Profile of the
PARLIAMENTARY
TECHNICAL BUDGET SUPPORT UNIT
UNIDADE TÉCNICA DE APOIO ORÇAMENTAL
(UTAO)

Assembleia da República
PORTUGAL
Profiles of Parliamentary Budget Institutions – OECD guidelines

The profiles will focus on such bodies in terms of:

- Their inception and development over time;
- Their legal basis;
- Their organization and function;
- Their financial and human resources (budget, number of staff, profile of staff in terms of specialties and academic background);
- The appointment process for their directors, including length of terms;
- The appointment process for their other staff;
- Their use of outside consultants;
- The existence of any panels of independent experts;
- Their output in terms of number of studies and reports, including both published and background papers;
- Their role in scrutinizing the effectiveness and efficiency of specific government programs;
- Their role in costing proposed legislation;
- Their role in reviewing the economic assumptions for the budget, fiscal risks, and long-term fiscal sustainability;
- The nature of their relationship with the budget committee (and other committees);
- The nature of their relationship with each Chamber of Parliament, if applicable;
- Their relationship with the government (executive) in terms of information gathering and analysis.
As resumed by OECD (2008), “UTAO is a nonpartisan unit composed of experts in economics and law. It supports parliamentary budget deliberation by providing the committee with quality analytical reports on the executive’s budget proposal.”
Inception of the Technical Budget Support Unit (UTAO) at the Portuguese Parliament

- **Legal basis:** UTAO was created by the Resolution of the Portuguese Assembly of the Republic no. 53/2006, of 7th August

- Started in November 2006

- **Purpose:** Providing technical support to the specialist committee with responsibility for budgetary and financial matters
  - Nonpartisan unit

- **Organization:**
  - UTAO was created at the Directorate of Technical Support and Secretarial Services (DSATS)
  - “and shall function under the said [Budget] committee’s direct guidance”
The **UTAO is responsible** for drawing up **studies and technical working documents** on public budgetary and financial management, within the scope of the following matters:

a) Technical analysis of government bills on the *State Budget and amendments* thereto;

b) Technical assessment of the *General State Accounts*;

c) Technical **monitoring of budgetary execution**;

d) Technical analysis of **revisions of the Stability and Growth Programme**;

e) Such technical studies on the **budgetary impact of legislative initiatives that are admitted**, as the President of the Assembly of the Republic deems fit to submit to the specialist committee with responsibility for budgetary and financial matters;

f) Such **other work** as the specialist committee with responsibility for budgetary and financial matters orders the UTAO to engage in, or as the President of the Assembly of the Republic, or other specialist committees, submit to the specialist committee with responsibility for budgetary and financial matters.
Principles

Internal regulation

- Within the framework of the Resolution, UTAO shall function in accordance with its own *internal regulations*, which shall be subject to approval by the President of the Assembly of the Republic upon a proposal from the Budget Committee.

- **Working plan** is subject to approval by the Budget Committee

- UTAO is bounded by the **principles of independence, impartiality and objectivity**
  - Article 6 – Principles of independence and impartiality – “In the execution of the working plan and such other studies requested to the Parliamentary Technical Budget Support Unit (UTAO), the *specialists* thereof shall elaborate them with total political, technical and scientific independence and impartiality.”
  
  - Article 8 – Principle of objectivity – “*Documents* and studies drawn up by the UTAO specialists shall be exclusively of technical nature and present facts and situations in an objective manner, maintaining the highest professional, behavioural and integrity standards.”
UTAO still in an “experimental phase”

- This year, 2009, UTAO shall be assessed
  - By the Budget Committee
  - The Committee will have a full range of options – it shall present a proposal for UTAO:
    - to be maintained,
    - abolished,
    - or altered in terms of both its responsibilities and its composition

- **Legal text**: No. 2 of the Resolution states:
  - “Within three years after the UTAO commences its functions, the specialist committee with responsibility for budgetary and financial matters shall assess the UTAO in the light of the work it has done and the costs that have been involved, and shall present a proposal for it to be maintained, abolished, or altered in terms of both its responsibilities and its composition.”
Resolution:
- UTAO shall be composed of between 3 and 5 specialists,
- who shall be seconded or engaged in accordance with the Law governing the Organisation and Functioning of the Departments and Services of the Assembly of the Republic (LOFAR) and other applicable legislation.

