OECD Journal on Budgeting

OECD Journal on Budgeting, Volume 2023 Issue 1



OECD

OECD Journal on Budgeting, Volume 2023 Issue 1



This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Please cite this publication as:
OECD (2023), *OECD Journal on Budgeting, Volume 2023 Issue 1*, OECD Publishing, Paris, https://doi.org/10.1787/c947ecd0-en.

OECD Journal on Budgeting
ISSN 1608-7143 (print)
ISSN 1681-2336 (online)

Photo credits: Cover © K.Narloch-Liberra; Cover illustration: Meral Gedik.

Corrigenda to publications may be found on line at: www.oecd.org/about/publishing/corrigenda.htm.

© OECD 2023

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at https://www.oecd.org/termsandconditions.

Foreword

The *OECD Journal on Budgeting* is a unique resource for policy makers, officials and researchers in public sector budgeting. Drawing on the best of the recent work of the Committee of Senior Budget Officials (SBO), as well as special contributions from finance ministries of member countries and from other practitioners, the Journal provides insights on leading-edge institutional arrangements, systems and instruments for the effective and efficient allocation and management of resources in the public sector.

We welcome feedback from our readers. Your views on how to improve the Journal can be sent to: The Editors, OECD Journal on Budgeting, OECD, 2, rue André-Pascal, 75775 Paris Cedex 16, France. Fax: +33 (0)1 44 30 63 34; e-mail: sbo.news@oecd.org.

The Editors

Public Governance Directorate, OECD

Elsa Pilichowski

Director

Jón R. Blöndal

Head of Public Management and Budgeting Division

OECD Journal on Budgeting

Jón R. Blöndal

Editor-in-Chief

Bonifacio Agapin

Executive Editor

Table of contents

Foreword 3

OECD Best Practices for Gender Budgeting 7
- Introduction 8
- Best practices 9
- References 23

Costing policy proposals: Guidelines for independent fiscal institutions (IFIs) 24
- Foreword 25
- Executive summary 26
- Introduction 32
- Which policies to cost? 35
- Which models and data to use? 37
- Which costs to capture 39
- Which assumptions to apply 45
- How to communicate results 49
- How to work with others 54
- How to work within 55
- Special considerations for costing election platforms 57
- References 59
- Note 59

OECD Best Practices for Parliaments in Budgeting 60
- Introduction 61
- Best Practices for Parliaments in Budgeting 63
- References 67
- Notes 68

Transformational budgeting: A holistic approach for delivering results 69
- About the authors 70
- Acknowledgements 70
- 1. Introduction 71
- 2. About the paper 71
- 3. What is transformational budgeting? 72
- 4. Traditional budgeting and the budget trinity 72
- 5. The millennium effect: transforming our world 73
- 6. Who moved my cheese?: dealing with a paradigm change 74
- 7. Transformational agendas: no business as usual 75

8. The kernel of transformational budgeting 77
9. Walk the talk 78
10. Conclusions 79
References 80
Notes 82

FIGURES

Figure 1. Key stages of the budget cycle, and relevant gender budgeting tools 15
Figure 2. A majority of OECD IFIs have a role in costing 34

TABLES

Table 1. Guidelines in policy costing 27
Table 2. A typical costing 32
Table 3. There are many different modelling paths to arrive at a cost estimate 38
Table 4. IFIs rely on a range of data that may be costly and take time to secure 39

Follow OECD Publications on:

https://twitter.com/OECD
https://www.facebook.com/theOECD
https://www.linkedin.com/company/organisation-eco-cooperation-development-organisation-cooperation-developpement-eco/
https://www.youtube.com/user/OECDiLibrary
https://www.oecd.org/newsletters/

OECD Best Practices for Gender Budgeting

This paper presents best practices for gender budgeting in OECD countries, consisting of the core features common to successful implementation of gender budgeting. These best practices identify elements that contribute to the sustainability of gender budgeting and help governments ensure that the budget helps achieve broader government objectives relating to gender equality, such as women's participation in the labour market. The best practices draw on gender budgeting practices in Member countries and the OECD's work with countries in designing and implementing gender budgeting.

JEL classification: H61, J16

Keywords: gender budgeting, best practices, gender equality, budgeting

This paper was approved by the Committee of Senior Budget Officials on 24 February 2023 and prepared for publication by the Secretariat.

Please cite this article as:

OECD (2023), "OECD Best Practices for Gender Budgeting", *OECD Journal on Budgeting*, Vol. 23/1, OECD Publishing, Paris, https://doi.org/10.1787/9574ed6f-en.

Introduction

Budgets are about more than money: they are a statement of a nation's priorities. As part of a broader government effort to make progress on gender equality goals, gender budgeting can help ensure that the budget promotes priorities related to gender equality, such as reducing the gender pay gap and closing gender gaps in the labour market. It is rooted in the gender mainstreaming approach, which recognises the need to remove inherent gender biases from key government processes and tools and, instead, seeks to harness these processes and tools to achieve gender equality goals.

Closing gender gaps requires a whole-of-government approach encompassing legal, regulatory, policy and budget decisions. Government tax and spending decisions have powerful social, environmental, and economic implications for a country, shaping people's choices regarding work and economic participation. When implemented effectively, gender budgeting can ensure that budget decision-making helps effect transformational change that will bring social and economic gains.

A growing number of OECD countries use gender budgeting. Just over 60% of OECD countries now practice gender budgeting, compared to fewer than half of OECD countries (44%) in 2015 (OECD, Forthcoming[1]). Countries recognise its value in raising awareness of how budget proposals affect gender equality. The benefits of gender budgeting include:

- A better evidence base upon which resource allocations decisions can be made.
- A budget that is more effective in closing gender gaps.
- A better understanding of the impact of the budget on different groups of society.

With many countries still in the early phases of implementing gender budgeting, these best practices highlight ways to design and implement it to ensure its sustainability and impact.

Approaches to gender budgeting vary widely across OECD countries. These best practices are relevant for all countries, regardless of their approach. They draw on lessons learned through the OECD Network on Gender Budgeting and the OECD's work with countries on gender budgeting. They build on, and complement, existing OECD standards and resources, including the 2015 Recommendation of the Council on Gender Equality in Public Life (OECD, 2016[2]), Designing and Implementing Gender Budgeting: A Path to Action (Downes and Nicol, 2020[3]) and the Framework for Gender Budgeting (OECD, 2019[4]).

Best practices

The OECD presents seven best practices for gender budgeting. While there is growing use of gender budgeting across OECD countries, the quality and impact of efforts can still vary. These best practices aim to guide countries towards the core elements which will help raise the standard of gender budgeting. Through implementing these best practices, countries can hope to see greater consideration of gender equality in budget decision-making, helping drive outcomes in relation to national gender priorities.



1. Strengthening the link between budgeting and key gender equality objectives

Gender budgeting links gender equality objectives with the budget process

Having a budget that clearly reflects the government's higher-level priorities ensures that the government can deliver outcomes for citizens in line with its political commitments. Gender budgeting can be used to ensure that the budget, as far as possible, reflects the priorities of the government in relation to gender equality. This is not done through creating a separate budget for women's policies; rather, it is done through encouraging departments to table budget proposals in line with the government's priorities, and bringing information to the fore on the gender impact of budget proposals to support better-informed and more impactful budget decisions.

A well-designed gender budgeting practice may help bring about cultural change that strengthens the link between budgeting and gender equality objectives through:

- Increasing understanding around how closing gender gaps can benefit economic growth and fiscal sustainability.
- Including consideration of the governments' gender equality objectives when setting out the high-level priorities for the budget.
- Requiring analysis of the impact of budget measures on gender equality (whether or not their primary objective is related to gender).
- Considering the results of this analysis alongside budget proposals, so that budget decisions can be made in light of the government's gender equality priorities.

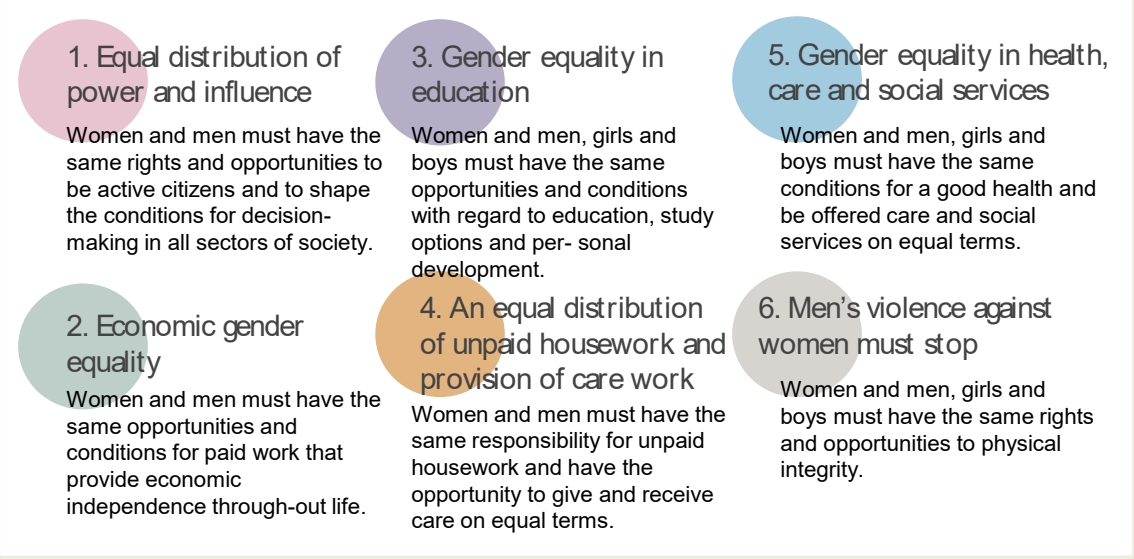
The government sets out clear policy priorities relating to gender equality

Gender equality is a broad, cross-cutting policy area. Gender budgeting should be grounded in national gender equality objectives that identify the key areas of focus for whole-of-government action. Objectives should be specific, rather than general, providing information on the main policy priorities of the government, and how gender budgeting will help to achieve them. National gender equality objectives should be set out in a credible government document that holds political weight, such as a gender equality strategy. A good practice example is provided by Sweden (see Box 1).

Box 1. National Gender Equality Policy Goals in Sweden

Gender equality has been recognised as a separate policy area in Sweden since the 1970s. Since then, Sweden has shown clear results, now having achieved one of the highest female employment rates in the OECD.

The government's main strategy to achieve gender equality policy objectives has been gender mainstreaming, in place since 1994. Since 2006, the overall policy objective is that women and men shall have the same power to shape society and their own lives. This objective benefits from broad political support, having guided gender equality policy in several different governments. With this as its starting point, the government is working towards the following six sub-goals:



The budget process and the Budget Bill are critically important to realising the government's policy goals. The Ministry of Finance has introduced a formalised requirement in the budget circular requiring all ministries include a gender-equality impact assessment as part of the budget proposals that they put forward. The intention is to ensure that policies take gender equality aspects into consideration at the design stage. These gender impact assessments also inform the direction and distribution of resources.

Source: (Government Offices of Sweden, 2020[5])

Gender equality objectives set by individual ministries and agencies should link policy action to overarching gender equality goals. This includes gender goals set out in departmental plans as well as those relating to specific budget programmes. Concerting government efforts towards the same objectives ensures more coherent and effective government policy.

2. Ensuring gender budgeting is sustainable beyond political cycles

Gender budgeting has political leadership and legal underpinning

Public financial management reforms that have legal underpinning are more likely to be both viable and sustainable. Legal underpinning, combined with a technical capacity for gender analysis, helps ensure the implementation of gender budgeting and fosters engagement from government stakeholders as well as the wider institutions of government, such as parliament and the supreme audit institution.

It may be that in the early stages of gender budgeting, implementation is driven by political support. Strong political leadership helps provide a clear purpose and vision for the reform. This is important to mobilise cultural change within government. It can also help pave the way for any institutional changes to be put in place that ensure clear leadership arrangements and strong coordination mechanisms.

While political leadership is important at the start, legal foundations for gender budgeting help ensure its sustainability in the longer term and insulate it, as far as possible, from fluctuations arising from the economic or political environment. Legislation that is fully tested and debated in parliament will help embed gender budgeting as a valued and enduring feature of public policy making (Downes and Nicol, 2020[3]).

Legislation provides a strong foundation for gender budgeting, but this must also be built upon with robust tools, methods and supports so that gender budgeting becomes entrenched in the work of government and enjoys continued relevance. The combination of factors that have helped build an enduring gender budgeting practice in Spain are set out in Box 2.

Box 2. Gender budgeting beyond political cycles in Spain

Spain has been publishing its Gender Budgeting Report alongside the budget since 2008. There are several factors that have ensured the sustainability of gender budgeting in Spain beyond political cycles. These are outlined below.

First, gender budgeting has strong legal underpinning. The 2007 Organic Law for Effective Equality Between Men and Women made it an obligation for the government to publish a Gender Budgeting Report alongside the annual State Budget. The introduction of this report through an Organic Law illustrates the broad political support that existed for the introduction of gender budgeting. The legal

underpinning of the Gender Budgeting Report was further reinforced through an obligation for its publication to be incorporated into the General Budget Law through an amendment in 2020.

Second, gender budgeting has strong methodological foundations. The initial methodology linked budgetary programmes with key objectives in the Strategic Plan for Equal Opportunities. This methodology was revised in 2020 and is now based on the study of three dimensions: Reality, Representation and Resources-Results. These methodologies have created a sustainable analytical framework to guide gender budgeting, outside the political sphere.

Third, gender budgeting has benefited from international momentum. It is not just in Spain where there is increased attention on the impacts of the budget on high-level priorities. A growing number of OECD countries are publishing reports alongside the budget that highlight the impact of the budget on cross-cutting goals, such as gender, climate, and the Sustainable Development Goals.

Lastly, gender budgeting has helped support a broader government push towards greater budget transparency. The Gender Budgeting Report, and associated data visualisations accessible through an interactive online tool, increase the quantity and quality of information accessible to citizens to help them better-understand how the government is directing public resources, and the impact of these choices on gender equality.

Source: (Spanish Ministry of Finance and Civil Service, 2022[6])

Gender budgeting demonstrates impact

For gender budgeting to be sustainable over time, it needs to demonstrate added value as a practice to politicians, the public administration, and civil society. With this in mind, it is helpful to have in place - from the start - a framework which seeks to measure the impact of gender budgeting.

Measuring the general impact of gender budgeting on gender equality outcomes is complex for various reasons. The changes may be difficult to detect and measure, progress depends on the actions of several actors, indicators can be impacted by a number of exogenous factors, and the time that it takes to see changes may exceed the time horizons of a particular monitoring exercise. Nevertheless, it is possible to select certain indicators to identify how gender budgeting is contributing to changes in public policy.

One important way in which gender budgeting can have impact is through helping increase awareness among government stakeholders of how budget measures impact gender equality. Requirements for gender analysis to accompany budget proposals can help draw attention to gender equality issues, affecting the awareness, attitudes, and perceptions of policymakers. Assessing progress in this regard could be gauged in different ways, for example, through tracking the percentage of budget measures that are assessed as gender neutral in different policy areas, and how this evolves over time (the assumption being that as stakeholders become more aware of gender equality issues, the percentage of budget measures assessed as gender neutral goes down).

Gender budgeting can also have impact through affecting the design and content of policies, so that they are better-targeted to achieve gender equality objectives. One way to measure this is to try and capture where gender budgeting efforts have resulted in the redesign of policies or programmes. For example, the Canadian Government looks at the budget programmes where its gender and diversity impact analysis (GBA Plus) has identified negative impacts and captures information on whether – as a result - steps have been taken to lower or mitigate these. This information is presented in its Impacts Report, published alongside the budget (Government of Canada, 2022[7]).

A key challenge relating to the impact of gender budgeting in OECD countries is that the evidence gathered is often under-utilised in decision-making. Presenting the information in a timely and succinct manner

during key stages of the budget cycle can help increase the chance that this information is taken into account. This requires evidence on gender outcomes to be collected on an ongoing basis in anticipation of these decisions. Where public servants and citizens can see the information generated from gender budgeting being used in decision-making, the practice is more likely to be enduring.

3. Incorporating gender budgeting into the overarching budget framework, with leadership from the central budget authority

Gender budgeting is led by the central budget authority

The central budget authority (CBA) has decision-making power on resource allocation, giving it considerable influence over government-wide policymaking and the achievement of national policy goals. It is beneficial that the CBA leads on gender budgeting efforts because it has the authority to influence what information is considered alongside budget proposals in decision-making. It also has the authority to ask line ministries for information to be provided alongside budget proposals on their gender impact. Having this requirement as part of the budget process can be particularly powerful and help move gender mainstreaming beyond a "box-ticking" exercise. Line ministries may be more likely to provide good quality gender impact assessments, for example, when they know that this impacts on budget proposals being considered for funding.

Leading on gender budgeting efforts involves designing an approach, planning its implementation, supporting line ministries through the process of implementation, and using the information gathered from gender budgeting to inform resource allocation decisions. Best practice is to create a dedicated team in the CBA, with counterparts in line ministries to develop and implement gender budgeting.

As the lead for gender budgeting, the CBA should also set out clear roles and responsibilities for different government actors including the gender equality institution and line departments and agencies. Gender budgeting often involves close collaboration between the CBA and the gender equality institution, given the gender equality institution's central role in setting overarching gender equality objectives, coordinating gender equality policy, and developing capacity across government for gender mainstreaming.

Although it is important that the CBA has the lead role, the skills-sets of budget experts are not necessarily attuned to complex gender equality issues. For this reason, the CBA can benefit from broadening its traditional skillset so that relevant staff are equipped to fully understand the actions needed to drive change in key policy areas such as equal pay and closing the employment gap in the labour market (see also Best Practice 6 "Supporting gender budgeting implementation through capacity building").

Gender budgeting builds on the existing budget framework

There is no one-size-fits-all approach to gender budgeting and - while countries can benefit from the study of existing models, experiences, and international standards - each country should design an approach which fits their own national context and budget framework. The budget framework is the set of rules, procedures, tools and responsibilities that underpin the government's budget process. It covers all stages of the budget process, from planning and formulation to approval, implementation, and control.

There are many entry points for gender budgeting, be it through the performance framework, impact assessment or spending review. The approach chosen should build on existing cross-government strengths and fit within the national budget framework. For example, a country with a strong focus on performance budgeting may choose to integrate a gender perspective through the performance framework to ensure that the government is using public resources to increase gender equality. Alternatively, a country with a strong culture of policy impact assessment may choose to integrate a gender perspective to the budget through requiring gender impact assessments alongside all new budget proposals.

Where the government has concerns about the capacity of the public administration to implement gender budgeting, it may consider introducing it initially on a pilot basis, or in several stages. This enables lessons from the pilot to inform wider roll-out of gender budgeting, as well as the development of government capacity over time.

Gender budgeting is incorporated into relevant budget reforms

Large scale budget reforms can offer an important window of opportunity to introduce new practices such as gender budgeting. Several OECD countries, such as Austria and Iceland, have followed this approach. Introducing the initiative as part of a larger package of reforms ensures that gender budgeting is built-in to the overall approach to budgeting, rather than an "add-on".

When designing an approach to gender budgeting, it is also important to ensure that it is coherent with other priority budgeting initiatives that may be in place, such as green budgeting or wellbeing budgeting. For example, a country that implements green budget tagging as part of their approach to green budgeting may wish to also use tagging as a key tool within their approach to gender budgeting. Ensuring coherence will help minimise any additional burden that these initiatives place on staff resources.

Iceland provides a good practice example of a country where gender budgeting has built on the existing budget framework and as well as being incorporated into subsequent relevant budget reforms (Box 3).

Box 3. The incorporation of gender budgeting into the overarching budget framework in Iceland

Gender budgeting was introduced in Iceland as part of the budget reforms instigated in response to the global financial crisis in 2008. Subsequent years focussed on developing an initial approach to gender budgeting and piloting its implementation across the ministries. Between 2011 and 2016, line ministries focussed on one policy area, undertaking analysis of its gender impact, and then planning and implementing policy changes to improve gender equality.

Gender budgeting was then incorporated into the new Public Finances Act 2016. The Act also introduced performance budgeting, and this gave new opportunities for the approach to gender budgeting to evolve. An annual Gender Baseline Report mapping gender perspectives in different policy areas is used as a basis for policy development and is used to help set performance objectives with a gender dimension. The introduction of spending reviews has also provided an opportunity to further develop gender budgeting. The Ministry of Finance is currently experimenting with integrating information on the gender impact of policies into the spending review process.

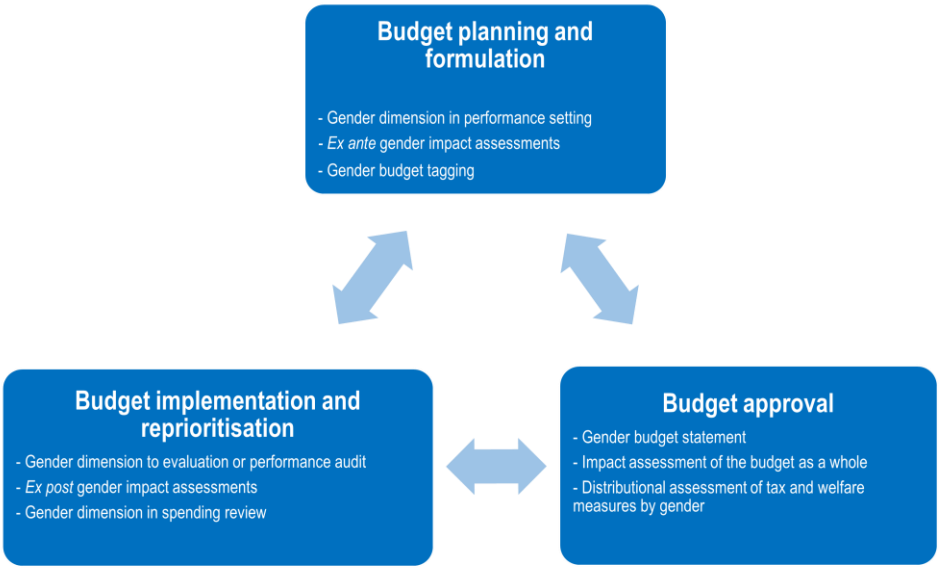
The COVID crisis has also brought about evolutions to the gender budgeting approach. The Ministry of Finance undertook gender impact assessments of the different tranches of investment in response to the crisis. This was informed by gender impact assessments of individual budget measures. Following on from the crisis, the provision of gender impact assessments alongside new budget measures has now become regularised as part of the budget approach.

Source: (Icelandic Ministry of Finance and Economic Affairs, 2022[8])

4. Embedding gender budgeting tools at all stages of the budget cycle

The budget process is an annual (or indeed multiannual) event, and there are several opportunities across the cycle in which the gender perspective can be brought to bear (see Figure 1). A more advanced approach to gender budgeting benefits from the incorporation a gender perspective at all the different stages of the budget process. This facilitates learning and improvement in the effectiveness of the budget in meeting gender goals.

Figure 1. Key stages of the budget cycle, and relevant gender budgeting tools



Gender objectives help guide budget planning and formulation

The *ex-ante* phase of the budget process involves budget planning and formulation. In the planning phase of the budget, the CBA may encourage ministries and agencies to consider the overarching gender equality objectives of government, and the specific gender needs in their policy areas, as part of policy priority-setting for the budget. This information will be helpful in ministries and agencies setting performance goals with a gender dimension.

