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Parliamentary Budget Office (Ufficio parlamentare di bilancio, Upb)

Established: 2013, operational in 2014.

Enabling legislation: Law No. 243 of 2012, which implemented Constitutional Amendment Act No. 1 of 2012.

Mandate: Analysis and monitoring of public finance developments and evaluation of compliance with the budget rules.

Budget: EUR 6 million per annum (EUR 3 million provided by each house of parliament) (2014).

Staff: Three board members and plans to recruit 30 staff for the first three years,[1] after which the number of staff may be raised to 40.

1. Context

The law establishing the Italian Parliamentary Budget Office represents the culmination of a decade of debate around the quality of public finance information.[2] Over time, several proposals have been advanced to reform the institutions providing technical support to decision-makers, particularly the parliament, including proposals for the creation of new independent bodies to assess and verify fiscal developments.

This debate came to a head following Europe's most severe recession (2008-09), which created significant fiscal challenges for many European Union (EU) member countries, including Italy,[3] exacerbating budget deficits and public debt levels. The economic downturn also highlighted the need to improve co-ordination of fiscal policies among EU member countries, given the potential spillover of economic effects from one jurisdiction to another.

In response to these systemic pressures, the European Union (EU) introduced a package of five regulations and one directive (i.e. the six-pack) to strengthen fiscal and macroeconomic surveillance among EU members, which entered into force on 13 December 2011. The six-pack strengthened the existing Stability and Growth Pact (SGP), which previously set two fiscal targets: the deficit among member countries would not exceed 3% of GDP and public debt levels would not exceed 60% of GDP. The six-pack was subsequently complimented by two additional regulations (i.e. the two-pack) intended to further strengthen surveillance mechanisms, which *inter alia*, stipulated that common budgetary rules at the national level "shall be monitored by independent institutions". The two-pack came into force in May 2013.

The Italian Parliament passed amendments to Italy's constitution in 2012 that reflected the EU reforms. Article 97.1 of the constitution was amended to direct that "general government entities, in accordance with European Union law, shall ensure balanced budgets and the sustainability of public debt". Taking effect in 2014, it reinforced existing fiscal rules followed by Italy pursuant to the SGP pertaining to deficit and debt-to-GDP targets.

Following this, Law No. 243 of 2012 (i.e. the law) was passed in late 2012 to implement the administrative framework for the constitutional amendments. In particular, the legislation stipulated the scope and time period for balanced budgets (Chapter II); corrective mechanisms in the case of a missed fiscal target (Chapter III); how budgets of lower levels of government will be balanced, limits on their borrowing and the establishment of a fund to support local governments in financial difficulties because of unfavourable cyclical developments – all in order to contribute to overall sustainability (Chapter IV); and the establishment of an "Independent Body for the analysis and monitoring of public finance developments and evaluation of compliance with fiscal rules" (i.e. the Parliamentary Budget Office, Chapter VII).

As part of the preparation of the law, the Chairs of the Budget Committees of both chambers formed a technical working group made up of officials from the Senate and Chamber of Deputies, representatives of the Ministry of the Economy and Finance (specifically the Office of the State Accountant General and the Treasury Unit), the Office of the Presidency of the Council of Ministers (Unit for Relations with the Parliament), representatives of the Court of Auditors, the Bank of Italy and the National Institute for Statistics (Istat). The working group completed its task on 24 September 2012 and forwarded its findings to the Chairs of the Budget Committees. On the basis of the working group's findings, several parliamentary bills were presented in the two chambers at the end of November 2012.

The Budget Committees considered different models for independent fiscal institutions in other countries, including comparative work available from international organisations such as the OECD. A defining feature of the Italian PBO, and one that was the subject of considerable debate during the consideration of the bill, is its collegial leadership structure, which is more typical of the "fiscal council" models than the "PBO" models found in OECD countries. While it was ultimately decided to establish a governing board, the Chair is accorded a position of seniority over the other members and has considerable discretionary powers over the direction of the office's activities.

