

ORGANISATION
FOR ECONOMIC
CO-OPERATION
AND DEVELOPMENT



ORGANISATION DE
COOPÉRATION ET
DE DÉVELOPPEMENT
ÉCONOMIQUES

11th Annual Meeting of OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions

*Lisbon, Portugal
4-5 February 2019*

MEETING INFORMATION

Accommodation

The Portuguese Parliament has negotiated rates at the following hotels in central Lisbon:

“Marquês de Pombal” neighbourhood – the centre of modern Lisbon

- Altis Grande Hotel – This is a landmark 5 star hotel in Lisbon with a prime location in central Lisbon, 15-20 mins walk to the Parliament. Includes a spa and gym. €120-140 pp/pn
- Hotel Marquês de Pombal – This 4 star hotel is cozy, relaxed, and widely recognised for its excellent service and flexibility, 20-25 mins walk to the Parliament. Includes a gym and sauna. €102-116 pp/pn
- Hotel Tivoli Avani Avenida – This 4 star hotel is located on Avenida Liberdade, Lisbon’s main shopping street, 20-25 mins walk to the Parliament. Has a gym and possibility to access spa, outdoor pool and rooftop bar at the sister hotel next door. €115 pp/pn

“Campo Pequeno” neighbourhood – between the historical area and the business centre of Lisbon

- Hotel Grand VIP – This 5 star hotel is located in a building that, for many years, was the head-office of Portuguese National Television, 50 mins walk to the Parliament. Also has an outdoor swimming pool (seasonal) and spa. €89-99 pp/pn

Each participant is kindly requested to book the hotel of their choice using one of the reservation forms provided. The forms include more detailed information about prices, deadlines and contacts. The Altis Hotel has a more stringent deadline (28th December), but the others guarantee prices and rooms (subject to availability) until 10th or 11th January. After these dates the hotels may no longer guarantee preferential rates and availability.

Conference Transportation

A bus transfer service will operate on Sunday, Monday and Tuesday for participants staying in the hotels listed above. Details of the bus transfer service are provided below:

Date	Hotels	Meeting time	Details
Sunday 3 rd February	- Altis Grande Hotel - Hotel Marquês de Pombal - Hotel Tivoli Avani Avenida	4,45pm	Return transfer from hotels to the Belém Tower for a Welcome Reception hosted by the CFP and UTAO.

Monday 4 th February	- Altis Grande Hotel - Hotel Marquês de Pombal - Hotel Tivolu Avani Avenida	8.15am	Transfer from hotels to Parliament for the Annual Meeting.
	When the meeting closes at 6.15pm, buses will available to transfer delegates directly to the National Coach Museum for a tour, followed by a reception and dinner hosted by UTAO and the CFP.		
Tuesday 5 th February	- Altis Grande Hotel - Hotel Marquês de Pombal - Hotel Tivolu Avani Avenida	8.15am	Transfer from hotels to Parliament for the Annual Meeting.

Currency

The Euro is the official currency. 1 Euro = approximately 1.14 USD.

Entry Passes

Meeting badges can only be issued to registered delegates. For security reasons, delegates are requested to wear their badges visibly throughout the entire meeting and during related events. Each delegate should also carry personal identification with photo at all times.

Meeting Location

Conference sessions will take place in the Portuguese Parliament, at Palácio de São Bento, in Lisbon.

Registration Form

All Delegates must complete the registration form and return it to the OECD Secretariat via Ms. Hélène Leconte-Lucas by email at helene.leconte-lucas@oecd.org.

Social Programme

Sunday, 3 February - Welcome Reception

All Delegates are invited to a Welcome Reception at Belém Tower on the eve of the meeting at 18:00.

Monday, 4 February - Dinner at the National Coach Museum

At the conclusion of the first day of the meeting, all Delegates are invited to a dinner at the **National Coach Museum**.

Limits of the Market

Paul De Grauwe

Wonders of Capitalism

- Capitalism (market system) only system that has been capable of providing increasing material welfare for large parts of population.
- Why?
 - Freedom to produce and consume
 - Markets with competition
 - Free trade (globalisation)
- These three factors are responsible for innovation and technical progress
- Lifting material welfare to unseen levels.

