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**PUMA/SBO(99)8**



Organisation de Coopération et de Développement Economiques  
Organisation for Economic Co-operation and Development

**OLIS : 08-Jul-1999**  
**Dist. : 09-Jul-1999**

**Or. Eng.**

PARIS

**PUBLIC MANAGEMENT SERVICE  
PUBLIC MANAGEMENT COMMITTEE**

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## **STATEMENT BY THE CHAIRMAN**

**20th Annual Meeting of Senior Budget Officials  
Paris, 3-4 June 1999**

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**STATEMENT BY THE CHAIRMAN  
20<sup>TH</sup> ANNUAL MEETING OF SENIOR BUDGET OFFICIALS**

**JOACHIM SCHWARZER, DIRECTOR OF THE BUDGET, GERMANY**

Sound budgetary management is central to a well performing economy, providing greater economic stability with ensuing benefits for productivity, growth, and job creation.

But sound budgetary management is about more than managing aggregates. It is also about achieving effective policy results through seeing resources flow to where they are most valuable, and having the technical operations of government performed in an efficient manner. Achieving spending control, allocative and technical efficiency results in better decision making within the economy and generally more efficient allocation of resources.

**Fiscal position**

There have been significant improvements in the fiscal positions of many OECD countries over the last five years. The average fiscal deficit for OECD countries as a whole has reduced from 3.6 per cent of GDP in 1994 to 1.2 per cent of GDP in 1999.

This process of fiscal consolidation has been made easier by strong economic growth in a number of OECD countries. However, significant progress has been made in reducing structural fiscal deficits over this time period as well.

Although there is a slight fiscal loosening seen in some Member countries for the current year, the process of adjustment is still continuing. This process of fiscal adjustment has resulted in significant reductions in gross and net debt levels in many OECD countries.

**Minimising the risk to the fiscal position**

There are two main risks to the sustainability of the fiscal improvements that have been achieved. The first is that the existence of surpluses will generate increased spending commitments – as has often been observed in the past – which will erode the fiscal gains through time. The second is that these fiscal improvements may be vulnerable to a slow-down in economic growth. These negative effects will be particularly acute where spending commitments have been made on the basis of continued economic growth.

Establishing particular institutional arrangements that foster fiscal responsibility can assist the successful management of these risks. Fiscal rules and budgetary institutions are likely to be particularly valuable in that they provide a discipline on spending and increase flexibility in decision making.

## Current developments

There is convergence in Member countries around many practices --

- There is now a greater multi-year focus -- in fact, all countries now announce medium term fiscal objectives in a formal manner.
- There is now a more concerted effort to get legislative buy-in to the aggregate position. Almost 60 per cent of countries are providing their legislatures with an opportunity to consider the budget strategy separately from the actual budget.
- There is a trend to greater prudence in forecasting with many countries now submitting their internal economic forecasts to external review.
- There is a greater results and performance focus. Three quarters of countries now provide performance information in the budget. This is occurring amid a general trend of limiting central controls and pushing many operating decisions down the line, which should foster operating efficiency.
- Many countries are improving the rigour of their accounting systems with the introduction of accrual based systems at varying levels.

## Meeting proceedings

- The meeting considered country experience with **different forms of rules** for supporting fiscal prudence. There was general consensus that such rules are necessary in reinforcing spending control and managing the fiscal position both in times of fiscal deficits and surpluses. They are an essential complement to economic growth in achieving fiscal consolidation.
- The meeting considered the preliminary results of the OECD Survey on **fiscal transparency**. Delegates welcome the initiative by the OECD to assemble these and other practices in a set of best practice guidelines for fiscal transparency.
- Member countries reported progress in **integrating financial and performance management systems** although the level of integration varied. Member countries noted that this was more easily achieved at lower levels of decision-making (within programs, agencies and ministries) and for more standardised-type outputs.
- The meeting considered a report on **budgeting and management in Canada**. Member countries noted the rapid progress that has been achieved in achieving fiscal consolidation in Canada and the diversity of budgeting and management reforms being undertaken in Canada. Delegates did however note that level of debt remains very high and the fiscal position is therefore vulnerable.
- The meeting considered the results of a recent expert's meeting on **measuring productivity levels and trends** in the general government sector and noted that important progress is being made in making such studies feasible on a comprehensive and comparable basis.

The meeting also noted:

- Measures being taken in European countries to meet the Stability and Growth Pact requirements. Both Germany and France reported on large-scale efforts to control total spending and manage resources better, thereby improving the structure of the budget;
- The conclusion of the President's Capital Budgeting Commission in the United States of America;
- The introduction of a full accrual budgeting system in Australia;
- The impact of Korea's economic situation on its fiscal policy and budgeting management system; and
- Japan's budgetary response to the current economic situation.

The meeting supported future work with the goal of **providing distinct recommendations** to Member countries on actions they could take in order to improve their budgetary and management systems. In particular, Member countries welcomed the country reviews of budgeting and management systems prepared by the Secretariat and peer reviewed by Senior Budget Officials. The meeting agreed to provide the Secretariat with recommendations for the establishment of an objective criteria to be employed in the selection of countries to be reviewed.

Paris, 4 June 1999