only the executive branch can propose an increase of any new item or an increase of the existing budget, while the legislative side cannot do so legally by law. The Constitutional Court made a decision (2008: 1-15) that the cabinet resolution on the proposal of the Annual Appropriations Act is a decision made by the minister positions, not by the MPs. In real practice, thus, increase of the budget proposed by the executive is acceptable. However, the MPs' constitutional power is limited by the restriction of no increase in any existing or new item, even in direct or indirect method. Because of the restriction of no increase in any existing or new item, even in direct or indirect method, the MPs would not be able to respond sufficiently to help their citizens solve their problems. Their efforts to create efficient budget allocation and responsibility for actions and consequences of the actions on budget approval, consequently, would also be impeded by this limited power. Additionally, since the constitutional power is limited, it is possible that the parliamentarians may try to cope with the citizens' problems by using an under-the-table method. Budget approval, thus, would not be transparent and the rule of law would be distorted.

The result of this present study on the Rules of Procedure of the parliament reveals an increasing concern about governance, especially the transparency issue, within the legal framework. According to the rules, the parliament's meetings, including those of consideration and vote for or against budget approval, have to be disclosed and broadcast live to the public, except in the case where the amount of



demands for executive sessions meet with the regulations. The parliament's minutes of the sitting have to be open to the members for checking and approval. In the committee's meetings, these rules are applied. However, at this stage, there is no specification concerning broadcasting to the public; the only allowance is for broadcasting to related people outside the meeting room and to the press center. Disclosure of the committee's minutes of the sitting (full transcript version) is only allowed for the committee members. The minutes of the sittings are not available to the general public as it is a norm of practice to privilege the committee members' speeches during budget deliberation. As to a study of the legal framework, no law or regulation is imposed on efficient budget allocation decisions. A further legal framework does not impose legislative responsibility or penalty either on the parliamentarians' actions or consequences.

### **Budget Approval Process in the Parliament**

The budget approval process in the parliament can be summarized by the following steps and the diagram presented below. Based on the diagram, the parliamentary budget process begins after the Bureau of the Budget submits the proposed budget to the cabinet for approval (step 1). The process of budget approval begins when the Prime Minister presents it to the House of Representatives for deliberation, and then transmits it to the Senate for further deliberation (step 2). After deliberation by the Senate, the Annual Appropriations Bill will be submitted to the Prime Minister (step 5). Then, the Prime Minister will present the Bill to His Majesty the King for his signature (step 6). The final stage is the promulgation of the Annual Appropriations Act (step 7).

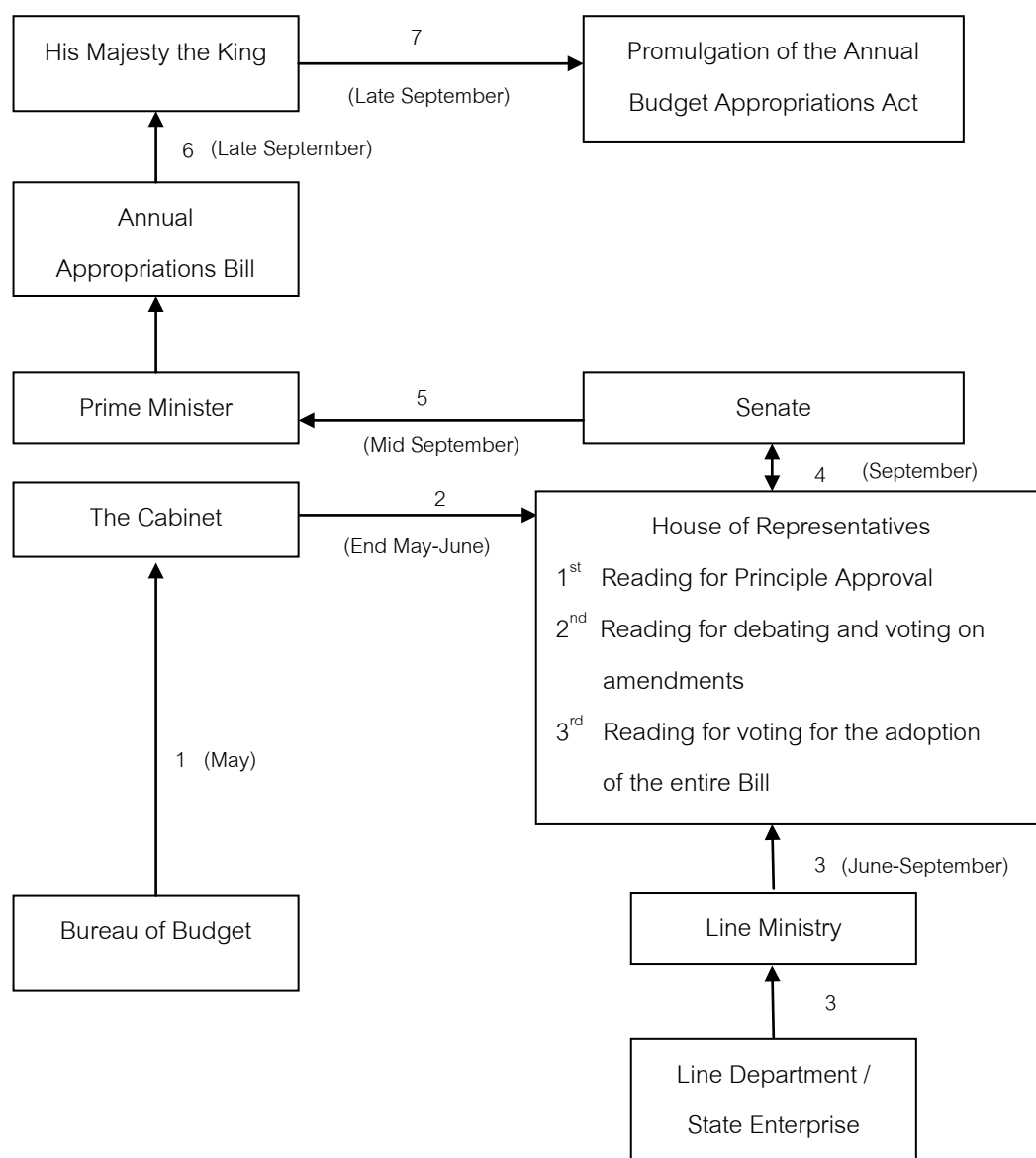


Figure 1: Diagram of Budget Approval Process

Regarding the overall process, the two major parts of the budget approval process in the parliament are demonstrated as follows.