Other systems have failed

- In particular communism has failed

Why?

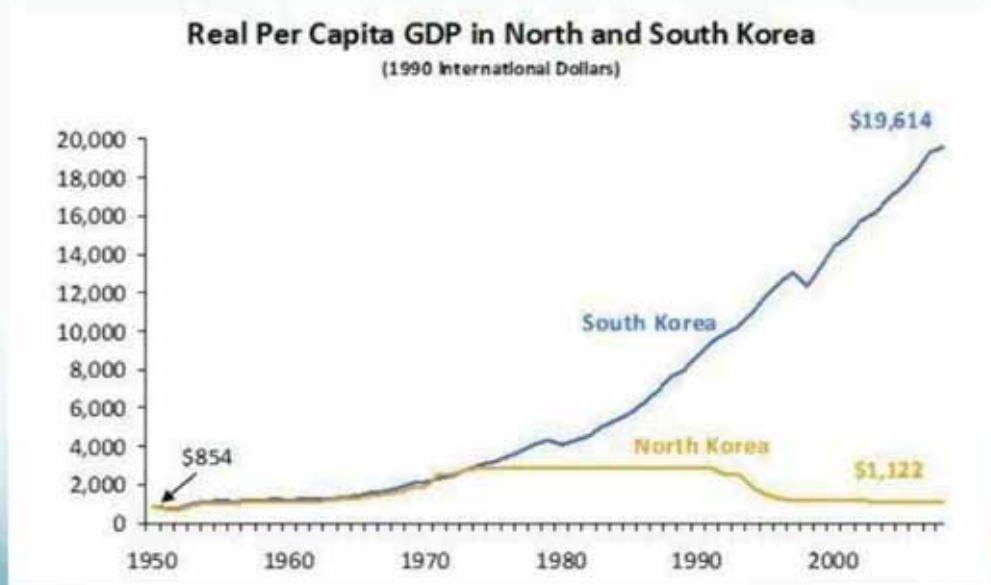
Centralisation of all economic decisions led to two problems:

- Intractable information problems
- Absence of incentives to work hard and to innovate

As a result:

- Very little technological changes
- Stagnation.

Contrast between 2 systems

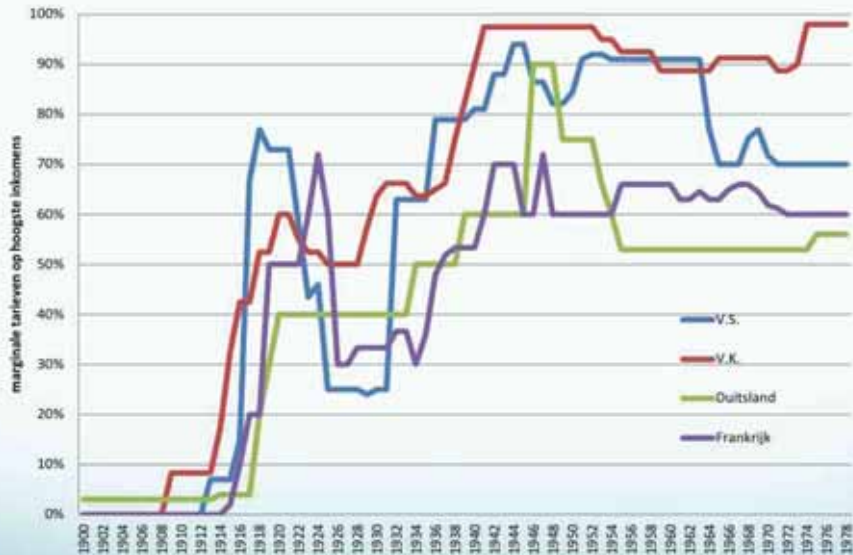


Cyclical movements capitalism

- If all is so well with capitalism why has it regularly been rejected, to be reinstated later?
- History of capitalism is one of cyclical movements.
- Periods of strong growth of capitalism:
 - Second half 19th century
 - 1980-2008.

