

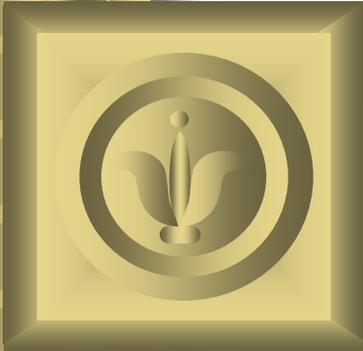
**THE EVOLVING ROLE OF**  
**THE BUDGET OFFICE**

**IDEAS FOR DISCUSSION**

**ALLEN SCHICK**

**ANNUAL OECD MEETING OF SENIOR  
BUDGET OFFICIALS**

**PARIS, 3-4 JUNE 2013**



# WINDS OF CHANGE

## IN SOCIETY

- Declining trust and confidence in leaders and institutions
- The rise of social media and 24/7 news reporting

## IN THE ECONOMY

- Slow or no growth
- Collapse of elite consensus on fiscal policy and economic management

## IN GOVERNMENT

- Growth of parliamentary activism and enlargement of legislative staffs
- Proliferation of prime minister / president / cabinet aides involved in budget matters

## IN BUDGETING

- Disappearing or shrinking increments
- Ad hoc, year round budget making
- Pressure to internationalize country budget policies

# CRISIS

- The crisis has impacted budget work, especially in the most fiscally-stressed countries
- Instead of allocating incremental spending increases, government has demanded program and expenditure cutbacks
- Regular budget procedures have been bypassed, improvised budgets have become common
- Bilateral negotiations and other forms of collegiality have diminished, as decisions have been concentrated in finance and other central agencies
- Ad hoc spending reviews have gained popularity as means of reducing spending and deficits

## QUESTIONS

- Which features of crisis budgeting will continue when economic conditions improve?
- Has the crisis pointed to deficiencies in the capacity or orientation of the budget office that needs to be corrected?

# CONTROL

- The fundamental purpose of the central budget office was to control public finance by monitoring and limiting expenditures by administrative units
- This task has been eliminated or diminished by the enlarged scope of public expenditure and by newer doctrines of public management
- Traditional instruments of control are not effective with respect to open-ended entitlements
- In most OECD countries, control of particular expenditures has been transferred to spending units
- The central budget office now exercises control over aggregates that often are set through top-down processes

## QUESTIONS

- Do central budget agencies need new instruments of control to manage public finance?
- Has devolution progressed to far? Not far enough?

# INFORMATION

- The traditional role of the budget office was to know as much as necessary about the activities and expenditures of government entities
- Requisite information and analysis were obtained through competent review of relevant financial documents and ongoing relationships with agency officials
- Nowadays, it may be more essential for budget officials to know more about what is happening outside government than inside
- They must be competent in applying socio-economic data and trends that directly affect demand-driven mandatory expenditures
- They must be aware of the demands of organized groups and trends in public opinion

## QUESTIONS

- How has the mix of professional skills in budget offices evolved in recent years?
- What deficiencies exist in the skill-needs of budget offices?

# TIMEFRAMES

- Annual budgeting has been a cardinal principle of budgeting, and still is practiced in almost all countries
- Nevertheless the single financial year is too short for producing results and for assessing the impact of current decisions on future budgets
- Many countries have introduced Medium-Term Frameworks (MTEF) that extend the budget's horizon 3-5 years ahead
- Medium-term projections and decisions usually are indicative, not firm constraints
- Some member countries have extended their time zones 30-50 years ahead to assess the long-term consequences of current policies

## QUESTIONS

- Is it feasible/sensible to shift from annual budgeting to a longer cycle?
- What success have budget offices experienced in schooling government leaders on long-term issues?

# MEDIA

- The IT revolution has provided citizens with alternative channels of information and communication
- Many governments have responded by making budget and other information accessible via the internet
- Social Media enable citizens to communicate with one another and exchange views on government action
- More information and more openness have not boosted public regard for government institutions
- In fact, they may have fueled more negative attitudes of government

## QUESTIONS

- Should the budget office issue blogs and similar communications to influence public opinion?
- Should the budget office share once-confidential information on budget choices with citizens?

# ECONOMICS

- On the eve of crisis, few governments or budget offices were prepared for the looming risks to the country's financial condition
- Fiscal rules proved to be an inadequate bulwark against chronic deficits and escalating debt
- Budgeting is still largely procyclical – more money spent when the economy is strong than when it is weak
- The ongoing austerity versus growth debate indicates that policymakers no longer are confident about the appropriate fiscal response to adverse economic conditions
- Budgets universally provide point estimates of future revenue and expenditures, but given uncertainty about future conditions, ranges may be more appropriate

## QUESTIONS

- Can the budget office devise improved early warning systems that alert political leaders to potential risks and vulnerabilities?
- Is it realistic to devise rules that genuinely constrain political action?

# POLITICS

- Groups monitoring budget actions and making demands on government have proliferated. Some have sufficient resources to produce credible analyses of budget options and decisions
- In many countries, political leaders now are staffed with policy and budget advisors, and are no longer as dependent on the budget office for data and analyses
- These staffs are more attuned than the budget office to political nuances, and more loyal and closer to political leaders
- Some observers have noted that contemporary political leaders are more mobilized to avoid blame for mistakes than to get credit for policy initiatives
- Political leaders generally eschew explicit reallocation

## QUESTIONS

- Must budget officials be more attentive to political considerations than once was the case?
- Can budget officials maintain “neutral competence” in the face of the politicization of budget work?

# PARLIAMENT

- There is great variation in the role and authority of parliament on budget matters, ranging from Westminster countries to split presidential-legislative systems
- The government's monopoly on budget information and analysis has been eroded by establishment/enlargement of legislative budget staffs
- In many countries, the legislature has taken a more active and independent role in reviewing and amending the budget submitted by government
- In some, the budget is simply the starting point for the legislature which makes big changes in revenue and expenditure policies
- In a few, the legislature sets performance targets and expectations when it votes appropriations

## QUESTIONS

- How has the enlarged role of legislatures affected the central budget office?
- Has legislative activism opened the door to a more adversarial style of budgeting?

# CULTURE

- Culture refers to an organization's self image, how it defines its role and relates to other people and groups, and to the values and norms that guide its behavior

## QUESTIONS

- Where and how does the central budget office fit into government?
- How does it differ in outlook or working methods from other central organs?
- What values define the budget office, and have these changed in recent years?
- How has the crisis and other recent developments affected the status of the budget office?
- What is the impact of more open society and more negative political communication?