### **1) Budget Readings in the House of Representatives**

The budget approval process in the House is broken down into three reading steps.

*First reading:* The objective of the first reading is for the House to vote on the principles of the Annual Appropriations Bill. This step is a macro debate where different political philosophies are aired rather than any specifics of the budget. Normally, the Prime Minister, as head of the government, presents the budget to the House. The budget is usually composed of documents on government budget policy, economic overview and government finances, estimated revenues, and estimated budget expenditures. After the Prime Minister's budget speech, the Opposition Parties counter with their different economic and social outlooks. Finally, the House will vote on the principles of the Bill. This is considered a vote-of-confidence in the government. If the vote is won, at this stage the Budget Scrutiny Committee will be set up to consider the Bill in detail and the period of submission of an amendment to such a Bill will be prescribed, usually set within 30 days from the day following the date the House accepts the principle of the Bill. If not, the Prime Minister may either resign or let the second majority party form a new government, or may dissolve the House and call for a new election.

*Second reading:* This stage begins when the Budget Scrutiny Committee is set up to consider the Bill in detail. The objective of the second reading is for the House to debate and to vote on the committee's amendments. The MPs who have reserved their proposals at the earlier stage are allowed to debate on the proposed Budget Bill article by article. For the budget, this is a technical session where all of the

amendments previously agreed on informally by the government and the opposition parties are made official. An individual vote is taken on all the separate amendments.

*Third reading:* The objective of the third reading is to vote for the adoption of the Annual Appropriations Bill. The House will vote either to accept or reject the Bill in its entirety. It is a pro-forma event where an up-or-down vote is taken on the budget as a whole, incorporating the amendments made during the second reading.

## 2) Budget Deliberation in the Senate

The budget approval process in the Senate is condensed only to one step of approval or disapproval of the proposed budget. When the Senate receives the Bill from the House, the Senate has to finish its task within 20 days. If the Senate cannot finish its work within 20 days as specified in the Constitution, the Bill is considered as being passed by the Senate. If the Senate agrees with the House on the Bill, the Prime Minister will submit the Bill to His Majesty the King for his signature and promulgation of the budget act. In case of disagreement, the Bill will be sent back to the House for reconsideration. The House will immediately revise the Bill or confirm the original one with a majority vote. After this vote in the House, the Bill will be automatically treated as having also been approved by the Senate. The Prime Minister, then, will finally submit the Bill to His Majesty the King within 20 days from the date of the receipt of such Bill. Since the time available for budget deliberation in the Senate is very condensed, in real practice an ad hoc committee is set up and works in advance before the Bill is submitted to the Senate. In this connection, the actual process of budget deliberation in the Senate is set in parallel to that of the House of Representatives. This is technically to extend the period of time for budget deliberation in the Senate, which is provided by constitutional provision.

Based on the diagram, the deliberation of Budget Scrutiny Committee (*the second reading*) is the heart of the budget approval process. The budget deliberation process by the Budget Scrutiny Committee can be broken down into several steps, as follows.

1) *Setting up the committee's working procedure:* The process of budget deliberation of the committee begins after the ad hoc committee is set up and all of the main positions, such as chairman, vice-chairmen, secretaries, and spokespersons, are appointed. In the first stage, the committee will consider the action plan, time schedule, sequence of the deliberation, discussion method, and required information; all are proposed by the Bureau of the Budget.

2) *Budget deliberation on the estimate:* When all of the procedures are determined and the required documents are sent in advance, then the committee will resume the deliberation process. The Bureau of the Budget on behalf of the committee's secretariat will first summarize the amount of agency budget approved by the cabinet, and next propose a reduction in budget proposal according to the criteria. In most cases the proposed reductions are agreed on. The committee later precedes its scrutinization in detail of either programs, projects, outputs or activities. In this sense, the sequences of detailed consideration, whether to analyze separately program by program or as a whole, are varied depending on the agreement of the committee or the conduct of the Chairman. In this step, the ministries and line agencies have to clarify their estimates. The budget proposal will be approved when their answers satisfy the benefit of the national budget. If not, the committee may propose a reduction in the budget, or may suspend its budget until the next clarification in the future. In this regard, the committee's resolutions regarding any proposed issue are in principle made by a majority vote. However, in real practice

there is rarely a case where the majority vote for or against the proposed budget is applied by the Budget Scrutiny Committee. In most cases, the tradition of mutual agreement within the committee is rather satisfied in order to retain the good will of each member in the committee. According to this norm of practice, all of the committee's members, either of the Government or Opposition Parties, seem to have a chance to propose a reduction in budget proposal equally. However, the government - bloc members try to protect the Government's budget by influencing the negotiation process. Only a few of the Opposition Parties' proposed reductions are agreed on by the majority at the committee level. The committee members that are not satisfied with the majority committee's rulings may choose to reserve their proposals for further debate at the last stage.

3) *Setting up of the sub-committees:* In order to complete the budget scrutinization within the time limit, the committee could appoint several sub-committees to consider various aspects of the government budget. Normally, sub-committees are established to address the different sectors of the budget and that is where most of the concrete meetings take place. The number of sub-committees changes from year to year and they do not necessarily coincide with the sub-committees established in the Bureau of the Budget during the budget formulation phase. Here, each of them formulates its own criteria for making consideration. Due to this supplementary stage, the relevant ministries and their line agencies may have to explain their proposed budgets during the sub-committees' meeting more than once. Last, each sub-committee has to report its opinion to the Budget Scrutiny Committee; then the committee will make final decisions to approve or disapprove those proposed reports.