Staff was selected by public contest:
- If previously working for the public sector → secondment/“temporary loan” from the original public service
  - Secondment must be renovated on an annual basis.
  - Secondments end automatically with the end of the legislature (2009)
- If not previously working for the public sector → fixed term contract for (only) 1 year, not renewable
  - Presently, there is not the possibility of hiring UTAO’s staff offering an indefinite term contract
  - UTAO’s staff are not members of the permanent staff of Parliament
Resources- staff

- **Initial recruitment** opted for the *minimum* number of staff: *3 specialists*
  - 2 seconded from the public sector | 1 hired for one year

- Presently: *2 technical consultants* (+1 administrative)
- **Profile of staff:**
  - 1 PhD in Economics
    - “on loan”/seconded from the University of Coimbra, where he was Assistant Professor in Economics, specialized in fiscal policy, stabilisation policies, EMU
  - 1 Auditor
    - “on loan”/seconded from the Portuguese Court of Auditors - from the Special Body for Examination and Control, which is integrated by highly qualified careers (*Corpo Especial de Fiscalização e Controlo de Alto Nível*)
Appointment process

- Appointment process for the director and length of term?
  - There is no director
  - Small structure

- Length of mandates:
  - Very short nature of secondments/fixed contract
    - Secondments can be yearly renewed but end automatically with legislature
The Portuguese Parliament should consider

- increasing the number of staff in the technical support unit (UTAO) and
- increasing the duration of its mandate while ensuring the unit’s independence.

- An increase in staff is important to provide sufficient support for Parliament under the current budgetary regime, and to help prepare for the upcoming programme budgeting.
- The introduction of programme budgeting will require this unit to conduct additional analysis of the budget proposals. More experts will be necessary to review the performance information provided by the government.
- The mandate of the unit should be extended, and an independent head would help to further increase the unit’s credibility.
OECD analysis & Recommendations (continued)

- The capacity of this unit is limited because it only has three staff persons (two of whom are seconded).
  - This is a very small number compared with similar organisations in OECD countries. (...)

- Even though the staff are qualified specialists in fiscal policy, it is very demanding to cover all requests from the committee and to respond to the executive’s budget proposal within ten days.

- Consideration should be given to
  - extending the duration of the unit’s mandate and
  - to expanding its size and capacity by appointing additional permanent staff.
Access to information

Another limitation:

- Unit only has access to publicly available information or information sent to Parliament by the government.

- The unit cannot directly request any kind of information from the public administration or the government.
  - All requests for information must go through the Budget Committee to the Minister of Parliamentary Affairs (if Committee agrees) and from there to the relevant minister.
  - This process is very time-consuming.

- OECD recognized this is a limitation to the capacity of the unit.
Deadlines

- **Extremely short deadlines** for the main analysis:
  - 10 calendar days for the technical analysis of the **budget proposal** counting from budget presentation (15th October)
  - 8 days for the analysis of the annual update of the Stability and Growth Programme (SGP)

- **Result of the very short Parliamentary timetables:**
  - only 45 days for debating & approving the Budget
  - only 10 working days to appreciate SGP update
    - **Budget**: Each sectoral committee send formal opinions to the Budget Committee within 15 days of the finance minister’s presentation; The Budget Committee gives its formal opinion within 20 days of presentation of the government’s budget proposal.

