OECD Parliamentary Budget Officials

The Canadian Experience

Presentation by the Parliamentary Budget officer

Rome, Italy
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Outline

- Context for change
- Mandate and mission
- Supporting Parliamentarians and Canadians
- Operating Model
- Concluding Remarks
Context for change

- Unprecedented public demand for transparency and accountability across the public and private sectors
- A series of large unplanned budgetary surpluses for the Canadian government
- A number of high profile cost over-runs on major government capital projects
- New and emerging global standards and best practices to promote financial and budgetary transparency
- Successive minority governments that are changing the relationship between the government and Parliament

A fundamental change has taken place in the way citizens view the government’s stewardship of taxpayer resources
The government’s commitment

- The government’s 2006 election platform promised the following reforms in the area of political accountability:
  - To create an **independent** Parliamentary Budget Authority to provide objective analysis directly to Parliament about the state of the nation’s finances and trends in the national economy.
  - Require government departments and agencies to provide **accurate, timely information** to the Parliamentary Budget Authority to ensure it has the information it needs to provide accurate analyses to Parliament.
  - Ensure that government fiscal forecasts are updated quarterly and that they provide **complete data** for both revenue and spending forecasts.

Bill C-2, the Federal Accountability Act, was introduced by the government in April 2006 and became law in December 2006.
Ottawa, March 14th, 2008 - The Honourable Peter Van Loan, Leader of the Government in the House of Commons and Minister for Democratic Reform, today announced the appointment of Kevin Page as Canada’s first Parliamentary Budget Officer [PBO].

The appointment fulfills another commitment made to Canadians during the last election.

“As promised in the Federal Accountability Act, the Parliamentary Budget Officer will provide independent analysis to Canadians on the state of the nation's finances,” said Minister Van Loan.

The Parliamentary Budget Officer is an independent officer of the Library of Parliament who reports to the Speakers of both chambers. The position was created through amendments to the Parliament of Canada Act contained in the Federal Accountability Act.

Mr. Page’s appointment is effective as of March 25, 2008.
The legislated mandate of the PBO

- The *Federal Accountability Act* (FedAA) specifically mandated the PBO to provide *independent* analysis to the Senate and to the House of Commons (HOC) about the state of the nation’s *finances*, the *estimates* of the government and trends in the national *economy*.

- The legislation further directed the PBO to:
  - Undertake research into the nation's finances and economy
  - Undertake research into the estimates of the government (i.e. planned expenditures)
  - Estimate the financial cost of any proposal that relates to a matter over which Parliament has jurisdiction

The PBO has been provided with a broad mandate to support Parliament and parliamentarians in holding the government to account for the good stewardship of public resources.
Supporting the work of committees

- The FedAA also directed the PBO to support the following parliamentary committees:
  - The Standing Committee on National Finance of the Senate
  - The Standing Committee on Finance of the House of Commons
  - The Standing Committee on Public Accounts of the House of Commons
  - Though not specifically named in the legislation, the Standing Committee on Government Operations and Estimates of the House of Commons is clearly implied by the mandate

- The PBO is appointed by the Governor-in-Council for a five year period. The selection process is outlined in legislation.

Parliamentary committees are the workhorses of government oversight and should benefit from additional independent and authoritative advice on financial and economic matters.
Mission of the PBO

- Linked to its legislated mandate, the PBO will support Parliament and parliamentarians in exercising their oversight role over the government’s stewardship of public funds and in ensuring budget transparency.

The goal of the PBO is to render budgets more transparent. This means providing parliamentarians with access to financial and economic analysis in a relevant, timely and systematic manner.
Why Parliament matters in budgeting

- Leading organizations such as the Organization for Economic Co-operation and Development (OECD), International Monetary Fund (IMF), the Brookings Institution and the International Budget Project (IBP) provide guidance to legislatures regarding budgetary best practices to hold the government to account.

Even in a Westminster model, Parliament has the fiduciary obligation to scrutinize the planned expenditures of the government.

