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Mansfeldová, Zdenka

Veröffentlichungsversion / Published Version

Zeitschriftenartikel / journal article

### Empfohlene Zitierung / Suggested Citation:

Mansfeldová, Z. (2005). Executive-Legislative Relations in the Budgeting Process in the Czech Republic. *Sociologický časopis / Czech Sociological Review*, 41(3), 443-459. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-54770>

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## Executive-Legislative Relations in the Budgeting Process in the Czech Republic\*

ZDENKA MANSFELDOVÁ

Institute of Sociology, Academy of Sciences of the Czech Republic\*\*

**Abstract:** The budget is the government's key policy document. Negotiations on the budget can be taken as a case study to analyse the bargaining process in legislative institutions, reflecting the various clashes between political and partial interests in parliament and in parliamentary committees. The distribution of political power in parliament is a crucial factor: if a minority cabinet is in power, coalition-building is a key issue in budget bargaining. In this context, the Act on the State Budget (which in many ways is the basic law relating to the functioning of the state and especially the state and public administration) is an example of the efforts made to achieve a broad consensus and political compromises, not only among coalition cabinet partners but also between the government coalition and the opposition.

*Sociologický časopis/Czech Sociological Review, 2005, Vol. 41, No. 3: 443–459*

### Introduction

Accountability is a problem in every democracy and particularly in countries that are in the process of building a democratic system and establishing a market economy. Accountability is connected to the delegation of power, the existence of the usual democratic checks and balances, the potential abuse of power, and the existence of sanctions. The legislative foundation sets up the necessary framework for accountability, but this may differ from actual political practices as 'the rules of the game' are created gradually. Often the weaknesses of specific pieces of legislation only become evident after the legislation has come into effect. Accountability is re-

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\* An earlier version of this article was presented under the title 'Legislative Budgeting in the Czech Republic', co-authored by Zdenka Mansfeldová and Petra Rakušanová, at the Annual Meeting of the Southern Political Science Association on 6–8 January 2005 in New Orleans, USA, at the K-10/B-9 Roundtable: The Role of Parliaments in the Budget Process. The final version of this article was completed as part of the project 1J 004/04-DP1 'The Political and Legal Institutional Framework of the Czech Republic and Its Changes in the Context of the Accession to the EU', research programme of the Ministry of Labour and Social Affairs, 'Modern Society and its Changes'. The author is grateful to the two anonymous reviewers of this article for their valuable comments on an earlier draft.

\*\* Direct all correspondence to: Zdenka Mansfeldová, Institute of Sociology, Academy of Sciences of the Czech Republic, Jilská 1, 110 00 Prague 1, Czech Republic, e-mail: zdenka.mansfeldova@soc.cas.cz

lated to the institutionalisation of democratic structures, the establishment of democratic values, the acquisition of experience, the professionalisation of the elites, and, last but not least, external political and economic influences.

The concept of accountability, or the accountability of political power, is one possible theoretical framework that can be used to interpret the relations between the government and the parliament.<sup>1</sup> The term accountability “expresses an old issue of democracy, but an explicit effort to define the meaning of this term in the context of political science appeared only in mid-1990s” [Krause 2000: 19]. The concept of accountability is indeed somewhat speculative, but it provides a satisfactory interpretative framework for the host of relations and processes that take place between citizens (voters) and politicians, between politicians themselves, and between political institutions and the elite in general [Brokl et al. 2001]. The term ‘accountability’ is related in a number of ways to terms like ‘representation’, ‘responsiveness’, ‘reliability’, ‘answerability’, and ‘sanction’. However, it is not the aim here to investigate these theoretical issues in depth.

This article draws on the generally accepted, basic differentiation between vertical and horizontal accountability introduced by O’Donnell [O’Donnell 1998], according to which vertical accountability “describes the relationships between unequal [actors]”, including relationships between superiors and inferiors and between voters and their representatives. Electoral vertical accountability, which has frequently been the subject of study (see, for example, Przeworski, Strøm, Stokes, Mulgan), is the most powerful accountability mechanism. Horizontal accountability includes relationships between equals, i.e. between democratic institutions themselves [e.g. Schedler 1999]. Horizontal accountability depends on the existence of the classic system of ‘checks and balances’ and includes the executive, legislative and judiciary powers on one hand, and the institutions that supervise, control, interfere and impose sanctions in the case of illegal misconduct on the other [O’Donnell 1998]. In addition to vertical and horizontal accountability, a new dimension has appeared in connection with globalisation. The introduction of reforms from outside by a number of international and supranational organisations, and their definition of standards, to which new democratic states must adhere in order to be accepted by these supranational institutions, has an effect on accountability.