4) *Budget deliberation on the increase:* In between the stage of budget scrutinization at the committee level, there is another parallel process for all ministries and their line agencies to appeal for an increase in the budget. In this process, the ministries can either persist with the necessity of their initial estimate, which was rejected by the committee, or propose a new increase for the cabinet's approval. After preliminary scrutiny by the Bureau of the Budget according to setting criteria, some of the new increases are proposed and approved by the cabinet. Consideration of the increases by the Budget Scrutiny Committee begins after the new proposal reaches the committee. In the past, this stage of budget scrutinization was widely criticized since the committee's members can propose popular projects for their own benefit. From 1997 (B.E. 2540), the Constitutions have restricted any proposal, submission of a motion, or commission of an act which results in direct or indirect involvement by the MPs (Constitution of B.E. 2540, 1997). In this present process, the committee can consider only the items proposed by the cabinet. Here, however, the negotiation process is normally crucial and not open to the public. At this stage, the relevant ministries and their line agencies do not have to attend the debate on their budget. The meetings are sometimes made confidential in order to attain mutual agreement. Increases in the fiscal year's budget are usually agreed on by the government and the opposition outside of the normal parliamentary budget process. At the final stage, lists of proposed augmentation are presented to the committee item by item for formal authorizing.

Table 2: Summary of Actual Budget Approval Process in the Past Five Fiscal Years

	FY 2003 (B.E. 2546)	FY 2004 (B.E. 2547)	FY 2005 (B.E. 2548)	FY 2006 (B.E. 2549)	FY 2009 (B.E. 2552)
<b>The House of Representatives</b>					
(1) Submit date	May 28,2545	May 26,2546	June 1,2547	June 21,2548	June 16,2551
(2) First reading	June 26-27	June 25-26	June 23-24	June 29-July	June 27-28
(3) The Committee's consideration	N/A-Aug, 23	July 1-Aug 28	June 30-Aug23	July 1 –Aug25	July 1-Aug 25
(4) Second and third reading	Sep 4-6	Sep 3-6	Sep 1-3	Aug 31-Sep2	Sep 3-6
(5) Total = (1)+(2)+(3)+(4)	102 days	104 days	95 days	74 days	83 days
<b>The Senates</b>					
(5) Submit date	Sep 9, 2545	Sep 8, 2546	Sep 6, 2547	Sep 5, 2548	Sep 8, 2551
(6) The Senate's consideration	Sep 26-27	Sep 18,19,23	Sep 20-21	Sep 19-20	Sep 16-19
(7) Total = (5)+(6)	19 days	16 days	16 days	16 days	12 days
<b>Total Approval Process</b>	<b>123 days</b>	<b>121days</b>	<b>113 days</b>	<b>92 days</b>	<b>96 days</b>
Promulgation of an Annual Appropriations Act	Oct 7, 2545	Oct 9, 2546	Oct 18, 2547	Oct 11, 2548	Oct 14, 2551

According to the overall process of budget approval by the parliament of Thailand, it is seen that the legislature's procedures for budget review are firmly established. Although the Budget Procedure Act of 1959 (B.E. 2502) allows for temporary application of the previous year's Act if the Annual Appropriations Bill is not passed on time, in real practice all of the legislature's procedures are complete within their setting plan. Almost all of the budget approval processes, especially those of the National Assemble processes, are clear and respectful (see Table 2). According to a study of the actual budget approval process, the overall budget approval process in the parliament is transparent to the public. However, budget consideration by the committee, especially consideration of the increases in the fiscal year's budget by the committee, is questioned for its openness. As can be seen from the study, the



negotiation procedure at this stage is not totally open to the public since it is part of the incumbent party's internal power struggle, in which the vested interests of influential party members prevail over rational decision-making processes. The transparency of committee meetings according to the study is not totally achieved when the committee members act out of a tradition of mutual agreement instead of majority vote.

### **Budget Scrutiny Committee Structures and Decisions**

The Budget Scrutiny Committee is an ad hoc committee which is formally selected each year to examine the government's budget proposal. As to the budget approval process mentioned earlier, during the first reading phase the political parties in the House will appoint their key members in a committee to consider the executive budget. The number of Budget Scrutiny Committee members is not specified. From fiscal year 1987 to 2009 (B.E.2530-2552), the numbers varied from 52 to 64 members. In fiscal years 2002-2005 (B.E. 2545-2548) and 2009 (B.E. 2552), the Budget Scrutiny Committee was composed of 63 members. Based on this proposed number of committee members, the Assembly Regulations imposed the idea that the committee was to be a joint legislative-executive committee with the government nominating about one-fourth of the total member and the legislative taking on the three-fourths that remained. In this connection, the government bloc always has extra members. In fiscal year 2009 (B.E. 2552), for example, the executive committee reserved the right to appoint 15 persons of a total of 63 persons to represent it in the committee, while the remaining 48 persons were nominated by the House. The detailed composition of the setting Budget Scrutiny Committee of fiscal year 2009 and a summary of its former five fiscal years are demonstrated as follows.

Table 3: Source of the Budget Scrutiny Committee in Fiscal Year 2009

Unit: Persons

Total of the Committee	63	
Members proposed by the Government	15	
Members proposed by the House of Representatives	48	
Parties	Amount of members	Proportion
	480	48
1) People Power Party	233	23
2) Democratic Party	164	17
3) Chart Thai Party	34	3
4) Puea Pandin Party	24	2
5) Neutral Democratic Party	11	1
6) The United National Development Party	9	1
7) Royal People Party (Pracharaj Party)	5	1

Table 4: Composition of the Budget Scrutiny Committees in the Past Five Years

Unit: Persons

Fiscal Year	Total Number of Members of the Budget Scrutiny Committees	The Executive Committee	The Legislative Committee		
			Government's Parties	Opposition's Parties	Total
2003	63	15	36	12	48
2004	63	15	35	13	48
2005	63	15	35	13	48
2006	64	15	36	13	49
2009	63	15	31	17	48

Regarding the previous tables (Table 3 and 4), the political parties have the authority to nominate their representatives to stand within the committee. Based on the determined portion, approximately 60 to 70 percent of the party representatives are selected from those that have continually worked within the Budget Scrutiny Committee to get as much advantage from their knowledge and experience accumulation as possible, whereas 30 to 40 percent of them were newcomers selected to learn about the task of budget approval. However, these newcomers always stick with the details of bottom-line items and would not be proficient enough to make efficient decisions on budget allocation. Some of them wasted time learning through detailed questions. Regarding the executive committee, it normally is comprised of high-ranking officials of ministerial status. The Budget Director and two of the deputies are usually also included in this group. Table 4 summarizing the committee's composition shows that the proportion of the government-bloc committee—which includes members proposed

either by the government or the government's parties—is much greater than that of the opposition-bloc committee; on the other hand, the former constitutes more than 80 percent, while the latter constitutes less than 20 percent of the total number of committee members (for fiscal year 2003). Within the period of study, no academician or expert outside was invited to join the committee, and there was no people's participation within the budget approval process. Based on this constitution, by tradition the Minister of Finance serves as chairman of the Budget Scrutiny Committee. It was seen that the government has very much power in its total number of government committee members and its possession of the position of chairman by the Minister of Finance.