The final legislative text was approved by large majorities of both the Chamber of Deputies and the Senate.[4]

2. Relationship with the executive and the legislature

The PBO is an independent institution attached to the parliament (Article 16.1 of the law), and is currently located in separate premises within the parliamentary precinct. While attached to Parliament, the law also stipulates that the "office shall enjoy full autonomy and independence in its judgements and assessments" (Article 16.2). This independence is secured in large part through provisions around the appointment process and the discretion of the PBO's board in managing all aspects of their operations.

The parliament plays a role in the appointment process for the PBO governing board, considers the PBO's work plan, budget and financial reports, and provides the appropriation for the PBO. The board of the PBO is responsible for providing the Presidents of the Senate and Chamber of Deputies with an annual preliminary budget for the organisation and an annual financial report; however, the parliament cannot alter the content of these reports. Ongoing accountability is also to be exercised through parliamentary review of the PBO's reports and testimony by the Chair before committees upon request (Article 18.2). The Budget Committees held their first hearings with the PBO in the autumn of 2014; several hearings have taken place in both 2014 and 2015.

One aspect of the PBO's functioning that differs from the majority of its OECD counterparts is the "comply or explain" rule: should the PBO make assessments that significantly differ from those of the government, then at the request of at least one-third of the members of the Budget Committee of either house, the government must explain its position or accept the assessment of the PBO (Article 18.3). With a view to strengthening the role of the parliament, the legislation provides that the "comply or explain" obligation is not automatically triggered by a mere divergence, even a significant one, between PBO and government assessments; rather, the parliament must trigger this mechanism. This stipulation is not expected to diminish the role of the independent body because the opposition parties have an evident interest in seeking a clear explanation from the government for its actions, and because it helps avoid the risk of overlap between the office's activities and the parliament's constitutionally enshrined function of government oversight. Arguably, parliamentary discussion of PBO assessments that diverge from those of the government is an ideal way of ensuring they receive maximum public visibility and are accorded due importance. Publication of PBO work on its institutional website (Article 18.4) is a useful means of attracting the necessary attention of the general public.

Box 1. **Role of the legislature in the budget process**

The Italian parliament is comprised of two houses: the Chamber of Deputies (630 deputies) and the Senate (315 senators) whose members are directly elected for a period of five years. The President of the Republic is elected for a seven-year term by a secret parliamentary ballot requiring a majority of two-thirds of a joint sitting of both houses.

The Italian parliament exercises considerable power over budget deliberations and currently each chamber has equal budget powers. However, a significant reform process is underway which would turn the Senate into a regional assembly with drastically reduced powers, making the Chamber of Deputies pre-eminent in the parliamentary budget process. As such, many of the Senate's powers described below would be modified or eliminated.

While the budgetary proposals originate from the government, either house of the parliament can approve amendments to the final bill. The amendments proposed by the parliament (or by the government) have to comply with the target balances set forth in the Update of the Economic and Financial Document: thus, if they entail a higher expenditure, the amendments must be offset. These principles, which were initially regulated by the budget law reform in 1988 and then enshrined in the parliamentary Rules of Procedure, have been strengthened by the recent introduction of EU regulations governing budgetary process, timelines and content, as well as the current fiscal challenges faced by EU member states requiring fiscal retrenchment – this was reflected in Constitutional Law No. 1 of 2012 and in the relevant implementing Act No. 243 of 2012. Amendments proposed number in the thousands although many were not viable and only a small number were approved. Amendments are often more show than substance and are mainly focussed on operational expenditures. Notwithstanding the formal powers of the legislature to amend the budget, the final vote is considered a matter of "confidence" in the government.

The Italian government's fiscal year runs from January to December. Consistent with the two-pack regulations adopted by the EU) in mid-April the government presents the parliament with an Economic and Financial Document (DEF) that contains two components: a stability programme update that outlines medium-term fiscal plans and the national reform programme that articulates policy priorities for growth and employment for the coming 12 months. The parliament then considers these policy documents for approximately three weeks prior to their required approval before the end of April. The relatively short period between presenting these documents and their approval constrains parliamentary debate and scrutiny.