**Budgetary Best Practices for Legislatures**

1. Parliament needs reasonable assurance that due diligence has been exercised in spending proposals in the budget and estimates.
2. Parliament needs timely information in an analyzable format.
3. The parliamentary appropriations process needs to reflect actual financial estimates.
4. Supporting due diligence and analysis on off-cycle fiscal pressures.
5. Parliament needs information on the sources of funds of departmental expenditures.
6. Parliament needs timely and accurate information on how departmental expenditures comply with Treasury Board authorities and policies.
7. To ensure informed voting on appropriations, Parliament needs to assess the reasonableness of departmental asks.
8. The impact of any other government decisions or other circumstances that may have a material effect on the budget should be disclosed.
Value proposition

- The underlying value proposition behind the PBO’s work is to provide independent, timely and objective research-based advice with an analytical focus on core economic, fiscal and expenditure management issues underpinning budgetary decisions;

The PBO’s will support Parliament’s role in the budgetary process in a manner that will be consistent with the Westminster model of government.
The PBO will leverage a best practice framework on public sector expenditure management* to ask the following key questions:

- **Aggregate fiscal discipline**: Do the government’s economic and fiscal projections appropriately take into account the existing risks and fall within a reasonable range? Does the government take appropriate account of long-term economic, demographic and social trends in its planning?
- **Allocative efficiency**: Are the government’s expenditures appropriately linked to stated policy priorities and results? Is new expenditure mindful of existing programs and performance?
- **Operational efficiency**: Are the government’s expenditures and execution based on sound business cases that reflect due diligence, effectiveness and efficiency relative to best practices, Treasury Board policies and the government’s own assertions?

* Prof. Allen Schick, University of Maryland & Brookings Institution
How the PBO would operate

- During the consultation process, parliamentarians were of the near unanimous view that the PBO should employ a *fully transparent, open publishing* model
  - This view was echoed by academics, think tanks and current and former senior bureaucrats
  - The model would also draw from best practices in peer organizations such as the Auditor General and the Congressional Budget Office
- A fully transparent open publishing model would enable the PBO’s research to be undertaken in a collaborative basis with third parties and include peer review, where practical
- The operating model would also cause the PBO to publish its workplan and communicate research findings via a public website
  - This would be key to leveraging the PBO’s information access provision with the government and the bureaucracy; critical to the PBO realizing its mandate

The PBO will use an open and transparent operating model to ensure that the analysis is authoritative, objective and non-partisan
Products and services

- The PBO will produce three types of analytical products, in two categories: Economic & Fiscal Analysis and Expenditure & Revenue Analysis
  1. Fact sheets: up to 2 pages.
  2. Briefing notes: up to 3 pages with questions for follow up
  3. In-depth analytical notes: potential co-authors; annexes

- Economic & Fiscal Analysis
  - Regular: quarterly economic and fiscal updates
  - Research: foundation reports and research reports on key emerging economic and fiscal issues including pre- and post-budget assessments of the economic and fiscal situation.
  - **Requested:** both brief and in-depth analysis as requested by committees

- Expenditure & Revenue Analysis
  - Regular: parliamentary appropriations series; parliamentary reporting series; government budgetary decision-making series
  - Research: foundation reports on best practices, budget transparency, expenditure management, financial reporting, government operations
  - **Requested:** both brief and in-depth analysis as requested by committees and/or Parliamentarians (e.g. costing of Afghanistan engagement)

All products will be published directly on the PBO’s public website at [www.parl.gc.ca/pbo-dpb](http://www.parl.gc.ca/pbo-dpb)
Examples of early products

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(1) Use of a peer review process
(2) Analytical note
Timely & relevant information is critical

- Availability of timely, relevant and accrual-based financial reporting, fiscal forecasts and underlying decision support information (business cases) is key for the PBO to advise Parliament on a real-time basis; in order to:
  - Assess budget versus actual performance
  - Analyse operating performance
  - Assess the business case for large projects, programs and the capital vote

- The PBO’s enabling legislation includes a provision for timely access to the government’s financial and economic information

Accessing information will be a challenge. This has been the experience of other legislative budget offices. The main compensating factor will be the quality and depth of analysis.
Organization and resources

- The PBO is still in the start-up phase
- The leadership team has been put in place and we are actively recruiting economists and financial analysts
- Planned budget for 2009-10 of $2.7m under review (budget for 2008-09 was $1.8m)
- As an advisory service business we strongly believe that our value proposition to Parliament is entirely based on the quality of talent that we attract and retain

Given the available resources, the broad mandate of the PBO will have to be realized by leveraging people and partners.
Challenges facing the PBO

- Maintaining independence in the provision of analysis
- *Massive* asymmetry of information between the government and Parliament
- Limited resources to fulfill a very broad mandate
- Competitive market for talent in the financial and economic analysis domains
- Being and being seen to be non-partisan, while providing scrutiny, opinion and challenge

In spite of the high expectations of parliamentarians, the PBO operates with significant constraints in trying to meet its legislated mandate
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Selected bibliography

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