As was found from real observation of the committee meeting, within eight weeks of considering the proposed budget, its members met every working day, and some on the weekend. The committee meets in plenary in the beginning of the process, when it considers its overall work program for examining the government's budget proposal, and at the end when it drafts its final recommendations to the House. Non-participant observation of the Budget Scrutiny Committee meeting during the scrutinization of the 2009 estimates found that committee members considered or made adjustments on the estimates by using their personal judgment. At this stage there is no setting criterion of adjustment except that of the committee's secretariat, which is composed of costing norms, the work plan of construction, actual auction and performance, etc.

Regarding the sub-committees, they are allowed by the Rules of Procedures of the House of Representatives to be composed of not more than 10 members. As to the Rules, one-fifth of its members must be members of the Budget Scrutiny Committee. This Rule is open for the sub-committees to appoint some other

people to be sub-committee advisors. In real practice, only a few outside experts are invited to be advisors. Each sub-committee formulates its own adjustment criteria. The setting criteria in general are composed of costing norms, regulations for the multi-year commitment budget, consideration of work delay, work duplication, etc. However, an across-the-board cut of the proposed budget is even used by the sub-committees.

As for the present author's study of the sub-committees' decisions for a decreased budget, it was found that in fiscal year 2009 most of the actual decreases were proposed at this stage. According to Table 5, the sub-committees proposed budget decreases of 70 percent of total decreases of the 2009 Budget Appropriations Bill (see Table 5). Setting up the sub-committees, thus, can help reduce the Committee's task burden in scrutinizing the proposed budget. However, due to this supplementary stage, the relevant ministries and their line agencies may have to explain their proposed budgets during the sub-committees' meeting more than once. Setting up the sub-committees is criticized by the government agencies in their work capacity. Without enough carefulness, an across-the-board cut is used by the committee. By this technique, some ministries or agencies may not obtain enough budgets to pursue their basic missions required by law.

As for the study of increases in the estimates, the important role of the Budget Scrutiny Committee in decision-making was found. In this process, the ministries can either persist with the necessity of their initial estimate, which was rejected by the committee, or propose a new increase for the cabinet's approval. Here, however, the negotiation process is normally crucial and not open to the public. Regarding the criteria for the increases, they are also not explicitly set up. At this stage, the relevant ministries and their line agencies do not have to attend the debate on their budget. The meetings are sometimes made confidential in order to attain

mutual agreement. Increases in the fiscal year's budget are usually agreed on by the government and the opposition outside of the normal parliamentary budget process. At the final stage, lists of proposed augmentation are presented to the committee item by item for formal authorization. The overall increases in the fiscal year budget of 2009 are demonstrated in Table 6.

Table 5: Decreases in Budget Estimates of Fiscal Year 2009

	Unit: Baht
Estimates	1,835,000,000,000
The 1 <sup>st</sup> Decrease by the Committee	13,721,661,400
The 2 <sup>nd</sup> Reduction by the Sub-Committees	31,287,924,300
- Local Authorities and Provinces	19,130,487,900
- Water Resources	1,334,983,500
- ICT	286,739,800
- Land and Construction	4,737,888,200
- Training, Seminars, PR, Consultation, R&D, etc.	5,797,824,900
- Government Universities	-
Total Decreases	45,009,585,700

Table 6: Increases Over Budget Estimates of Fiscal Year 2009

Unit: Baht

Ministries	Estimates	Reductions	Increases	Appropriation
<b>Total</b>	<b>1,835,000,000,000</b>	<b>45,009,585,700</b>	<b>45,009,585,700</b>	<b>1,835,000,000,000</b>
Central Fund	249,565,725,500	11,740,725,500	3,115,636,900	240,940,636,900
Office of the Prime Minister	25,758,793,000	272,264,700	90,755,000	25,577,283,300
Ministry of Defense	169,092,000,000	87,603,200	1,152,997,000	170,157,393,800
Ministry of Finance	202,523,188,300	321,766,000	178,876,800	202,380,299,100
Ministry of Foreign Affairs	8,212,145,300	437,872,200	51,063,000	7,825,336,100
Ministry of Tourism and Sports	4,082,204,600	119,492,900	476,534,500	4,439,246,200
Ministry of Social Development and Human Security	9,576,465,100	58,615,100	180,777,800	9,698,627,800
Ministry of Agriculture and Cooperatives	69,670,262,700	1,449,831,400	602,530,000	68,822,961,300
Ministry of Transport	66,371,238,800	3,577,352,200	7,900,000,000	70,693,886,600
Ministry of Natural Resources and Environment	21,332,266,500	1,744,009,400	1,015,000,000	20,603,257,100
Ministry of ICT	3,962,808,000	230,372,000	-	3,732,436,000
Ministry of Energy	2,522,994,600	207,502,100	-	2,315,492,500
Ministry of Commerce	6,504,116,900	112,064,100	24,511,400	6,416,564,200
Ministry of Interior	195,574,695,400	16,433,779,000	16,128,405,900	195,269,322,300
Ministry of Justice	16,550,129,000	97,913,000	55,000,000	16,507,216,000
Ministry of Labour	27,545,687,200	107,605,600	65,800,000	27,503,881,600
Ministry of Culture	4,932,989,400	137,831,600	119,500,000	4,914,657,800
Ministry of Science and Technology	8,352,797,200	325,999,300	-	8,026,797,900
Ministry of Education	330,069,183,600	327,763,700	2,557,196,100	332,298,616,000
Ministry of Public Health	71,041,896,000	404,417,300	262,604,400	70,900,083,100
Ministry of Industry	5,843,679,900	162,334,100	20,000,000	5,701,345,800
Independent Public Agencies	77,468,630,400	113,401,300	313,576,300	77,668,805,400
Parliamentary Agencies	3,843,536,100	10,500,000	4,170,454,600	8,003,490,700