- **OECD** (2008) recommended that “**the period given to debating the budget should be extended to at least three months** to be in line with the OECD guidelines on budget transparency, established to ensure sufficient time for parliamentary review and action.”
Deadlines

- Somewhat more extended deadlines for other documents:
  - General State Accounts
  - Monitoring of budgetary execution: 20 working days
  - Budgetary Policy Steering Report (ROPO) of May: deadline 1 week before Plenary session
Use of external consultants & panel of independent experts

Resolution 53/2006 states that the Budget Committee “may request the President of the Assembly of the Republic’s approval (...) for the contracting of studies by other bodies, on matters which entail a high degree of technical and scientific complexity.” Hence,

- It is possible for Budget Committee to contract external studies
  - Until now, the possibility of contracting external studies has not being used in practice

- There is no panel of independent experts
Output
Output

- UTAO produces analytical reports (Technical Notes & Information Notes)
  - Approx. 20 reports/year: 15 in 2007; 21 in 2008

- After favourable decision from the Budget Committee, such documents are available at the Budget Committee website at: http://www.parlamento.pt/sites(COM/XLEG/5COFposRAR/Paginas/UTAO.aspx

- UTAO does not produce background papers or research papers
  - Outside the scope
  - No sufficient resources
UTAO - Unidade Técnica de Apoio Orçamental

Documentos elaborados pela UTAO

- Execução Orçamental no âmbito da Contabilidade Nacional e Contas Naturais Trimestrais por Sector Institucional – 3.º Trimestre de 2008
- Nota Técnica sobre a Conta Geral do Estado 2007
- Análise da Proposta do Orçamento do Estado para 2009
- Contas Naturais Trimestrais das Administrações Públicas
- Contas Naturais Trimestrais por Sectores Institucionais, incluindo das Administrações Públicas – 2º trimestre de 2008
- Informação sobre DPO 2008
- Nota Técnica sobre Execução Orçamental - Análise do 2º trimestre de 2008 (óptica da contabilidade pública)
- Análise do Relatório nº 14/2007 do TC - Auditoria à Inspeção Geral da Ciência, Inovação e Ensino Superior
- Nota Técnica - Análise do Relatório de Orientação da Política Orçamental 2008 e das CGP’s para 2009
- Nota Técnica sobre a Quantificação do Impacto Orçamental do Projecto de Leis nº 40/2007
- Análise da Avaliação Técnica da Comissão e do Parecer do Conselho à actualização de Dezembro de 2007 do PEC da República Portuguesa
- Análise do Relatório nº 20/2007 do TC - Auditoria ao Sistema de Controlo Interno da Segurança Social
- Nota Técnica sobre a Execução Orçamental do 1º trimestre de 2008 (óptica da contabilidade pública)
- Execução Orçamental em 2007 (óptica da Contabilidade Nacional)
- Nota Técnica sobre a Execução Orçamental - 4º trimestre 2007
- Informação relativa à Execução Orçamental em 2007 (óptica da Contabilidade Pública)
- Informação sobre Dívida Pública
- Posição da UTAO sobre o documento «Comentários à “Análise Técnica Preliminar da Proposta de Lei que Aprova o Orçamento do Estado para 2008” do GEFA/P»
- Relatório de Actividades da UTAO/2007
- Conta Geral do Estado 2006 - Informação Preliminar
- PEC 2007-2011 - Informação Preliminar
- Orçamento do Estado para 2008 - Análise Técnica Preliminar
UTAO’s role in the costing of proposed legislation

- Costing legislation is within the scope of the unit

- In practice, no direct access to information, lack of staff, no external panel of experts, absence of tradition of impact assessment in Portugal & no established methodologies limit this function

  - Output: 1 budget impact assessment made in 2008
UTAO’s role in scrutinizing the effectiveness and efficiency of government programs

- Portugal does not follow programme budgeting
  - Government announced such goal (initially for 2010) – *not likely to happen by 2010*
  - Still in study (ongoing)
    - Minister of Finance and Public Administration established the Committee for Programme Budgeting (Comissão para a Orçamentação por Programas) to make recommendations on the implementation of programme budgeting.
      - Final report, due in July 2008, not yet publicly available
    - OECD review of the Budget process in Portugal (2008)
  - No Government proposal yet