- Each time capitalism becomes victim of its own success and hits its limits.
- Governments take over.
- This happened in the early 20th Century and especially after Great Depression:
 - Large parts of the world turned to Communism,
 - Elsewhere governments took over command of economy.

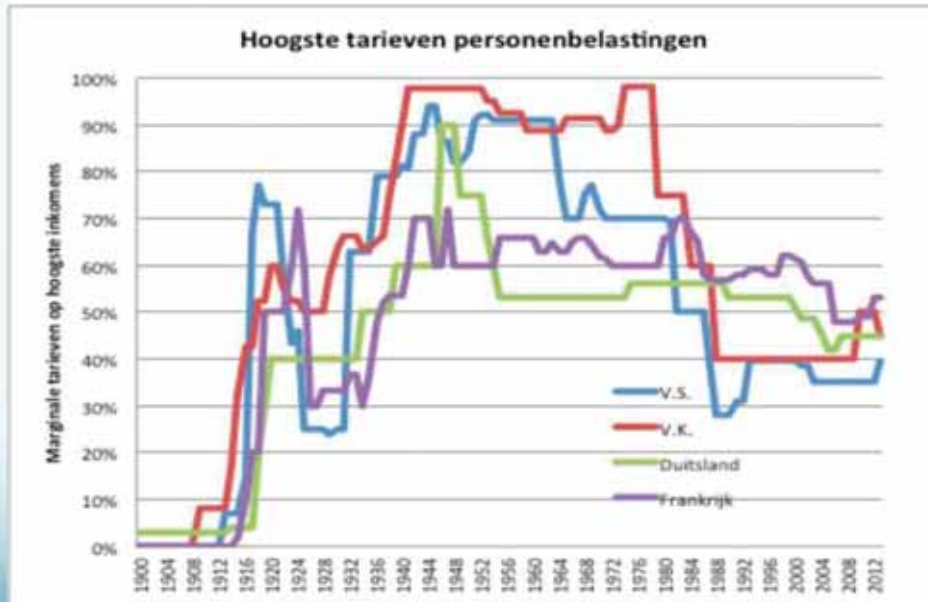
Hoogste tarieven personenbelastingen



Bron: Piketty, Capital in the 21st Century

Cyclical movements

- Cyclical movements do not end when governments take over.
- These governments in turn hit their limits as during the 1970s
- From 1980s triumphant return of markets



- Markets and governments seem to permanently circle around each other,
 - Ready to take over when the other fails
 - to be pushed away by the other again.

Questions I want to raise

- What are the limits that constrain the evolution of the market and that make its success temporary?
- And what are the limits of the state that each time lead governments to retrench from the economy?
- Are we condemned to repeat these cyclical movements in the expansion and contractions of markets and governments?
- Is there a magic equilibrium possible between these two systems?

Origin of the limits of the market

- Limits arise **because individual rationality and collective rationality are not in tune.**
- In contrast with the “invisible hand” of Adam Smith
- I will make a distinction between
 - External limits
 - Internal limits

External limits

- Very generally: individuals do not take into account the external effects of their decisions
- Example of polluting firm
 - Creates costs outside the firm (external costs)
 - And does not take these external costs into account in calculating the cost of what it produces
 - Nothing in market system forces firms to take these external costs into account
 - These costs are not “internalized”

Climate change

- Extreme example of this problem
- Because most of the external costs cross the borders making it impossible to allocate the costs to all those who are responsible for them.
- CO2 emission uncontrollable.

Internal limits

- Kahneman:
 - System I: emotional dimension
 - Love, hatred, fear, sense of justice (fairness)
 - System II: calculating and rational
 - Computes costs and benefits of individual decisions
 - System I is fast; system II slow and “lazy”
 - Interaction between two systems (Damasio)
 - Balance between two systems necessary to make us happy.
- Market system calls upon rational and calculating capacity of individuals (system II).
 - These react to financial incentives and competition.
- When market system expands rational capacities gain in importance.
- They become the sole criterion of individual success.