Moving to budget formulation, to support gender budgeting, the CBA may require gender information or analysis to accompany budget proposals. For example, there may be a requirement for an *ex-ante* gender impact assessment to be provided alongside each budget proposal. Gender budget tagging may also be a requirement at the *ex-ante* phase, highlighting how proposed budget measures impact gender equality goals. This provides the CBA with information that helps it to identify and prioritise budget proposals that progress gender equality goals.

A gender budget statement, or equivalent, provides information on the impact of the budget on gender equality

Once the government has formulated the budget, the draft budget is presented to parliament for debate and approval. A gender budget statement tabled alongside the draft budget can be helpful to provide information on how the budget impacts gender equality, and key actions being taken to progress gender

equality objectives. This supports stakeholders such as parliament and citizens in understanding whether the budget is adequately progressing gender equality, helping inform a richer debate on budget choices.

The most appropriate way to publish the information will be different in each country. This information is often presented in a standalone gender budget statement, although it may also be integrated into the main budget documentation. Each option can have its merits. In some countries a standalone statement will give the information greater visibility, but in other countries the information will get more readership if it is included in the main budget documentation.

Key information that can be presented includes progress towards gender goals, summary information from gender budget tagging, a summary of the gender impact of individual budget programmes, or a gender impact assessment of the budget as a whole (a qualitative assessment of how the overall budget impacts gender equality objectives). A distributional assessment of tax and welfare measures by gender may also be presented. This quantitative analysis may focus on gender impacts, or it may form part of a broader piece of work looking at the distributional impact of the budget on different groups of society.

The implementation and control phases of the budget include consideration of whether budget programmes are delivering their intended gender impacts, supporting reprioritisation decisions

During the implementation and control phases of the budget, gender budgeting tools can provide useful information on whether budget programmes are achieving intended results. Tools such as a gender dimension to evaluation or performance audit, *ex-post* gender impact assessments, and a gender dimension in spending review can help give insights into whether the design and/or funding of programmes need be adjusted to deliver better results.

The integration of a gender perspective to the implementation and control phases of the budget can also help extend the reach of gender budgeting to baseline tax and spend. This is particularly useful in countries where the annual budget only includes new budget measures, and where spending at the margin may only a small proportion of overall government spending.

The integration of a gender perspective throughout the overall budget cycle has proven challenging in many countries. Most commonly, countries bring a gender perspective to bear at the *ex-ante* phase of the budget process, for example, through assessing the expected gender impact of budget proposals. Although this can be a good stage to introduce gender budgeting considerations, over time it is also important that countries expand the gender lens to later stages of the budget cycle. This helps in assessing the actual gender impact of programmes once they are approved. Feeding this information back into future budget decision-making is important to improve the effectiveness of public policy in progressing gender equality goals over time. An approach to gender budgeting that focusses solely on the *ex-post* phase of the budget process is also suboptimal since information on the gender impact of budget measures is obtained after budget decisions have been made. This will limit the use and impact of the analysis, unless there are strong mechanisms to feed this information back into budget planning and formulation.

A good practice example of gender budgeting tools being used at all stages of the budget cycle is provided by Austria (Box 4).

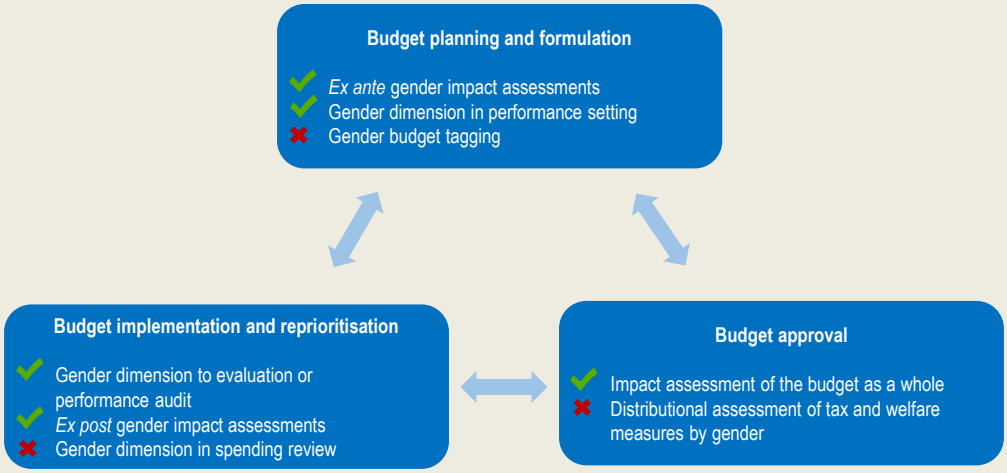
Box 4. Gender budgeting at each key stage of the budget cycle in Austria

Gender budgeting has been enshrined in the Austrian Constitution since 2009, where it states that the Austrian Federation should apply gender budgeting as an integral element of performance budgeting. The two main instruments through which gender budgeting is implemented are:

- Gender budgeting as part of performance setting in the course of the annual budget process
- The integration of gender considerations in *ex-ante* and *ex-post* Regulatory Impact Assessments undertaken for laws, regulations, and major projects

Although the Austrian Government does not regularly publish a distributional assessment of tax and welfare measures by gender, the Austrian Parliamentary Budget Office has conducted some analysis in this regard. In addition, the Austrian Court of Audit regularly looks at gender, and other diversity aspects, in relevant performance audits. The Court of Audit does this through asking questions such as: whether or not gender objectives are relevant, if the level of ambition is appropriate and what the impact of the measure is on society.

Mapping these tools across the budget cycle, it can be seen that instruments of gender budgeting are applied at each key budget stage in Austria:



Source: (Austrian Federal Ministry of Finance, 2022[9])

Gender budgeting can be applied to the full breadth and depth of government spend

It is important that gender budgeting is designed and practiced in a way that enables consideration of how the budget impacts gender objectives across all areas of the budget. For example, different analytical requirements for government bills compared to those proposed by parliament, may inadvertently mean that one does not fall under the scope of gender budgeting. Alternatively, gender impact assessments may be required in relation to new spending measures, but not in relation to new tax measures. These situations should, to the extent possible, be avoided so that gender budgeting can be applied to the full breadth of the budget. In addition, the application of gender budgeting at all levels of government recognises that tax and spend decisions at all levels of government impact gender equality.

5. Underpinning gender budgeting with strong data and analysis

Gender budgeting benefits from good availability of gender-disaggregated data

Gender mainstreaming and gender budgeting will only ever be as good as the data that informs it. The availability of gender-disaggregated data is an area of concern for many OECD countries that have a gender budgeting system. Poor availability of gender disaggregated data is one of the main obstacles to effective implementation of gender budgeting tools such as gender impact assessments. For this reason, the introduction of gender budgeting can also require investments to increase the availability of gender-disaggregated data.

To understand the impact of budget measures on gender equality, line ministries and agencies may need to strengthen existing data collection or collect new gender-disaggregated data on who uses public services and how they use them, as well as how needs and preferences vary by gender in their respective policy areas. This helps inform more complete gender assessments and gives an improved evidence base for policy discussion and design. There may be a particularly strong need for new data in "hard-to-understand" areas (such as environment or infrastructure) where the gender impact of spending may not be immediately obvious.

The national statistics agency also has a key role to play in relation to ensuring there is broad availability of gender disaggregated data. In Sweden, official statistics must be disaggregated by sex unless there are special reasons for not doing so. Statistics Sweden has a specific unit in charge of promoting the production of sex-disaggregated data, and a webpage dedicated to gender statistics. The agency uses this information in its regular publication "Women and men in Sweden, Facts and Figures". In addition, several government agencies have requirements related to sex-disaggregated statistics in their instructions, including for non-official statistics (European Institute for Gender Equality, 2022[10]).

National statistics agencies may also have a role in relation to compiling and tracking progress in relation to overarching gender objectives. The additional value of the national statistics agency undertaking this role is that the measurement standards they use are often defined by international institutions, facilitating cross-country benchmarking and learning.

Intersectional analysis sheds light on the multifaceted nature of gender inequality

Gender inequality can be compounded by multiple aspects of an individual's identity (e.g., race, socio-economic class, sexual orientation, disability). Collecting data on the how these aspects intersect facilitates analysis of the linkages between gender inequality and other aspects of an individual's identity. This is referred to as intersectional analysis. Such analysis considers how multiple overlapping factors shape social, health and economic opportunities and outcomes for people, as well as barriers to accessing programs or services. This analysis is the foundation to better understanding the nature of gender inequality being experienced by citizens, and how to address it.

Canada is an example of a country where the introduction of gender budgeting was supported by major investments in disaggregated data on gender equality as well as other intersectional characteristics such as race, ethnicity, religion, age, and mental or physical disability (see Box 5).

Box 5. The strong data and analysis underpinning gender budgeting in Canada

Canada's *Gender Budgeting Act* (December 2018) requires that the Minister of Finance table a report on the impacts in terms of gender and diversity of all new budget measures described in the annual federal budget. For example, Budget 2022's Statement and Impacts Report on Gender, Diversity, and Quality of Life includes a summary of the Gender-Based Analysis Plus (GBA Plus) undertaken for new measures announced in the budget. The Statement also includes aggregate analysis of the gender and diversity impacts of the budget, showing the share of the budget targeting different sub-groups of the population and the share of the budget with expected benefits for gender equality.

The Canadian *Gender Budgeting Act* also requires that *ex-post* impact assessments be done on all expenditures and shared publicly on an annual basis. To this end, the Treasury Board of Canada Secretariat is working with line departments so that they are able to obtain proper authorities and enabled to collect the required data to monitor and report program *ex-post* impacts. Further work is being undertaken to integrate GBA Plus into government-wide reporting.

A key challenge of effective gender budgeting in Canada is the availability of disaggregated data. In response to this, the government increased funding for Statistics Canada in Budgets 2018 and 2021. The 2018 investment was targeted towards a Gender and Diversity Hub enabling data users to more easily find disaggregated and intersectional data, analytical products, and insights. The 2021 allocation funded major investments to implement a Disaggregated Data Action Plan over 5 years. The objectives of the Disaggregated Data Action Plan are to:

- Support more representative data collection
- Enhance statistics on diverse populations
- Support the government and society's efforts to address systemic racism and gender discrimination
- Bring fairness and inclusion considerations into decision-making processes

The Plan will lead to the production of detailed statistical information to highlight the experiences of specific population groups, such as women, Indigenous Peoples, racialised populations and people living with disabilities. Within the first year of the Plan, key results included improving and expanding data collection through the Labour Force Survey, the Canadian Community Health Survey, the General Social Survey, and the Uniform Crime Reporting Survey allowing for greater disaggregation across statistics programmes on health, society, the economy, and the environment.

Increased availability of disaggregated statistics helps make analysis conducted as part of gender budgeting, using GBA Plus, more robust. GBA Plus is an analytical process that assesses how diverse groups of women, men, and gender diverse people may experience policies, programmes, and initiatives. The "plus" in GBA Plus acknowledges that such analysis is not just about differences that are biological (sex) and socio-cultural (gender), and considers many other identity factors such as race, ethnicity, religion, age, and mental or physical disability, and how the interaction between these factors influences the way citizens might experience government policies and initiatives.

Source: (Canadian Department of Finance, 2022[11])

6. Supporting gender budgeting implementation through capacity building

Government staff are given training and support to implement gender budgeting

Gender mainstreaming, and specifically the integration of a gender perspective into budget planning, formulation, implementation, and control, is often a new concept for government actors, who face competing demands for their time. In this context, the successful implementation of gender budgeting relies on training and capacity development, and financial resources to help implement it. This helps increase openness to, and understanding of, gender budgeting.

Training should be available for relevant budget analysts in the CBA as well as programme managers and evaluators in line ministries. Training needs will likely relate to the tools and methods of gender budgeting, the information needed to support them, as well as how to analyse the information produced and use them in the budget process. Line ministries can also benefit from customised sector-specific training that shows how policy within their domain is relevant to the achievement of gender equality objectives, and the role of gender budgeting. Other stakeholders, including the budget and accounts committees of parliament, ministers and senior civil servants and wider civil society, may also need to be sensitised to the new system. The transition to gender budgeting may in some cases require a change in culture and mind-set that requires long-term effort.

The gender equality institution and women's non-governmental organisations (NGOs) at the national and regional level can be important partners in relation to capacity building for gender budgeting across the government administration. This might be through providing training, or through providing feedback on gender analysis undertaken as part of gender budgeting efforts. International institutions can also play a role in providing technical assistance and capacity building.

Strong co-ordination mechanisms (for example, an inter-agency working group) can be a valuable element of capacity development for gender budgeting, facilitating a common approach and exchange of good practices among different stakeholders.

The adoption of gender budgeting will also require the CBA to provide guidance and make amendments to its budget circular and may require increased capacity to improve the budgetary process itself through adjustments to the Chart of Accounts and or IT systems. For example, where gender budget tagging is introduced, there can be a need to introduce tagging functionality in the IT system where budget proposals are submitted.

Finally, gender budgeting systems in many OECD countries are still relatively new and many countries are still learning what works and what does not. Once the system is operational, the CBA will benefit from regularly reviewing how well it is functioning, to improve its effectiveness and impact over time.

Mexico provides a good practice example of how capacity building can support the implementation of gender budgeting (Box 6).

Box 6. Capacity building to support gender budgeting in Mexico

Since 2008, Mexico has included an Annex in the Budget Decree called “Budget for women and gender equality”. This Annex was renamed later as "Expenditures for equality between women and men”.

Several factors have helped ensure that there is adequate capacity to support the production of this Annex in Mexico, including:

- The Ministry of Finance developing manuals and guidelines for the implementation of gender budgeting.
- The establishment of Gender Equality Units across line ministries to strengthen the promotion, control and application of gender equality policies and assist with gathering the information needed for the gender budgeting Annex.
- Inter-institutional collaboration between the Ministry of Finance, the National Institute for Women, and the Congress to assess the training needs of budget managers.
- The National Institute for Women providing training on the incorporation of gender considerations in planning, programming, and budgeting.

Source: (Mexican Ministry of Finance and Public Credit, 2022[12])

7. Using gender budgeting to reinforce government transparency and accountability

Key information on the impact of the budget on gender equality should be published to improve budget transparency and increase accountability and public engagement on how the government is using the budget to ensure that gender goals are prioritised and achieved.

Gender budgeting reinforces government transparency and accountability

Transparency on the impact of the budget on gender equality helps external stakeholders, such as parliament and citizens, understand how the government is using the budget to progress gender goals. Best Practice 4 “Embedding gender budgeting tools at all stages of the budget cycle” highlighted that information on the impact of the budget on gender equality goals should be presented alongside financial information as part of the annual budget presented to parliament.

In addition, publication of the analysis flowing from gender budgeting can as also reinforce government transparency and help in terms of sharing best practice and improving analytical rigour across government. Canada’s publication of its GBA Plus assessments is a good example of how transparency in relation to gender impact assessments can help shine a light on areas for improvement and showcase best practice, helping drive improvements in their quality across different government departments.

Transparency can also be fostered through seeking citizen participation in relation to gender budgeting. There are many ways in which a government can bring in the external viewpoints of citizens, strengthening transparency and the approach to gender budgeting. Citizen inputs can be sought through formal and regular consultation opportunities, for example, an annual pre-budget consultation seeking views on key priorities in relation to gender equality policy. Alternatively, it could be that the government has a formal group of societal representatives from which it regularly seeks opinions on key developments regarding gender budgeting.

Ireland has showcased how equality budgeting can be used as a tool to strengthen government transparency and accountability (Box 7).

Box 7. Equality budgeting and its impact on strengthen government transparency and accountability in Ireland

Ireland introduced equality budgeting in 2017. The initiative built on Ireland's framework for performance budgeting by encouraging departments to identify programmes where they could set performance targets relating to one of nine equality dimensions (including gender).

Equality budgeting was one of several public financial management reforms that the government introduced to increase accountability and transparency. This has principally been achieved through the publication of a new Equality Budgeting Section in the annual Public Service Performance Report. This helps parliament and citizens identify actions that support equality goals and track performance in relation to each of these.

Government departments were encouraged to set targets in relation to equality objectives. This was the first time that targets had been included in the Performance Report, helping change the culture of performance reporting and raising the bar for the performance information in other areas of the report.

The Performance Report is a key tool in government scrutiny. The information provided in the Report is clear and accessible, with a one-page summary for each department. Clear graphics depict progress towards targets.

Other elements of transparency and accountability in relation to equality budgeting in Ireland include:

- Oversight of equality budgeting by the Budget Oversight Committee at Parliament. The Committee undertook a specific inquiry into gender budgeting and holds an annual evidence session on the Public Service Performance Report.
- Oversight by the Parliamentary Budget Office (PBO). The PBO has in the past provided an impartial assessment of Public Service Performance Report to help Committee scrutiny. It has also published themed research papers on equality budgeting to help support parliamentary scrutiny.
- The use of an Equality Budgeting Expert Advisory Group to provide ongoing strategic guidance on the implementation of equality budgeting. This includes representatives from Non-Governmental Organisations (NGOs) and brings in external dialogue to help refine and further develop the Irish approach to equality budgeting.

Source: (Irish Department of Public Expenditure and Reform, 2022[13])

Gender budgeting facilitates monitoring progress towards gender equality goals

Parliaments in several OECD countries have played an important role in holding government to account for how the budget is progressing gender equality goals, discussing information on the gender impact of the budget. This is typically the work of specialised committees dealing with budgeting but may also be considered by committees dealing with gender equality policy.

A key benefit of presenting information on the gender impact of the budget alongside the draft budget is that it helps parliament understand how the budget progresses gender equality goals. This can support a richer budget debate in parliament and enables parliamentary stakeholders to make more informed choices around amending or approving the budget.

As the official reviewer of how public money has been used, acting on behalf of the legislature, the supreme audit institution also has an important role to play in respect of the gender budgeting system. External audit

is likely to be interested in reviewing and validating assessments of the gender impact of the budget, and progress towards gender equality goals. Supreme audit institutions may also use their increasing role in the area of performance audit to provide insights on whether budget programmes are meeting their stated objectives relating to gender equality.

References

Austrian Federal Ministry of Finance (2022), *Direct communication*. [9]

Canadian Department of Finance (2022), *Direct communication*. [11]

Downes, R. and S. Nicol (2020), "Designing and implementing gender budgeting – a path to action", *OECD Journal on Budgeting*, https://doi.org/10.1787/689198fa-en. [3]

European Institute for Gender Equality (2022), *Gender Mainstreaming - Sweden*, https://eige.europa.eu/gender-mainstreaming/countries/sweden. [10]

Government of Canada (2022), *2022 Budget: Statement and Impacts Report on Gender, Diversity, and Quality of Life*, https://www.budget.canada.ca/2022/report-rapport/gdql-egdqv-01-en.html. [7]

Government Offices of Sweden (2020), *Gender Equality Policy in Sweden*, https://www.government.se/49c8d9/contentassets/efcc5a15ef154522a872d8e46ad69148/gender-equality-policy-in-sweden-oct-2020.pdf. [5]

Icelandic Ministry of Finance and Economic Affairs (2022), *Direct communication*. [8]

Irish Department of Public Expenditure and Reform (2022), *Direct communication*. [13]

Mexican Ministry of Finance and Public Credit (2022), *Direct communication*. [12]

OECD (2019), "OECD Gender Budgeting Framework", https://www.oecd.org/gov/budgeting/Gender-Budgeting-Highlights.pdf. [4]

OECD (2016), *2015 OECD Recommendation of the Council on Gender Equality in Public Life*, OECD Publishing, Paris, https://doi.org/10.1787/9789264252820-en. [2]

OECD (Forthcoming), *2022 Survey on Gender Budgeting*. [1]

Spanish Ministry of Finance and Civil Service (2022), *Direct communication*. [6]

Costing policy proposals: Guidelines for independent fiscal institutions (IFIs)

This paper provides good-practice guidelines for parliamentary budget officials and independent fiscal institutions (IFIs) that estimate the costs of policy proposals. It covers topics including which costs to capture, how to handle behavioural responses and macroeconomic feedback, how to communicate results, and how to work with stakeholders. It also contains a section on the special considerations for costing election platforms.

JEL classification: H68, H61, H60

Keywords: policy costing, independent fiscal institutions, budget forecasting

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Member countries of the OECD.

Please cite this article as:

OECD (2023), "Costing policy proposals: Guidelines for independent fiscal institutions (IFIs)", *OECD Journal on Budgeting*, Vol. 23/1, OECD Publishing, Paris, https://doi.org/10.1787/4e5cd3db-en.

Foreword

As governments re-evaluate their fiscal stances in the face of economic turbulence, it is important that they can access rigorous and robust policy costings. The methods and assumptions by which policy costings are prepared is often debated, with factors such as high inflation making it particularly challenging to prepare estimates.

Parliamentary budget officials and independent fiscal institutions (IFIs) are increasingly being asked to serve as arbiters of policy costs, both for the plans of current governments and the plans of prospective governments during election campaigns. In doing so, they are discovering that costing language and practices vary widely between analysts and across countries. Discussions during the annual meetings of the OECD Working Party of Parliamentary Budget Officials and IFIs have revealed demand for a set of common guidelines to support the introduction and development of policy costing functions.

This document responds to that demand, continuing the series of OECD guidelines and case studies for parliamentary budget officials and IFIs that have covered other topics, such as long-term fiscal sustainability analysis (Shaw, 2017[1]). The guidelines bring clarity to the practice of costing and create benchmarks against which the OECD can monitor trends and new developments. The guidelines are not, however, a prescription — the costing terms and methods that are appropriate for individual stakeholders will vary by context, mandate, and capacity.

The guidelines were informed by a study group of practitioners from the OECD's Working Party of Parliamentary Budget Officials and IFIs, representing different regions, mandates, and costing cultures. The guidelines also benefitted from discussions during the 2022 Annual Meeting of the Working Party. In particular, the OECD would like to thank the following institutions for their extensive feedback: the United States Congressional Budget Office, the Danish Economic Councils, the Belgian Federal Planning Bureau, the United Kingdom Office for Budget Responsibility, the Australian Parliamentary Budget Office, the Victorian Parliamentary Budget Office (Australia), the Portuguese Parliamentary Budget Office, and the Institute for Fiscal Studies and Democracy in Ottawa, Canada.

Executive summary

A costing is an estimate of the expected net fiscal impact of a policy change. Costings can be provided for the immediate year of an appropriations bill; however, they are most often presented as a forecast of a policy's effect on the budget balance over a planning horizon of three to ten years.

Costings let governments weigh their options and set aside funds in the fiscal framework for new programmes, manage their cash flows and bond issuances, and set benchmarks for performance. Costings assist political parties in developing their platforms ahead of elections, holding discussions with their members, and demonstrating to the public that they have a responsible eye for governing. Costings let other stakeholders like unions and business groups propose credible alternatives when participating in policy debates.