In mid-September, the government presents an updated DEF in the parliament, which provides revised macroeconomic and public finance forecasts, as well as updated planning targets that integrate comments from the EU Council. This is followed by the tabling of the budget in mid-October, which comprised two components: a stability law that presents qualitative and quantitative measures necessary to achieve the objectives set out in the Update of the Economic and Financial Document (e.g. maximum level of debt to be financed, changes in the tax rates) and a central government budget bill that delineates planned expenditures by policy areas, referred to as "missions". As part of a series of ongoing reforms, the government is planning to merge these two documents into one as of 2017. The budget is approved by the end of December.

Box 1. **Role of the legislature in the budget process** *(cont.)*

The Chamber of Deputies and the Senate each have a parliamentary committee (currently the Chamber of Deputies' Budget, Treasury and Planning Committee and the Senate's Economic Planning and Budget Committee) with primary responsibility for public finance or budgetary issues, which are the focal point for consideration of the budget bills. However, all parliamentary standing committees examine aspects of the budget pertinent to their area of responsibility. These sectoral standing committees provide opinions on the budget bill and can advance amendments to change allocations within the same "mission". The recommendations of these sectoral committees are then considered by the principal Budget Committees. These proceedings are open to the public. The text approved by the Budget Committee is then examined by the whole house, which has the power to amend it further.

The Budget Committees in both houses are supported by specialised staff (see Box 2).

The PBO has discretion regarding engaging with other entities and institutions that produce macroeconomic or public finance forecasts and assess those of the central government, such as the Central Bank, the EU or international institutions, private research centres, social partners (e.g. Confindustria and trade unions) or local authorities. When the public finance and budgetary documents are presented to the parliament, the parliamentary committees with responsibilities for financial affairs hold hearings with these entities (usually Italian) competent in the field of public finance. These entities appraise the government forecasts and the content of the fiscal measures and express an opinion that may be favourable or critical.

Box 2. **Existing specialised budgetary support in the Italian parliament**

In 1989, the Italian parliament established two in-house units that offer specialised, non-partisan, technical support to legislators. The State Budget Department and the Senate Budget Service were created as part of a larger package of parliamentary reforms to improve fiscal stewardship. While both are available to assist individual legislators and parliamentary committees, their efforts primarily focus on supporting the work of the principal Budget Committees in the Chamber of Deputies and Senate. Both are established pursuant to internal parliamentary protocols.

The State Budget Department exclusively supports the Chamber of Deputies with its assessment of legislative fiscal considerations, in particular the annual budget bill. The department has a staffing complement of approximately 15 lawyers and economists. It produces several types of reports, including: analyses of the executive's budget proposals, cost estimates of other legislation and proposed policies, as well as broader economic analyses. All reports are available on the Chamber of Deputies' website.

The Senate Budget Service exclusively supports the Senate in its assessment of the fiscal impacts of proposed legislation. The service has had approximately nine full-time staff with specialties in law and economics, although this will likely change with the planned reforms to the Senate. It produces four types of reports: analyses of the executive's budget proposals, verification of the executive's cost estimates of proposed policies and legislation, economic analyses and other "policy briefs" that provide short descriptions of complicated budget proposals and concepts. All reports are made available to the public on the Senate's website.

Box 2. **Existing specialised budgetary support in the Italian parliament** *(cont.)*

It is as yet unclear how these two services will evolve following the reform to the Senate.

The budgets of both organisations are part of the overall appropriations of the Chamber of Deputies and Senate. Nominal resources are available to retain external expertise required to prepare analytical reports.

As noted in Section 9, the PBO has developed two memoranda of understanding (MoU) related to its role in assessing the macroeconomic forecasts and the public finances:

- Framework Agreement between the Office of the Parliamentary Budget and Istat, 7 August 2014.
- Memorandum of Understanding between the Office of the Parliamentary Budget and the Ministry of Economy and Finance, 15 September 2014.