- Other individual characteristics of the emotional System 1 are repressed.
 - Many people who care about fairness in income and wealth distribution, who have intrinsic rather extrinsic motivations and for whom cooperation matters
 - are dissatisfied by a system that does not attach importance to these motivations..
- Market system produces a lot of material welfare,
- but represses feelings that matter to make individuals happy

Individual and collective welfare (again)

- All this can be summed up as follows: expansion of market leads to widening gap between individual and collective welfare
- Result: system is rejected; it is perceived as unfair, cold and brutish.
- Social consensus that free market system needs for its survival is undermined.
- Growing income and wealth inequality makes this outcome increasingly likely..

Self-destroying success

- When market system hits its limits the state is strengthened.
- Dynamics is created that shrinks the market,
 - when market system leads to destruction of environment
 - when inequality becomes unacceptable.
- There is something self-defeating in market system.

Absence of self-regulations

- Capitalism is not capable of self-regulation that will prevent hitting its limits.
- These regulatory systems can only be created and maintained by governments. .

How to marry individual and collective rationality?

- Essence of the theory
 - Tax those who generate external costs; this forces them to internalize these costs.
 - Redistribution of income and wealth
 - Social security and social investment
- This is necessary to save capitalism

Knowledge insufficient for action

- We know what should be done
- But will it be done?
- Not necessarily, because governments also hit their own limits
 - These make it difficult to impose the collective good on individuals who only care about their private welfare.
- Also in politics there is wide gap between collective and individual rationality.

Limits to political system

- Individual interests fight governments that want to promote collective welfare.
- This reduces the capacity of governments to act.
- And creates danger that governments are instruments of individual interests.

Democracy: least bad system

- Challenge: bridge the gap between individual and collective rationality.
- Difficult but chances of success greatest in democratic systems.
 - In these systems consensus building about what should be done easiest.
 - Allows for bottom-up pressure from the people towards the politicians so as to force them to do something about environment and inequality
- Democracy is fragile: when liberal economic systems hit limits they invite authoritarianism

- Authoritarian systems fail dismally
 - Private interests infiltrate these political systems much more than democratic systems.
 - Result: discrepancy between private and collective interests is much larger than in democratic systems.
 - Weak bottom-up pressure

Cyclical movements between market and state

- History of last 200 years: cyclical movements in power of markets versus governments.
- Question is: will this history repeat itself?
- If so: will the recent expansion of the market be temporary and lead to a return of the state as the leading force in the economy?

Is this likely to happen?

- I would say yes,
 - It will be very difficult to control the environmental effects of economic growth.
 - Negative environmental effects threaten to become so overwhelming that they will destabilize societies.
 - Similarly growing inequality will lead to political upheaval
- Authoritarian political systems are likely to take over the commands of the economy.

Conclusion

- Future looks somber
- But this should not be reason for despair.
- Our grandchildren will not forgive us
 - if we do not act today to avoid environmental catastrophes
 - If we fail to making system fairer.
- We are condemned to act.
- Action will have to be on many fronts

- Let me make just a few suggestions
 - Moratorium on structural reforms:
 - Structural reforms have been ill-designed, top down attempts to push more market forces through the throats of millions of people
 - who reject these because they hurt
 - They now turn to populists who promise to deconstruct these reforms
 - Boost public investment
 - They are needed for the environment
 - They are needed for social stability (example: social housing)

- We have to free ourselves of dogmas
- One such dogma: balanced budget, i.e. no bond financing of investments
 - All investments should be financed by current revenue
 - No well run company follows such a rule
- Result of this idea is that governments are reducing their responsibility to provide essential public goods (infrastructure, energy investments, environmental investments, social investment)

Why public investments should be financed by issuing debt

- Public investments generate benefits for future taxpayers
- Balanced budget rule forces governments to present the full cost of public investment to current taxpayers
 - Through higher taxes
 - And/or less spending
- This creates much resistance from current taxpayers and gives little incentives to politicians to invest