The number of IFIs (including fiscal councils and parliamentary budget offices) preparing costings has grown in recent years. Eighteen of 36 national institutions in the OECD Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions (IFIs) prepare costings during the annual budget cycle. Five also prepare costings during elections for political parties, with several more studying the possibility for the future. Costing methods, workflows and communications have been a popular topic of discussion during meetings of the Working Party, particularly around incorporating behavioural responses and economic feedback (dynamic scoring). The area has taken on a new prominence as it has risen in political debates, for example around Recovery and Resiliency Plans in the European Union.

The OECD has responded to this growing area by working with members of the Working Party and their stakeholders to develop a set of guidelines for policy costings, summarised in Table 2. Topics include:

- Which policies to cost (the criteria that should be met to undertake a costing)
- Which models and data to use (the benefits and drawbacks of specific methods and sources)
- Which assumptions to apply (how to make decisions on choices such as policy baselines, timing, and compliance rates)
- How to communicate results (whether to publish distributional analysis, how to present uncertainty, how to choose a forecast horizon, among other issues)
- How to work with stakeholders (how to co-operate with ministries and outside parties and how to receive and return requests)
- How to work within (how to prioritise measures, undertake quality control, and how to maintain confidentiality and data security, among others).
- Special considerations for costing election platforms (how to safeguard reputations in a heightened political climate).

By comparing their practices against the guidelines, parliamentary budget officials and IFIs can help ensure that their costings are well-suited to informing policy makers and the legislators that scrutinise them to support the long-term health of the public finances and economy.

Table 1. Guidelines in policy costing

A. Which policies to cost		
A.1	Types of measures	The types of measures that lend themselves to costing are those that (1) will have a material public interest, (2) have had their parameters and timing decided in sufficient detail by policy makers, (3) can be linked to a level of activity (that is, are not funding envelopes set purely by the policy maker's discretion), and (4) have sufficient data or policy analogues to arrive at an estimate. Where there are concerns around a policy instrument's legal, ethical, or practical feasibility, IFIs should be free to note caveats, challenges or concerns. If an IFI deems that a policy cannot be reliably costed as the result of technical gaps or resource constraints, it should notify stakeholders in writing with an explanation.
B. Which models and data to use		
B.1	Model selection	There are no 'correct' prescriptions for a particular modelling approach to a policy change. Different models require different investments of time and expertise and an IFI's choice will depend on its resources. Selecting a model in a fast-moving policy environment requires striking balances, accepting trade-offs and communicating decisions transparently with stakeholders. Maintaining a similar methodological approach over time can ensure consistency and help communicate evolutions in the cost estimate; any major changes in approach should be introduced transparently with new working papers or detailed descriptions of assumptions.
C. Which costs to capture		
C.1	Direct fiscal impact	The priority of IFIs in costing should be on achieving a high-quality estimate of the direct fiscal impact of a policy change, which should be considered the sum of three components: (1) The non-behavioural impact. That is, the fiscal impact when holding pre-policy activity constant. (2) The partial equilibrium behavioural responses (the change in activity in the market immediately affected by the policy), where there is a satisfactory evidence base. (3) The mechanical cross-policy interactions. That is, the impact on other taxes and transfers whose specifications are a direct function of the targeted programme. Behavioural responses and mechanical cross-policy interactions should be shown as separate lines, where possible, along with the total impact on the public finances. General equilibrium behavioural responses (the reallocation of household demand and adjustment of factor markets in the broader economy) are much more uncertain and capturing them coherently and comprehensively is a daunting challenge. IFIs should approach general equilibrium costing with caution, supplying it only if directed by an authorised stakeholder, if the institution has historically provided such information and its stakeholders are accustomed to its nuances, or if the IFI has autonomously decided that there is an exceptional public interest in doing so. Otherwise, IFIs should confine general equilibrium behavioural analysis to supplementary economic impact assessments.
C.2	Macro-economic feedback (Dynamic scoring)	In preparing and reporting individual cost estimates, IFIs should in most cases hold the supply-side macroeconomic determinants constant; that is, if the policy has implications for technological change or other factors affecting productivity and economic growth, the resulting economic forecast should not be iterated back through the individual cost estimate. IFIs should undertake such dynamic scoring only if provided for under a clear mandate or at the request of authorised stakeholders, and only if they have effective tools and sufficient time to carry out the analysis. If these conditions are met, dynamic scoring can add value to costings of proposals that have significant macroeconomic effects. If required to provide dynamic scoring, the cost of feedback should be shown as a separate line with clear caveats of uncertainty.
C.3	Administrative expenses	IFIs should attribute administrative expenses (including additional staff time, systems, overhead, and resources for monitoring and enforcement, among others) to individual policy proposals where there is evidence to suggest substantial changes at the margin (that is, beyond rounding errors). Administrative expenses should be shown as a separate line with a note of their nature (for example, fixed, variable, or step-wise).

C.4	Debt service charges	The fungible nature of public funds and inability to link most policy instruments to a specific bond issue means public debt interest expenses cannot generally by attributed to individual decisions and their costings. To ensure that financing considerations aren't neglected in the policy formation process, IFIs could assist policy makers by providing tools to calculate high-level approximations of the marginal interest expenses incurred by a policy. If IFIs decide under their autonomy that it is sensible to attribute interest expenses to a programme's cost, they should present it as a separate cost line.
D. Assumptions		
D.1	Economic and fiscal baseline	An IFI's costings should be prepared within a comprehensive and cohesive framework of economic and fiscal forecasts (that is, the fiscal baselines should be consistent with the government sector of the economic baselines). IFIs with access to detailed subcomponents of official forecasts should ideally prepare them on the same economic and fiscal baseline as official budget documents, noting any areas where the IFI may have concerns for the reasonableness of government assumptions arising from their scrutiny work. IFIs without access to detailed subcomponents of official forecasts may be better placed to provide costings using their own internally produced economic and fiscal forecasts, in which case they should publish the underlying economic and fiscal baselines transparently so that stakeholders can interpret the costings within a comprehensive and cohesive framework.
D.2	Policy status quo	IFIs should have autonomy to choose assumptions for the policy status quo on a case-by-case basis that they believe is the most reasonable grounds for policy costing. The status quo assumed in the fiscal baseline may contain a mix of current law, announcements that are on-track to become law, or potential laws that have a strong likelihood of being enacted in the future (for example, if annual indexation of tax and benefits thresholds is enacted each year but is not prescribed in standing legislation). If an IFI has a procedural restriction on its baseline assumptions, it should have the autonomy to provide supplementary analysis using its preferred alternative baseline. IFIs should regularly consult government departments and undergo external peer review to refine the policy status quo assumed in baselines.
D.3	Institutional boundaries	IFIs should prepare costings at the level of government they are assigned in their mandate. The institutional boundaries and definitions of public sector units should be consistent with conventions in the budget and financial statements (for example, the degree to which commercial government enterprises and independent investment funds are consolidated with the central government's operating balance). An IFI should be free to take a different view of institutional boundaries and prepare alternative costings alongside those it prepares under the official definition.
D.4	Timing	Costings should generally reflect the implementation schedule and policy lifecycle intended by the policy maker; however, if the IFI has sufficient evidence to consider the timeline infeasible, it should have the autonomy to also put forward an alternative estimate under different timing assumptions. IFIs should carefully consider the implications of timing for fiscal year, accrual accounting adjustments, indexation and the reaction of economic agents to the change. Annual models should make concessions for fractional implementation or cessation years.
D.5	Take-up and compliance rates	IFIs should apply practical and realistic take-up and compliance rates estimated from comparable programmes or pilot studies. The IFI should specify in advance the criteria it will use to judge the external validity of empirical studies or experience in other jurisdictions (that is, whether they are applicable to the case at hand). Where there is likely to be an effect but there is insufficient empirical evidence to quantify it, IFIs should indicate the likely direction of the exposure and its potential magnitude in a qualitative statement. If there are standard take-up or compliance assumptions used in government plans, it should remain at the IFI's discretion whether to adopt them.
D.6	Risk adjustments	IFIs should prepare central cost estimates, neither optimistic nor conservative, to provide the best possible information for stakeholders to make informed decisions. That is, they should not adjust costings by assuming the best- or worst-case scenario to protect the fiscal framework, as may be the practice of risk-averse government planners.

E. Communicating results		
E.1	Transparency and supporting documentation	Estimates should be published alongside a document that explains the costing and describes the IFI's methods, assumptions, and data sources to help policy makers and the public understand how it was derived. Maintaining a concise standard template can help users interpret costings and help an IFI reduce the time and effort of producing a large volume of costings.
E.2	Cost breakdowns by economic and social categories (distributional analysis)	Where the distribution of a policy's benefits and costs by income, gender, age group, or other socioeconomic factor has been used as an intermediate assumption to estimate a policy's total fiscal cost, IFIs should provide summaries of the distributional data as one of the key assumptions. Where additional data and modelling effort would be required to provide distributional analysis, the decision should remain at the IFI's discretion, unless prescribed by its mandate, so that it may judge whether it has the resources and whether it would be appropriate to extend its scope beyond the aggregate budget consequences.
E.3	Presenting uncertainty	Costings should be provided as point estimates. To present uncertainty, IFIs should provide a qualitative discussion of the main sources of uncertainty. Where possible, IFIs could include quantitative discussions of uncertainty such as confidence intervals or ranges. When costing measures with a particularly high degree of uncertainty or extending the analysis to include general equilibrium behavioural responses or dynamic scoring, IFIs could provide alternative scenarios under different assumptions, methods, and economic theories to illustrate the sensitivity of the costing to the IFI's modelling decisions.
E.4	Accounting basis	Costings should be presented under the accounting conventions used in the budget and medium-term planning frameworks. IFIs should provide sufficient information in the costing documentation to reconcile different accounting presentations between the budget and reporting documents like year-end financial statements if relevant. If an IFI disagrees with the government's accounting conventions and feels an alternative presentation more transparently portrays the costs of a programme, it should have the autonomy to present its preferred accounting treatment as supplementary information.
E.5	Planning horizon	Costings should be presented as a multi-year table consistent with the horizon of the government's medium-term strategic fiscal plans. If the number of years is not sufficient to give a useful sense of the full annual effects of a policy (for example, if there is a long phase-in period or a long production timeline), the IFI should have the autonomy to present the costing at a horizon that allows the policy to reach its full fiscal effect or to provide a "structural" year in which the programme costs have stabilised.
E.6	Fiscal year	Costs should be provided that align with the fiscal year of the budget and financial statements. If calendar effects are important for understanding the policy's timing, implementation and impact, IFIs should have the flexibility to provide stakeholders with supplementary tables with alternative time periods or higher frequencies like quarterly or monthly estimates.
E.7	Aggregation	Costings should show the impact of the policy by each fiscal aggregate it affects as they appear in budget tables and by any subcomponents necessary for understanding cross-tax and transfer effects. In cases where multiple budget lines are affected, costings should also include a total budget impact total that sums across budget lines.
E.8	Rounding and significance	IFIs should avoid publishing false precision in costings by following significant figures rules for intermediate and final calculations. Final presentations should round to the same precision as budget table conventions unless the IFI has reason to do otherwise, in which case it should present the unrounded estimates as supplementary information.
E.9	Presenting gains and losses	It will at times be appropriate for costings to be prepared in cost space (positive numbers are a loss to the treasury) or budget balance space (positive numbers are a gain to the treasury). To limit confusion, IFIs should clearly indicate the meaning of positive and negative numbers.
E.10	Cost or revenue recovery	So that a programme's total unmitigated cost is transparent to stakeholders, IFIs should publish any coincident policies that are implemented in an attempt to recover a programme's costs or limit its foregone revenues as separate policies or line items in costing tables, rather than deducting the proceeds from a programme's cost.

E.11	Revising estimates	Any revisions for new information or to correct errors should be made transparently with version control and tracking. Previous versions should continue to be available, or a version history should be provided so that stakeholders can cite the costing that was used for their research and decisions in the past.
E.12	Publishing models	IFIs should endeavour to make costing models publicly available and open-sourced where possible. At a minimum, they should describe models in costing documents or periodic working papers to a level of detail that would allow an outsider to roughly approximate the methodology if they had access to similar data.
F. Working with others		
F.1	Access to information and co-operating with public bodies	IFIs with official costing duties should be provided with access to government information and expertise and should have the ability to create memorandums of understanding with public bodies to do so. This access should be supported by legislation, in line with principle six of the OECD Recommendation of the Council on Principles for Independent Fiscal Institutions. IFIs should be able to consult with tax and benefit authorities and spending departments for input on costing methodologies while maintaining the autonomy to make their own assumptions. When a government department assists with a costing, the IFI should note the assistance unless restricted by their terms of agreement.
F.2	Co-operating with non-public bodies	IFIs should have the ability to partner with private firms, independent research institutes, and consultants for expertise that cannot be reasonably expected in their permanent capacity. IFIs may also find it beneficial to consult with the public for a broader perspective of the impact of the measure. Any external co-operation should be mindful of confidentiality agreements and information security.
F.3	Receiving and returning requests	Requests for a costing should be received and returned through a standardised procedure guaranteeing sufficient time for the IFI to prepare the estimate. IFIs can be helpful in outlining what information requestors need to provide in their submission (some institutions have found it useful to refer to a default set of standard assumptions) but should be careful not to suggest or influence policy design themselves. IFIs can be helpful in explaining a costing to requestors but should be careful not to advise on political communications strategies.
G. Working within		
G.1	Prioritisation	IFIs should publish a document that describes the criteria they use to prioritise costing requests, such as materiality, public interest, legislative stage, and balance among requestors.
G.2	Quality control	IFIs should have formal systems in place to peer review costings. Any external peer review should be undertaken only if confidentiality procedures can be preserved. Review procedures should be standardised and transparent to stakeholders.
G.3	Periodic review and update	It can be helpful for IFIs to maintain a database of past costings to assist with future costings and empirical research, and to refine fiscal baselines. Estimates for adopted policies may grow in certainty as programmes are implemented and could be refined and updated with administrative data where possible.
G.4	Confidentiality and data security	As the default operating mode for IFIs is transparency, costings should be publicly available by default. If prescribed by their mandate or legislation to supply confidential analysis, IFIs should establish agreements and procedures to safeguard confidentiality. IFIs should also have in place protections for handling confidential information that has been provided by government agencies and the private sector. Domestic and foreign security threats to public sector information are growing; IFIs should put in place physical procedures and IT systems to maintain security of costings in progress and any costings provided under conditions of confidentiality.
G.5	Retaining and archiving models	Where an estimate has been costed confidentially or has otherwise not been released, IFIs should have discretion to maintain the models it developed to carry out the costing for similar future policies; however, agreements could be put in place to erase any parameters or specifics related to the exact policy that could be tied back to requestors.

H. Costing election platforms		
H.1	Centralising contact points	Elections carry a heightened risk for eroding an IFI's reputation as apolitical. To limit the possibility of miscommunications of requests, leaks, unsanctioned quotes, and perceptions of undue influence over election outcomes, IFIs should centralise contact with stakeholders during election periods. This may include designating a staff member as a single point of contact for each political party and channelling all media inquiries through the IFI's official communications contact.
H.2	Interacting with political parties	IFIs should be permitted to issue public clarifications of any misrepresentations of its work in a party's campaign material. IFIs should only cost fully formed policies from parties to avoid the perception of playing an active role in policy formation. IFIs should have clear guidelines on which parties are eligible to submit requests, on what basis resources will be allocated between parties, and what constitutes sufficient time to fulfil requests to a high standard of quality. If guidelines are not legislated, the IFI should develop and publish them on their own initiative. IFIs should be permitted to assist parties in interpreting and using costings, provided the advice is offered equally to all parties and contact is disclosed transparently.
H.3	Costing entire platforms	The requirement for IFIs to cost overall platforms, rather than individual measures, should be grounded firmly in legislation or other formal agreements. Costing of entire platforms should be limited to IFIs with analytical capacity for in-house economic and fiscal modelling and forecasting. The need to assess policy interactions means deadlines for requests and turnaround times for individual measures must provide the IFI with more time than if it were only required to cost individual policies.
H.4	Enhanced security	IFIs should put in place heightened security and IT network protection during election periods and refresh staff training on information handling.

Introduction

What is a costing?

A costing is an estimate of the financial consequences of a policy decision, represented as the budget impact relative to current policy settings. Costings are compiled by public servants for policy proposals or draft laws using quantitative methods guided by administration or survey data. They may also be prepared for existing policies for which outturn data may not be available. Despite the name, costings can be prepared for measures that both deduct from the public purse and contribute to it.

Costings can be provided for the immediate year of an appropriations bill; however, they are most often presented as a forecast of a policy's effect on the budget balance over a planning horizon of three to ten years. Table 2 shows a typical costing of an enrichment in an unemployment benefit. Line 1 shows that spending on unemployment benefits will increase by the positive amount indicated in each year of the outlook. Line 2 shows that the costs will be offset by higher personal income taxes (indicated by a negative cost) because the benefits are taxable. Line 3 provides the total net increase in costs to the government.

Table 2. A typical costing

In USD millions

		Forecast				
		Budget Year *t*	Year *t+1*	Year *t+2*	Year *t+3*	Year *t+4*
Line 1	Unemployment benefits	1 100	1 200	1 300	1 400	1 500
Line 2	Personal income tax	(210)	(220)	(230)	(240)	(250)
Line 3	Total cost	890	980	1 070	1 160	1 250

Note: Positive numbers are a loss to the treasury, resulting in a deterioration of the budget balance.

In countries such as the Netherlands, Belgium and Denmark, the term "costing" is used for both the estimate of the fiscal consequences of a decision as well as a broad assessment of the economic impact of the policy. While developing the guidelines, it became clear that there is a need to distinguish between these two. For the purposes of the guidelines, the following terminology will be used:

- C*osting* will refer to an estimate of the impact of a policy change on the public finances, specifically the operating statement and balance sheet.
- *Economic impact assessment* will refer to an estimate of the consequences of a policy change on growth, employment, household disposable income, and other economic and social indicators.

Institutions that provide economic impact assessments are often specifically mandated to do so, along with other broad assessments of the social and environmental implications of policies. Economic impact assessments and other forms of supplementary analysis are described further in Box 8 but are out of scope for these guidelines. They will be addressed in future studies of the Working Party on Parliamentary Budget Officials and Independent Fiscal Institutions.

Costings are a key cog in the machinery of policy formation. They give government policy makers the information to understand financial trade-offs when pursing objectives related to the tax code, spending plans, or other policies. Costings also help legislators scrutinise appropriations bills and other fiscal legislation to fulfil their role in overseeing responsible management of the public finances.

Outside of government, political parties use costings to add credibility to platforms, advertise their prudent economic and fiscal management, differentiate their policy ideas from those of other parties and negotiate

coalition agreements to form government. Other organisations like unions and employers' federations use costings in their policy submissions and negotiations. Members of the media and public use costings to form an opinion on individual pieces of legislation, to evaluate candidates during an election, and to hold parties accountable for promises when they govern.

Box 8. Economic impact assessments and other supplementary analysis

IFIs in countries such as the Netherlands, Belgium, and Denmark provide a wide range of analysis that is interwoven with the 'costing' process. These institutions provide advice and services directly to government, often fulfilling roles typically provided by ministerial departments in other countries.

The supplementary analysis these institutions provide includes assessments of the consequences of a policy on areas such as employment, greenhouse gas emissions, and some even estimate the ultimate net social benefits of a proposal.

Economic impact assessments evaluate a policy's consequences on output growth, employment, and inflation, among other measures of economic well-being. Providing this analysis can be resource-intensive and controversial. IFIs should be cautious about including economic impact assessments as part of core costing activities unless specifically mandated to do so.

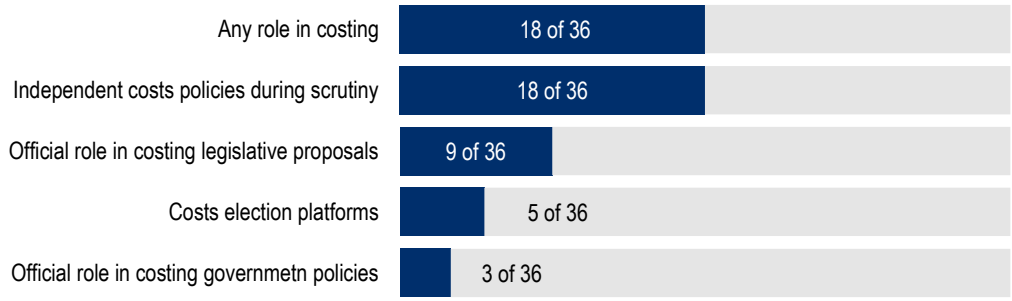
Environmental, greenhouse gas emissions and energy market assessments. Environmental assessments capture non-market activities and price externalities related to greenhouse gases and the depletion of wildlife habitats, public green space and air quality. The majority of IFIs currently have limited capacity for environmental analysis. IFIs generally should include such analysis in costings only if mandated to do so and under a clearly defined scope communicated to stakeholders, being mindful of other independent climate councils which may be publishing similar analysis.

Cost-benefit analysis and regulatory impact assessments go beyond measuring a programme's pecuniary outlays and receipts to discussing the justification for intervention and assessing the policy's overall impact on the welfare of households and firms, often including a pronouncement on whether the policy has a positive net present social value and should be enacted. In general, cost-benefit analysis and regulatory impact assessments should be left to public service ministries that advise governments, unless the IFI has an explicit mandate to supply it, or the analysis is crucial to understanding the policy's budget implications.

The role of independent fiscal institutions in costing

Eighteen of 36 national independent fiscal institutions and independent parliamentary budget offices (the acronym IFI will be used for both) in the OECD IFI Database do some form of policy costing, either in an official role during the legislative process, by request from authorised stakeholders, or on their own initiative in scrutinising public finances (Figure 2). These mandates are most often assigned to legislative budget offices, with the goal of improving the financial information for new measures introduced by the executive government or the legislature, either as a formal stage of proceedings or upon request. For example, the Congressional Budget Office of the United States is required to cost each bill or resolution under consideration by a congressional committee to the extent practical. The Parliamentary Budget Officer of Canada is required to cost policy proposals upon the request of committees and individual members. Other IFIs such as the Parliamentary Budget Office of Italy independently cost policies as part of their role in scrutinising the budget and preparing independent forecasts.

Figure 2. A majority of OECD IFIs have a role in costing



Source: (OECD, 2021[2]).
Note: IFIs with an official role in costing government policies are the Federal Planning Bureau of Belgium, the CPB Netherlands Bureau for Economic Policy Analysis and the Office for Budget Responsibility in the United Kingdom.

IFIs are also playing a growing role in costing the proposals of political parties during elections. Five IFIs in the OECD Working Party evaluate the financial impact of election commitments, either at the request of parties or as a service to voters to make political platforms more transparent. For example, the CPB Netherlands Bureau for Economic Policy Analysis has been evaluating election platforms since 1986 and its analysis plays an important role in helping parties negotiate coalition agreements. The others have taken on election platform costing more recently—the Parliamentary Budget Office of Australia in 2011, the Federal Planning Bureau of Belgium in 2018, the Parliamentary Budget Officer of Canada in 2017 and the Fiscal Council of Slovenia in 2018. Several other OECD countries are exploring the possibility of setting up similar election costing services within IFIs. For example, Ireland's 2020 Programme for Government proposed to expand the role of the Parliamentary Budget Office to include independently auditing the cost of individual tax and spending measures contained in general election manifestos (Department of the Taoiseach, 2020[3]).