The main objective of this article is to describe the accountability that exists between parliament and the government, and the oversight function of parliament with respect to the state budget. Negotiations over the budget can be viewed as one example of the dynamic and multifaceted interaction that occurs between the executive and the legislature. The discussions over the state budget and financial matters form a distinct category of parliamentary activity that reflects the role of the parliament in its historical framework. Parliament initially was granted the authori-

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<sup>1</sup> Horizontal accountability [Merkel 2002]: control of the executive branch by parliament, control by the executive branch and/or public authorities by the judicial branch, the independence of the judicial branch from the executive.

ty to oversee taxes, and it was only later that its legislative power derived from this function.

This article is the first study on the topic, and therefore, as well as being analytical, it is more descriptive than theoretical in character. The article is divided into four sections. The first section describes the legal framework that regulates the budget process; the second describes the discussion of the budget in parliament; the third deals with the roles of parliament from the point of view of MPs in general and with a special focus on the role of parliament with respect to the state budget; and the fourth examines the budget committee and its activity in the budgetary process.

### **The legal framework that regulates the budget process**

The relationship between the legislative branch (parliament) and the government is defined in the Constitution. The relationship that exists in reality depends on how the links between parliament and the government are institutionalised [see Kopecný 2001]. The government is responsible to the Chamber of Deputies, which has the ability to introduce a motion of no confidence against the government. Parliament also approves international treaties and makes major decisions concerning declarations of war and dispatching armed forces outside the Czech Republic. The relationship between the powers of the legislative and the executive as defined in the Constitution also indirectly defines the relationship between the two chambers of the parliament. According to the Constitution the government is responsible only to the Chamber of Deputies, which is the stronger of the two chambers.

The formal framework for parliamentary bargaining is also defined in the Constitution and in the Rules of Procedure of the Chamber of Deputies. The Act on the State Budget is approved solely by the Chamber of Deputies, the lower chamber of the Czech parliament.<sup>2</sup> The actual bargaining procedure has evolved as MPs have gained more experience with parliamentary work, as the relationship between the government and parliament has gradually taken shape, and as composition of political forces has changed.

The budget is a complex document with state financial data that enables the comparison of total expenditures and total income and the ranking of expenditures according to importance and makes it possible to influence the economic situation and improve parliamentary control [Syllová 1993:2]. The authorisation of taxes and public expenditures is a primary function of the legislature in any democratic system. In the budget process the government plays a primary role, which manifests itself especially in the preparatory phase. It is understandable that the government is the only institution that drafts the budget given the fact that the budget in reality is essentially the government's programme and action plan, which affects life and development in the country. Moreover, only the government has the relevant infor-

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<sup>2</sup> For a more detailed analysis of the budget as a legal category, see Karfíková [2004].

mation required to draft the budget. The Ministry of Finance plays the most important role in drafting the budget and is also of key significance given that it defines income as well as expenditures. The budget is rendered legally binding by the parliament in a special law, from which no rights or obligations arise for citizens.

The budget negotiation process can be taken as a case study to analyse the bargaining process in legislative institutions, and it can also be viewed as an example of how the government is accountable to parliament. As Pelizzo, Stapenhurst and Olson have shown, differences can be found according to the type of government: "legislatures in parliamentary systems have more oversight tools at their disposal than legislatures in either presidential or semi-presidential systems. The percentage of parliaments that approves and confirms the budget is according their findings remarkably higher in parliamentary systems" [Pelizzo et al 2004: 7–8]. The role of parliaments in the budget process is currently undergoing a re-evaluation in terms of putting greater stress on this role [*cf.* Santiso and Belgrano 2004]. With the growing number of democracies around the world there is a growing demand for transparency and accountability in the policy-making process, including the decision-making process within the parliament and the government. Understanding and describing this process is important for identifying its weak points, which could lead to a disruption of the balance between the executive power and legislative oversight and also has the potential to give rise to corruption. As Forestiere and Pelizzo have pointed out, in the parliamentary system legislatures have considerable power to influence and shape the budget. In reality, however, this power is remarkably less than what the list of formal powers suggests. Each parliament's ability to examine, amend, modify, confirm, and approve the budget is constrained by both institutional and political factors. On the institutional side, in many countries parliament's ability to alter the government's budget is subject to extensive procedural restrictions [Forestiere and Pelizzo 2005]. In the Czech case, parliament can modify the budget, but it must not violate any of the various laws that circumscribe its ability to do so. In reality parliament approves the government's budget proposal with only minor changes [Schick 2002: 36–38].