Table 6: Increases Over Budget Estimates of Fiscal Year 2009 (Continued)

				Unit: Baht
Ministries	Estimates	Reductions	Increases	Appropriation
Judicial Agencies	12,667,514,000	32,043,500	87,428,200	12,722,898,700
Agencies Under the Constitution	10,339,856,200	170,673,200	400,000,000	10,569,183,000
Provinces	18,000,000,000	3,220,540,000	3,500,000,000	18,279,460,000
State Enterprises	54,937,431,900	1,740,803,300	2,540,937,800	55,737,566,400
The Thai Red Cross Society	3,097,014,700	4,510,000	-	3,092,504,700
Revolving Funds	128,020,572,200	1,360,000,000	-	126,660,572,200
Replenishment of Treasury Account Balance	27,540,177,500	-	-	27,540,177,500

#### Budget Documents and Annexes

The Constitution of 2007 (B.E. 2550) specifies in section 167 that an Annual Appropriations Bill to be introduced shall be accompanied by clear supporting documents, including income estimates as well as objectives, activities, action plans, and projects in each expenditure item. The Bill shall also indicate the fiscal and financial status of the country in connection with the overall outlook of the economy emanating from expenditure and procurement of revenues, benefits and revenue deficiency from various forms of specific tax exemption, the need to set appropriations with commitment across the year, debt burdens and debt creation of the State and the financial status of State enterprises for the year in which appropriations are to be submitted for approval and the preceding year. Based on this fundamental requirement, the documents submitted to the legislative body for scrutinization are shown and summarized in the following table (Table 7).



Table 7: Budget Documents Submitted to the Legislature

Budget Documents/Annexes	Content
1. Budget Appropriations Bill	- Principle of the setting budget expenditure and budget estimation of each ministry and other related sections
2. Thailand's Budget in Brief	- Compilation of important and detailed contents from various volumes of budget documents to present overall picture of the budget allocation from different perspectives and to make it clear and easy to understand
3. Highlight of the Fiscal Year Budget	- Summarization of crucial aspects of the proposed Budget Appropriations Bill
4. Budget Document Volume I "Orange Line"	<b><i>Revenue and Expenditures Comparison</i></b> - Comparison of revenue and expenditure of previous year, current year, and next estimated fiscal year classified by Ministry/ Department/Program
5. Budget Document Volume II "Green Line"	<b><i>Revenue Estimates</i></b> - Revenue estimates consist of taxes, sales of assets, services, and contribution from state enterprises and other revenues.
6. Budget Document Volume III "Red Line"	<b><i>Expenditures Estimates</i></b> - Government expenditure by department and state enterprise in relative to the government's budget strategy and broken down into programs, outputs and projects, and objects of expenditures.
7. Budget Document Volume IV "Yellow Book"	<b><i>Expenditures Classified by Program</i></b> - This volume itemizes objects of expenditures as defined in Volume III.
8. Budget Document Volume V "Violet Line"	<b><i>Fiscal Report</i></b> - Fiscal report covers treasury account balances, public debt, foreign aid, private donation, revolving fund account, and financial report of state enterprises.

Besides the above submission, there were other supplementary documents provided by both the Bureau of the Budget and line agencies, for example, relating rules and regulations, preparation guidelines, costing norms of equipment, land, construction, unit cost standardization, budget outturns, transferred items, etc. Moreover, the committee and sub-committees could order government agencies to submit more documents as requested.

Based on all related annexes, budget document volume III, normally known as the Red Line, was the main component the MPs used for examination. This document is composed of the ministries' and line agencies' expenditure estimates classified by program, output, projects and objects of expenditures, liability items, and the forward costs of multi-year projects. In this regard, line item expenditures have not been demonstrated in the Red Line document since the budgeting systems have been developed from the Line Items to Program Budgeting and later the Strategic Performance Based Budgeting. Meanwhile, the "Blue Book" or the expenditures-in-detail document is also no longer officially produced or distributed to the MPs. Further, the "Green Line" or budget classification by province, which shows the detailed allocation of government expenditures for water resource construction, bridge and road construction, education, and health building construction, is usually circulated after the promulgation of the Annual Appropriations Act. In these present fiscal years, only the capital expenditures of more than 10 million baht or equivalent have been presented in budget document volume III. Others of less than 10 million baht of equipment and current expenditures are not classified by line items, but are summarized together. As such, budget documents are somewhat criticized by the MPs, not only for their analytical power from existing data, but also because of their explanatory power resulting from insufficient details of expenditure estimates.

Although the supplementary documents of detailed budget expenditure are distributed to the committee later by ministries' agencies, these additional data are questioned regarding their reliability. This is so because these supplementary documents are not legally authorized or scrutinized by the legislative body. Supplementary documents thus are easy to be adjusted thereafter the budget is already approved by the parliament.

### Supporting Staff

The support system for the execution of the tasks of budget approval is mainly facilitated by the Secretariat of the House of Representatives and the Bureau of the Budget. In order to accomplish the crucial task of budget approval, the committee appoints its secretariats from those of the Secretariat of the House of Representatives and the Bureau of the Budget; each of them has separated responsibilities. For all of the 1,638 existing officials of the Secretariat of the House of Representative (survey on February 2009), about 8-10 officers are assigned to support the general task of budget approval. Most of them are permanent staff members working for the Division of the Ad Hoc Committee on the Annual Appropriations Bill under the department named Committee Bureau 1. The head of the working group is officially appointed to be an assistant secretary. The responsibility of the Secretariat of the House of Representatives' staff is to facilitate the committee meetings, including meeting rooms, documents, meeting reports, and also coordinating with related government ministries and agencies to follow the meeting resolutions. In addition, the Secretariat of the House of Representatives officers' task is to ensure that correct parliament procedures adhere to the committee's examination of the budget—they do not support any academic research or recommendations for consideration of the proposed budget.