The need for guidelines

The language and practices of costings vary across OECD countries. For example, in the United States and the United Kingdom, costings are likened to "scores" on a "scorecard" (Box 9). In Australia, the Parliamentary Budget Office is required to cost each party's election campaign promises following the election. In the Netherlands, the CPB Bureau for Economic Policy Analysis costs the platforms of parties on a voluntary basis ahead of election day.

The legal frameworks of most IFIs prescribe which policies they should cost and under which conditions in only broad strokes. IFIs are left with considerable room to define the exact boundaries and depth of their costing work and how they will communicate the research to stakeholders. This has given rise to several persistent questions amongst the OECD IFI community, for example:

1. Which policies should we cost?
2. Which models and data should we use?
3. Which costs should we capture?
4. Which assumptions should we apply?
5. How should we communicate results?
6. How should we work with other stakeholders?
7. How should we organise our own workflows?
8. What are the special considerations if we are asked to cost election platforms?

These guidelines are in response to demand from the OECD's Working party on Parliamentary Budget Officials and Independent Fiscal Institutions for assistance in answering these questions and clarifying costing terms and methods. They attempt to do so while recognising the differences in institutional mandates and histories and that there is no universal approach to costing.

Box 9. Who's keeping score? Costing terminology

Countries and their IFIs use different terms officially and colloquially for the process of estimating gains or losses to the national treasury arising from policy changes.

For example, Australia's *Charter of Budget Honesty* contains "policy costing guidelines" and the noun "costings" has been adopted by Australia's Department of Finance and Parliamentary Budget Office, along with some subnational governments and their respective parliamentary budget offices.

Although the statutes of the Congressional Budget Office of the United States refer to "cost estimates" the terms "scoring" and "scores" are pervasive in American media and the public owing to language in the *Balanced Budget and Emergency Deficit Control Act* of 1985 referring to the office's role as a consultant on the "scoring" and "scorekeeper" responsibilities of the congressional Committees of the Budget and the executive's Office of Management and Budget.

To complicate matters further, the Government of the United Kingdom prepares "costings" for a treasury "scorecard" which is then scrutinised and endorsed by the Office for Budget Responsibility.

The term "costing" can lead to confusion among stakeholders that all policy costings are "costs" to the government. In practice, costings can also represent an increase in revenues or a cost savings such as eliminating a tax credit or subsidy.

The term "scoring" has the benefit of being neutral on whether the numbers are gains or losses to the government. However, "costing" has become prevalent in most countries among governments, IFIs, think tanks, the media and academia. The OECD guidelines will follow the convention and use the term costings.

Which policies to cost?

On the revenue side, IFIs commonly cost changes to tax rates, tax brackets, tax registration thresholds (for example, for business VAT or small/large corporation tax rates), tax expenditures (targeted relief for individual groups delivered through the tax system that take the place of programme spending), and other public revenue streams such as road tolls and user fees for government services.

On the spending side, IFIs commonly cost changes to the generosity and entitlement criteria of social transfers related to employment status, children, disability, or medical needs, among other considerations. IFIs also estimate the costs of departmental spending and procurement initiatives, for example, legislation requiring ministries and agencies to undertake new administrative activities, as well as spending on infrastructure such as bridges and highways and purchases of military equipment like fighter jets and navy vessels.

IFIs also cost other measures that are not related directly to revenue or spending policies but have fiscal consequences, such as the budget impact of environmental protection regulation (which may affect the profitability of companies and therefore corporate income taxes) and prison sentencing and incarceration reform (which may affect spending by justice ministries and social transfers). Costings can also highlight risks to public finances such as the potential impact of impending legal decisions, contingent liabilities related to public pensions, or the clean-up expenses of contaminated government properties. Changes to the way the government carries out its financial transactions, such as the duration of the bonds it issues, may also trigger costing requests.

Before fulfilling a costing request, IFIs should assess whether it is the type of measure that is possible to cost and whether it will benefit from an IFI's analysis. To be such a measure it should have the following characteristics:

1. It should have a material impact to the public interest. Governments conduct thousands of transactions every day, most of which would not rise to the level of national interest with a noticeable impact on aggregate budget lines. Whether a transaction is material to the public interest will mean different things to different institutions in different contexts. A useful guideline would be whether the policy's fiscal impact would be likely to affect budget tables under rounding conventions. Materiality is also related to risk and a transaction that has a small central estimate may be relevant to parliamentarians if it has the potential to expand unexpectedly. Further, there may be cases where an IFI may judge it in the public interest to highlight that a policy does not have a material cost. Of course, the materiality of a policy's fiscal impact may not be possible to anticipate until a costing is undertaken.
2. The details of the policy's key specifications should be settled. IFIs should limit guesswork around policy parameters to avoid influencing the policy's formation. IFIs can point out areas that policy makers need to clarify or refer to a set of pre-published default assumptions where details are lacking, but should not advise parties directly on the specifications of individual policies, in line with principle 2.1 of the *OECD Recommendation on Principles for IFIs* "that IFIs should be precluded from any normative policy-making responsibility to avoid even the perception of partisanship."
3. The timetable for the policy's intended implementation should be settled. Cost drivers such as inflation and wages are time-sensitive and financial accounting procedures are a function of the calendar and fiscal year. Further, costings must be mapped to economic and fiscal forecasts and presented in tables that are compatible with the budget outlook. That said, some institutions with formal roles in legislative procedures are required to cost policies where making reasonable assumptions about implementation timelines is unavoidable, and partly how they add value to the process. For example, the Congressional Budget Office of the United States estimates how long it will take emergency funding provided to government agencies to be spent using historical information or discussions with the implementing agency.
4. There should exist a relationship between the policy's costs or benefits and the level of activity. For example, a new non-refundable tax credit for small businesses to transition to more energy efficient lightbulbs can be estimated by the number of small businesses and their taxable income. Other measures are simply a political decision and cannot be costed—for example, allocating USD 3 billion in the fiscal framework to be dispensed in one year as scholarships to post-secondary students. The latter may benefit from an economic impact assessment, but a costing would have little to offer other than repeating the government's intentions to spend USD 3 billion.
5. There must be sufficient data or close policy analogues to allow analysts to approximate the impact. Some policies will be fundamentally unquantifiable to an acceptable approximation owing to their novel nature or lack of currently collected data, especially under time constraints. For example, in Canada a regional government participating in the harmonised value added tax extended the zero-rated goods definition to include prepared meals and drinks under four dollars. No existing consumer expenditure data or trade data permitted a costing in an acceptable range of confidence to adjust the revenue distribution formula until a new survey was commissioned, which took considerably time to implement before a costing could be completed.

For many measures that IFIs are asked to cost, there may be questions or concerns surrounding their legal or practical feasibility. When fulfilling costing requests, IFIs should generally assume that a government could implement the policy as intended. In practice this means assuming that agreements can be secured with necessary stakeholders and that administrative capacity and procedures can be established to

implement the policy. IFIs could include any concerns of feasibility in their discussion of the costing's uncertainty to draw attention to the implementation risks.

IFIs may also be approached on issues that are out of scope of its mandate or place the IFI in an ethical position (for example, a party may request an analysis for a policy that may violate the rights of citizens or otherwise be objectionable to segments of the population). If an IFI is concerned that a policy could be viewed as out of scope, or runs contrary to the country's values and ethics, it should have the autonomy to publish caveats and supplementary analysis acknowledging the issues and include such considerations among its prioritisation criteria.

If an IFI ultimately deems that it is not possible to reliably cost a measure for any of the above criteria, it should transparently respond to the requestor in writing justifying the decision.

Which models and data to use?

Costing models structurally connect economic activity and legislation to a financial impact on budget aggregates. Good costing models are intuitive, transparent and coherent. They are also updateable and repeatable for similar future policy adjustments to provide consistency and comparability over time.

Different approaches to costing the same measure can arrive at similar numbers. The OECD guidelines cannot prescribe exact methods for each policy scenario; however, an overview of approaches is nonetheless useful as a reference for the discussions that follow.

Examples of the main costing models used by IFIs are in Table 3. Models range from simple spreadsheets to complicated microsimulation models that require coding all interactions of the tax and benefit system and applying a database of sample administration data like tax returns scaled up to population levels of different household types and incomes.

Different model specifications will require different investments of expertise and staff time. High-level costings can be calculated relatively quickly, while going deeper and refining an estimate around its edges could take significantly longer. Model choice will hinge on the available pool of staff and expertise for costings, which is a function of the IFI's overall size and its setting, particularly the available pool of the jurisdiction's specialised economists, financial analysts and other researchers. That said, lengthy refinements may result in only a small improvement in the estimate from an initial approximation and stakeholders should not equate sophistication with accuracy. Model selection in a fast-moving politicised environment requires striking balances, accepting trade-offs and constant communication with stakeholders.

Table 3. There are many different modelling paths to arrive at a cost estimate

Top-down tax and benefit models	Roughly approximate the basic identities of tax laws (*average liability* × *number of taxpayers*) and benefits systems (*average payment* × *number of qualifying beneficiaries*). Can vary in sophistication and the degree to which they capture economic drivers, distributions of tax filers, beneficiary characteristics and behavioural responses but generally consist of only a few spreadsheet rows of high-level calculations and accounting identities that are easily changed and adapted for new scenarios. Requests can be fulfilled quickly.
Bottom up "microsimulation" tax and benefit models	Use a database of a sample of tax returns from the revenue authority and benefits administrative data from other line departments. Link the database to a coded implementation of the tax and benefit system and its interactions for which the parameters can be adjusted to reflect new policies. Require significant investments and long development periods to build the initial model and typically the assistance of the national statistics agency and revenue and line departments in populating and maintaining the database. Once built and the database is updated, individual costing scenarios are fast and accurate.
Top-down asset pricing models	Calculate high-level averages for the costs of comparable historical purchases and apply them against the new purchase. For example, the cost of a navy patrol ship acquired in the past or in a different jurisdiction can be examined to determine an average price per square metre or kilogram weight that implicitly includes all the costs of design, raw steel, electrical equipment and weapons systems. That average cost can be applied to the estimated size or weight of the new ship's specifications to arrive at an expected cost, adjusting for defence technology cost inflation if appropriate. These models generally have fast turnaround times.
"Engineering build-up" asset pricing models	Arrive at the costs of an asset purchase by breaking it down into its components, pricing each part and summing all parts of the whole along with overhead wages and salaries during the building phase, company mark-ups, and other considerations. Can require considerable time and expertise.
Forecasting models	Project costs calculated for a single period over a medium-term horizon for strategic budget planning. This is typically done by linking the costs to economic or fiscal drivers, for example, by growing the additional amount collected from a corporate tax rate increase by the expected growth in corporate profits.
Economic feedback models (dynamic scoring)	Help an IFI incorporate the effects of economic feedback into costings for measures that change the structural evolution of the economy and affect the rate of economic growth, for example, research and development into new technologies or easing of financial conditions. Economic feedback can be estimated using computable general equilibrium models that use input-output tables and social accounting matrices to evaluate the economy-wide effects of the policy on households, businesses and governments. Other approaches include sectoral macroeconometric models, dynamic stochastic general equilibrium models, and overlapping generations models, among others.

Models are also only as good as their inputs. Costings require information on a policy's target populations, related administrative practices, and existing programmes that may be affected by the new policy or through which comparisons may be drawn. An IFI mandated with costing duties must have a close working relationship with government to access this information. The relationship should be underpinned by legislation and should be reinforced by memorandums of understanding and peer-to-peer connections to ensure that analysts can obtain the information and assistance they need under rapid timelines.

Table 4 lists common data types that IFIs should be empowered to acquire as inputs to fulfil their costing mandate. Data from both within and outside government can take time to secure and access. For example, confidential data may need to have legal frameworks developed and be accessed through a secure facility in person or by providing model code to the data provider (which may then take considerable time to exchange back and forth for debugging and other adjustments). This is frequently the case for tax administration data from revenue collection agencies and raw survey data from national statistics providers. Both public and private sector data can carry large financial costs to access and the IFI may incur significant expenses to implement security measures to protect highly confidential data. IFIs should develop guidelines for how limited resources will be allocated among requestors.

Table 4. IFIs rely on a range of data that may be costly and take time to secure

Administrative data	Administrative data includes individual-level tax returns from the revenue authority, benefits administration data from ministries, and transactions data from the comptroller general, among others. This data can be retrieved quickly or take considerable time, depending on existing relationships and processes. Some sources may not be accessible to the IFI or even central budget authorities for reasons of confidentiality and data protection laws. Public administrative data is not always free between public organisations—it may carry a deemed transfer charge that comes out of the IFI's budget, and the IFI may need to invest in security protocols and staff training that could carry substantial costs.
Survey data	Survey data is collected by national statistics agencies or other government departments. It is generally free and timely, although a deemed internal transfer charge may come out of the IFI's budget for subcategories of unpublished data. IFIs may in some circumstances commission their own surveys to fill a data gap, which could come at considerable expense.
Proprietary data from third-party suppliers	Some private companies sell data that they collect through relationships with industry and trade groups, for example data on private sector pension plan administration. These data sets can carry significant costs to purchase or handle securely.
Subscription database services	Some IFIs subscribe to a database service that compiles economic and financial data in a convenient, machine-readable format and updates it in real time. Subscriptions can carry high costs but can be outweighed by savings in staff time.
Analogous data from other jurisdictions	IFIs may work with other IFIs or institutions across government or in other jurisdictions that have cost comparable programmes or procurement processes.

Which costs to capture

As a general principle, the more information that IFIs can provide stakeholders about a programme's cost the better. In the words of the Office of Budget Responsibility in the United Kingdom: "the objective of costing an individual policy measure is to reflect as accurately as possible the full effects the policy change will have on the public finances (Office for Budget Responsibility, 2014[4])."

However, costing providers disagree on the definition of full effects and what should be attempted under the practical limits of quantitative analysis. For example, the deeper an analyst attempts to capture the behavioural responses to a policy and its impact on economic growth, the weaker the empirical evidence, the more the methodology is disputed, and the greater the likelihood the issue is politicised within the economics profession and beyond. Even the growth implications of a policy as routine as a corporate tax cut remain disputed among economists—not just in magnitude but in direction.

IFIs must therefore strike a balance in the costs that they attempt to capture. They must choose the depths of costs to pursue, ranging from only the direct fiscal costs in the market affected by the policy shock, to full general equilibrium behaviour and dynamic scoring, where costs are updated after macroeconomic model parameters are adjusted to account for the reaction of economic agents across the economy. Alongside these decisions are a range of choices about how much analytical effort to invest in assessing the costs of administering, financing and enforcing programmes.

Direct fiscal impact

The direct fiscal impact of a policy should be taken to mean the gain or loss to the budget position from imposing new policy parameters at the resulting new levels of activity after partial-equilibrium behavioural responses have been taken into account, including the gains or losses from other policies that will be formulaically affected by the new policy. That is,

Direct fiscal impact = [(1) *non-behavioural impact* + (2) *partial-equilibrium behavioural impacts*] + (3) *cross-policy interactions*

Non-behavioural impact

The costs calculated by simply imposing the new policy regime on *ex ante* levels of expected activity before any attempt to predict the response of economic agents and an *ex post* level of activity. Some institutions and government departments use "static" to describe this case of excluding behavioural responses, either because of convention or a lack of reliable evidence. Others use the term static to refer to direct fiscal costs including behavioural adjustments, which more closely aligns to the use of the term in formal economics to refer to comparative statics, the study of a single market before and after an exogenous shock. To limit confusion, the OECD guidelines avoids the term static.

Partial-equilibrium behavioural impact

The behavioural impact is the change in fiscal costs as households and firms respond to the new set of incentives created by a policy change. On the tax and other revenues side, responses include shifts in economic behaviour such as consumption and labour supply, and other administrative and tax planning activities like corporate form, timing of income recognition, and avoidance strategies. On the spending side, behavioural responses might include changes in participation rates for benefit programmes or changes in farmers' selection of crops to plant in response to subsidies or regulation. Importantly, the short-term behavioural response to a policy may be different than the long-term response (demand may be inelastic in the short-run, but elastic in the long-run as people change habits or implement new technologies).

IFIs should wherever possibly attempt to capture behavioural impacts, as to ignore them would under- or over-estimate a policy in a systematically biased way. Behavioural impacts can be grouped into two categories:

(1) Partial-equilibrium behavioural impact

(2) General equilibrium behavioural impacts

Economists use the terms loosely and the lines are not clear drawn. For the purposes of this note, the partial-equilibrium behavioural impact means only the response of the targeted population and market (or tightly knit industry) in isolation—that is, without considering household demand and factor markets in the broader economy as they adjust to a new general equilibrium. For example, an increase in the excise duty on cigarettes would most directly affect the prices of cigarettes, raising some revenue for the government, but as some consumers react by quitting smoking, it would not be as much as it would under the initial activity or non-behavioural impact.

In principle, IFIs should always include partial-equilibrium behavioural adjustments in the direct fiscal impact of a policy; however, in practice there is not always a sufficient evidence base to do so. An IFI should account for partial-equilibrium behavioural changes where the following criteria are met:

- The behavioural response is significant—that is, where the behavioural response is material enough to affect budget tables
- The behavioural response is quantifiable—that is, where there is firm enough quantitative evidence on both the direction and magnitude to operationalise a behavioural response in the costing.

If evidence is unavailable or unreliable, IFIs could provide a qualitative indication of the likely direction, if there is consensus on it, and warn stakeholders that the point estimate should be considered a ceiling or floor; however, if possible, analysts should use their best judgment on behavioural responses to avoid systematic under- or over-estimation.

Cross-policy interactions

Cross-tax and transfer interactions refer to how policy instruments formulaically or mechanically interact with one another. For example, an increase in an excise duty on cigarettes will automatically increase the yield from value added tax (which is applied to the price inclusive of excise duties—that is, it is a tax on a tax). The Australian PBO refers to these as "flow-on" impacts.

IFIs should make every effort to capture cross-tax and transfer interactions of existing tax and benefit laws. These should be included in the costing totals and broken down transparently as line items for each affected programme.

IFIs will encounter circumstances where several policies are submitted for costing at the same time, or requests are submitted that will eventually form a package of policy proposals that interact with one another. These concurrent costings will require careful judgment and skilled communication to capture and communicate cross-policy interactions in a manner that is most useful for stakeholders. When costing new budget initiatives that have been decided by government, all interactions should be included. When measures are still under consideration, the potential interactions should be flagged as risks to inform decision makers in their deliberations. When costing election policy platforms, interactions between measures should be assessed to the extent possible and brought to the attention of parties, working closely with them as further requests are received. IFIs should keep in mind that the order in which policies are costed may matter to individual estimates.

General-equilibrium behavioural impact

An increase in the excise duty on cigarettes would also affect related products and input markets. If consumers continue to consume some cigarettes, they will have less disposable income overall and may reduce their consumption of other goods that may have incurred VAT. Or they may save less money, leading to lower tax collected on the returns from future investment income. Employers in the tobacco market may face lower corporate profits and respond by reducing investment and the number or hours of workers, which will have knock-on effects for income tax revenues and social benefits expenses. For the purposes of this note, these will be referred to as general-equilibrium behavioural impacts.

In a perfect world, a government's costings would reflect the endogenous adjustments of all agents in the economy as they solve the new set of conditions and shift to a new general equilibrium. However, general equilibrium behaviours are difficult to capture comprehensively and accurately with a firm evidence base. As additional markets are brought into the framework, the evidence grows weaker and more disputed, with bidirectional responses, reactions from central banks, changes in exchange rates, and other complications. In most cases, the best an IFI can do is to assess the policy shock in a single market in isolation, or a tightly related industry of substitutes and complements—the partial equilibrium behavioural response. Although this analysis may overstate or understate the fiscal cost of a shock, a full general equilibrium treatment may do likewise if it fails to capture all adjustments simultaneously.

In limited cases, an IFI may opt to include general-equilibrium behavioural adjustments. This is most commonly where the institution is a mature organisation with a broad mandate, large resources, well-developed models, and a long history of providing such analysis where stakeholders understand the nuances and limitations of general-equilibrium analysis. An IFI's decision to capture general-equilibrium behavioural impacts may also depend on the size and openness of its economy and whether it is in a currency union, has fixed exchange rates, or has independent monetary policy—all of which will affect the size of expected general-equilibrium effects and their importance in the policy debate.

Macroeconomic feedback (dynamic scoring)

When the government intervenes in markets, it may change not only the behaviour of agents across the economy as they adjust to the new policy regime, but also the way the economy evolves structurally—that is, technological progress, human capital investment, financial conditions, and other factors that ultimately determine the rate of economic growth. The pre-policy baseline of these structural parameters is built into the economic forecast that underlies policy costings. The process by which an analyst updates those parameters to reflect the post-policy regime and feeds a structurally different macroeconomic forecast (not just one with revised demand components) back through a costing model has come to be called *dynamic scoring*, or in some institutions incorporating "second-round feedback", "supply-side determinants" or "macro-level behavioural effects". Discussions with the OECD Working Party for PBOs and IFIs has revealed that some of these terms are politically loaded or applied to different concepts. For the purposes of the guidelines, the process will be called *incorporating macroeconomic feedback*.

Debates surrounding macroeconomic feedback most commonly arise surrounding changes to capital taxation regimes which influence the amount of private investment in the economy, as well as public investment in infrastructure and human capital in the form of education, health care and other factors that influence the productivity of human capital. While the effects tend to be long term, they have the potential—at least in theory—to swamp any short to medium-term fiscal costs, and in some cases could pay for themselves many times over.

Macroeconomic feedback has the potential to improve the information available to decision makers on the growth consequences of some policies over others and would ideally be accounted for in all costings. However, analysts are as limited in their information and imperfect in their behaviour as the agents and markets they analyse. Even the simplest, most studied feedback responses are highly contested across academic fields, schools of thought and between university departments.

As Adam and Bozio (2009[5]) put it:

> "There is little doubt that if we could come up with a perfect measure of all the effects that budget proposals have on the economy—individually or collectively—it would be desirable information for policymakers. The difficulty is that coming up with this perfect measure would require answering virtually every question, theoretical and empirical, that has ever been asked in economics."

On top of theoretical and empirical frustrations, macroeconomic feedback assumptions can be politically controversial, with theories split across party lines, owing to a long history of competing models being co-opted to support measures favoured by opposite ends of the political spectrum.

For these reasons, if an IFI assesses the macroeconomic feedback of supply-side reforms and structural investments, the results should generally be published as supplementary information in the form of economic impact assessments rather than incorporated into costings themselves.

Nevertheless, some IFIs such as the CBO have been asked to incorporate macroeconomic feedback in prescribed circumstances. Others such as the Belgium FPB have a tradition of incorporating macroeconomic feedback and may be expected by stakeholders to continue to do so. The CPB Netherlands Bureau for Economic Policy analysis explores a wide range of potential macroeconomic feedback but does not loop the policy's influence on the macro model back through the calculation of the policy's financial costs.