All the components in the budget are closely connected. As a whole the budget represents the government policy submitted to parliament. When the budget is being evaluated, the role of parliament is not to assess each detail, but rather to survey its characteristics as a policy instrument. The rights of MPs to intervene in the content of the budget are limited, so that no infringement occurs of the budget's basic premise (the amount of expenditures). When considering the rights of MPs and parliament to amend the budget it is necessary to bear in mind that the budget is a complex document that must be prepared well in advance but simultaneously with an understanding and respect for the current economic situation. This implies that parliament must voluntarily limit its power to change the budget. Nevertheless it retains the ability to examine the implementation of the budget through the government's accountability to parliament.

## **Debating the budget in the Chamber of Deputies**

The procedure of approving the state budget differs from the general legislative process. The negotiations over the state budget are governed by rules laid out in the Rules of Procedure of the Chamber of Deputies. The budget negotiation process<sup>3</sup> proceeds as follows: The cabinet submits a draft act on the state budget to the speaker of the Chamber of Deputies no later than three months prior to the start of a new fiscal year (by 30 September of the preceding year); the government's fiscal year corresponds to the calendar year, as is the case in the majority of countries.<sup>4</sup> Amendments to the draft act may be submitted up to 15 days before the session of the Chamber of Deputies in which the first reading is to take place. The speaker assigns the draft act on the state budget to the Budget Committee for discussion. There is no specialised budget research organisation attached to the legislature that conducts analyses of the budget. After the draft act is assigned to the Budget Committee, the first reading takes place at a session of the Chamber of Deputies. During the first reading, the Chamber of Deputies has a general parliamentary debate on the basic aspects of the budget, such as revenues and expenditures, the balance, settlement of the balance, the general relationship to the budgets of the higher territorial administrative units and municipalities, and the scope of powers assigned to executive bodies. If the draft act is not approved, the Chamber recommends that the cabinet redraft the bill, and sets a date for the new draft to be submitted. If the Chamber of Deputies approves the basic aspects of the budget it is not possible to change them later in the negotiations. The draft of the state budget is debated independently and it cannot be contingent upon a proposal for the adoption or amendment of another act [Kolář, Pecháček and Syllová 2002: 188].

If the Chamber of Deputies approves the basic information in the draft act on the state budget, individual chapters are then assigned to committees.<sup>5</sup> Committees are assigned a deadline (the minimum period is 30 days) and are obligated to discuss the individual chapters of the draft act on the state budget they have been given by that deadline. Committees may propose changes only to those chapters of the state budget they have been assigned to discuss.

The Budget Committee debates the committees' resolutions and opposing views on individual chapters of the draft bill in the presence of rapporteurs and it adopts a resolution. During the second reading, the government introduces the draft act on the state budget. The Budget Committee's rapporteur speaks after the submitting party. During the detailed parliamentary debate, amendments and oth-

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<sup>3</sup> Rules of Procedure, Part Thirteen.

<sup>4</sup> According to the first OECD budgetary survey, in 77.7% of OECD countries the fiscal year is the calendar year. See <http://ocde.dyndns.org/Contentall.aspx>

<sup>5</sup> The Ministry of Finance provides the design of the budget chapters; individual committees debate the internal contents of relevant chapters, and this is where deputies play a crucial role. Hypothetically, the potential impact of various interest groups may be expected at this point.

er proposals are submitted. From a political perspective, the review phase is the most important, because it is in this phase that individual MPs (who, for example, did not have a chance to directly participate in the preparation of the draft act) try to secure funds for their constituencies.