As for the Bureau of the Budget, one of the deputy director-generals of the Bureau of the Budget is officially appointed as the secretary of the committee, and two of them are designated as Assistant Secretaries. Accordingly, budget analysts of the Bureau of the Budget are in charge of facilitating the substantive supporting secretariats of the Budget Scrutiny Committee. On one side, they have shared responsibilities with the Secretariat of the House of Representatives' staff in execution of the general task of budget approval in order to help sustain the committee meetings. This kind of task is cooperated on by 15 staff members from the Budgeting Sections within the Budget Policy Office. On the other side, the Bureau of the Budget's officers also serve as fiscal staff and give advice to the committee regarding topics related to general budgeting and the fiscal year's budget. They have to give recommendations even on the decreases or the increases in agencies' estimates. The task of advisors is supported by over one half of the total staff members of the Bureau of the Budget, which constitutes around 500 officers from a total of 859 officers (survey on September, 2007). According to the present author's observation, the Budget Scrutiny Committee mostly relies upon the explanations of the Bureau of the Budget officials who speak for various government agencies.

The present study of the support system in execution of the task of budget approval by the Budget Scrutiny Committee revealed limitations in the numbers of permanent staff members and in the independent budget analysis. It became apparent in this study that the ad hoc Budget Scrutiny Committee did not develop a staff to assist them in the examination of the budget. The committee, thus, has limited access to permanent technical advice and the expertise of professional staff members, although the Budget Scrutiny Committee has a permanent staff of its own. Based on non-participant observation, the Budget Scrutiny Committee depends mostly

on the facilities of the Secretariat of the House of Representatives. The capacity of the Secretariat of the House of Representatives' staff is good enough to carry out secretarial tasks, but not advisory tasks. The committee members have to make a budget analysis on their own without sufficient support for the preliminary analysis by the permanent staff. As such, their task responsibilities are overloaded to the extent that they hinder the committee's ability to completely carry out all of their responsibilities.

## Conclusion and Recommendations

Regarding the analysis of budget approval in Thailand, it is interesting that a reform within the legislative branch has rarely been stressed by Thai governments. In Thailand, the legislative role was eclipsed with the rise of the executive powers and their prominence in many systems. The executive branch has a mandate to prepare the budget and processes the most comprehensive information on which to base revenue and expenditure decisions. Meanwhile, the legislative role in budget formulation was reflected in its limited formal roles. Although the public sector reform plan has been issued by the past governments, there is no prominent policy or reform blueprint stressing the issue of governance within the legislative branch. Development within the legislative body is just a small step of change emphasizing an improvement in the regulatory framework to prevent an intervention that would benefit some political interests.

An in depth study of actual budget approval by the parliament of Thailand exposes a gap of governance between the legal framework and real actions of budget approval. Although the constitutional provisions are mandated to limit any involvement of the MPs, senators or the committee members in the use of budget appropriations for

their own benefits, in reality room is left for related parties to add any item or amount to the Bill indirectly through the requests of government's line agencies. Without strong evidence of direct involvement by the MPs in any constitutional restrictions, the Constitutional Court cannot judge them for legal violation. In this present study, adherence to the law is still questioned, especially when targeting the specific process of considering an increase in the estimates, although a violation has never been detected by the Constitutional Court. Furthermore, although the present Rules of Procedures of the Parliament direct for transparency, real observation found that the meetings are sometimes made confidential in order to attain mutual agreement. This present study also reveals that allocative efficiency was not of much concern during the budget consideration. According to the study, approval criteria for efficient budget allocation were not formulated. The committee members used their personal judgment for making decisions and there were no clear reasons supporting the amount of decreased budget. Accordingly, budget approval is flawed as it does not account for the outcome of a particular project to meet with strategic objectives but only with how the money is spent. The budget is not allocated efficiently enough to match the government's setting budget strategies. Further, as the personal judgment for budget allocation is not clear enough to be described to the public, full transparency in the budget approval process and information on the details of the determination would be impacted as a consequence. Further, this study found that the legal framework does not impose legislative responsibility or penalty either for their actions or consequences. As such, the parliament has not embraced the performance or results orientation of the budget with the parliament's deliberations generally focusing on inputs.

This study examines the related-institutional factors that would affect governance of budget approval in Thailand. The study found that the constitution

guarantees the executive's pre-eminence through the process of budget approval rather than empowerment on the legislative side in approving an annual budget. Based on the study, the constitutional provision that gives precedence to executive supremacy itself may hinder the MPs' compliance with the law. An in-depth interview with some of the committee members supported this consideration since many of them agreed that the MPs should be accountable to their citizens through the allocation and use of the annual budget. The MPs should have enough constitutional power to become involved in the budget allocation process so that they are able to help solve the existing problems of their citizens. As their constitutional power is limited by the restriction of no increase in any existing or new item, even in direct or indirect method, they would not be able to respond enough to help their citizens solve problems.

Regarding the time available for budget consideration, it is relatively insufficient to make sense out of such a complex set of government information. Although the time allowed for scrutinizing the government's budget proposal meets with the high level of international standards, the starting date is counted from the date the budget proposal is submitted to the parliament, not the date they begin scrutinizing the proposed budget. The problem of time constraints is of more concern in this context where an ad hoc Budget Scrutiny Committee is set up. Under this circumstance, the high potential of committee members and supporting staff are required. Nonetheless, this study found that the ad hoc Budget Scrutiny Committee did not develop a staff to assist them in the examination of the budget. The committee has authority to request relevant information to make considerations of their own, yet, the committee members have to struggle with a mass of material and numerous figures.

Regarding the committee members themselves, not all of them are well-prepared in specific knowledge or experience accumulation, which is required for the task of budget approval. The only participation from outside experts was found in the composition of the sub-committees. However, they were appointed to be committee advisors and did not have sufficient power to make decisions. It was seen that the government has very much power in its total number of government committee members and its possession of the position of chairman by the Minister of Finance. Committee members from the opposition parties do not have enough authority to disrupt the estimates of proposed government projects. Only if strong evidence of corruption or non-transparency is presented can the opposition parties take on the role of overseeing the budget approval process. These constitutions, therefore, hinder efficient budget allocation, and thus reduce the transparency and collective responsibility of the MPs' budget approval as a consequence.