- Bond issue solves this problem:
 - By financing investment with bonds
 - Interest costs are spread over time
 - So that the future benefits and costs are better aligned
- Objection: government debt is too high in many EU countries
- Answer: what matters is net debt
- We have to look at assets and liabilities in government balance sheet

- Policy-makers should set aside
 - their fears and their dogmas
- and start massive public investment programs
 - in the physical and social environment



Parliamentary
Budget Office

Jenny Wilkinson
Parliamentary Budget Officer, Australia
February 2019

Understanding the fiscal impacts of tax policies: the PBO contribution

Presentation to OECD Network of
Parliamentary Budget Officials

Purpose of the Australian Parliamentary Budget Office

The PBO seeks to **inform** and **improve** the public policy debate, by providing independent and non-partisan analysis of fiscal policy.

The PBO services the parliament and the public:

- confidential advice is provided to parliamentarians
- publicly available advice is provide to parliamentary committees
- independent research and analysis is published by the PBO

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Scope of PBO functions

- To provide estimates of the **fiscal impact**, over the short and medium term, of policy proposals to change Commonwealth expenditure and taxation arrangements
- To **improve transparency** around fiscal policy settings and budget proposals through the provision of budget analysis and independent research
- To publish the aggregate fiscal implications of the **election commitments** of major parties

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PBO analysis of tax policies

Three broad categories of analysis:

**Policy proposals
from individual
parliamentarians**

Includes new tax measures
and amending existing
measures

**Research into
specific tax
matters**

Includes analysis of
medium-term projections,
sustainability issues and
distributional analysis

**Legislation
put before
parliament**

Includes providing
supplementary information
and analysis of amendments

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PBO aims to be transparent about budget implications

- Budget impacts are analysed over the **medium term** (budget year plus ten years)
- Key **assumptions** and costing **methodologies** clearly outlined, including behavioural responses
- **Uncertainties** associated with analysis are explained
- **Distributional analysis** is provided, where requested and available
- Broader economic effects generally not incorporated in analysis, but source and direction of impacts are discussed

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Adequate resourcing is critical

Reliable and credible analysis of tax policies requires:

- access to **tax data** at aggregated and individual level
- access to **tax models** used within government – both microsimulation models and aggregate projection models
- **capability** to build and run a wide range of tax models
- excellent **understanding** of tax policy frameworks and current tax policies, including the **interactions** between different policies
- understanding of the evidence on **behavioural** responses
- careful **quality assurance** and **judgement**

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PBO resourcing for tax policy analysis

- 10 staff dedicated to tax policy proposal analysis
- 2 staff dedicated to tax policy research
- a *Memorandum of Understanding* between the PBO and government departments that provides access to all of the data and models used within government, including taxation models used to produce budget estimates
- Individuals with SAS modelling skills, and IT equipment capable of managing large databases

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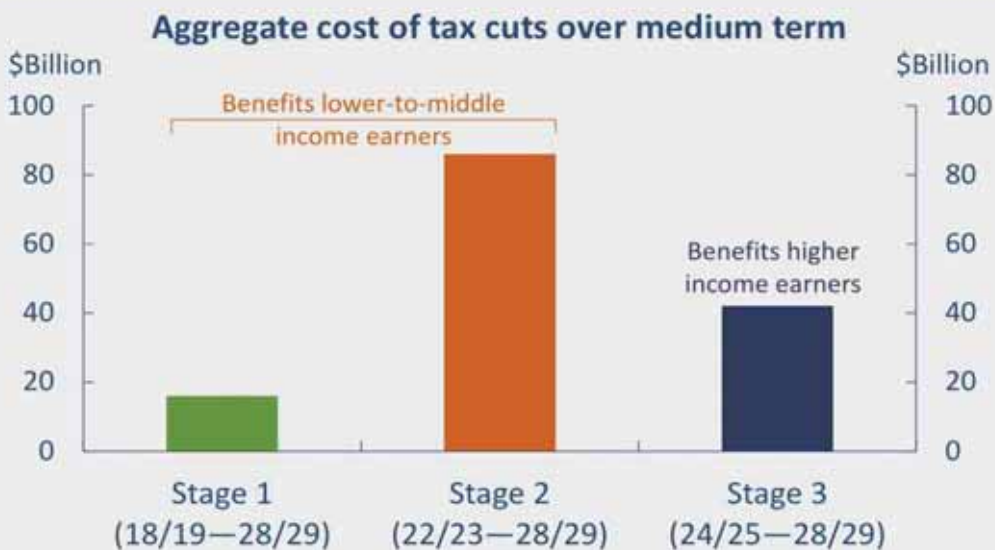
Case study: 2018 Personal income tax plan