The third reading of the draft act on the state budget cannot start until 48 hours have elapsed since the conclusion of the second reading. During the parliamentary debate the only items that may be proposed are corrections of legislative mistakes, corrections of technical errors, corrections of grammatical mistakes, and proposals to repeat the second reading. At the conclusion of the third reading the Chamber of Deputies votes on the submitted amendments, and at the end the Chamber decides whether it will express agreement with the draft act.

In the first half of the 1990s, at the beginning of the transformation process, the procedure was somewhat different. Until the adoption of the new Rules of Procedure in mid-1995, the draft act (the whole budget) was discussed by the Budget Committee and also by a number of other committees, after which a joint report was submitted. This procedure offered more opportunity for lobbying, and it was easier for a lay opinion to defeat a professional opinion as each committee had only one vote and the special Budget and Economy Committees comprised a minority (of the usual 4–5 committees involved). An amendment to the Rules of Procedure resulted in the Budget Committee obtaining more competencies. Currently, it is very difficult for an MP to secure any funds for his/her own constituency because an MP is expected to specify how the proposed expenditure will be paid for, i.e. what other expenditures should be cut in order to obtain money for the specific purpose.

The most important stage of the bargaining process is the first reading, which is meant to give a clear outline of the total amount of the mandatory expenditures (i.e. expenditures explicitly required by law), the total expenditures and revenues, the balance of the state budget, and the budgets of municipalities. The Budget Committee must seek to preserve a balance between revenues and expenditures. After deducting the mandatory expenditures, about 15% of the total funds allocated for expenditures remain. It is then necessary to come to an agreement on which sphere (e.g. education, science, or healthcare) will be emphasised. This percentage is further reduced when account is taken of the ongoing investment projects of the government that cannot be abandoned and their unwritten international obligations (percentages that are given for certain chapters of the budget, such as for science or for defence). This means that all the media exposure given to budgetary issues actually concerns a small number of the items debated in the parliament. Any proposals for changes from the MPs cause the dilemma of public budgeting: while the costs are born by the general fund, benefits go to specific groups, sectors, or localities. It should be mentioned here that the first round of assembling particular expenditures takes place in the ministries. This is why the ministries seem to be in a much better position to advance particular interests, as this environment is much less transparent compared to the parliament, and the Chamber of Deputies is only the second step in lobbying.

The growing percentage of mandatory and quasi-mandatory expenditures and expenditure programmes that have already been launched limit the flexibility of the public budget expenditures in the short term.<sup>6</sup> The disproportionate increase in mandatory expenditures, which significantly exceeds the growth of tax income revenues, is a fundamental problem of cabinet fiscal policy today, and it has drawn harsh criticism from the opposition.

As already mentioned, the Act on the State Budget is approved by the Chamber of Deputies. The negotiation is ideologically divided from the very beginning of the process, and therefore the debate and the voting on the state budget are always key issues for parliamentary party groups. The vote on the budget is public, and official records on the vote are available. This means that, should the budget not be passed, political parties know who was responsible for the government's defeat. The Constitution stipulates that MPs shall exercise their office in their best conscience and in conformity with their oath, and that they shall not be bound by any instructions. Nevertheless, parties do have different mechanisms for securing party discipline. A parliamentary faction may vote in unity because its members agree on a party position (*party cohesion*), or it may be that they were made to act in such a way, even though their own preferences differed (*party discipline*) [Linek and Rakušanová 2002]. The vote on the budget requires considerable party discipline, and voting at variance with the decision adopted by a parliamentary party group may have very unpleasant consequences for individual MPs, especially if the cabinet has a very narrow margin in the Chamber of Deputies [Mansfeldová 2002]. Since 1996 this has been a major problem, as successive governments have continuously had to grapple with a narrow majority. The exception was the minority social democratic government, which managed to prevail as a result of the Opposition Agreement.<sup>7</sup> The reason for the relatively low degree of party unity is the size of the voting coalitions that approve individual bills: when there is a large majority the parliamentary party groups do not have to act with absolute unity [see Linek and Rakušanová 2002]. This results in lowering the transaction costs political parties would otherwise have to expend to ensure that their bills are approved by narrow-margin majorities. As an example, at the beginning of 1997, when the cabinet had a narrow majority, two MPs from ČSSD who did not vote according to the approved party line on the state budget were expelled from the party after the vote [Mansfeldová 2005]. One of them soon afterwards joined the rightwing party ODS.

