Working Party of Senior Budget Officials

SBO FUTURE DIRECTIONS AND PROGRAMME OF WORK

24th ANNUAL MEETING OF OECD SENIOR BUDGET OFFICIALS

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See also the Annex document: GOV/PUMA/SBO(2003)7/ANN

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1. INTRODUCTION

1. The SBO is a long-standing OECD Working Party which assists Member countries improve the allocation and management of resources in the public sector:
   - By providing the forum for policy-makers to meet and address major budgeting issues in a unique collaborative setting; and
   - By producing comparative policy analysis and guidance to governments on budgeting and financial management issues through its programme of work.

2. This document reviews the networks and work programme under SBO direction, and puts up ideas for the future for discussion.

2. CURRENT PROGRAMME OF WORK

3. The programme of work divides into four distinct groups.
   a) Policy analysis on specific budgeting and expenditure management issues;
   b) Country budget system reviews;
   c) Major OECD Public Governance Outputs;
   d) Ongoing data-collection and comparative analysis.

a) Policy Analysis on Specific Budgeting Issues

i) Budget Institutions and Reallocation
4. Late last year, with special assistance from the Governments of Canada and the Netherlands, a program of research and analysis was begun on Budgetary Institutions and Reallocation. A draft report including the input of an expert group will be put before the SBO at this meeting, a conference will be held in Canada later in the year, and a final report will be produced in early 2004.

ii) Accountability and Control
5. Following a meeting of interested countries earlier this year, a program of work on Accountability and Control is currently being launched. This program has received offers of support from the UK and Spain and a number of other Members have expressed an active interest in it. It is planned that the project
will involve an expert group, a survey, at least one Seminar (Spain has offered an event in Madrid) and the final draft report will be presented to the SBO in 2004). An outline of the proposed work programme is in document GOV/PUMA/SBO(2003)7/ANN.

iii) Public Sector Accounting Architecture

6. Since 2000, there has been an annual Symposium on Budgeting and Accrual Accounting. An important topic which emerged in the 2003 Symposium was that of harmonizing international systems of accounts with government budgeting and reporting data. A summary of these issues is in document GOV/PUMA/SBO(2003)7/ANN.

b) Country Budget System Reviews

7. The process of country reviews was established in 1998. The Working Party customarily conducts a review of the budgeting system of one Member countries at each meeting. This year the number of country reviews has been increased to two and includes a review of a non-Member country for the first time. The following countries have been reviewed: Brazil, Canada, Finland, the Netherlands, Sweden, and the United States.

8. The objective of the reviews is to provide a comprehensive overview of the budget process in the country under examination, to evaluate national experiences in the light of international best practice and provide specific policy recommendations, and to offer other Member countries an opportunity to comment on specific budgeting issues in the country under examination (“peer review”).

9. There would be advantage in stepping up further the number of reviews each year in order to build up a critical number of countries reviewed and to use them as the basis for further comparative analysis. This would, however, require developing a new mechanism of funding the reviews.

c) Major OECD Public Governance Outputs

10. In order to give the work programme endorsed by the last two SBO meetings a higher profile and appeal to a wider audience, it has been agreed that the OECD Program of Work and Budget for 2003/4, should include a review of two decades of public sector modernization across OECD countries. This body of work, described in more detail in the Annex document [PUMA/GOV/SBO(2003)7/ANN], reviews the impact on public sector governance and performance of the main budgeting, management, control and accountability trends in different administrative and cultural contexts, and drawing larger lessons to guide policy makers in the future.

11. Individual papers in this Review to which SBO work and the input of its Members will be particularly relevant over the next two years are:

- **Governing for Performance**: A review of the formalised use of targets and results (e.g. outputs, outcomes) information in national planning, budgeting, management and reporting processes. The paper will explore the potential and the limits of this movement.
- **Changing Organisational Structures**: A review of the impact of the diversification and differentiation of organizational forms in the public sector from the point of view of whole of government strategy, control and accountability
- **The Changing Role of the Centre**: Will review how central control agencies, including budget offices, are having to change their roles, relationships and capacities in response to public sector modernization and new kinds of problems.
• *Modernising Accountability and Control:* Will review the implications for internal and external accountability and control of major public management changes and governance changes.

• *Contracting Out:* This paper will review the use of third-party providers for public services and identify its potential use and limits in different national settings.

12. A feedback form has been provided to this meeting in which Members can indicate their interest in contributing to/being involved in these networks and activities.

**d) Ongoing data-collection and comparative analysis.**

i) **OECD Budgeting Database**

13. The OECD is building an extensive database on budgeting institutions, practices and instruments in Member countries. The OECD Budgeting Database is the key resource that facilitates the entire program of work. This data has been gathered primarily through the annual surveys conducted prior to each meeting of the Working Party. The Database was re-launched in 2002 and will be updated regularly and available online.

14. A brief overview of the information collected to date and an outline of the comparative analysis envisaged for this data will be made at this meeting.