3. Legal basis for establishment

The creation of the PBO was provided for by Article 5.1(f) of Constitutional Law No. 1 of 20 April 2012 (with the relevant articles coming into force in January 2014), which required a qualified majority and multiple readings in both houses of the parliament. Its organisational structure and functions are defined in articles 16 to19 of Law No. 243 of 2012. In adopting these legislative forms, Italian legislators have provided an additional safeguard.

4. Mandate

The mandate of the PBO is clearly defined under Article 18.1, which stipulates that:

The office shall perform analyses, audits and assessments of:

a) macroeconomic and public finance forecasts;

b) the macroeconomic impact of major legislative measures;

c) public finance developments, including by subsector, and compliance with budget rules;

d) the long-term sustainability of public finances;

e) the activation and use of the corrective mechanism and deviations from targets arising from exceptional events; and

f) other matters of economics and public finances pertinent to the analyses, audits and assessments referred to (above).

Given that the legislation outlines both specific functions (subsections a to e) as well as an open-ended statutory authority to undertake ancillary work on a discretionary basis, the mandate could be considered broad.

While the timing for the production and release of the named reports is not specified in legislation, many are directly linked to the existing parliamentary budget process (see Box 1). This includes the verification of forecasts and estimates presented by the government as part of the annual budget plan. Much of the verification and assessment work performed under the PBO's mandate will be prepared consistent with the budget process.

The constitution stipulates that the balanced budget and debt sustainability principles apply to the general government (Articles 81.6 and 97.1), which includes regional and local government entities as well as other government-controlled, arm's-length organisations. Overall, this extended mandate ensures that the PBO is able to perform a comprehensive assessment of the Italian fiscal context. At the same time, its broad remit may lead to a common problem faced by many PBOs: priority-setting in a context of limited resources.

5. Functions

As described above the law (Article 18.1) defines PBO functions, although several aspects leave room for some interpretation by the PBO. For example, in assessing and endorsing macroeconomic and public finance forecasts, the PBO has the freedom to pursue various options including making its own alternative forecasts. For the start-up period, it has chosen to use three independent forecasts as benchmarks, as well as Istat's model, although development of the public finance part of this model is ongoing. In future, the PBO plans to develop its own macroeconomic forecasting model.

Some issues have already arisen regarding the timing of the endorsement process and the availability of information. More specifically, information on the structure of the budget measures, of which the policy scenario is an essential element, was received too near the time of the final validation, creating challenges for discussion between those responsible for producing the policy framework and those called upon to validate it.

The PBO also has a role in monitoring compliance with fiscal rules, assessing long-term sustainability, policy costing and studies on economic and public finance issues at its own initiative. An example of work undertaken on its own initiative is the 2015 study on derivatives which received significant attention in the parliament and in the media. Regarding the fiscal rules, in keeping with the common principles developed by the European Commission for the implementation of the fiscal compact, the PBO also verifies the activation and use of the corrective mechanism to counter significant deviations from the targets set in financial and budgetary planning documents.

The law also requires the PBO to provide its own assessments of deviations from budget objectives in the case of exceptional events (e.g. severe economic recession or natural catastrophes). The PBO will not provide normative advice or policy recommendations.

6. Work Programme

As noted earlier, the PBO's work programme is framed by its legislative mandate, as well as by European Union laws and regulations that provide key benchmarks for the Italian budget process. For example, the requirement to perform an assessment of "compliance with budget rules" is ostensibly linked to the budget laws presented by the government, which must adhere to EU rules.

Beyond the fulfilment of functions assigned under EU law, the Law No. 243 provides that the PBO will adopt an annual "programme of activities" or work plan (Article 18.4) that will be presented to each of the Budget Committees by the PBO Chair and published on the PBO's website.[5] The timing will be decided by the PBO which will take into account the budget cycle and the timing of the transmission to the parliament of the relevant public finance documents/bills.

The legislative mandate provided to the PBO permits it to perform both proactive and directed work. At the same time, legislation also provides that parliamentary committees with responsibility for budgeting or public finances can request work from the PBO. This raises questions around potential capacity constraints and how the PBO will prioritise work. Currently, the PBO prioritises work as much as possible based on the relevance of the subject to its overall workload.