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<sup>6</sup> Act on the 2004 Budget, [www.psp.cz/cgi.bin/win/docs/tisky/tmp/T0460y0.doc](http://www.psp.cz/cgi.bin/win/docs/tisky/tmp/T0460y0.doc)

<sup>7</sup> The Agreement on Creating a Stable Political Environment in the Czech Republic, concluded between the Czech Social Democratic Party (ČSSD) and the Civic Democratic Party (ODS).



## The activities of parliament

There are four main stages in the budget process: formulation, approval, execution, and oversight and control. The role of parliament is crucial in the approval phase and the oversight and control phase. The approval of the budget is generally one of the key tasks of parliament, and, as can be gleaned from Table 1, which presents MPs responses to the question of the importance of individual activities of the Parliament, MPs consider it one of the most important activities. Alongside the explicitly formulated control of the cabinet, MPs still accorded the most importance to the adoption of the state budget, which is one of the means by which the cabinet can be indirectly controlled [Reytt 2000; Soltéz 1995]. In the survey MPs were asked to evaluate the importance of individual activities of parliament. The higher the score the greater importance accorded that particular activity.

When the scores for each activity are compared over time and in individual functional terms, it is found that MPs consistently rate the approval of the state budget as among the most important activities. While the scores for other activities tend to change over time, the trend for the approval of the state budget remains stable. This also concurs with the perception of the prestige and importance of the committees that is described below.

Voting on the budget is not only a special kind of vote of confidence in the government, but is also a litmus test of the unity of the factions and/or government coalition. An analysis of how MPs in the Chamber of Deputies have voted on state budgets also shows that the state budget vote is one of the key political issues that are usually decided strictly along party lines. Data on the vote on state budgets is only available back to 1995, as there are no records of the votes before that year. The

**Table 1 The importance of individual activities of parliament between 1993 and 2003\***

Activities	1993	1996	1998	2000	2003
Legislative activities	4.78	4.50	4.67	4.97	4.72
Control over the government	4.61	4.22	3.94	4.64	4.27
Consideration and evaluation of proposals submitted by various social groups	3.22	2.83	3.00	3.74	3.17
Approval of the state budget	4.78	4.72	4.72	4.95	4.80
Processing petitions and comments of citizens	3.39	1.56	3.22	3.86	3.37
Preparation for EU accession	- *	- *	4.22	4.61	4.06

1 = least important, 5 = most important.

Source: Institute of Sociology, Academy of Science of the Czech Republic.

\* the data present the dates of the empirical research, and within this period there were four parliaments including the current one, whose terms concludes in 2006.

**Table 2. Voting on the state budgets in the first electoral term (% of party members)**

	ČMSS (ČMUS)	ČSSD	KDS	KDU-ČSL	KSČM	LB	LSNS	LSU	ODA	ODS	SPR-RSČ
1995	0	11	100	100	0	0	100	0	94	100	0
1996	31	0	100	100	0	0	100	-	100	98	0

Source: Archive of the Chamber of Deputies, Parliament of the Czech Republic.

Note: During the term the ruling coalition consisted of the following parties: ODS, KDS, KDU-ČSL, and ODA.

**Table 3. Voting on the state budgets in the second electoral term (%)**

	ČSSD	KDU-ČSL	KSČM	ODA	ODS	SPR-RSČ
1997	3	100	0	100	99	0
1998	0	100	0	100	100	0

Source: Archive of the Chamber of Deputies, Parliament of the Czech Republic.

**Table 4. Voting on the state budgets in the third electoral term (%)**

	ČSSD	KDU-ČSL	KSČM	ODS	US
1999	97	90	100	0	0
2000	100	0	0	88	0
2001	93	5	0	90	0
2002	96	0	0	98	0

Source: Archive of the Chamber of Deputies, Parliament of the Czech Republic.

data on these ten votes are presented in Tables 2 to 5, which show the percentage of each PPG that voted in favour of a submitted budget, abstained or did not participate (often allowing the budget to be adopted). The data indicate considerable party discipline in voting on the state budget.

During the second term of the Parliament of the Czech Republic, the ruling coalition was made up of the following parties: ODS, KDU-ČSL and ODA. When the cabinet resigned at the end of 1997, the 1998 budget had already been approved.