2018 Government proposal to cut personal income taxes

- To be implemented over seven years:
 - Stage 1 (from 1 July 2018): relief for low-to-middle income earners
 - Stage 2 (from 1 July 2022): reduce impact of ‘bracket creep’
 - Stage 3 (from 1 July 2024): simpler and flatter taxes
- Budget papers published the fiscal impact for each year over the **forward estimates** (2018/19 – 2021/22) and the aggregate impact over the **medium term** (2018/19 – 2028/29)
- Some distributional analysis released

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The Government published aggregate impacts over the medium term



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Opposition and crossbench parties requested supplementary information

Ahead of parliamentary debate, PBO received requests for:

- year-by-year budget impact of **each component** of the tax package
- year-by-year budget impact over the **medium term**
- distributional analysis of the impact of the package by:
 - income
 - gender

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Different start dates implied annual impacts differed from aggregate impacts

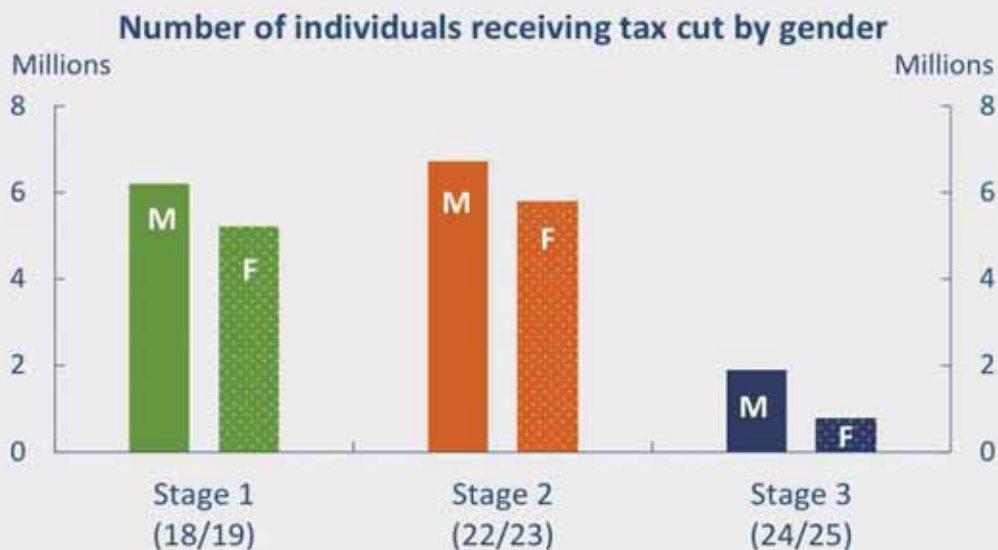
Annual costs of tax cuts



Source: PBO costing – Personal income tax plan (advice provided to Senator Ketter, 5 June 2018)