To develop the budget approval process in Thailand, a reform blueprint which emphasizes an improvement in related institutions should be formulated. As to the study, the constitutional limits on the power of the legislature to amend the budget should be resolved, although limits on the power of the legislature to amend the budget are particularly needed were legislature debates lead systematically to increased expenditures. In this sense, an appropriate level of limitation within the constitution should be designed so that the limits will never hamper legislative review of the budget. The constitutional framework governing the legislative budgetary power should be first reviewed.

As for an improvement in the performance of the Budget Scrutiny Committee, the setting up of a standing budget scrutiny committee is an alternative to be used as in West European parliaments to create work continuity within the budget



approval process. With the creation of a permanent institution, expertise and knowledge accumulation for the best use of budget scrutinization would be developed. In doing so, however, there is a possibility that new agency problems will be created between committee members and non-members or between ordinary backbenchers and parliamentary party policy experts. Without sufficient awareness of the unintended consequences, this permanent committee would probably create another powerful institution that could profit from the government budget for its own interests. In order to solve this problem, a combination of old and new-coming committee members is one suggestion.

In addition to this combination, emphasis should be placed on improving the arrangement of the existing ad hoc committee in order to increase the legislative role in approving the budget. In this regard, detailed composition and placement of the position chairman of the committee should be rearranged in order to enhance the work ability of the opposition parties in monitoring the government expenditure. Further, it is suggested that a permanent supporting unit be set up in order to develop both the advisory and research capacity of the supporting staff for the best input in the budget review process of the parliament and in order to help parliaments redress the asymmetries of budgetary information with governments.

In order to improve the budget approval process, well-designed institutions with citizen participation are needed. Participatory institutions should be designed for direct involvement by organizing citizens' assemblies that discuss political issues, and by using information and communication technologies to enhance the publicity of decision-making and public debate. In addition to this combination, emphasis should be placed on improving the arrangement of existing the ad hoc committee in order to increase the legislative role in approving the budget.

Some parts of the standing committee members should be combined into the ad hoc committee for the best benefits of making budget consideration since they have greater knowledge of and experience with the topic.

## Theoretical Contribution of the Study

This study serves as an essential starting point for building a more robust empirical base that will significantly increase the knowledge of governance in budget approval. Some results of this study found that the adoption of theories and empirical research can explain the real phenomena of budget approval in Thailand. According to the study, the role that institutions play in the process of budget approval by the parliament is conceivable, but each of the institutional factors is able to explain the topic differently. The results of this study indicate that constitutional law is likely to generate allocative efficiency, transparency, and the MPs' responsibility. Additionally, limits in institutional capacities, for example in terms of supporting staff, can also hinder effective courses of action in budget approval. The results are consistent with the new institutional economics theory, which proposes the significance of fundamental rules of the game or internal resources. In this way, the findings support the use of new institutional economics theory in explaining budget approval by the parliament of Thailand.

In this study, limited information of the budgetary process prevented the use of a comprehensive analytical framework for analysis. In this way, the finding supports the use of organizational decision-making theory in explaining budget approval by the parliament in Thailand. It is evident that in practice, informational factors contribute to explaining the variance in governance in budget approval.

The results also indicate that the rule of law and openness of the budget approval process are impeded by the participation of the Budget Scrutiny Committee. According to the findings, abuse or misuse of constitutional authority and the delegated power of budget approval is likely to happen when opportunity for participation within the Budget Scrutiny Committee is open. These findings are not consistent with either public choice theory or political agency theory, which strongly support direct and indirect participation. However, it should be particularly noted that the conditions for the legislative budgetary process vary in each country. In this circumstance, the basic ground rules provided by the constitution do not support participation. As the constitution does not allow for any adding to a motion of an item, open deliberation within the legislative budget process would possibly generate the abuse or misuse of constitutional authority. Likewise, because of constitution restrictions, budget negotiation to achieve an increase in the estimate may not be tabled or discussed but will take place behind closed doors.

The findings also contribute to explaining the phenomena, where the legislative budgetary process is a bargaining game and the Budget Scrutiny Committee is the mechanism of choice. When the participation mechanism is open, committee members that have personal interests are likely to act in a pulling and hauling manner to achieve their interests. As such, the setting participation mechanism can be used so as to serve a particular individual's interest instead of the public interest. The findings support the notion of agency problems proposed by agency theory. The research findings thus contribute to explaining the use of public choice theory and agency theory in real situations where the participation mechanism is set but cannot cope with the existence of its members' self-interests. Consequently, the

participant mechanism of the Budget Scrutiny Committee is not for generating reasonable political judgment but for serving certain specific interests.

This article, however, is only part of the more complete study of the author's full research of governance in budget approval. In this article, related-institutional factors of governance in budget approval are proposed, but there is no statistical test on the relationship between these proposed factors and governance in budget approval. Further research should be conducted to testify its statistical relationship; then, the most powerful factor affecting governance in budget approval would be revealed.

## References

- Abedian, Iraj. n.d. Quoted in Fubbs, Joan. (1999). *The Budget Process and Good Governance*. Retrieved December 12, 2006, from [http://undp.org/governance/docspublications/policy\\_Dialogue/11\\_Budget Process\\_AWEPA.pdf](http://undp.org/governance/docspublications/policy_Dialogue/11_Budget Process_AWEPA.pdf)
- Aldons, Malcolm. (2001). Responsible, Representative and Accountable Government. *Australian Journal of Public Administration*. 60(March): 34-42.
- Alesina, Aberto; Hausmann, Ricardo; Hommes, Rudolf and Stein, Ernesto. (1999). *Budget Institutions and Fiscal Performance in Latin America*. Retrieved November 3, 2008, from [http://www.iadb.org/research/pub\\_hits.cfm?pub\\_id=WP-394&pub\\_file\\_name=pubWP-394.pdf](http://www.iadb.org/research/pub_hits.cfm?pub_id=WP-394&pub_file_name=pubWP-394.pdf)
- Budget Procedure Act of B.E. 2502. *Royal Thai Government Gazette*. 98, 454 (October 27, 1959): 454-471.
- Coase, Ronald H. (1964). The New Institutional Economics. *Journal of Institutional and Theoretical Economics*. 140 (March): 229-231.