The third term of the Parliament of the Czech Republic featured a minority social democratic cabinet (ČSSD), which was able to stay in power thanks to the Opposition Agreement reached with the strongest opposition party, ODS. This agreement between the government and the opposition limited the executive's scope of

**Table 5. Voting on the state budgets in the fourth electoral term (%)**

	ČSSD	KDU-ČSL	KSCM	ODS	US-DEU
2003	100	100	0	0	90
2004	100	0	0	100	100

*Source: Archive of the Chamber of Deputies, Parliament of the Czech Republic.*

action with respect to the budget and the staffing of economic and other strategic committees [UNRISD 2004: 3].

In the fourth (and current) term, a coalition cabinet (consisting of ČSSD, KDU-ČSL and US) with a narrow, one-vote parliamentary majority is in power. Such a narrow majority requires strong party discipline because the budget and the fate of the government hang on a single vote.

It may happen that the budget is not passed at the first attempt, as was the case with the 2000 budget, which was only backed by the MPs in the minority government of the Social Democratic Party. Right-wing MPs voted against the budget, and the Communists abstained from voting. As a result, the government operated on a provisional budget. The budget had to be renegotiated again at the beginning of 2000, at which time the opposition parties reached an agreement and the budget was approved (this can be seen in Table 3).

### **The Budget Committee**

In every parliament, legislative and supervisory activities are carried out in the parliamentary committees [Rakušanová 2001; Kopecký 2001; Olson and Crowther 2002; Mansfeldová et al. 2002], where major decisions are made on the majority of bills. With the exception of legislation, the most important task of the committees is to review the functioning of the cabinet. This task is the natural result of a system of government in which the administration is directly and continuously responsible to the parliament. Committees are the main practical working instruments through which these responsibilities are carried out.

The Budget Committee plays a crucial role in the negotiation of the budget. The budget is discussed as a bill, and before being presented at the plenary session the bill is sent first to the Budget Committee. In most countries, the Budget Committee has the highest authority in this matter and it submits the major report. The case is similar in the Czech Republic. While analysing the prestige of individual parliamentary committees, it was found that the Budget Committee is one of the most prestigious and busiest committees of the Chamber of Deputies, as indicated in Table 6.

A similar trend can be seen in how the committees are rated by prestige as is found in the ratings for the individual activities of parliament. With the exception

**Table 6. Committees in the Chamber of Deputies of the Czech Republic ranked by MPs according to prestige (%)**

Committee	1 <sup>st</sup> term		2 <sup>nd</sup> term		3 <sup>rd</sup> term		4 <sup>th</sup> term	
	1993	1996	1998	2000	2003			
Constitutional Committee	91.9	88.7	63.9	60.9	40.2			
Budget Committee	61.0	89.4	84.1	89.4	91.1			
Economic Committee	60.3	41.5	42.7	49.7	49.7			
Foreign Affairs Committee	26.5	21.3	27.4	20.7	25.4			
Committee for Defense and Security	11.8	16.3	28.0	25.1	17.2			
Committee for Social Policy and Health Care	8.1	12.0	22.3	15.1	10.1			
Committee for Science, Education, Culture, Youth, and Sports	5.1	7.0	4.5	2.8	5.9			
Petition Committee	3.7	2.8	0.6	1.7	3.6			
Agricultural Committee	2.9	7.7	9.6	5.0	11.8			
Committee for Public Administration, Regional Development, and Environment	2.2	1.4	7.6	18.4	16.6			
Committee for European Integration	*	*	*	5.0	4.1			
Mandate and Immunity Committee	1.5	4.2	2.5	3.4	2.4			
Election Committee	*	*	*	*	1.2			

Source: *Parliamentary DICe, Institute of Sociology, Academy of Science of the Czech Republic.*

\* in these years the committee did not exist.

of the first term, the Budget Committee is consistently perceived as having the most prestige. This is mirrored in the Budget Committee's composition, as there is a tendency to appoint MPs with high professional skills to the committee. The members of the Budget Committee also tend to have a high probability of re-election. In the case of re-election, they usually again join the Budget Committee. As for gender representation, it is worth noting that this committee is purely a 'men's issue'. During the period under observation not a single woman sat on the Committee.