Parliamentary Budget Office | 12

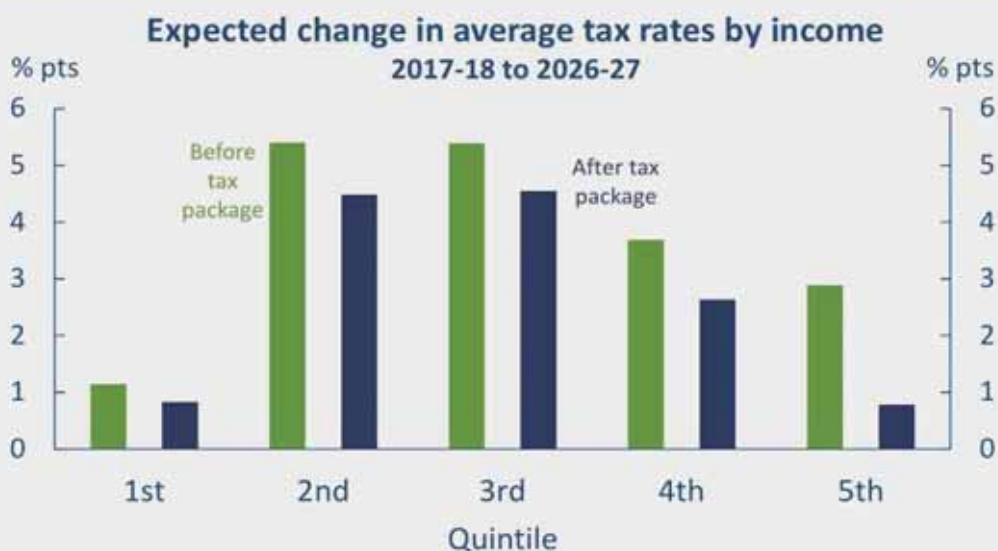
Benefits of tax cuts differed by gender



Source: PBO costing – Personal income tax plan (advice provided to Senator Ketter, 13 June 2018)

Parliamentary Budget Office | 13

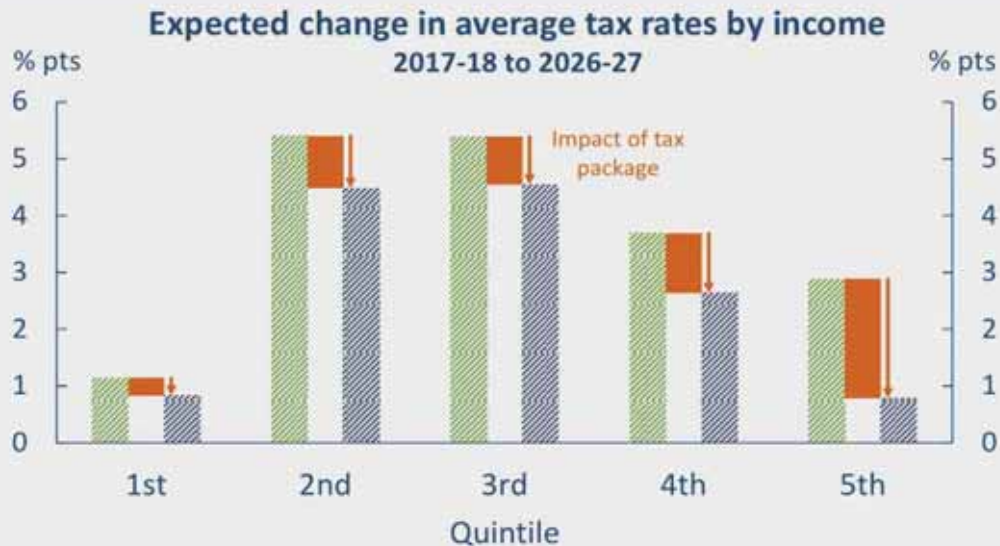
PBO distributional analysis illustrated impact on average tax rates



Source: PBO – 2018-19 Budget: medium-term budget projections (6 September 2018), Figure 3-4

Parliamentary Budget Office | 14

PBO distributional analysis illustrated impact on average tax rates



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Benefit of PBO analysis

- Credible, independent, timely source of information to inform the parliamentary debate
- Enhances the Parliament's understanding of the budget and distributional impacts of the proposal tax cuts
- Provides parliamentarians with access to information they would previously not been able to access, including information about amendments they were proposing
- Personal income tax plan eventually passed Parliament, with the support of nine of the 10 crossbenchers