7. Budget

Article 19 of the law sets out the funding levels and funding mechanism for the PBO. As noted earlier, beginning in the year 2014, an appropriation of EUR 3 million will be made by each house of the parliament to underwrite PBO operations, providing for an annual budget of up to EUR 6 million a year.[6] This is a permanent financing arrangement designed to give the PBO adequate stability in preparing its spending programme. Administrative services (e.g. rent and utilities) are provided by the Chamber of Deputies and Senate and are in addition to the PBO's EUR 6 million budget.

Under statute, this appropriation can only be amended through the annual budget legislation, pursuant to advice from the PBO governing board. The law provides that regardless of any amendments (i.e. increases or decreases in budgetary allotments), the funding must be adequate to "ensure effective performance of the [PBO] mandate", hence the budgetary appropriation cannot be cancelled (Article 19.1).

The board of the PBO is responsible for the office's financial management and must provide the Presidents of the Senate and Chamber of Deputies with an annual preliminary budget and a financial report for the previous fiscal year, which are published as annexes to their parliamentary financial reports (Article 19.2). The goal of this provision is to ensure transparency, as the parliament cannot alter the content of the preliminary budget or the financial report.

8. Staffing

8.1. Leadership

The PBO has a collegial governance structure, or governing board, with three members, one of whom holds the position of Chair (Article 16.2). The Chair has certain prerogatives and responsibilities, including: convening board meetings and setting the agenda; representing the PBO externally; testifying on behalf of the PBO at parliamentary hearings; presenting the annual PBO work programme to the Budget Committees; and appointing the PBO Director General from among the PBO staff. The Director General will supervise PBO operations (e.g. hire and arrange secondments for other staff). Similar to members of the board, the Director General is required to have experience in the field of economics and public finances.

The Chair and members of the governing board are selected by the Presidents of the Senate and Chamber of Deputies from a shortlist of ten candidates compiled by their respective committees with responsibility for public finance. This rather novel procedure presented some difficulties in practice, including a rather drawn out first appointment process. Nominees require the endorsement of two-thirds of committee members and are selected based on their "recognised independence and proven expertise and experience in the field of economics and public finances at a national and international level" (Article 16.2).

The members of the board are appointed for six-year non-renewable terms, which is independent of the five-year electoral cycle. This, and the fact that their appointment is non-renewable, helps to protect against political pressures. Once appointed, board members are prohibited from engaging in virtually all other professional endeavours. This includes public office, employment in the public or private sectors or memberships on other boards or associations. Given these restrictions, the position is considered to be a full-time activity and remunerated commensurately: the Chair receives a salary equivalent to the Chair of the Italian Competition Authority and other members receive a total salary of 80% of that level Article 16.2). While the legislation is silent regarding the nationality of appointees, the recent OECD Economic Survey for Italy (2013) did suggest that the governing board could consider including non-Italian members as has been the case for example in Denmark, Ireland, Portugal and Sweden.

If the terms of a board member's appointment are violated (e.g. through acceptance of other employment or affiliations), members can be removed by the Presidents of the Chamber of Deputies and the Senate acting on a motion approved by two-thirds of the members from the two Budget Committees. Again, this procedure may change due to the reforms of the Senate.

The first governing board was appointed on 30 April 2014, four months after the PBO was supposed to be operational. The first Chair (or President) was an academic with experience working with the Ministry of Economy and Finance and international organisations such as the International Monetary Fund. The other two members of the governing board (or "Advisors") include a second distinguished academic with experience working with the Ministry of Economy and Finance and conducting research at the United States Congressional Budget Office, and a key budgetary advisor to the Senate with experience working with the Ministry of Economy and Finance and the OECD.

The governing board is responsible for preparing the initial organisational chart for the PBO, which is to be approved by the Presidents of the houses (Article 16.4). This includes, *inter alia:* an organisational structure, communications strategy and internal policies and procedures, as well as the legal status and remuneration of staff. Finally, legislation provides that the governing board may establish a Scientific Committee composed of individuals with "proven experience" in "economics and public finance" to offer guidance regarding the operational methodologies of the office (Article 18.5).