15. Financial support from the World Bank and the Inter-American Development Bank for this activity is gratefully acknowledged. As a result of this support, the Database is now being extended to 30 non-Member countries.

ii) **GOV Expenditure Database**

16. This database would join together various stand-alone databases on public expenditures in specific sectors that the OECD already maintains, on the basis of a micro-economic classification. It it proves feasible, such a database would be a useful resource for analyzing the changing pattern of expenditure in Member countries, an “horizontal” expenditure items (see Section 4).

iii) **Developments in Budget Law**

17. The Secretariat has commenced a comparative study of Budget laws across OECD countries. Our capacity in this area will strengthened in 2003/early 2004 by a secondment from the IMF.

3. **WORK WITH NON MEMBER COUNTRIES**

18. Under core funding through the OECD Co-ordination Committee for Co-operation with Non-Members (CCNM) and through CCNM, special grants from Members, the Secretariat is undertaking work on Budgeting and Financial Management as part of the OECD Governance Program in China, and is working on supporting the creation of SBO-type peer review networks in other regions of the world. On special grants, an SBO network has been created in Asia, and similar networks are under negotiation in Latin America and South Africa.

19. Under a proposal called the OECD Budget Project (see document [GOV/PUMA/SBO(2003)7/ANN1]) it is proposed to create a consolidated funding basis for an integrated set of SBO-type regional networks across the developing world as a contribution to building professionalism to support better governance of public resources.
4. **Direction of Future Work Programme**

20. The current programme of work largely commits BMD staff resources through to the end of 2004. It is timely for the SBO to give guidance on the desired longer term direction of the SBO directed work both to enable development work and net-working to begin, and to provide a clear direction for the PUMA Committee and the Secretariat in its bid for resources within the OECD from 2004

   **a) Dynamics of National Budgeting Systems**

21. This has been the core of the SBO work since its inception. What is involved is the continuation/updating of SBO work on the political economy and managerial dynamics of budgeting and financial management. This could include performance, accounting architecture, performance auditing, the role of the budget office, budget rules and horizons, and the interaction of the budget process with the other components of public management.

   **b) Sectoral Budgeting and Expenditure Management Issues**

22. A new departure for SBO would be to examine budgeting issues in a sectoral context. Work could be done on the issues of budgeting which are sector specific in such areas as health, old-age pensions, or other areas.

   **c) Institutional Analysis of Horizontal Expenditure Items**

23. The hard times ahead for fiscal management in OECD countries could raise the priority of comparative work aimed at improving the design of the institutions driving horizontal expenditure items. Topics under such an approach might be non-tax revenue, (including user charging), earmarked tax revenues, grants and transfers to other levels of government (a horizontal OECD project on Inter-Governmental Fiscal relations is being launched-see proposal in document GOV/PUMA/SBO(2003)7/ANN), the procurement of goods and services, subsidies and public contributions to the market sector, and the institutional arrangements for public sector pay.

5. **Organisation and Governance Issues**

24. The part of the OECD Secretariat which supports the work of the SBO is the Budgeting and Management Division (BMD) of the Public Governance and Territorial Development Directorate (GOV). GOV was created in September last year with the merger of the Public Management Service and the Territorial Development Service. The work of this new Directorate is overseen by three committees, the Public Management Committee (PUMA), the Territorial Development Policy Committee, and the Regulatory Management and Reform Working Party.

25. Formally, the SBO is a subsidiary body of the Public Management Committee. PUMA decides the program of work for SBO, requests funding for SBO activities in the OECD internal budget process, and determines the final level of resources for specific activities.

26. The SBO was launched in 1980 and has grown from strength to strength since. A recent review of the *Future Directions of the OECD: Report on OECD’s Role in Global Architecture* concluded:

   "...the comparative analysis carried out by the Senior Budget Officials Working Party (SBO) … has helped strengthen the governance of public expenditure in member countries. Through this work, the OECD has had a major role in all major advances in this area … which rank amongst the most significant public
governance advances of modern times. The SBO, which has been running for almost 25 years, has no rival forum internationally and is growing in strength and profile within OECD countries.

27. The SBO’s standing networks include the Network of Parliamentary Budget Committee chairs (which is the only OECD network consisting of members of parliament) and the Network on Financial Management.

28. Members are invited to put forward ideas on how to ensure the SBO is as effective as possible in the future. Matters for consideration are:

- How to be more effective in delivering key messages to Members,
- Should the “peer review” component of the SBO work be strengthened
- Are there other networks which should be opened up?

6. TIMING AND LOCATION OF MEETINGS

29. The SBO has met in early June or late May since its inception in 1980. This was the optimal time for the greatest number of budget directors in view of their domestic budget cycles. The timing of the budget process in Member countries has, however, evolved since and it is time to review whether this is still the best or if it should be moved to earlier in the year.

30. The timing of meetings of other networks in the SBO family have generally been decided on a less disciplined basis and it is recognized that a more predictable pattern of meetings needs to be established.

31. The innovation was launched last year to rotate the SBO meeting among individual Member countries with the respective finance ministries hosting the meetings, rather than meeting permanently in Paris. An assessment of this innovation needs to be made. For example, the meetings could alternate between Paris and individual Member countries on some cycle. Also, the willingness of Delegates to attend meetings in non-European locations needs to be discussed specifically.