- Constitutional Court's Decision No. 14/B.E.2546. *Royal Thai Government Gazette*. 125, 127A (December 4, 2008): 1-15.
- Constitutions of the Kingdom of Thailand of B.E. 2540. *Royal Thai Government Gazette*. 114, 55A (October 11, 1997):1-99.
- Constitutions of the Kingdom of Thailand of B.E. 2550. *Royal Thai Government Gazette*. 124, 27A (August 24, 2007):1-127.
- De Renzio, Paolo. (2006). Aid, Budgets and Accountability: A Survey Article. *Development Policy Review*. 24 (November): 627-645.
- Downs, Anthony. (1957). *An Economic Theory of Democracy*. New York: Harper & Row.
- Eyben, Rosalind and Ferguson, Clare. (2004). How Can Donors Become More Accountable to Poor People? In *Inclusive Aid: Changing Power and Relationships in International Development*. Leslie Groves and Rachel Hinton, eds. London: Earth-scan. Pp.163-180.
- Goetz, A. M. and R. Jenkins. (2004). *Reinventing Accountability*. Hampshire: Palgrave Macmillan.
- Krafchik, Warren and Wehner, Joachim. (2004). *Legislatures and Budget Oversight: Budget Practices*. Retrieved October 23, 2008, from [http://archive.revenuwatch.org/reports/kazakhstan\\_parliament\\_budget\\_forum.pdf](http://archive.revenuwatch.org/reports/kazakhstan_parliament_budget_forum.pdf)
- Lindblom, Charles E. (1959). The Science of Muddling Through. *Public Administrative Review*. 19 (Spring) Englewood Cliffs, New Jersey: Prentice – Hall, Inc.
- Lupia, Arthur. (2003). Delegation and Its Perils. In *Delegation and Accountability in Parliamentary Democracy*. Kaare Strøm, Wolfgang C. Muller, and Torbjorn Bergman, eds. New York: Oxford University Press. Pp. 33-54.
- March, James and Simon, Herbert. (1993). *Organizations*. 2<sup>nd</sup> ed. Cambridge, Mass.: Blackwell.

- Matthew, R. C. O. (1986). The Economics of Institutions and the Sources of Economic Growth. *Economic Journal*. 96 (December): 903-18.
- Muller, Wolfgang; Bergman, Torbjorn and Strøm, Kaare. (2003). Parliamentary Democracy: Promise and Problem. In *Delegation and Accountability in Parliamentary Democracies*. Kaare Strøm, Wolfgang C. Muller, and Torbjorn Bergman. New York: Oxford University Press. Pp. 3-32.
- Niskanen, William A. (1971). *Bureaucracy and Representative Government*. Chicago: Aldine Atherton.
- North, Douglass C. (1981). *Structure and Change in Economic History*. New York: Norton.
- Organization for Economic Co-operation and Development (OECD). 2002. OECD Best Practices for Budget Transparency. *OECD Journal on Budgeting*. 1(March): 7-14.
- Pierre, Jon and B. Guy, Peter. (2000). *Governance, Politics and the State*. New York: ST. Martins's Press, Inc.
- Santiso, Carlos. (2005). *Budget Institutions and Fiscal Responsibility: Parliaments and Political Economy of the Budget Process in Latin America*. Retrieved December 3, 2008, from <http://www.parliamentarystrengthening.org>
- Schedler, Andreas. (1999). Conceptualizing Accountability. In *The Self-Restraining State: Power and Accountability in New Democracies*. Andreas Schedler, Larry Diamond, Marc F. Plattner, eds. Colorado: Lynne Rienner Publishers, Inc. Pp. 13-28.
- Schiavo-Campo, Salvatore and Tommasi, Daniel. (1999). *Managing Government Expenditure*. Manila: ADB.
- Schmitt, Carl. (1969). Quoted in Wolfgang C. Muller, Torbjorn Bergman, and Kaare Strøm 2003. Parliamentary Democracy: Promise and Problem. In *Delegation and Accountability in Parliamentary Democracies*. Kaare Strøm, Wolfgang C. Muller, and Torbjorn Bergman. New York: Oxford University Press. Pp 3-32.

- Stein, Ernesto; Talvi, Ernesto and Grisanti, Alejandro. (1998). Quoted in Santiso, Carlos. 2005. *Budget Institutions and Fiscal Responsibility: Parliaments and Political Economy of the Budget Process in Latin America*. Retrieved December 3, 2008, from <http://www.Parliamentarystrengthening.org/budgetmodule/additional%20resources/supplemental/Budget%20Institutions%20and%20Fiscal%20Responsibility%20by%20Carlos%20Sant.pdf>
- Strøm, Kaare. (2003). Parliamentary Democracy and Delegation. In *Delegation and Accountability in Parliamentary Democracies*. Kaare Strom, Wolfgang C. Muller, and Torbjorn Bergman, eds. New York: Oxford University Press.
- Strøm, Karre. (2000). Delegation and Accountability in Parliamentary Democracies. *European Journal of Political Research*. 37 (May): 261-289.
- Wehner, Joachim. (2003). Quoted in Santiso, Carlos. 2004. *Politics of Budgeting in Peru: Legislative Budget Oversight and Public Finance Accountability in Presidential System*. Retrieved January 11, 2009, from <http://www.cepal.org/ilpes/noticias/paginas/6/13526/CarlosSantiso.pdf>
- Weingast, Barry and Marshall, William J. (1988). Industrial Organization of Congress: or Why Legislature, Like Firms, Are not Organized as Markets. *Journal of Political Economy*. 96 (132-163).
- Williamson, Oliver E. (2003). *The Mechanism of Governance*. New York: Oxford University Press.
- Williamson, Oliver E. (1994). Transaction Cost Economics and Organization Theory. In *The Handbook of Economic Sociology*. Neil Smelser and Richard Swedberg, eds. New York: Russell Sage Foundation. Pp. 77-107.
- World Bank. (2005). *Public Financial Management Performance Measurement Framework*. Retrieved May 4, 2008 from [http://www.pefa.org/pfm\\_performance\\_frameworkmn.php](http://www.pefa.org/pfm_performance_frameworkmn.php)