8.2. Staff

The law stipulates that the "PBO shall act with complete autonomy in the selection of its staff, basing its choices solely on merit and competence and its own operational needs" (Article 17.1). During the first three years of operations, the number of PBO staff cannot exceed 30 people. Thereafter, it cannot exceed 40 (Article 17.4). Office staff will come from several sources, including:

- permanent staff hired through public competition;
- individuals hired on contracts of up to three years, renewable once;
- individuals seconded from Parliament, other general government entities or public bodies such as the Central Bank, Ministry of Finance and Istat.

A year into its operations, the PBO is still operating with a skeleton staff of around five economists and five administrators, although recruitment of another six economists was underway. This first group of staff were almost entirely seconded from the Ministry of Economy and Finance, the national statistical office and the Bank of Italy. One economist had joined the PBO from the in-house budget department of the Chamber of Deputies.

PBO staff are organised into three units covering macroeconomic analysis; public finance analysis and sectoral analysis (with analysts looking at both the tax and expenditure sides). These units are nonetheless highly interconnected.

9. Access to information

The right of the PBO to access information pertinent to its mandate is provided in its statute (Article 18.6). The law provides that the PBO shall interact with all branches of general government, public bodies and publicly owned entities, requiring them not only to communicate data and information, but also to co-operate in any way that the office deems helpful to the fulfilment of its institutional duties (Article 18.6). To facilitate the office in the performance of its duties, these bodies and entities are required to grant the PBO access to any databases relating to the economy and public finances that they have created and/or maintain. Access to data and information is subject to general restrictions relating to confidentiality and privacy imposed by ordinary law.

The PBO has developed two MoUs to further facilitate access and is working on an agreement with the Ministry of Economy and Finance for more direct access. These are the:

- Memorandum of Understanding between the Office of the Parliamentary Budget and the Ministry of Economy and Finance, 15 September 2014, which covers information necessary for the endorsement of the macroeconomic forecasts and evaluation of the public finances.
- Framework Agreement between the Office of the Parliamentary Budget and Istat, 7 August 2014, which is a co-operation agreement on macroeconomic forecasting models and microsimulation of the effects of tax policies.

The two Budget Committees that the PBO serves are also guaranteed access to relevant information through article 6 of Law No. 196 of 2009 on public finances and accounting. Overall, there are no explicit restrictions placed on the types, timing or procedures regarding information access and access to information has been fairly smooth, but it is still early days.

10. Transparency

Consistent with the draft Principles for Independent Fiscal Institutions prepared by the OECD, the law provides that the analyses and reports of the PBO are to be published on the organisation's website (Article 18.4). This extends to the underlying methodologies for these reports, including the structure and assumptions of fiscal forecasting and costing models. The PBO has also undertaken to publish a wide range of information online, for example on its regulations, administrative procedures, staff and budgets. The website is being translated into English.

The PBO has direct contact with the media, with the Chair in the role of spokesperson. The PBO held a news briefing at the start of the 2015 budget session and is developing its contacts with key reporters at major newspapers. Media coverage has been rather limited so far, except in specific cases. The PBO is also planning to engage relevant civil society organisations and to create tools such as accessible infographics to facilitate public engagement.

11. Governance, advisory support, monitoring and evaluation

To guarantee the authoritativeness of the analyses carried out by the PBO, Article 18.5 of the reinforced law specifies that the board may set up a Scientific Committee composed of people of proven experience and expertise in the field of economics and public finances at a national, European or international level. The mandate of this committee would be to offer guidance on the operational methodology of the PBO, including technical aspects of analyses. The committee may be composed of academics, experts and senior European and international officials, and may also include members of national institutions working in the field of public finance. Plans to set up this committee are underway as of early 2015.

Legislation is silent regarding monitoring and evaluation mechanisms for the PBO. However, as noted earlier, the publication of all reports and analyses will provide an ongoing informal mechanism for stakeholders to track PBO performance. As well, consistent with the PBO role in determining Italian compliance with EU fiscal regulations (i.e. deficit and debt sustainability), it may be that the European Commission will monitor the credibility and quality of PBO analyses in this area.