For those institutions that do incorporate macroeconomic feedback in costings, they should follow the following guidelines:

- It is generally worth undertaking only for structural reforms that are large, economy-shaping measures with an *ex ante* cost that is a significant percentage of GDP. For example, there was a time when the Congressional Budget Office of the United States undertook dynamic scoring only for measures that exceeded a threshold of 0.25% of GDP; however, that has since been made more flexible.
- Macroeconomic feedback should not be assessed from a black box. IFIs should publish detailed assumptions so that an outside critic or researcher can replicate the results. Ideally, IFIs should embrace the trend toward open-sourced macroeconomic models and publish their code and data inputs. If not prepared to fully open-source modelling, at a minimum IFIs should publish detailed working papers on the macroeconomic models that they use to introduce macroeconomic feedback.
- IFIs should remove any macroeconomic feedback calculated for individual measures when publishing them on a package basis, such as for a budget scorecard or election platform, as their underlying macroeconomic scenarios would be inconsistent, and their costs could not be aggregated or applied to a planning forecast. In cases where multiple policies are being assessed at once, macroeconomic feedback should only be determined and published at the overall policy package level to reflect the chain of interactions between them. The same principle should be applied to the more common and straightforward case of demand-side macroeconomic forecast iterations (Box 10).

For those not facing legislated requirements or stakeholder expectations for dynamic scoring but still wanting to assist parties in understanding the broader economic consequences of their policies without wading into dynamic scoring themselves, they can instead provide multiplier tables with instructions to prepare an economic and fiscal outlook that roughly accounts for the impact of the new policies on the broader economy.

Foregoing dynamic scoring does not mean that economic and fiscal forecasts should not be iterative or that the potential effect of fiscal policy on the economic outlook should not be explored and reported. It only means that the direct fiscal costs are not updated as the economic and fiscal models converge. That is, costing models use a pre-measures economic forecast, and then are incorporated into the fiscal outlook to arrive at a post-measures outlook that may be iterated further to make economic and fiscal forecasts consistent. The post-economic outlook may offer an opportunity to incorporate macro-level behaviours to the fiscal forecast in response to the new policy if material.

Box 10. Ensuring forecast consistency while costing budget packages and platforms

Costings are prepared on an all-else-the-same, or *ceteris paribus*, basis for individual measures or draft laws under consideration. Ahead of a budget or election, these individual costings may be rolled into larger packages of budget or platform reforms, where they could be incorporated into a macro forecasting model to reflect a new view of the government sector and any related changes in household final consumption, private investment or net exports. The resulting path of aggregate demand would then be iterated with the fiscal forecast until it converges to form a new post-measures outlook for the economy.

The post-measures economic outlook should not be looped back through individual costing models. To do so would mix individual policy costs with the economic consequences of other concurrent measures. Any macroeconomic forecast iterations with individual policy costing models should only be undertaken on an all-else-the-same basis. Running macroeconomic forecast loops for every individual policy measure would generally be beyond the capacity of most institutions, and consequences in most cases would be too small for the exercise to be worthwhile; however, some institutions may choose to do macroeconomic forecast loops when costing large measures that are likely to affect aggregate demand by an appreciable amount.

Administrative expenses

New policies and adjustments to old policies may require hiring and training new staff, implementing new IT systems, and investments in communications, monitoring and enforcement, among others. When deciding whether to proceed with a new programme it is sensible to consider these costs; however, governments and IFIs across the OECD have different practices for incorporating administrative expenses in costings, sometimes including them and sometimes not.

The decision to include administrative expenses should be guided by their materiality relative to the overall programme costs and whether existing systems and staff can be repurposed for the programme at little marginal effort. Programmes with high overhead that require a new agency, or a new administration system will incur significant expenses, especially in the first years. Other programmes that simply add a new box to an existing tax form may incur no appreciable marginal expense.

In general, IFIs do not add administration overhead to costing of changes to the tax code, or the amounts and qualification criteria of social benefits laws. They assume that administrative expenses are a negligible marginal cost to the overall collection and benefits machinery. On occasion, drastic reforms that require new IT systems and hiring additional administration and enforcement officers may have an administration charge ascribed. Institutions such as the Congressional Budget Office in the United States that have a role in costing legislation to ensure that sufficient funding has been appropriated for it under a budget control framework may place greater emphasis on attributing administrative expenses to individual policies.

IFIs are more likely to quantify administration overhead to spending programmes. Indeed, for many initiatives delivered by line department, administration may be the largest expense.

IFIs would benefit in all cases from discussing the administration of programmes with tax authorities and line departments. Line departments may have rules or guidelines for ascribing administration overhead to their policy submissions to the central budget authority. Analysts at IFIs may consider these guidelines but should have the autonomy to choose their own assumptions if in their judgment official guidance misrepresents costs.

Debt service charges

Depending on the overall fiscal stance of the government as net borrower or net lender, a programme created on the margin may increase or decrease debt and the costs of servicing it. It would seem sensible to attribute this expense to the policy. However, conceptually there can be difficulties doing so.

Public funds are fungible. It is impossible to distinguish whether a programme has been funded by debt or by taxes and other revenues, even if fees have been earmarked. Additional borrowing resulting from a new programme should be spread across all government programmes. Further, the exact interest rate at which a policy's debt service costs would be incurred cannot be pinpointed. Average interest rates are determined by historical debt issues and may not be indicative of new debt issues—new policies will be funded by new debt (as will old policies as bonds reach maturity and are rolled over). Governments issue a wide range of bonds at different maturities, prices and coupons that cannot be tied directly to new programmes, but only to a government's wider cash management policies more generally.

The marginal contribution of a new policy to interest expenses could be predicted by assuming borrowing takes place at an average of projected borrowing costs over the budget framework. However, little insight is gained by a decision maker with this information as all new policy options and existing policies should have similar borrowing costs attributed. Further, appropriations frameworks generally do not require legislators to vote on debt service costs on an individual policy basis, but rather as separate votes for general mandatory spending authorisations.

For these reasons, the majority of IFIs do not attribute public debt charges to the costing of individual programmes, unless a proposal includes a specific funding mechanism such as hypothecated bonds to finance a large infrastructure project. The Parliamentary Budget Office of Australia is an exception, which has started showing public debt interest as a memorandum item for costings. It has found that doing so helps fulfil its requirement to aggregate the total impact of all campaign promises by a party during an election in a mandatory post-election platform costing report.

Instead of attributing debt service charges to policy costings themselves, IFIs may find it helpful to provide a public tool on the web for stakeholders to assess their own stylised public debt interest charges using an updated projection of borrowing costs for the government as a whole.

Which assumptions to apply

Institutional boundaries

Fiscal frameworks in OECD countries vary in their definitions of public sector units and the way they consolidate different levels of government for budgeting and financial reporting. Common differences include how arm's length public corporations are treated in budget tables and how social security funds are consolidated. The costs that IFIs present as the bottom-line in costing tables should reflect the same institutional scopes as their level of government's budget and financial reporting practices.

That said, stakeholders may benefit from supplementary information on a wider institutional scope, such as the impact of a policy on the operating statement of a government business enterprise that is not consolidated. Further, IFIs should maintain the flexibility to present alternative aggregations and costs with different institutional boundaries if, in their professional opinion, the government's standards do not provide an accurate picture of a programme's costs.

An IFI should generally refrain from costing programmes designed and delivered by levels of government under which they are not mandated, unless specifically requested to do so by someone with authority to direct the IFI's work plan, or if it is necessary in the course of providing estimates for the IFI's own level of government.

Economic and fiscal baseline

To estimate the cost of a policy, an analyst must first choose a baseline of the economy and public finances against which to measure its effect.

Economic assumptions include GDP, consumer spending, employment, inflation, wages and corporate profits, among others. Fiscal assumptions include revenue and expenditure elasticities, tax brackets and benefits amounts, indexing factors, and tax filer or claimant characteristics, among others.

The choice of baseline is a unique challenge for IFIs. Unlike government analysts, an IFI's analysts have several to choose from, each with benefits and drawbacks:

1. **The government's official baseline**. The IFI's cost estimates will be consistent and compatible with budget documents. The baseline will not be independent but any bias in official forecasts will be included in both the baseline and counterfactual and mostly net out. The downside is that the IFI would require full access to the government's models and data, putting the option out of reach of most. The IFI could also achieve the same consistency with budget documents by constraining its own in-house models to the government's high-level published economic and fiscal outlook.
2. **The IFI's own economic and fiscal forecasts**. Roughly half of IFIs have their own in-house capacity that will grant them full flexibility to specify detailed costing models under different macro and fiscal assumptions and scenarios. The cost estimates will also be fully independent. However, the resulting costings will not be completely consistent and compatible with the official budget outlook, which may hinder their usefulness for some stakeholders.
3. **Third-party forecasts**. Think tanks and private sector forecasters such as commercial banks publish economic and fiscal scenarios that an IFI could use individually or compile as an average. This has the benefits of being independent of both government and the IFI, and average forecasts tend to have lower forecasting errors (Armstrong, 2001[6]). However, third-party forecasts have the same drawbacks as the official baseline—they would be insufficiently detailed for costing, unless the IFI has access to the underlying models and data directly. The IFI could similarly constrain its in-house models to the high-level published economic and fiscal outlook of third-party forecasters.

While the choice will be specific to each institution's legislative requirements and other circumstances, stakeholders should be able to assess an IFI's costings within a comprehensive, cohesive framework of budget projections. If the IFI produces its own economic and fiscal forecasts or uses third-party forecasts, it should publish the full economic and fiscal baselines transparently so that stakeholders can assess the costings in a consistent framework.

An IFI must also decide the cut-off point for new economic and fiscal data that will inform the costing models. High frequency economic data is published every day. IFIs typically choose a cut-off point that is consistent with the latest publication of national accounts quarterly economic data. To be directly comparable to government numbers, IFIs would need to use the same cut-off point as budget documents. However, one of the benefits of IFIs is that as smaller institutions outside of the main public service they can be nimbler and more responsive than government departments. A valuable service that IFIs provide is producing rapidly revised cost estimates when there are big economic and fiscal shocks (OECD, 2020[7]). Therefore, IFIs should not feel it necessary to produce costings at the same cut-off point as governments; however, cut-off points should be clearly indicated and flagged when they depart from official ones.

Policy status quo

Analysts must exercise judgment in choosing which policies should be included in the status quo benchmark and how they should be assumed to unfold over time. For example, there may be policies that have been announced and submitted to the legislature but have not yet been approved. Analysts may

question whether they should take for granted that these policies will receive approval and if they should be included in counterfactual against which to cost a policy change.

If fiscal baselines were to only include strictly legislated measures that have been promulgated, then much of the annual expenditure baseline—as high as three quarters of spending in some countries—would not technically be included in the baseline as future annual appropriations bills have not been passed.

How IFIs determine the policy baseline will depend on the system of government. For example, analysts in Westminster systems with majority governments can generally assume that announced policies will be legislated as intended. Presidential systems may be more complicated. For example, the Congressional Budget Office in the United States relies on a baseline that is a mix of "current law" and "current policy". Current law only accounts for policy that has strictly been included in law, whereas current policy captures what happens in practice. The office also accounts for proposed measures by incorporating only 50% of the cost estimate until the measure is finalised, after which the baseline is updated to include the measure's full effect.

Regardless of the exact procedure for choosing the policy status quo, IFIs should set out their criteria in clear terms in a public document. They should publish their assumptions on the status quo in costing documents, and should maintain a dialogue with policy makers for guidance, consulting ministries and outside experts where appropriate.

Timing

Policy changes often do not correspond to the start of the fiscal year. Further, some programmes are administered on a different year to the fiscal year in perpetuity. For example, income tax may be calculated by calendar year while the qualification criteria for certain deductions may be on a July to June basis, or index factors may be calculated by the third quarter over third quarter rate of inflation. Changes to excise duties often become effective the day they are announced in the budget speech or are even backdated and implemented retroactively to avoid a rush of transactions to avoid the tax.

IFIs should take special care to consider programme timing in costings, particularly in adjusting the first year of the programme's imposition or removal, which may only incur a partial year's cost. If budgets or medium-term strategic frameworks are presented under accrual accounting, IFIs should consider that the timing of a programme's cash receipts or outlays may be allocated to a different fiscal year than the transaction.

IFIs should also consider that the timing of some behavioural responses may not correspond to the programme year. For example, *forestalling* occurs when a known policy change causes people's behaviour to change before the programme's start as they try to limit the cost or maximise the benefit of the policy. If the government announces an increase in duty on cigarettes, importers may rush to import products on shore and stock up ahead of the tax, leading to higher government revenues ahead of the change but lower revenues than expected for some time after the change. Further, lower levels of government may need to wait for an opportune time in their budget or legislative cycle to implement policies enacted centrally.

Take-up and compliance rates

There are more people who qualify for a social benefit than collect it. There are more people liable for a tax than pay it. This can be because of a lack of awareness or an intentional effort to avoid it. Benefit take-up rates and tax compliance rates can be negligible or large, depending on the programme. The government can invest in improving both through education, incentives, simplification and enforcement.

IFIs should assume realistic take-up and compliance rates when costing new programmes. These rates can be estimated empirically by looking at comparable programmes, or by speaking with experts in tax

and benefits administration departments. A take-up or compliance rate of 100% would need a concrete justification. If there are existing assumptions made by government analysts or imposed by government oversight bodies, IFIs should have autonomy to adopt similar assumptions or go their own way.

Occasionally, governments create policies specifically to improve take-up and enforcement rates and ask IFIs to cost the initiatives as standalone measures. IFIs should be wary of ascribing a specific fiscal cost or gain to intended improvements in take-up or compliance rates without a firm reason to believe results will be achieved.

Attrition rates (base erosion) are the gradual reduction of a tax base as taxpayers develop planning, avoidance and evasion strategies. They are closely related to compliance rates but require different modelling and assumptions to introduce a time element—that is, they are the slope of compliance rates across the outlook.

Measures can be implemented with specific programmes designed to reduce attrition, known as revenue protection measures. For example, when corporate tax rates are increased, there may be accompanying measures to strengthen corporate residency laws and international tax treaties. These proposals rarely have a firm evidence base to quantify likely gains to the treasury and IFIs should be reluctant to certify or endorse any government claims *ex ante*. An excerpt of the approach the Office for Budget Responsibility took to the issue in 2014 illustrates:

> *The Government sometimes makes policy decisions designed to increase tax revenues without changing rates or bases, for example by increasing the resources or changing the methods used to reduce fraud and error. The Government sometimes includes such decisions in the list of scorecard measures even though there may be other changes in the resourcing or organisation of tax administration that might have the opposite effect, but which are not included on the scorecard. Since it is the Treasury's decision what to include in the scorecard, we scrutinise the impact of such decisions as we would any other scorecard measure. We do, however, require robust evidence that such changes will yield the results claimed for them in order to certify them, for example evidence from pilot schemes or previous similar initiatives. Whether or not such measures are included in the scorecard, we aim to take all relevant information – including decisions such as these – into account when making our revenue forecasts.*

Policy announcements specifically for heightened enforcement should only be credited with significant gains if IFI has a firm reason to believe that they will materialise or well-grounded empirical evidence linking funding of enforcement efforts with uncovering additional revenues. IFIs should work closely with tax administration departments to develop assumptions and expectations for gains from enforcement measures, along with any additional revenue from interest and penalties. The previous costing work of IFIs can be instrumental in forming this evidence base, providing *ex ante* theoretical benchmarks against which to compare ex post outcomes.

Risk adjustments

There are practical and political difficulties associated with securing supplementary funding after a programme has been implemented if the initial costing underestimated resource requirements. For these reasons, when government analysts cost programmes they may take a risk-averse approach and budget for the worst case scenario.

That may or may not be a sensible approach for central budget authorities and their political offices. Regardless, IFIs are entrusted to provide impartial and accurate analysis free of political considerations. IFIs should provide central estimates without adjusting for asymmetric consequences of over- or under-estimating costs (whether this central estimate is a modal estimate or an expected value estimate weighted by probability is a matter of analytical judgment). If the IFI provides the official costing for government or legislatures for purposes of budgeting, then treasuries or legislatures can add their own risk provisions transparently.

Some IFIs may nonetheless make an exception on a case-by-case basis when costing particularly large programmes, or contingent liabilities where the probability of realising a loss is highly uncertain. In all cases, provisions for risks should be made separately and transparently.

How to communicate results

Transparency and supporting documentation

As in all their work streams, IFIs have a special duty to lead by example in being transparent in their research. IFIs should accompany cost estimates with a supporting document that describes the methods, assumptions, judgments, data sources, sensitivities, and any other context that helps policy makers and the public understand how it was derived.

IFIs have found that a standard template for publishing costings can streamline production and help communicate them. Most include the following information:

- Standardised costing tables with a multi-year horizon
- Data sources used to prepare the estimate
- Methodological overview with major assumptions and evidence base
- A qualitative or quantitative discussion of risk, uncertainty, and sensitivities
- Other caveats and considerations that should be highlighted to decision makers.

Cost breakdowns by economic and social categories (distributional analysis)

IFI's stakeholders are often interested in whether policies will benefit or harm different income brackets, social groups, regions or industries. IFIs must tread carefully in providing elected officials with distributional analysis of individual policies, as a policy's ultimate impact on the well-being of different groups will depend not just on the policy itself, but on the broader social welfare and economic system. For example, an increase in value added tax could be regressive on its own, but when combined with a separate policy that creates a concurrent mean-tested benefit to low-income households it could create a tax and benefit system that is more progressive overall.

Further practical difficulties relate to analysis of the incidence of taxes—those who are statutorily obligated to remit payment are not always those who end up bearing the costs economically. Tax incidence, especially around corporate income taxes and sales taxes, is notoriously difficult to pin down, requiring precise estimates of elasticities of supply and demand across markets and measures of producer and consumer surplus for which there may be little empirical evidence.

In deciding whether to provide distributional analysis, it may be useful to distinguish between cases where distributional analysis was used in preparation of the policy, and those where distributional analysis would require further novel analysis. When assumptions of the distributional consequences of a policy have been used in preparing the costing itself, the distribution should be provided in the interest of transparency. For example, costing an increase in personal income tax thresholds would require data on the number of taxpayers subject to each tax bracket and their taxable income that falls thereafter—that is, distributional analysis would be required to generate the cost. Being transparent in the methodology would require publishing the distributional burden.

Distributional analysis that was not used during a costing would require additional resources, evidence and judgment. IFIs should approach such analysis with caution, ideally under a clear mandate or at the request of an authorised stakeholder.

Presenting uncertainty

Some costings have a high degree of uncertainty. Some costings are a rough approximation. If important decisions will be informed by costings, decision makers should be given a sense of the confidence of analysts in their estimate.

Uncertainty can arise from several sources:

- Data may come from surveys with small samples or sampling bias, or historical data may be volatile.
- Methodologies may have flaws in estimation procedures or result in parameters with wide confidence intervals.
- There may be widespread disagreement in the academic literature on the size and direction of behavioural effects.
- There may be considerable uncertainty in the forecasts of underlying economic drivers of a cost estimate.
- Estimates may be drawn from existing programmes that may not be as similar as anticipated.

Uncertainty will be higher for new measures than for changes to existing measures, which generally have good administrative data by which to infer underlying activity.

Uncertainty can sometimes be expressed using statistical measures such as confidence intervals; however, costings often rely on low-frequency data with limited history that make such calculations problematic. Although not widespread, some IFIs present quantitative uncertainty in costings through interval costing (providing a range of potential estimates using different assumptions) and fan charts (applying probability distributions to parameters to show how uncertainty grows over time).

Presenting estimates as ranges has drawbacks, as described by the Congressional Budget Office of the United States (2007[8]):

- Legislators vote on point estimates, not ranges.
- Proponents of policies will pick the low end of cost ranges (or high end of gains) to promote a policy, while opponents will pick the opposite.

Ranges can also suffer from uncertainty of their own and give a false sense of safety or of scientific rigour. They may also require significant investments of time and effort that may be better devoted to improving the underlying estimate. IFIs should therefore provide costings primarily as point estimates and confine ranges to supplementary information.

To acknowledge uncertainty, IFIs should at a minimum provide a qualitative discussion of significant sources of uncertainty related to data inputs, modelling methods and other known unknowns. For example, Australia's PBO considers its 'uncertainty statement' included in many costings to be a fundamental piece of its analysis and an opportunity to provide background information without encroaching into policy analysis. Some may find it useful to complement the costing with a Likert scale of the confidence an IFI has in its estimate (on a scale of 1 to 5—how certain are we?).

If an IFI deems it is possible to provide quantitative confidence intervals or fan charts to an acceptable degree of academic rigour, they should aspire to do so; however, they should not commit to doing so for the sake of it.

Presenting uncertainty may require special consideration in the treatment of contingent liabilities, where probability adjustments and expected value calculations are inherent to the costs that will be accrued in budget documents.

Accounting basis

At a minimum, IFIs should provide costings on the same basis as the budget and medium-term strategic plans. For *ex post* evaluation, it can be helpful for stakeholders to have sufficient information to reconcile the estimate to the same basis as financial reports, if different.

For example, the Parliamentary Budget Office of Australia publishes costings along multiple dimensions of the government's budget and financial reports, including the "fiscal balance" that shows borrowing on an accruals basis, the "underlying cash balance" that shows borrowing on a cash basis for operating activities and purchases of non-financial assets, and the "headline cash balance" that shows borrowing on a cash basis for operating activities and purchases of both non-financial and financial assets.

Often government costings published under multiple accounting bases are not accompanied by a mapping to reconcile them with one another. IFIs should set the standard of transparency by providing notes for reconciling different accounting treatments and the information needed to do so.

If the IFI has reason to believe the accounting basis underlying the budget, medium-term strategic plans, or financial reports does not give a complete picture of the policy's potential costs, they should have the flexibility to present the cost under alternative accounting conventions in supplementary material.

Planning horizon

Costings are concerned with the immediate future (appropriations bills) and the strategic medium-term budget planning horizon, typically three to five years but as many as ten, as is now the standard at the Parliamentary Budget Office of Australia. A minimum of five years is generally felt to be long enough for the full effect of most policy changes to appear and to give stakeholders a sense of the trend, even if the policy is phased in over time or the economy is at the peak or trough of a business cycle.

Legislating the exact horizon for which an IFI should prepare costings can remove some of the guess-work. For example, the "budget window" required for cost estimates of the Congressional Budget Office and Joint Committee on Taxation in the United States is ten years. However, IFIs should always have the autonomy to publish an estimate at the horizon that they feel necessary to be transparent about the costs of a policy.

In certain circumstances, the horizon of a policy's full effects may be considerably longer than the medium-term fiscal framework planning horizon, for example if it has prolonged phase-in periods or its effects vary significantly with demographic cohorts. In these cases, to neglect to cost a longer horizon could be misleading. A significant increase in old-age security benefits may be modest in the medium term but could be more expensive in the future as the population of qualifying recipients increases with the baby boomer generation. To overcome this question of horizon, the CPB Netherlands Bureau for Economic Policy Analysis estimates a "structural year" when the full policy implications have stabilised. The Congressional Budget Office in the United States provides longer term estimates as a share of GDP to show whether they are expected to stabilise as a share of national income or output.

The longer the horizon the greater the assumptions, and the more conceptually different assumptions must be from the medium-term.[1] This gives stakeholders the opportunity to cite large future costs (if only because of inflation) out of context. Therefore, IFIs should only produce costings at long horizons if specifically instructed to do so or if measures have significant phase-in or cohort effects. Longer horizons should also be published as supplementary information separate from the standard medium-term budget tables.

Fiscal year

Countries use different fiscal years in planning budgets. For example, Latvia uses the calendar year, Canada uses an April to March fiscal year, and Australia uses a July to June fiscal year.