The responsibilities of the Budget Committee extend far beyond just debating the state budget and the individual chapters of the budget. The Committee receives regular reports on the economic performance of the Czech Republic (quarterly, mid-year and a summary report for the whole year), the withdrawal of funds from the state budget, reports on monetary policy and the economic performance of the Czech National Bank (ČNB), reports on the results of activities and the utilisation of

budget funds in individual years, and reports on the country's economic performance issued by the Ministry of Finance of the Czech Republic.

The Budget Committee can establish sub-committees to perform its supervisory responsibilities, and these sub-committees focus on specific issues. The Budget Committee decides on the number and types of sub-committees it establishes. During almost every term of the Parliament of the Czech Republic there has been an audit sub-committee.

The Budget Committee debates any and all changes during the course of the year that occur with respect to events funded by the state budget and transfers of funds in the budget chapters for individual ministries etc. As the deficit of the state budget<sup>8</sup> is currently growing, MPs are striving to play a more active role even in the budget preparation phase. An example of this was the proposed balanced budget amendment to the constitutional act submitted by a group of MPs in September 1998. Though the bill was defeated in the first reading in January 1999, it did not end there. Changes in external prerequisites have put the question of a well-balanced budget back on the agenda. As Klik shows in his study on EU-15 states, as the EMU project was gradually being prepared over the course of the 1990s it became clear that it would be necessary to introduce a mechanism to prevent the uncontrolled fiscal expansion of national governments. It is difficult to harmonise a common monetary policy with autonomously implemented budget policies. It should also be pointed out that it is this combination of a jointly implemented monetary policy and only a co-ordinated fiscal policy that many economists see as the greatest threat to the EMU project [Klik 2002: 2].

If we examine the activities of the Budget Committee since 1990, it is possible to conclude that legislative activity relating to the state budget, especially in the legislative phase, is increasing (see Table 7).

The Budget Committee, as well as other committees, has been adopting a growing number of resolutions on the state budget that relate not only to drafting the budget but also to control over the budget. This situation has not changed much with regard to how much of an opportunity individual MPs have to influence the preparation of the budget: the MPs of the ruling parties have more opportunities to formally and informally influence the budget. Conversely, opposition MPs take greater advantage of parliamentary hearings. Furthermore, lobbyists tend to influence the process through the MPs of the ruling parties because it is a more efficient approach.

The cabinet is responsible to the Chamber of Deputies for meeting the state budget obligations. After the elapse of three months, the cabinet submits a quar-

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<sup>8</sup> On 3 December 2003 the Chamber of Deputies passed a draft of the 2004 state budget with 98 votes from the coalition deputies. The budget is expected to have a deficit of CZK 115 billion, with revenues of CZK 754 billion and expenditures of CZK 869 billion. The state budget deficit continues to grow. In 2003, the government approved a three-year consolidation programme aimed at reducing the growing public budget deficit to no more than 4% of GDP by 2006.

**Tab. 7. Work of the Budget Committee in five terms 1990–2004**

<b>Term</b>	<b>1990– 1992</b>	<b>1992– 1996</b>	<b>1996– 1998</b>	<b>1998– 2002</b>	<b>2002 till elections</b>	<b>From 7.7.2002</b>	<b>2003</b>	<b>2004</b>
Number of members	17–18	17–20	20	21	21	21	21	21
Number of committee meetings	65	78	36	59	24	8	14	16
Number of adopted resolutions	398	627	318	560	324	116	196	176

*Source: Archive of the Chamber of Deputies, Parliament of the Czech Republic*

terly report, and after six months the cabinet submits a mid-year report to the Chamber of Deputies. The mid-year report provides information on economic development and a comprehensive update on the implementation of the budget, including an updated forecast on the budget outcome for that fiscal year. The Budget Committee plays a key role in this quarterly and semi-annual review process. The year-end report, the Government Financial Statement, is the government's key accountability document. The Budget Committee debates its individual chapters, and the Chamber of Deputies approves the Government Financial Statement.

Effective legislative oversight of the budget is generally connected to the level at which the rules in the new democratic parliaments have been institutionalised. As indicated above, the Budget Committee may establish various sub-committees to perform its supervisory functions. In the third term these were the Sub-committee for Capital and Financial Markets and the Audit Sub-committee; in the fourth term (2002 – present) the Sub-committee for the Financial Management of Regional Self-administration and for the Utilisation of European Funds was established in addition to the Audit Sub-committee.