The PBO has already established a Board of Auditors charged with verifying PBO financial management and accounting, and giving opinions on the PBO draft annual budget and its implementation during the year, and reporting in the PBO Annual Report. The Board of Auditors may also give opinions on other administrative and accounting matters.

12. Concluding remarks

The arrangements for the PBO reflect the vast majority of the good practices outlined in the OECD's Principles for Independent Fiscal Institutions. If successful, the PBO could play an important role in changing the incentives inherent in the political budgeting system by enhancing the role of the legislature and promoting greater transparency and fiscal discipline.

The PBO complements and expands existing research and analytical capacity available to the parliament. To this end, the PBO is expected to focus with an economic perspective and approach on macro aspects of proposed budget laws, including sectoral analyses and the evaluation of the economic impact of main measures. This approach toward priority-setting is consistent with the principal impetus for establishing the PBO: to assess compliance with EU directives regarding fiscal management.

Implementation of the PBO has not always been as timely as anticipated. Following a rather lengthy appointment process, the governing board had to quickly begin the recruitment process and write its internal regulations in order to be ready in September 2014 to undertake its first assessment of the forecasts and the fiscal stance. Recruitment of the planned 30 staff was still ongoing in early 2015 with less than a quarter in place. Another key short and long-term challenge is communications, including building a relationship with the media, which is off to a positive start, and further developing communication tools such as its website which is already fairly comprehensive. An English version is under construction.

Over the longer term, the PBO will also need to carefully manage its relationships with other actors in the Italian system of budgetary management. For instance, the law stipulates a discrete, but complementary, role for the Supreme Audit Institution *vis-á-vis* the PBO (Article 20). Specifically, the Court of Auditors is expected to perform *ex post* audits of "budgetary management". As such, both institutions are expected to work in unison to support Article 97.1 of the constitution (i.e. achieving balanced budgets and ensuring public debt sustainability).

More broadly, given the paramount PBO role in assessing Italy's fiscal alignment with EU budgetary directives, it will be essential to ensure that this work is deemed credible by both the European Commission and the executive. The PBO is working with the other European IFI's to ensure better communication and information-sharing with the European Commission.

Notes

1. As of early 2015, current staffing was limited to a "start-up" group of around six economists and five administrative staff. Posts for an additional 11 economists were being advertised as part of the PBO's ongoing recruitment.
2. In their discussion of the potential role of an independent fiscal institution (IFI) in Italy, Balasonne, Franco and Goretti (2013) identified the following weaknesses in Italy's fiscal framework that an IFI could help address: "unsatisfactory quality and opacity of data used as input in the decision-making process; unreliable baseline estimates, including incomplete disclosure of the underlying assumptions and methodology; lack of authoritative evidence-based analyses to support policy design; poor information systems hindering effective monitoring; and loose protocols delaying reactions when deviations emerge."
3. Since late 2011, Italy has undertaken structural reforms and fiscal consolidation policies aimed at addressing a legacy of weak growth and high public debt (the public-debt-to-GDP ratio is nearing 130%), but continues to be impacted by the euro-area crisis (OECD, 2013).
4. There were only three votes against in the Chamber of Deputies and four votes against in the Senate.
5. A first work programme for 2014 has been published on the website.
6. Article 19.3 stipulates: "The operating costs, EUR 6 million per year starting from 2014 as indicated in paragraph 1, shall be covered by means of a corresponding reduction in the projected value of the special current account fund for 2014, which, for accounting purposes, shall be recognised in the three-year budget for 2012-14 under the 'contingency and special funds' programme, which forms part of the 'Funds to be allocated' mission in the 2012 estimates of the Ministry of the Economy and Finance. Part of the sum, EUR 2 million per year starting from 2014, shall be drawn down from the ministry's appropriation, and the remaining EUR 4 million per year as of 2014 from the appropriation of the Ministry of Labour and Social Policies."

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