- If/when implemented will require further resources at Parliament to review the performance information provided by the government
UTAO’s role in reviewing the economic assumptions for the budget, fiscal risks & long-term fiscal sustainability

UTAO’s approach to analysis of budget proposal & SGP updates:

- Global (macro) analysis of the documents
- Focus on bringing to the attention of MPs issues related to long-term sustainability usually absent from the political debate
  - Some success in getting the attention to:
    - Fiscal room for manoeuvre
    - Structural (or underlying) deficit
    - Measurement of fiscal consolidation efforts
    - Long-term commitments undertaken by the Government through PPP
Example: Approach to the analysis of the Budget proposal

1) Assessment of the realism of the economic assumptions
2) Analysis of revenue and expenditure forecasts
   - national accounting – *accrual basis* ESA95 –
   - & public accounting – *cash basis*
3) Fiscal sustainability
4) Multiannual expenditure commitments (PPP)
5) Budget transparency
1) Assessment of the realism of the economic assumptions

- It has a direct impact on the quality of revenue and expenditure forecasts

- **UTAO does not produce its own economic forecasts**

  - UTAO compares Government’s forecasts with forecasts made by other national and international organizations (European Commission, IMF, OECD, Bank of Portugal)
  - UTAO takes also into account advanced (economic activity) indicators

- OECD(2008) recommended that the macroeconomic assumptions should be reviewed by an independent panel.
2) Analysis of revenue and expenditure forecasts

- Elasticity of revenue with regard to GDP – realistic?

- Evolution of certain kind of expenditures
  - e.g. compensation of public employees, public investment, interest payments, public debt, etc.

- Comparison with the path aimed in previous documents (previous SGP update and previous ROPO)
3) Fiscal sustainability

- Evolution of public debt
  - Maastricht definition of debt
  - Financial situation (debt) of public enterprises

- Structural balance:
  - Level of the structural deficit & room for fiscal manoeuvre
  - Quantification of progress made in fiscal consolidation: change in structural primary balance
    - Problem real-time estimate of output gap

- Evaluation of compliance of European rules (Treaty & Stability Pact)
  - Limits of 3% of GDP for headline deficit; 60% of GDP for public (gross) debt
  - Quantification of the excess in the structural deficit with regard to the Medium Term Objective (MTO) [structural deficit of 0.5% of GDP]
  - Conformity with the general rule set-up in the Stability Pact of attaining an annual improvement of 0.5% of GDP, as a benchmark, in normal times, in the cyclically-adjusted balance, net of one-off and other temporary measures.
    - Important in the medium term taking into account the expected fiscal costs of ageing of the population
4) Multiannual expenditure commitments (PPP)

- Budget gives only summary information on commitments 2008-2039 (at current prices)
- UTAO’s approach:
  - Calculation of present value of total commitments [pioneering work]
  - Expressed commitments as a % GDP
  - Comparison with estimate made in the previous budget proposal

  **Main findings in October 2008:**
  - UTAO’s work estimated that the **present value** of responsibilities (total cash outflows) for period 2008-2039 already amounted to 12% of GDP$_{2008}$ (& within of 1 year there was an increase of 32% or +2.8 p.p. of GDP$_{2008}$).
  - Calculation of the present value was a **pioneering work made by UTAO** in 2007. Quoted afterwards by the Portuguese Court of Auditors in a follow-up audit to PPP.
5) Budget transparency

- **Quality & quantity of information in budget proposal** – *examples of identified issues:*
  - Absence of nominal GDP estimate (corrected in 2009) and no review of economic forecasts by an independent panel
  - Lack of information regarding impact of the conversion of some hospitals into corporate public entities on the accounting of compensation of employees
  - Insufficient information regarding methodological changes (*e.g.*, in the accounting of compensation of employees – proposal for 2009)
  - Information related with PPP commitments
  - Lack of information regarding financial transactions with corporate public entities
  - Insufficient information regarding the adjustment from cash basis accounting of the deficit (voted by Parliament) to accrual basis (scrutinized by Brussels and the focus of the political discussion)
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