During the process of decentralisation, which is part of the process of European integration (based on which a wide range of decision-making powers were transferred, in 2001, from the central to the district level), parliament strengthened its supervisory function. If the Audit Sub-committee is understood to be the control mechanism of parliament vis-à-vis the cabinet, then the Sub-committee for the Financial Management of Regional Self-Administration and for the Utilisation of Funds of the European Union is an attempt to partially control the financial flows between supranational (EU funds) and sub-national levels (districts) [Rakušanová 2003].

During the process of consolidating democracy in the Czech Republic, parliament has become functionally embedded in the constitutional system, while MPs have become more professional, there has been an improvement in the level of professional back-up, and the functions of parliament have become crystallised. Today, public finances are undergoing extensive structural reform, which involves more than just minor modifications and should result in the restructuring of the state budget and especially in changes to welfare, pension, tax and healthcare spending.

The main objective of the reform is to transform the state budget from a tool of fiscal policy into a public management tool, i.e. a performance-driven model based on defined goals and benchmarks, on negotiations, and on a system of contracts and agreements.

## **Conclusion**

An analysis of parliamentary activities in relation to the state budget shows that during the process of transformation and the consolidation of democracy in the Czech Republic the functions of parliament in relation to the state budget have undergone a massive transformation. In this process, the professionalising of MPs in general and those in the Budget Committee in particular has been a crucial factor. At the beginning of the 1990s, the Budget Committee, like parliament as a whole, was composed of people without any previous experience in high politics. Only rarely did an MP have a background in economics. At the first meeting of the budget committee it was proposed that appointments take into account an MP's professional background. This proposal was rejected, and it was agreed to distribute posts in the committee among all political parties equally. Gradually, MPs have become more professional and have learned how to work with information, how to obtain it, and how to evaluate it critically. Today, the Budget Committee is considered the most prestigious and most influential parliamentary body.

The problem with the role of parliament in the budgeting process lies primarily in the need for large coalitions in voting, and in the large transaction costs associated with party cohesion, i.e. in the party-political landscape rather than in any institutional capacity. Generally, there has been an increase in party discipline in voting on the budget. On the other hand, the number of changes that are proposed by individual MPs has also grown.

Parliament is aware that its power may be eroded within the context of European integration, and therefore, to counter that threat, it is strengthening its auditing functions. This pertains also to the Budget Committee, which focuses on the sub-national and supranational levels, the management of territorial self-administrations and the utilisation of European Union funds. It may be expected that with the Czech Republic now a member of the EU (since May 2004) this type of activity will be given priority.

*ZDENKA MANSFELDOVÁ is a senior researcher at the Institute of Sociology, Academy of Sciences of the Czech Republic. Her research specialises in political sociology, especially the institutionalisation and representation of interests, both their political representation (parties, parliament) and the non-political meso-structures of interests. She is the author of numerous published articles and chapters in books, and is the co-author of Post-Communist Party Systems. Competition, Representation, and Inter-Party Co-operation, with*

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## **Appendix 1.**

### **Names of Political Parties in English and Czech and their Czech Abbreviations**

<b>Abbreviation</b>	<b>Party name in English</b>	<b>Party name in Czech</b>
ČMSS/ ČMUS	Czech-Moravian Centre Party / Bohemian and Moravian Union of the Centre	Českomoravská strana středu/ Českomoravská unie středu
ČSSD	Czech Social Democratic Party	Česká strana sociálně demokra- tická
KDU – ČSL	Christian Democratic Union – Czechoslovak People's Party	Křesťansko demokratická unie/ Československá strana lidová
KDS	Christian Democratic Party	Křesťansko demokratická strana
KSČM	Communist Party of Bohemia and Moravia	Komunistická strana Čech a Moravy
LB	Left Block	Levý blok
LSNS	National Socialist Liberal Party	Liberální strana národně sociální
LSU	Liberal-Social Union	Liberal-Social Union
ODA	Civic Democratic Alliance	Občanská demokratická aliance
ODS	Civic Democratic Party	Občanská demokratická strana
SPR – RSČ	Association for the Republic – Republican Party of Czechoslovakia	Sdružení pro republiku – Repub- likánská strana Československa
US	Freedom Union	Unie svobody
US – DEU	Freedom Union – Democratic Union	Unie svobody – Demokratická unie