Costings should use the same fiscal year as budget appropriations bills and medium-term planning documents. Alternative costing years and frequencies may be necessary if needed for economic modelling, such as calendar year and quarterly breakdowns. If prepared, these should also be published transparently for the benefit of external stakeholders.

Aggregation

Budget documents may present individual tax and spending items on their own or as summed into higher-level fiscal aggregates such as “excise taxes” or “social benefits”. IFIs should publish costings on an individual policy level along with instructions to help stakeholders understand which aggregates the policy would appear in the budget.

If a policy’s impact falls across multiple budget line items (for example a new taxable benefit that contributes to personal income taxes), overall total fiscal impacts should be provided in addition to the impact of individual polices. In practice, regardless of the guidance provided to stakeholders, mistakes and miscommunications will happen if final summations are left for users. It can ultimately be difficult for the public to distinguish between errors made by end-users and by the IFI. Every effort should be made to do the math for end users.

Rounding and significance

Budgets have standard practices for rounding estimates and forecasts to an amount that reflects the scale of fiscal aggregates and is consistent with the precision and uncertainty in the underlying data. For example, costing tables may round to the nearest EUR 1 million or even EUR 5 million to reflect precision around multi-billion-euro programmes.

IFI’s should generally publish costing tables that follow the conventions of budget documents. If the measure is not expected to have a fiscal impact, the cost should be reported as zero in tables or with a statement clearly indicating that there is no fiscal impact. If the measure is estimated to have a cost, but it does not meet the threshold to appear in tables after rounding, the IFI should provide an indication that it is non-zero but negligible. If costs are negligible according to rounding conventions but are of particular interest to the requestor, the IFI could make them available as supplementary analysis.

Costings should also follow scientific principles for significant figures through intermediary and final calculations to avoid false precision.

Presenting gains and losses

There are two main formats by which to present a costing: in cost space or in budget balance space. In cost space, positive numbers are a loss to the treasury and a deterioration in the budget balance. In budget balance space, positive numbers are a gain to the treasury, lowering the deficit or increasing the surplus.

Both have their place in presenting costings. For example, in standalone costing documentation it may be more intuitive to present the estimate in cost space. For budget documents or for tables that sum the impact of a total package of policies, budget balance space may be more intuitive. Both may be appropriate in certain contexts.

Given the potential for confusion, an IFI should publish costing tables with a clear statement of the meaning of positive and negative numbers.

Cost or revenue recovery

Programmes may be designed with mechanisms that partially or fully recover their cost in the form of user fees, sales of goods or services or other means of recovery. The cost estimate of such programmes could be published either on a net basis, deducting the recovered funds from the total cost, or on a gross basis, with the recovered funds appearing in separate budget lines. For example, the operating and maintenance expenses of a toll bridge may be recorded as discretionary spending while its tolls are collected in 'other revenues'.

IFIs should provide a total cost of the programme on the same basis as budget document conventions. However, to provide the best information possible to decision makers, IFIs should present both costs and recovery gains as separate line items, regardless of their ultimate presentation in budget documents.

Revising estimates

A costing is a prediction about the future impact of a policy based on data and information available at a given point in time. The best estimate may change quickly as new data and information becomes available, or if peer feedback and further reflection exposes errors in the methodology.

IFIs may occasionally find it necessary to revise costings for policies currently facing decision, either because new information has become available or because errors have been discovered. They should be encouraged to do so.

In doing so, they have a duty to be transparent in revising and reposting any estimates so that outside experts who have relied upon the estimates in the past can trace the revisions and point to a past document that guided decisions. This could be reflected, for example, in clear upfront labels that costings have been revised and document codes or versioning systems with past versions linked and described in the main supporting document.

Publishing models

IFIs should be leaders on transparency and provide their models and methods as publicly and open-sourced as possible. Transparency can be especially helpful in navigating controversial costings. Putting costing models into the public domain says, "We welcome your feedback and suggestions and are happy for you to help us improve our research."

An IFI's transparency practices must be tempered by a dose of realism, however, as preparing models for publication can require significant additional resources to document it and make it presentable to inexperienced users. Publishing models can also leave the IFI exposed to bad-faith attacks on its methods.

There is nonetheless a trend toward institutions making tools available for public access. For example, the Congressional Budget Office in the United States has begun publishing data, computer code, and documentation on the online collaborative code hosting website GitHub, including its Capital Tax model (CBO-CapTax) for estimating federal effective marginal tax rates.

In place of making models fully open-sourced, IFIs should at a minimum publish working papers that describe models and provide sufficient detail for an outside expert to replicate the results to a close approximation.

How to work with others

Access to information and co-operating with public bodies

IFIs involved in costing will need to co-operate closely with government departments and agencies to procure data and access expertise. Some mandates and memorandums even allow IFIs to subcontract costing work to departments, especially for election platforms. If an IFI is given an official role in the costing process, its ability to work with departments should be spelled out clearly in legislation or mandates.

Stakeholders and costing requestors may be concerned over co-operation between the IFI and departments. Legislators or political parties may fear that the government will attempt to influence costings. Some may prefer to request that the IFI refrain from co-operating with government bodies in the preparation of a costing. Whether this is an option should be made clear in legislation and mandates and reiterated when the IFI establishes memorandums or terms of engagement with requestors.

Limits on the potential for ministers' offices to interfere when a government department assists an IFI with a costing can be prescribed in legislation or memorandums. For example, in Canada, the minister signs off on allowing the department to co-operate, but any communication regarding the costing itself is between only the public service and the IFI, with the minister's office intentionally kept out of the loop on specifics.

Any working relationships or memorandums that are established between an IFI and departments should be made public. When IFIs co-operate with government departments, the co-operation should be transparent to requestors or stakeholders unless otherwise specified in legislation or memorandums of understanding.

IFIs and public bodies may find it useful to create forums to advance policies and discuss any issues that arise surrounding their co-operation. For example, the Office for Budget Responsibility in the United Kingdom participates in the Policy Costings Steering Group with HM Treasury, HM Revenue and Customs and the Department for Work and Pensions. IFIs should also consult with climate change councils or other independent public bodies to share expertise, subject to confidentiality procedures. These forums may be useful for sharing and developing methodologies, or for exchanging necessary inputs such as official economic and fiscal baselines.

Co-operating with non-public bodies

As IFI's only have a finite number of staff, they may find it useful and cost effective to co-ordinate with external experts. Further, data for cost estimates may only be available from private sector suppliers.

IFIs should have the autonomy to contract with outside providers if necessary. In doing so, they should be mindful of confidentiality requirements and the potential value of material non-public information. If possible, they should co-operate in a way that avoids programme specifics, or if necessary, they could discuss a range of options to obscure the one under consideration.

Receiving and returning requests

IFIs with a formal costing role in the legislative process may receive requests from committees, legislators or governments. IFIs should develop a standard operating procedure for receiving requests, including reasonable timelines to produce quality analysis and mechanisms like electronic forms on an intranet or website. The form should have a template to collect all the information on a policy's design necessary to carry out an estimate. This helps ensure that requestors have considered the design of a policy carefully so that IFIs do not play a role 'filling in the blanks' and inadvertently influencing policy. Standardised request interactions also limit perceptions of party favouritism both during regular sessions and during elections.

How to work within

Prioritisation

Budgets can contain hundreds of measures. IFIs with costing mandates could face unlimited demand of their finite resources. They must develop processes for triaging requests and prioritising self-initiated costings. There are different ways to do so, some emphasising fairness and equality among requestors and others emphasising fiscal importance or public interest.

Specifically, IFI's have reported using the following criteria to prioritise requests and self-initiated costings:

- **Materiality**. Policies that are likely to have the most significant impact on the public finances.
- **Public interest.** Policies that are likely to receive attention in the public eye, perhaps because of the political and media cycle or because they will have a substantial influence over daily lives.
- **Legislative stage.** Policies in bills that are about to come to a vote.
- **Requestor.** IFIs contribute to the public good by levelling the playing field between government and opposition parties and between large political parties with considerable resources at their command (donations, policy arms and academic networks) and parties that are underrepresented with smaller resources. IFIs may prioritise based on equality or equity among requestors. Further, some IFIs are directed to prioritise or choose to prioritise requests coming from certain committees or legislative leaders over other committees and members.
- **Stakeholder preference**. IFIs also work closely with stakeholders such as committees and individual legislators for their input in ranking requests by priority.

Whichever criteria IFIs use to prioritise costings, they should publish them clearly for stakeholders before resource constraints become binding, otherwise they could be accused of costing policies in an order that grants political favouritism.

Quality control

Regardless of an analyst's expertise, a second opinion is always a valuable contribution to the quality and usefulness of a costing. IFIs should put in place internal and external procedures to ensure costings meet a high threshold of analytical rigor.

Internally, analysts can benefit from challenge meetings, where they brief other teams and senior staff within the IFI to have their assumptions scrutinised.

Externally, IFIs can benefit from consulting with academic specialists and industry experts, provided there is sufficient time, and they are able to respect confidentiality requirements and information security protocols. Seeking outside expertise aligns with the ninth principle of the OECD Recommendation of the Council on Principles for Independent Fiscal Institutions, which calls on IFIs to develop mechanisms for external evaluation of their work.

Some IFIs also have requirements for *ex post* performance reviews in their statutes. For example, the Australian PBO has a provision in its legislation that the Parliamentary Committee can request a review of its costing activities following a general election.

Any peer process and external consultation procedure should be standardised and transparent so that stakeholders, particularly those that submit costing requests, understand who may learn of their requests and proposals and when. Above all, IFIs should exercise their own independent judgment at the end of the day.

Periodic review and update

After a policy is adopted, cost estimates are rolled into the baseline fiscal forecast going forward. The ability to use costings to control for policy changes in empirical research is invaluable for estimating accurate elasticities for policy analysis, forecasting and adjusting the budget balance for the business cycle.

To support complementary research, IFIs could keep a database of past costings. If possible, estimates could be replaced with administration data as the policy is rolled out. If the cost cannot be matched with administration data, large measures could be periodically updated, resources permitting.

For example, the Office for Budget Responsibility in the United Kingdom publishes a policy measures database along with a policy costings uncertainty ratings database, a valuable research tool for practitioners. The Irish Fiscal Advisory Council publishes a tax policy changes dataset which it populates with past costings to prepare its policy-adjusted tax elasticity refinements, greatly improving structural balance adjustments for purposes of the EU fiscal surveillance framework.

Some IFIs also periodically review past costings and publish updated estimates if any potential improvements have come to light. For example, the Office for Budget Responsibility has re-issued estimates in subsequent statements (Office for Budget Responsibility, 2014[4]).

The Congressional Budget Office of the United States also reviews its baselines for costings and periodically publishes reviews of its baseline projections of revenues, outlays and deficits. The office's leadership finds this process invaluable.

Confidentiality and data security

Both the policy proposals and their costs can be politically sensitive and business-sensitive (that is, there could be material non-public information with the potential to move markets) before they are published.

IFIs that prepare costings or scrutinise costings before they are announced must treat them with confidence and have procedures in place to protect that confidence. This also applies to costings for policies that are under consideration but not pursued.

Whether costings are ultimately published by the IFI or supplied confidentially to requestors will be governed by the IFI's mandate, memorandums and management practices.

Confidentiality agreements should be incorporated into the information sharing arrangements between an IFI and other public and private sector stakeholders. If the IFI can demonstrate that it has systems in place to protect the confidentiality of data, it will encourage information exchange.

To complement the confidentiality arrangements, IFIs should put in place security measures such as:

- Appointing a confidentiality officer and hiring an external advisor to review confidentiality procedures
- Using off-network computers when analysing protected data
- Using simulated unprotected data for model development and using confidential data only for final estimation.

Domestic and foreign threats to public sector information security are growing. IFIs should put in place physical and IT security systems to maintain confidentiality, especially for in-progress costings. Cyber security can carry significant costs and require substantial staff attention.

An IFI should document its confidentiality and security processes and track confidential requests and information in a way that allows it to trace the flow of information and be prepared to demonstrate if it was or was not at fault if information appears in public.

Retaining and archiving models

Some stakeholders have questioned whether IFIs should retain and preserve the models they build while preparing a confidential costing. Their concern is that an unpopular or controversial policy that was considered but not implemented could be tied back to a requestor. Further, if a policy is costed confidentially but the stakeholder decides not to release the cost, it could become a political issue that a governing party could leverage by compelling the IFI to publish its analysis.

In the interest of serving all requestors faster and better, it is crucial for IFIs to build modelling capacity and make gradual improvements. Further, a proposal may sit on the legislative agenda for many years before it is put forward to become law. During that time, the estimate may need to be updated with new information and the context of the contemporary economy and public finances.

IFIs should therefore be able to retain and archive the modelling capacity and related documentation that they build while preparing a costing. The concerns of stakeholders can be addressed in most cases through a procedure to clear any specific policy parameters from the model so that the exact unpublished policy could not be tied back to a requestor.

Special considerations for costing election platforms

IFIs with a role in costing the platforms of political parties before or after elections will need to navigate a magnified political climate with hastened turnaround times. To do so, they should take extra precautions to protect their non-partisan reputation and to avoid influencing the election, other than by letting policy costs speak for themselves.

Centralising contact points

Many IFIs prefer an open communications model outside of elections, where staff are available to speak freely with stakeholders according to their areas of expertise.

In the period surrounding elections, IFIs should tighten contact points so that communication can be managed according to official strategies and so that the flow of information can be controlled.

IFIs that have conducted stakeholder surveys and performance reviews report that political parties respond favourably to having clearly defined single points of contact on both sides—a sole IFI staff member designated as the liaison with the party, and a sole party contact designated to submit and receive requests.

IFIs should also develop special protocols for communicating with the media during election periods, which may require more centralised strategies than the IFI's other work streams.

Interacting with political parties

IFIs should encourage parties to present the costing in their campaigns in good faith, and a contingency plan in case a party misrepresents the costing in campaign material or political debates. For example, the IFI could create a page on its website to post clarifications and corrections of misrepresentations of its costings.

In line with principle 2.1 of the *OECD Recommendation on Principles for IFIs* that "IFIs should be precluded from any normative policy-making responsibility to avoid even the perception of partisanship," terms of engagement should limit the ability of parties to use the IFI costing facility as a means of exploring potential policy alternatives that would traditionally be the role of the party's policy arm. Instead, IFIs should be seen as a final step for policies whose details have largely been decided.

Procedures for submitting requests to the IFI should guarantee sufficient time to allow the analysts of an IFI to prepare the costing to the IFI's standards or decline the request if unable to do so because of time constraints. For example, most IFI's have implemented a cut-off point ahead of the election, such as 10 business days.

An IFI's legislation or its managers should set clear guidelines on which parties are eligible to submit requests, and whether they will be allocated resources equally or proportionally based on a measure of representation. In doing so, IFIs and designers of institutions should bear in mind that one of the central tenets of IFIs is to eliminate the incumbency bias of parties with large resources and power centres.

IFIs should offer advisory services to assist parties in understanding costings but be transparent in doing so. For example, parties would benefit from private briefings prior to the release of a costing, provided similar briefings are offered to all parties and disclosed so that outside observers can confirm equal treatment.

Costing entire platforms and providing summary budget statements

During elections IFIs may be compelled or asked to go beyond costing individual policy measures to costing entire platforms as a package, including producing new budget tables that incorporate the measures in a bottom-line impact on public borrowing and debt. For example, the Parliamentary Budget Office of Australia usually costs policies on an individual basis but must publish a post-election report that combines each party's campaign commitments in a single aggregate platform costing.

To cost entire platforms properly requires in-house capacity for economic and fiscal forecasting or access to government analytical capacity. IFIs also need to receive requests earlier, with longer lead and turnaround times for assessing interactions between measures. Parties must therefore have policy details finalised much earlier than the election date to allow IFIs sufficient time for the analysis.

There are workarounds that can let those IFIs without in-house economic and fiscal forecasting capacity create rough approximations to overall impacts using simple deficit and debt accumulation arithmetic, sensitivity tables and assumptions of average interest rates; however, there is considerable risk of being unable to deliver such analysis to a high standard of quality. IFIs without detailed in-house capacity for economic and fiscal modelling should be cautious about providing platform package analysis unless compelled to do so.

IFIs and stakeholders may benefit from a middle ground, where IFIs supply only costings of individual programmes but provide tools for parties to prepare their overall platforms themselves—for example, the Parliamentary Budget Offices in Australia and Canada provide online public debt interest rate calculators for this purpose.

Enhanced security

Election periods may be particularly attractive to domestic and foreign network attacks and information theft, with greater consequences than during regular sessions. IFIs should implement enhanced security and confidentiality measures during election periods to protect workflows. They should also refresh staff training on security and information handling procedures.

References

Adam, S. and A. Bozio (2009), "Dynamic scoring", *OECD Journal on Budgeting*, Vol. 2009/2, https://www.oecd.org/gov/budgeting/45363107.pdf. [5]

Armstrong, J. (2001), *Combining forecasts*, Springer. [6]

Congressional Budget Office (2007), *The Uncertainty of Budget Projections: A discussion of data and methods*, https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/78xx/doc7837/03-05-uncertain.pdf. [8]

Department of the Taoiseach (2020), *Programme for Government: Our Shared Future*, https://www.gov.ie/en/publication/7e05d-programme-for-government-our-shared-future/. [3]

OECD (2021), *OECD IFI Database*, https://www.oecd.org/gov/budgeting/OECD-Independent-Fiscal-Institutions-Database.xlsx. [2]

OECD (2020), "Independent fiscal institutions: promoting fiscal transparency and accountability during the Coronavirus (COVID-19) pandemic", *OECD Policy Responses to Coronavirus (COVID-19)*, OECD Publishing, Paris, https://doi.org/10.1787/d853f8be-en. [7]

Office for Budget Responsibility (2014), "Policy costings and our forecast", *Briefing paper No. 6*, https://obr.uk/download/briefing-paper-no-6-policy-costings-and-our-forecast/. [4]

Shaw, T. (2017), "Long-term fiscal sustainability analysis: Benchmarks for Independent Fiscal Institutions", *OECD Journal on Budgeting*, https://doi.org/10.1787/budget-17-5jfjb4lcpkhh. [1]

Note

[1] For example, bracket creep for personal income tax projections would mean revenues would grow and grow until they consume all of national income in long run projections unless it was assumed that they would be adjusted to maintain the same relative proportion of national income over the long run.

OECD Best Practices for Parliaments in Budgeting

Legislatures' "power of the purse", the ability to tax and spend public money, is enshrined in constitutions worldwide as a cornerstone of legislative power in democratic countries. Their role across the budget cycle is a fundamentally important national concern, lying at the heart of issues such as transparency, inclusiveness and democratic accountability. Despite different historical, constitutional, and political contexts, common features for parliaments to play an effective role in budgeting have emerged from experiences across OECD countries.

JEL classification: H50, H60, H61

Keywords: Legislature, Parliament, Budget, Budget Process, Fiscal Policy, Independent Fiscal Institutions, Committees

This paper was approved by the Senior Budget Officials Community on 19 January 2023.and prepared for publication by the Secretariat.

Please cite this article as:

OECD (2023), "OECD Best Practices for Parliaments in Budgeting", *OECD Journal on Budgeting*, Vol. 23/3, OECD Publishing, Paris, https://doi.org/10.1787/33109e15-en.

Introduction

Legislatures' "power of the purse", the ability to tax and spend public money, is enshrined in constitutions worldwide as a cornerstone of legislative power in democratic countries.[1] The result of a long history of hard-won battles between parliaments and monarchs, in modern parlance it has come to be an important check on the executive branch.

The legislature's role across the budget cycle is a fundamentally important national concern, lying at the heart of issues such as transparency, inclusiveness and democratic accountability. The legislature must be able to review the budget and related documents independently, to deliberate on and influence budget policy, to bring forward citizen's concerns, and to hold the government to account. Importantly, the legislature has the potential to promote vertical accountability (to citizens), horizontal accountability (alongside other independent institutions such as the Supreme Audit Institution), and diagonal accountability (through civil society and other non-state actors).

Although conventional wisdom is that a strong legislature can undermine fiscal discipline, the experience of OECD member countries shows this need not be the case and that legislative involvement can bring many benefits. Moreover, good budgeting is not simply about fiscal discipline, it is also about establishing broad priorities, with the consensus building and compromises this may entail, as well as ensuring economy, efficiency, effectiveness and equity in the management of public finances, all areas where legislatures have a significant part to play.

The OECD strongly believes that an effective role for the legislature is a key ingredient in establishing and maintaining fiscal discipline, while providing a necessary link with civil society and citizens, and fostering accountability by the executive (Blöndal, 2003[1]). The *OECD Recommendation on Budgetary Governance* (OECD, 2015[2]) states that:

> *"…parliament has a fundamental role in authorising budget decisions and in holding governments to account."*

And that governments should*:*

> *"…provide for an inclusive, participative and realistic debate on budget choices, by offering opportunities for the parliament and its committees to engage with the budget process at all key stages of the budget cycle, both ex ante and ex post as appropriate."*

OECD Legislatures and Budgeting

While OECD legislatures operate within a range of different legal frameworks, procedures, customs and traditions, all play a critical role in approving the budget and holding governments accountable for how money is spent. Adapting Norton's classic typology of legislatures (Norton, 1990[3]), the vast majority of OECD legislatures can be termed budget influencing, that is having the authority and capacity to amend or reject the executive's budget proposal. The United States falls at one end of the spectrum with the Congress able essentially to rewrite the budget. OECD legislatures with a Westminster heritage tend to fall on other end, with a strong focus on *ex post* oversight but with limited influence in the approval phase and a near inability to use amendment powers in practice as this is equated with a confidence vote.

Yet even in countries where the legal framework and customs combine to give government primacy to the point of dominance in budgetary matters, legislatures have found ways to reassert their role, for example, demanding improved and more complete budgetary information from government, setting up new oversight committees, and strengthening committee procedures and analytical capacity. One particularly striking trend has been the rise of specialised budget research or scrutiny units within parliaments (in around a third of OECD countries), and independent fiscal institutions (independent parliamentary budget offices or

fiscal councils in around two-thirds of OECD countries) (OECD, 2019[4]). Similar to supreme audit offices, the latter both provide the legislature with independent analysis while bringing additional transparency and accountability to the budget process in their own right.

As fiscal frameworks have continued to evolve, legislatures in OECD countries have also taken on new tasks such holding a pre-budget debate (over a third), voting on the budget's totals (just under two-thirds) or scrutinising or approving the medium-term budgetary framework (just under two thirds). The importance of long-term analysis has also grown as societies age and the impact of programmes that involve intergenerational transfers expands. Around half of OECD legislatures receive and debate long-term sustainability analysis (OECD, 2019[4]).

Many OECD legislatures are seeking ways to improve citizen engagement. While most continue to rely on traditional participatory mechanisms such as public hearings (25 countries) (OECD, 2019[4]), the COVID-19 pandemic has had the effect of rapidly accelerating parliaments' use of digital tools. These successes may lead to more permanent digital venues and other innovations that, if used wisely, could be used facilitate citizen engagement (OECD, 2020[5]).

A number of factors impact legislative influence in the budget process. These include, but are not limited to, aspects of the fiscal framework; the comprehensiveness of the budget documentation and information; amendment powers; the time available to scrutinise the budget; committee organisation; and analytical capacity. These and others are addressed in the Best Practices. There are also factors outside the scope of the Best Practices, such as the constitutional division of responsibilities, the electoral system, the level of party discipline, and constraints related to the budget itself such as the level of mandatory spending and available fiscal space. Ultimately, constraints on legislative influence may arise more from political considerations than from formal constraints to its powers. Parliaments are not monolithic institutions but a collection of actors with diverse and changing strategies and incentives. The culture of parliament, politics, and informal norms all matter to the success of its budgetary role and its ability to hold government to account.

Origins of the Best Practices

The Best Practices take into account existing OECD best practices, principles and standards. They draw on previous attempts to develop a standards-based approach for empowered and effective legislatures by inter-parliamentary organisations[2] and others (von Trapp, 2016[6]), (Fish, 2009[7]) but with a specific focus on parliaments' budgetary role.

Many of the seminal pieces that helped inform this work are now a decade or more old and fiscal frameworks and budgeting practices within the OECD have continued to evolve (Wehner, 2010[8]), (Lienert, 2010[9]), (Anderson, 2009[10]), (Posner and Park, 2007[11])), (Schick, 2002[12]). In addition, during the COVID-19 pandemic, legislative budgetary oversight came under stress on several fronts. As the urgency of policy responses subsides, legislatures have an opportunity to review practices as they restore oversight norms (OECD, 2020[5]). With this in mind, the Best Practices therefore also seek to bring renewed attention to the role of the legislature in the budget process. They seek to be holistic, providing guidance for legislative engagement across the full budget cycle, and to promote legislatures that are both empowered in the budget process and fiscally responsible.

They take into consideration common and more advanced practices reported by OECD member countries in OECD reviews and reports, as well as in the OECD International Budget Practices and Procedures Database (OECD, 2018[13]) and the OECD Parliamentary Budgeting Practices Database (OECD, 2018[14]). As such, while at times ambitious in nature, they are grounded in the experiences of OECD member countries. They have also benefited immensely from the discussions held over the past decade in the OECD Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO), as well as discussions in the Committee of Senior Budget Officials (SBO) and its associated thematic networks.

Best Practices for Parliaments in Budgeting

Fiscal Responsibility

1. **The legislature should have the opportunity to review and approve the national fiscal framework or major changes to the framework, in particular the fiscal rules and the medium term-budgetary framework.**
   - The fiscal framework is defined here as the set of rules, procedures and institutions that underpin the budget process.
   - The medium term-budgetary framework should cover at least the next three fiscal years.
   - The establishment of a new fiscal framework, or major changes to the existing framework, should be preceded by a period of informed public engagement with relevant stakeholders.
   - In the context of a supranational fiscal framework, the legislature should also have the opportunity to review budgetary and fiscal documents produced in relation to the supranational framework and these should be integrated into the annual parliamentary budget process.
2. **The legislature should examine long-term fiscal sustainability analysis in order to debate risks faced by society in an open and informed manner and report on them to the public.**
   - Long-term fiscal sustainability analysis may be provided in a report by the government or by an independent fiscal institution. The OECD Principles of Budgetary Governance call on governments to "Identify, assess and manage prudently longer-term sustainability and other fiscal risks" including by publishing, "[a] report on long-term sustainability of the public finances, regularly enough to make an effective contribution to public and political discussion".
3. **The legislature should debate budgetary priorities and trade-offs in a structured manner to inform preparation of the executive's budget proposal.**
   - This may take the form of a pre-budget debate, which includes discussion of policy goals and resources available to meet them.
   - A realistic debate on budgetary choices takes into account fiscal risks and overall fiscal constraints, including in the medium and longer-term. A pre-budget debate provides an opportunity for the legislature to facilitate dialogue and receive input on the budget priorities of social partners, civil society organisations and individual citizens.
4. **To demonstrate a commitment to fiscal responsibility, the legislature should review and approve the budget's totals, providing a strict frame for the subsequent debate on allocative choices and potential amendments in the annual budget proposal.**
   - This may include both the aggregates as well as specific ceilings for major expenditure areas.
   - These should be aligned with the medium-term budgetary framework and its strategy and targets.
   - Enforcing the totals requires adequate information and overseers in both the executive and legislature to maintain discipline in the face of spending pressures. In the legislature, the budget committee is best placed to play this role.

Budget Approval

5. **The legislature should have the opportunity, time and resources to effectively review, debate, and approve the executive's budget proposal.**
   - The executive should submit its budget proposal to the legislature at least three months prior to the start of the fiscal year.
   - Following the budget speech and debate in the plenary, the budget should be referred to the committees for in-depth scrutiny.
   - Critical oversight tools include written and oral questions or interpellations, committee hearings and commissions of inquiry. The legislature and its committees should have the power to compel persons to testify and to access to any information necessary. There should be mechanisms in place to allow for evidence from public officials, social partners, civil society organisations, and individual citizens as appropriate.
6. **The budget documentation submitted to the legislature should be comprehensive, encompassing all government revenue and expenditure, to facilitate realistic debate.[3]**
   - The legislature should decide how the budget and related information should be presented by the government and the required level of detail and transparency to ensure effective scrutiny.
   - Where relevant and practicable, performance information should be presented for expenditure programmes.[4]
   - Budgetary data provided to the legislature should be open and accessible, and published in machine readable and preferably open-source formats to facilitate any analysis.
7. **The legislature should be empowered to make amendments to the executive's budget proposal.**
   - Amendments should be made within the totals previously approved by the legislature (see Best Practice 4).
   - Proposed amendments should be clear and comprehensive, and allow for timely assessment of their fiscal impact and whether they are in alignment with agreed budgetary constraints.
8. **The annual budget should be approved prior to the start of the new fiscal year.**
   - The legislature should approve revenue and expenditure plans at a level of detail that is sufficient to ensure effective control and oversight.
   - If the executive's budget proposal is not approved by the legislature prior to the start of the new fiscal year, an interim budget should be adopted for a specified period.
   - Rules regarding a provisional and impartial interim budget should be clearly established in legislation.

Committee Organisation

9. **The legislature should maintain a Budget Committee[5] with overall responsibility for budget scrutiny.**
   - The Budget Committee should promote coordination and consistency in legislative budget action and facilitate fiscal discipline, ensuring that the budget's totals and aggregate sectoral allocations approved by the legislature are respected.
   - The Budget Committee should coordinate recommendations from sectoral committees on their areas of specialisation as input to its report on the budget to be put before the plenary.

- Chairing of the Budget or Audit or Public Accounts Committee by an opposition member enhances oversight and reinforces the commitment to operate these committees in a nonpartisan and consensual manner.
- The Budget Committee should be adequately staffed and have the opportunity and resources to consult or employ outside experts and to consult other oversight entities (see Best Practices 13, 14 and 15).

10. **Sectoral committees[6] should review relevant portions of the budget in their portfolios and make recommendations to the Budget Committee.**
    - Sectoral committees have a particular role to play in reviewing performance budgeting information or spending reviews relevant to their portfolios.

Budget Implementation

11. **Any significant in-year changes to approved expenditure and their justifications, whether reallocation of funds, or an increase or a reduction in spending, should be put before the legislature and its relevant committees in the form of a supplementary budget for review and prior approval.**
    - Thresholds for executive flexibility in spending and the main reasons for adopting supplementary budgets should be clearly specified in legislation.
12. **Parliament should have the power to examine any interim financial reports that it deems necessary throughout the year.[7]**
    - There should be a formal process to review the monthly and mid-year reports.

Audit

13. **Parliament should effectively review the Audit reports prepared by the Supreme Audit Institution.**
    - The Supreme Audit Institution is a core contributor to parliamentary oversight. The Budget Committee, its audit subcommittee, or a separate Audit or Public Accounts committee should be responsible for consultation with the Supreme Audit Institution and overall scrutiny of its reports, including the year-end report.
    - Recommendations made by the legislature and its committees on audit reports should be monitored and, where appropriate, integrated into the legislative debate on the subsequent budget.

Analytical Support

14. **The legislature should have specialist analytical support in the form of an in-house research or scrutiny unit or an independent parliamentary budget office to provide technical, expert and non-partisan analysis of fiscal policy and the budget.**
    - The resources allocated to such offices should be commensurate with their mandate and they should have full access to all relevant information in a timely manner, including methodology and assumptions underlying the budget and other fiscal proposals.
15. **The capacity of the legislature to engage in the budget process and broader fiscal policy debates is enhanced by the establishment of an independent fiscal institution.**
    - Whether in the form of an independent parliamentary budget office, fiscal council, or alternative model, independent fiscal institutions provide non-partisan analysis and enhance the transparency of the government's fiscal strategy and budgetary policies. Typical functions of

such bodies include a role in producing or assessing economic or fiscal forecasts, monitoring compliance with fiscal rules, policy costings, long-term fiscal sustainability analysis, and supporting the legislature and its committees with budget analysis.

- Where an independent fiscal institution has been established, mechanisms should be put in place to encourage appropriate accountability to the legislature.
- The *OECD Recommendation of the Council on Principles for Independent Fiscal Institution*s provides a full set of best practices for independent fiscal institutions (OECD, 2014[15]).

Citizen Participation

16. The legislature and its committees should inform civil society and citizens on the budgetary debate and provide opportunities for them to contribute in a meaningful way.

- The legislature, as a representative body and forum for deliberation, has a particular responsibility to strengthen democratic participation and representation.
- The legislature and its committees should seek to engage a wide range of stakeholders with diverse perspectives, including excluded and vulnerable groups, using traditional oversight tools such as public hearings, modern digital technologies, or by facilitating innovative representative deliberative processes such as citizens' panels, juries or assemblies. These latter tend to be more resource intensive and most effective when addressing complex policy issues.[8]
- In general, plenary and committee meetings should be open to the public or broadcast through audio, television or online channels.

Budget of the Legislature

17. The legislature alone should have the power to determine the budget of the legislature.

- The legislature should have the capacity and resources to carry out its budgetary tasks.
- The budget of the legislature should be prepared independently of the executive and approved by the legislature in line with other constitutional entities.
- The legislature has a special responsibility to demonstrate a commitment to fiscal discipline and to act as transparently as possible in the preparation and execution of its budget. The legislature should maintain clear procedures to be followed, including the use of mechanisms such as a special committee or consultation tools. It should also put in place clear and transparent reporting and audit requirements for its budget.

References

Anderson, B. (2009), "The changing role of parliament in the budget process", *OECD Journal on Budgeting*, Vol. 9/1, https://doi.org/10.1787/budget-v9-art2-en. [10]

Blöndal, J. (2003), "Budget reform in OECD member countries: Common trends", *OECD Journal on Budgeting*, Vol. 2/4, https://doi.org/10.1787/budget-v2-art20-en. [1]

Fish, M. (2009), *THe Handbook of National Legislatures: A Global Survey*, Cambridge University Press, https://doi.org/10.1017/CBO9780511575655. [7]

Lienert, I. (2010), *Role of the Legislature in Budget Processes*, International Monetary Fund, https://www.imf.org/external/pubs/ft/tnm/2010/tnm1004.pdf. [9]

Norton, P. (ed.) (1990), *Legislatures*, Oxford University Press. [3]

OECD (2020), *Innovative Citizen Participation and New Democratic Institutions: Catching the Deliberative Wave*, OECD Publishing, Paris, https://doi.org/10.1787/339306da-en. [16]

OECD (2020), "Legislative budget oversight of emergency responses: Experiences during the coronavirus (COVID 19) pandemic"*, OECD Policy Responses to Coronavirus (COVID-19)*, OECD Publishing, Paris, https://doi.org/10.1787/ba4f2ab5-en. [5]

OECD (2019), *Budgeting and Public Expenditures in OECD Countries 2019*, OECD Publishing, Paris, https://doi.org/10.1787/9789264307957-en. [4]

OECD (2018), "OECD International Budget Practices and Procedures Database", https://qdd.oecd.org/subject.aspx?Subject=BPP_2018. [13]

OECD (2018), "OECD Parliamentary Budgeting Practices Database", https://qdd.oecd.org/subject.aspx?Subject=PBO_2018. [14]

OECD (2017), *OECD Budget Transparency Toolkit: Practical Steps for Supporting Openness, Integrity and Accountability in Public Financial Management*, OECD Publishing, Paris, https://doi.org/10.1787/9789264282070-en. [17]

OECD (2015), "Recommendation of the Council on Budgetary Governance"*, OECD Legal Instruments*, OECD-LEGAL-0410, OECD, Paris, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0410. [2]

OECD (2014), "Recommendation of the Council on Principles for Independent Fiscal Institutions"*, OECD Legal Instruments*, OECD-LEGAL-0401, OECD, Paris, https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0401. [15]

OECD (2002), "OECD Best Practices for Budget Transparency", *OECD Journal on Budgeting*, Vol. 1/3, https://doi.org/10.1787/budget-v1-art14-en. [18]

Posner, P. and C. Park (2007), "Role of the Legislature in the Budget Process: Recent Trends and Innovations", *OECD Journal on Budgeting*, Vol. 7/3, https://doi.org/10.1787/budget-v7-art15-en. [11]

Schick, A. (2002), "Can National Legislatures Regain an Effective Voice in Budget Policy", *OECD Journal on Budgeting*, Vol. 1/3, https://doi.org/10.1787/budget-v1-art15-en. [12]

von Trapp, L. (2016), *Benchmarks and Self-Assessment Frameworks for Parliaments*, World Bank Group. [6]

Wehner, J. (2010), *Legislatures and the Budget Process: The Myth of Fiscal Control*, Palgrave Macmillan. [8]

Notes

[1] Parliament and legislature are used interchangeably. While the word budget can mean different things in different countries, in this context the budget refers to the annual expenditure and revenue plans submitted to the legislature.

[2] For example, the Inter-Parliamentary Union (IPU), the Commonwealth Parliamentary Association (CPA) and the Assemblée Parlementaire de la Francophonie (APF).

[3] The *OECD Principles of Budgetary Governanc*e (OECD, 2015[2]), the *OECD Best Practices for Budget Transparency* (OECD, 2002[18]), and the OECD Toolkit for Budget Transparency (OECD, 2017[17]) provide guidance on what should be presented in the budget documentation.

[4] The *OECD Principles of Budgetary Governance* (OECD, 2015[2]) call on governments to, "Ensure that performance, evaluation and value for money are integral to the budget process […] helping parliament and citizens to understand not just what is being spent, but what is being bought on behalf of citizens – i.e. what public services are actually being delivered, to what standards of quality and with what levels of efficiency."

[5] May also be referred to as the Finance Committee in some countries.

[6] Also called subject committees.

[7] The "OECD Best Practices for Budget Transparency" (OECD, 2002[18]) provide guidance regarding timing and content of interim reports.

[8] See also (OECD, 2020[16])

Transformational budgeting: A holistic approach for delivering results

Blanch Jose, Borras Elisabet, and Sánchez Alejandra
Finance and Public Administration Ministry, Spain

A new trend is appearing in government budgets: using the budget process to help transform society and achieve results in relation to cross-cutting government goals, referred to in this paper as "*transformational agendas*", often seeking to overcome persistent economic, social or environmental issues, which require action from across different policy areas. *Transformational budgeting* is a holistic approach to budgeting that helps align disparate activities with central goals, or agendas. The paper reviews how budget processes have evolved in modern public finance, with a view to enhancing the efficient and effective use of inputs to deliver results. It presents the emergence of *transformational budgeting* as a tool to help transform societies in response to new global agendas, such as the SDGs. The paper showcases *transformational budgeting* in practice, drawing on experiences from Spain.

JEL classification: H61, H11, D73

Keywords: government, budgeting, goals, transformation

The opinions expressed and arguments employed herein are solely those of the author, written in his personal capacity.

Please cite this article as:

Blanch, J., E. Borras and A. Sánchez (2023), "Transformational budgeting: A holistic approach for delivering results", *OECD Journal on Budgeting*, Vol. 23/1, OECD Publishing, Paris, https://doi.org/10.1787/6a6b4179-en.

About the authors

Jose G. Blanch. MPA and MA, Economics. The George Washington University (USA). Civil Engineer. MSc. Polytechnic University of Madrid (Spain). Fulbright Scholar in Washington D.C. and Commonwealth Fellow in Oxford. A member of the UN/CEB High Level Committee on Management (2009-2018), he was Director of Administration and Finance at the UNWTO. Mr. Blanch also held positions at the IMF, the European Commission, the WIPO, the Spanish Civil service and a private engineering firm. He currently works at the General Budget Directorate of Spain's Ministry of Finance.

Elisabet Borras. L. in Law. University Complutense of Madrid (Spain). Ms. Borras is Special Advisor at the Cabinet of Spain's State Secretary for Budget and Expenditure and has been instrumental in the articulation and formulation of cross-sectional, transformational budgeting, in Spain. A career civil servant, in addition to her current assignment in the Ministry of Finance she also held positions at the Ministries of Equality, Health and Social services and Public Administration.

Alejandra Sánchez. L in Law and L in Business Administration. University Complutense of Madrid (Spain). Ms. Sanchez is Chief of Staff at the Cabinet of Spain's State Secretary for Budget and Expenditure in the Ministry of Finance. She has been the initiator of the Project Aligning the General State Budgets with SDGs under TSI of DG Reform (2020-2022). She possesses technical and political experience in articulating and formulating transformational budgeting in Spain. A career civil servant, she also held positions as advisor in the Department of Economic Affairs at the Ministry of the Presidency.

Acknowledgements

The authors acknowledge and thank comments received from A. Blanco, J. Mueller, K. Newcomer, S. Nicol, J. Varela and C. Vogeler, as well as editorial assistance from E.G. Blanch through the review process. All shortcomings and mistakes left in the paper remain the exclusive responsibility of the authors.

1. Introduction

Government budgetary processes are one of the main tools available to implement political policies and priorities, primarily through the allocation of material resources. This is not new: Roman Emperor Octavio Augustus was already setting his priorities through his annual budget (Duarte Sánchez, n.d.[1]). Issues like defence spending (25 legions at the time plus warships), public works (building, road and water infrastructures), social spending (the annona – or food stamps – to eligible citizens), culture and entertainment, or general administration and justice, both at imperial (federal) and provincial (state) levels, got annually appropriated (through the Roman Senate) some 300 million Denarii. Funding, mainly came from production and sales taxes, capital and inheritance taxes, and participation in mining ventures. Heated debates on public policies between the two main factions in roman politics, *Optimates* and *Populares*, were routine within the Senate, leading occasionally to blood baths as part of their political struggle (Roldán Hervás, 2001[2]).


(Octavio Augustus. Source: Wikipedia Commons)

Modern budgeteers have neither reinvented the wheel, nor government budgeting. Yet, on the other hand, budget processes have been stretched and remodelled to cater for better justification of public goods and explanation of public policies. Policies are usually more resilient, accessible and appealing to the average taxpayer than they used to be. On this, we – as a society – have come a long way: in spite of its mixed track record, performance budgeting has forced the public sector to improve on budgetary information and transparency, in progressive enhancements over the second half of last Century (Axelrod, 1989[3]). In the current century, *transformational global agendas* impose challenges not met before, prompting the emergence of a new budget tool, which this paper christens as *transformational budgeting*. This paper is an attempt to describe the salient features of this new tool.

2. About the paper

This paper explores the meaning of *transformational budgeting* (TB) and its relationship with traditional budgeting, in particular functional classifications and policy-driven budget processes. The paper proposes that *transformational agendas* (TA) have pressed the public sector to reimagine budgeting, and TB rises as the necessary reply to this newly felt requirement. The paper begins by defining TB. It then presents the background against which TB is framed: the budget process and the emergence of "global agendas". It follows by describing what makes TB go beyond traditional budgeting: all contributions are key – regardless of quantitative impact – transformation is a collaborative effort, and refocusing and realignment of public programmes is the essence of the exercise. Subsequently, it is proposed that TB is more about process governance than output delivery, providing the rationale for it. At the end of the day, the methodology for TB is not intended to replace the general budget exercise: it becomes its capstone. Authors bring their experience within Spain's Ministry of Finance, describing some practical challenges. Authors advocate for the recognition of TB as a new budget tool, where further research and testing of new approaches will lead to advancing society's transformational goals through politicians' ultimate weapon: the public purse (Wildawsky, 1988[4]).

3. What is transformational budgeting?

Transformational budgeting is an additional budgetary technique to existing traditional line-item, programme and results-based budgeting, that has a goal of using the budget process to support the implementation of *transformational agendas* adopted by the government. TB adds to the standard budgeting of government policies three specific features: first that the purpose of the agenda is of a transformational nature for society; second, that the agenda is super-imposed on all public policies, which regardless of their specific programmatic objectives, ought to detail their contribution – in a cross-sectional manner – to that specific TA; and third, that the link between strategic planning and long term TAs on the one hand and programme and budget policies on the other is made more clear.

TB has been growing over the last few decades by way of initiatives such as gender budgeting, SDG budgeting, green budgeting or well-being budgeting. These nascent techniques have also received several denominations like "budgeting for high level priorities", "priority budgeting" or "cross-cutting budgeting" (OECD, 2019[5]). This paper builds on these achievements and offers a new perspective to them. Before discussing TB further, it could be useful to recapitulate customary budget classifications and the emergence of TAs.

4. Traditional budgeting and the budget trinity

Budget formulation was traditionally focused on two aspects: how the budget is to be spent and who is authorised to spend it. This dual focus led to two initial budget dimensions, resulting in two main classifications of inputs: First, the line-item classification, supported in practice by the chart of accounts. This classification, of an accounting nature, explains the type of expense (e.g. a salary, a supply, an investment contract). Second, the authority responsible for mobilising the budget, is supported in practice by the listing of departments and general directorates. This classification explains who is accountable for ordering – and managing – the use of specific public funds (e.g. a minister, a director general). As government policies expanded in scope and sophistication, a third dimension for inputs became necessary: the budget function, supported in practice by the list of government programmes. This new dimension is set to explain the objectives of the expense (e.g. children's education, road building, welfare subsidies). Activities to achieve these functional objectives are bundled into coherent sets, called "budget policies" (or "budget programmes" at a more detailed level). Results-based budgeting appeared to check the output side: Goals and objectives, in addition to being defined at the budget formulation stage, are verified as to whether they are effectively delivered. At the end of the day, it becomes one true budget and classified through three different lenses (Government of Spain, n.d.[6]).



(J.F. Kennedy half-dollar. Image by authors)

Budget formulation and control of implementation grew within this three-dimensional framework through the last century, creating over time a number of technical tools in budgetary and accounting techniques. To name a few of these tools, in the United States the Planning, Programming and Budgeting System (PPBS) was used during the Lyndon B. Johnson administration in the 1960's (DeCandido, 1996[7]), and the Program Assessment Rating Tool (PART) was used during the George W. Bush administration (OMB, n.d.[8]; GAO, 2004[9]). There was also a move from cash accounting to accrual accounting in the public sector (Cavanagh, Flynn and Moretti, 2016[10]), in many arenas, including United Nations International bodies (United Nations, n.d.[11]). In spite of these and many other developments, the naked truth for budget practitioners is that measuring performance and assessing public sector effectiveness remains a daunting task, not only because of difficulties inherent to the political

debate. At the technical end, issues such as the lack of clear causal relationships between inputs, outputs and outcomes, and the lack of integration between the programme-budget formulation approach (i.e. what will be achieved, budget on cash basis) and expenditure reporting (i.e. line-items involved, accounts on accrual basis[1]) make performance monitoring within a results-based budget framework challenging. This is perhaps why well-meant budget techniques end up focusing on input rather than output control.

The authors here do not advocate replacing results-based budgeting. Quite the opposite, budget processes will have to be run, and new performance measures developed to ensure execution of TAs (as is the case of SDG's tracking tools), as information on budget deliveries remains as pressing – if not more – than before. TB just adds a new perspective to these same processes.

5. The millennium effect: transforming our world

The growth of the welfare state has led to a diversification of government functions beyond traditional categories such as law and order, international relations and defence, and public works. As public policies on education, health, pensions, unemployment, and social benefits became more entrenched in society – becoming individual rights for the citizen – the grouping of government functions and of budgetary programs firmed up into stable classifications. Progressive awareness by the public and growth of welfare benefits for the individual created a *New Deal* (Library of Congress, n.d.[12]) with society, with the public becoming more and more interested in how specific budgetary programmes change their corresponding individual benefits. Ensuring the redistribution remained Pareto optimum became more difficult (Boadway and Bruce, 1984[13]). Politicians discovered a new discourse for subsequent elections.

During the second half of last century, and following a cascade of social and political events in the aftermath of World War II, there was growing global interest in improving the standards of living for citizens all over. This gave focus to international co-operation efforts which, led by the United Nations (UN) and its group of specialised agencies, played a significant role. Co-operation for development efforts were seen in a focused and targeted approach by each development agency, either a UN body or a national/ supranational development agency such as US Aid or the European Development Fund (Kaya, 2017[14]). These co-operative ventures made full sense: co-operation funds were earmarked for specific projects – with specific goals – and an agency's job was primarily ensuring project deliveries were achieved within budget.

At the turn of the millennium, a new concept in co-operation for development was proposed by Kofi Annan, at the time UN Secretary General. While IT experts all over were busily trying to prevent computers from crashing by the so-called "Y2K bug[2]", Kofi Annan's team at the UN was preparing the Millennium Declaration. This Declaration was adopted by UN Heads of State and Government in 2000 (UN General Assembly, 2000[15]), with the aim of ensuring that "globalisation becomes a positive force for all the world's people" through the identification of key objectives and the adoption of concerted action.



(1963 Yaoundé convention. Source: Wikipedia commons)

The following year, the UN had a clearer grasp on how to put into practice the Millennium declaration, as the UN General Assembly in 2001 adopted the "Road map towards the implementation of the United Nations Millennium Declaration" (UN General Assembly, 2001[16]). This declaration included as an annex a proposal for the (eight) Millennium Development Goals (MDGs). These MDGs were finalised at the 2005 UN General Assembly when they were enshrined as the UN global strategy for development up to 2015 (UN General Assembly, 2005[17]). In 2015, Ban-Ki-Moon, then the UN

Secretary General, replaced the (8) Millennium Development Goals by the (17) Sustainable Development Goals (SDGs), in alignment with the 2030 Global Agenda for Sustainable Development "Transforming our World" (UN General Assembly, 2015[18]).



(United Nations Assembly Hall. UN NYC Headquarters. Source: Wikipedia commons)

6. Who moved my cheese?: dealing with a paradigm change

The replacement of the MDGs by the SDGs in 2015 embodied an implicit paradigm change. Indeed, the SDG agenda is meant to be used by all countries, regardless of their development status. Thus, OECD member countries needed to take a more proactive and deliberative approach, so as not to remain passive bystanders on the implementation of the SDGs, as tended to be the case for the MDGs. Developed countries now got front-row tickets when the bulls began the run (Hemingway, 1926[19]). They were now more accountable for how 17 SDGs, 169 targets and 232 unique indicators, are put into practice, and verified by tools like the UN SDG tracker (SDG Tracker, n.d.[20]). Moreover, OECD members were required to excel in SDG steering. This shift in country emphasis certainly implied a game-changer for policy setting and budgeting, and national administrations now have to demonstrate they meet these new internationally approved requirements. Countries adapted to the new standards and expectations the best they could: in Spain's case, for example, a far-reaching SDG statistical tracking system has been developed by the National Statistics Institute (Instituto Nacional de Estadística, n.d.[21]).



(United Nations Sustainable Development Goals. Source: United Nations webpage)

Putting global TAs into practice, takes a bit more than collecting some data. By pledging to a Global Agenda, any agenda for that matter, a government is committing itself to changing the *status quo* of its own society. Of course, changes to be effected are not random, but geared to transform society as per the agenda. As Klaus Schwab, World Economic Forum CEO, put it at the May 2022 Davos meeting "the future is not something that just happens…" (Schwab, 2022[22]) .Building the future requires two things: first integrating a TA into government policies; and second, supporting this agenda through the public budget process. Achieving the 17 SDGs goes well beyond the usual 3 to 5 year strategic planning frameworks (European Commission, n.d.[23]; Sołoducho-Pelc, 2015[24]), macroeconomic forecasts horizons and electoral cycles. Much longer time horizons for strategic planning (in the range of decades) are set, mirroring the ambitious nature of the 2030 Agenda. Therefore, more resources are mobilised, and tools to keep these agendas on track have to be more demanding.

7. Transformational agendas: no business as usual

At first sight, implementing a TA may look like business as usual, not unlike fulfilling other agendas or public policies. On closer inspection however, TAs happen to have game-changing features with respect to other policies. The first feature is that TAs are holistic and comprehensive. That is, there is potentially no aspect of society or public life omitted. In a way, they are like a religious creed. Any detail – regardless of relevance or size - cannot be regarded *a priori* as insignificant: carrying out a TA may be the sum of myriads of many detailed changes, and synergies and leverages could be difficult to detect up front. The second feature is that implementing the agenda is essentially a collaborative effort. No single actor, or reduced group of actors, can accomplish a TA just by themselves: active collaboration from society-at-large, including individual behavioural changes, are needed. The third feature is that implementing the agenda does not necessarily create *per se* or require new government activities, but may involve refocusing of already existing policies and activities. These three traits make accomplishing the agenda an endeavour cutting across society, government functions and programme-budgets.

Let us explore for a moment the case of a country like Spain – a member of the European Union – to illustrate the cascading effect of TAs on the country's institutional and legal framework: A UN resolution, like the adoption of the 2030 Agenda, is an international legal commitment insofar as it is a UN resolution. While its compliance is monitored through the UN SDG tracker, it is not directly enforceable by the UN, or at least the UN has not engaged in sanctions for non-compliance. By contrast, as the European Union pledged in 2016 to implementing the 2030l Agenda [3], it announced to "use all the instruments at its disposal, including its better regulation tools." This has shaped the EU agenda and translated into a wide array of legal initiatives now added to the *Community acquis*[4] and has evident regulatory consequences.



(Source: European Commission. KnowSDGs)

In addition to EU legislation, any EU Member – Spain in this example – may decide to either transpose into national legislation EU directives, or create *ad hoc* laws and regulations to fulfil its international commitments as regards to *transformational agendas*. In fact, Spain formally adopted the 2030 Agenda and SDGs in 2018 through a Council of Ministers decision. This translated into an *Action Plan for the Implementation of the 2030 Agenda: Towards a Spanish Strategy for Sustainable Development* and a Governance mechanism for its follow up, including a *Delegated Governmental Commission for the Agenda 2030* (Government of Spain, n.d.[25]). This national decision led to enacting national legislation along with other initiatives (such as TB) directly impacting all of society.

To illustrate how *Transformational Agendas* work, we use one (simple) TA: reduction of car pollution in business districts of large cities. Clearly successful pollution abatement can only be the end-result of many measures: regulation of private traffic, enhancement of public transport, changes in urban patterns, modification of lifestyles, movements and relocation of schools, offices or shopping malls, and many others. Each avoidance of any individual car ride, and each modification of personal attitude and behaviour are nothing more than a small drop into the ocean of city pollution. Yet, the ocean is made of these small drops, bringing home the point that there is no small contribution that does not deserve its place in the hall of honour. The example also shows that no matter how many investments are made on public transport, or in alternative urban developments, only a massive, collaborative compliance by the city population, can bring the agenda to fruition, illustrating the collaborative actions needed to achieve the goal. Lastly, while the town hall could create a specific programme for "reducing urban pollution" to steer changes (like installing and monitoring cameras for traffic control), town hall officials may soon realise that other measures and programmes have an influence on its success, with governance implications for the agenda. In addition, cost implications of measures housed under other programmes will not show in the "reducing urban pollution" (RUP) programme accounts. For example, if bus frequencies were increased as a means to reduce pollution, the cost of these new rides will show on the accounts and balance sheet of the bus company, but not on RUP's. This will result in the town hall's budget and accounts underreporting the cost of measures taken to reduce urban pollution. Only expenses under the RUP umbrella will be accounted for, unless a more holistic methodology is adopted.



(Madrid ZBE control camera. Source: El debate.com 30 April 2022)

8. The kernel of transformational budgeting

Public policies have – or should have – defined objectives, specific activities, responsible managers, dedicated staff, and identifiable costs. In short, their goals should be SMART[5]. By contrast, TAs are aspirational, and can have quantitative and qualitative goals, cross-cutting activities, mixed reporting lines and co-operative team structures. Moreover, agendas maybe framed through both newly devised initiatives and refocused existing programmes. TB needs to address these and other challenges.

A fundamental challenge is to ensure that the social welfare function increases after new or existing activities are aligned with the TA. This issue is far from irrelevant owing to the process of agenda adoption and the changes introduced in society's own fabric. A more thorough approximation to this complex issue could probably be handled through the process of formulating the public choice, as discussed by Buchanan (Buchanan, 1987[26]; Toma, 2014[27]).

Another challenge, as illustrated by the RUP example, is that programmes already in place before an agenda is adopted could inadvertently not be recognised as contributing to the agenda. This could leave them out of scope, producing an intrinsic underestimation of budgets and costs. While TAs may be steered by newly developed programmes, they should not omit the potential contribution of existing initiatives. Hence, agenda governance needs to avoid such underreporting. To this end, a TB report is helpful in giving visibility to all related activities. This explains why TB in practice is fleshed out through comprehensive budget reports: helping identify integrated collaborative efforts aligned with the agenda. Let us keep in mind that probably only each of the specific responsible programme managers are capable of identifying which of the activities they run support the agenda, their costs, and how they are aligned with the agenda.

Limited review of TA impact on public policies (targeting specific programmes instead of making a comprehensive review) is of course possible, in particular if the technique or the TA are being introduced to a new area. However, sooner or later a more comprehensive review may reveal itself necessary. This is for example the experience of the authors in the application of this technique in the policy area related to childhood and family welfare: it began as a limited review of specific programmes, only to end up expanding itself through the entire realm of public policies.

We can exemplify the challenges to the identification, costing and alignment of activities by taking again the RUP example: we could suppose that the metropolitan mass transportation company (MMTC) decides to marginally increase bus rides as a collaborative effort to support the agenda for reducing pollution. How should this MMTC contribution be reported as a support to the RUP agenda? The first issue is to make RUP's managers aware of MMTC collaborative effort, as bus rides already exist and – in addition – its number has been increased. This by itself is relevant in reducing pollution. Next, would be the methodological questions to be raised by RUP's manager: how many rides should be reported? All of them? Or only the marginal increase? A subsequent issue would be the handling of expenditures in the report: MMTC operational accounts would certainly show the cost of bus rides, either pre-existing or after the increase, as the case may be, but should these expenses become part of the RUP transformational budget? And, if they are, would they become managed by the RUP's manager instead of by the MMTC?

These questions, and others, simply show that a methodology for identifying, reporting and managing agenda-related activities has to be articulated. The methodology can be used to clarify issues such as:

1. how the survey exercise to identify activities is designed;
2. which criteria will be used to assess whether an activity supports agenda implementation and how it can be aligned with it;
3. how the costs of these activities will be reported;
4. under whose responsibility activities aligned with the agenda remain;
5. whether a cross-cutting budget report has to be prepared on activities aligned with the agenda, over and beyond standard budget reports; and

6. how internal coherence between strategic planning for the agenda, and programme budget operational policies can be improved.

Once a methodology is prepared, TB entails translating into practice these reporting mechanisms, while the standard budget process moves in parallel. The tangible output of TB is a report identifying relevant programmes and activities aligned with the agenda. Caution is needed when assessing the overall cost of the agenda, as activities remain under their initial responsibility centres, and a good number of them would be implemented anyway even if the TA were not adopted (e.g. the pre-existing bus rides). However, the cost of activities identified in the TB report provides an indication of the volume of public sector contributions aligned with the agenda (i.e. the total number of bus rides), hopefully increasing overall transparency and fiscal responsibility for TA implementation.

In summary, TB provides a methodology and a process for identifying and reporting all relevant public sector activities related to the TA. Being involved in the TB report has direct implications on governance, as each programme manager is set to re-examine the relevance and alignment of activities with the overall agenda set forth by government, including an estimation of budgetary resources mobilised by the agenda. TB reports do not replace other budget reports: they become their capstone.

9. Walk the talk

Transformational budgeting is on the rise internationally. OECD recently reports on gender budgeting experiences in 23 OECD members (OECD, 2023[28]). Spain has been reporting on TAs since 2011 with the purpose of bettering society-at-large, beyond servicing government priorities. Transforming society – and the budget – is a holistic endeavour, and requires much more than setting public spending priorities, because of the complex nature of the agendas. Hence, in addition to reviewing the budget formulation and execution processes, TB requires reaching out to all actors so as to ensure wider co-operation and optimise public choice. Lessons learned from previous exercises enable the progressive fine-tuning of methodologies in both objective and subjective realms.

In Spain, the launch of the agenda for equal opportunities between men and women led to preparatory work as early as 2008 for gender budgeting, which translated into cross-cutting budget reports for gender policies in 2011. Other TAs were added as TB efforts in 2019, in particular to ensure widespread involvement of the public sector in the achievement of the 2030 Agenda and in the bettering of social conditions for families and children. This specific agenda aims at the implementation of the UN Convention of the Rights of the Child, the elimination of child poverty and youth unemployment, fostering the well-being of families. In 2022, the agenda for decarbonisation of the economy also joined the TB efforts, as it is seen as a priority following COP summits (Conference of the Parties) and EU policies.

The timing of these exercises can be matched with government priorities for wide spectrum changes in society, responding to international commitments in the adoption of *transformational agendas.*



(Presentation PGE 2023. Source: Spain's MoF website)

TB goes hand in hand with traditional budgeting. In addition to the usual provisions for preparing the annual budget, some specific elements have to be in place: First, the legislative mandate and corresponding provisions on the annual instruction for elaboration, are sent to departmental budget offices. Second, each and every programme is surveyed and this is used as a basis to inform dialogue between the MoF and line ministries regarding information to be provided. Third, a technological platform is made accessible to compile, review and present the information relevant to the exercise. Fourth, a web platform is used to disseminate data and reports and strengthen fiscal transparency, bringing information closer to the citizen. And last, the annual nature of the exercise provides responsible public managers with the opportunity to achieve further alignments and improvements in agenda implementation. TB either will make a difference or remain as a paper tiger.

The end-result is no other than the *alignment* of programme activities and corresponding costs with agenda objectives. As already outlined, classifying the cost of these activities as direct agenda costs could create methodological difficulties, and costs must be identified and managed as either direct or indirect expenses in the corresponding programme budgets.

10. Conclusions

Transformational budgeting helps bring greater focus into otherwise spread and far-reaching agendas, by helping to identify cross-cutting public sector contributions to achieve transformational goals. Identification of activities and reporting their costs may require critical judgement and perhaps some iterations, as subjectivity plays a role on their assessment. It is clear that *transformational budgeting* and reporting brings focus to areas of special interest to governments, such as those where collaborative and cross-sectoral efforts are required to achieve salient goals, such as gender equality or decarbonisation of the economy. The value added of TB may, in fact, come not just from the programme budget information presented, but because of the statement that these funds are invested to achieve transformative changes for the country. While TB presents a valuable enhancement to budgeting, especially with the SDGs, one last caution is merited. Restraint is advisable regarding the number of issues that are encompassed in TB, as multiplication of transformative goals may dilute their impact: if everything is a priority, nothing is really a priority.

References

Axelrod, D. (1989), *A Budget Quartet: Critical Policy and Management Issues*, St. Martin's Press Inc. New York, United States. [3]

Boadway, R. and N. Bruce (1984), *Welfare Economics*, Basil Blackwell, United Kingdom. [13]

Buchanan, J. (1987), *Public Finance in Democratic Process: Fiscal Institutions and Individual Choice*, The University of North Carolina Press, Chapel Hill, United States. [26]

Cavanagh, J., S. Flynn and D. Moretti (2016), *Implementing Accrual Accounting in the Public Sector*, International Monetary Fund, Washington, D.C., https://www.imf.org/external/pubs/ft/tnm/2016/tnm1606.pdf. [10]

DeCandido, C. (1996), *Evolution of Department of Defense Planning, Programming, and Budgeting System: SECDEF McNamara to VCJCS Owens*, Homeland Security Digital Library, Army War College, https://www.hsdl.org/?abstract&did=447081 (accessed on 10 October 2022). [7]

Duarte Sánchez, A. (n.d.), *Unos "Presupuestos Generales del Estado" bajo Augusto*, Academia, https://www.academia.edu/2901982/Unos_Presupuestos_Generales_del_Estado_bajo_Augusto?email_work_card=view-paper (accessed on 10 October 2022). [1]

European Commission (n.d.), *European Commission Strategic Plans 2020-2024*, https://commission.europa.eu/strategy-documents/strategic-plans-management-plans_en#strategic-plans (accessed on 10 October 2022). [23]

GAO (2004), "OMB's Program Assessment Rating Tool Presents Opportunities and Challenges for Budget and Performance Integration", GAO-04-439T, U.S. Government Accountability Office. [9]

Government of Spain (n.d.), *Directrices Generales de la Estrategia de Desarrollo Sostenible 2030*, Ministerio de Derechos Sociales y Agenda 2030, https://www.mdsocialesa2030.gob.es/agenda2030/documentos/directrices-gen-eds.pdf (accessed on 10 October 2022). [25]

Government of Spain (n.d.), *Introducción a la lectura de los Presupuestos Generales del Estado*, Ministerio de Hacienda y Función Pública, https://www.sepg.pap.hacienda.gob.es/sitios/sepg/es-ES/Presupuestos/PGE/ProyectoPGE2023/Documents/LIBROSALMON2023.pdf. [6]

Hemingway, E. (1926), *The Sun Also Rises*, The Modern Library, Random House, United States. [19]

Instituto Nacional de Estadística (n.d.), *Goals and targets (from the 2030 Agenda for Sustainable Development)*, https://www.ine.es/dyngs/ODS/en/index.htm (accessed on 10 October 2022). [21]

Kaya, A. (2017), *The Evolution of European Union Development Cooperation Policy towards Sub-Saharan Africa: Achievements and Challenges*, Selçuk Universitesi, Türkiye. [14]

Library of Congress (n.d.), ""I pledge you, I pledge myself, to a new deal for the American people" Franklin D. Roosevelt (1932)", *President Franklin Delano Roosevelt and the New Deal*, https://www.loc.gov/classroom-materials/united-states-history-primary-source-timeline/great-depression-and-world-war-ii-1929-1945/franklin-delano-roosevelt-and-the-new-deal/ (accessed on 10 October 2022). [12]

OECD (2023), “OECD Best Practices for Gender Budgeting”, *OECD Journal on Budgeting*, https://doi.org/10.1787/9574ed6f-en. [28]

OECD (2019), “Budgeting for Outcomes”, 7-8 November 2019, Performance and Results Network meeting, OECD, Paris. [5]

OMB (n.d.), “Assessing Program Performance”, Office of Management and Budget, https://georgewbush-whitehouse.archives.gov/omb/performance/index.html (accessed on 10 October 2022). [8]

Schwab, K. (2022), *Intervention at the WEF May 2022 Davos meeting*, https://www.youtube.com/watch?v=BZCgPLTpn2E (accessed on 10 October 2022). [22]

SDG Tracker (n.d.), *Measuring progress towards the Sustainable Development Goals*, United Nations, https://sdg-tracker.org/ (accessed on 10 October 2022). [20]

Sołoducho-Pelc, L. (2015), “Planning Horizon as a Key Element of a Competitive Strategy”, *Journal of Economics, Business and Management*, Vol. 3/2, pp. 161-166, https://doi.org/10.7763/joebm.2015.v3.174. [24]

The Editors of Encyclopaedia Britannica (2023), *Y2K bug*, Encyclopedia Britannica, https://www.britannica.com/technology/Y2K-bug (accessed on 10 October 2022). [29]

Toma, E. (2014), “Public Choice and Public Policy: A Tribute to James Buchanan”, *Southern Economic Journal*, Vol. 80/4, pp. 892-897, https://doi.org/10.4284/0038-4038-2013.306. [27]

UN General Assembly (2015), *Transforming our world: the 2030 Agenda for Sustainable Development*, A/RES/70/1, https://undocs.org/en/A/RES/70/1 (accessed on 10 October 2022). [18]

UN General Assembly (2005), *World Summit Outcome*, A/RES/60/1, https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_RES_60_1.pdf (accessed on 10 October 2022). [17]

UN General Assembly (2001), *Road map towards the implementation of the United Nations Millennium Declaration : report of the Secretary-General*, A/56/326, https://digitallibrary.un.org/record/448375?ln=fr (accessed on 10 October 2022). [16]

UN General Assembly (2000), *United Nations Millennium Declaration : resolution / adopted by the General Assembly*, A/RES/55/2, https://digitallibrary.un.org/record/422015?ln=es (accessed on 10 October 2022). [15]

UNED, S. (ed.) (2001), *Historia Antigua de España I: Iberia Prerromana, Hispania Republicana y Alto Imperial*. [2]

United Nations (n.d.), *IPSAS Accounting Manual website*, https://www.un.org/ipsas/index.html (accessed on 10 October 2022). [11]

Wildawsky, A. (1988), *The New Politics of the Budgetary Process*, Scott, Foresman and Company, United States. [4]

Notes

[1] Interestingly, the IPSASB is now considering standards for reporting of non-financial items on an area called “sustainability reporting”, https://www.ipsasb.org/focus-areas/sustainability-reporting (accessed in November 2022).

[2] A suspected coding bug in computers which would be activated when the date would change from 99.12.31 to 00.01.01. see (The Editors of Encyclopaedia Britannica, 2023[29]).

[3] EU press release of 22 November 2016 on “Sustainable Development: EU sets out its priorities” https://ec.europa.eu/commission/presscorner/detail/en/IP_16_3883

[4] Reference: SDG policy mapping, https://knowsdgs.jrc.ec.europa.eu/intro-policy-mapping

[5] SMART: Specific, Measurable, Achievable, Realistic, Timely.

OECD Journal on Budgeting

OECD Journal on Budgeting, Volume 2023 Issue 1

This issue consists of 4 articles: 1) OECD best practices for gender budgeting; 2) Costing policy proposals: Guidelines for independent fiscal institutions (IFIs); 3) OECD best practices for parliaments in budgeting; and 4) Transformational budgeting: Using the budget formulation process to implement new government agendas.