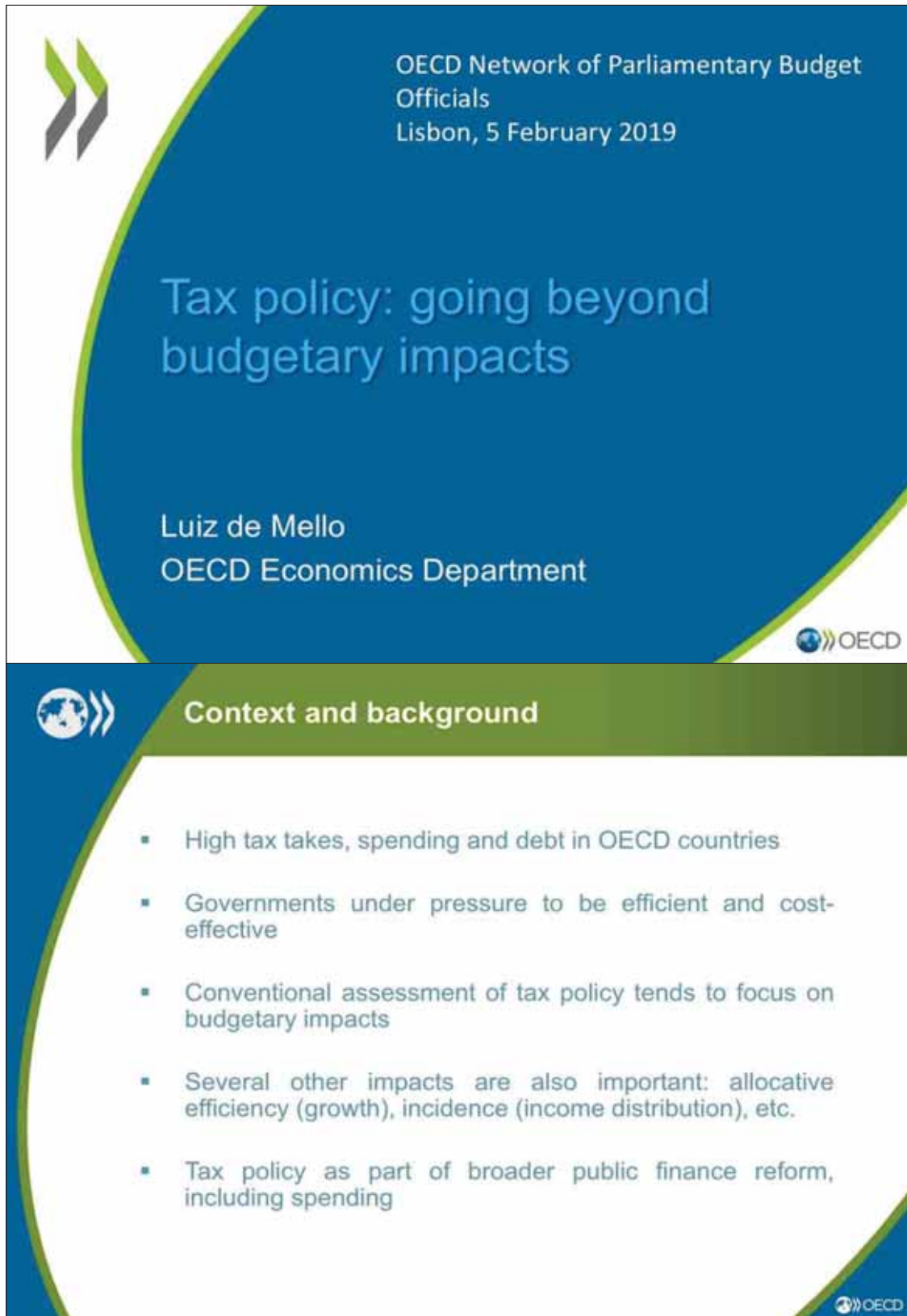
Parliamentary Budget Office | 16


Thank you

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 OECD Network of Parliamentary Budget Officials
Lisbon, 5 February 2019


Tax policy: going beyond budgetary impacts

Luiz de Mello
OECD Economics Department

 OECD

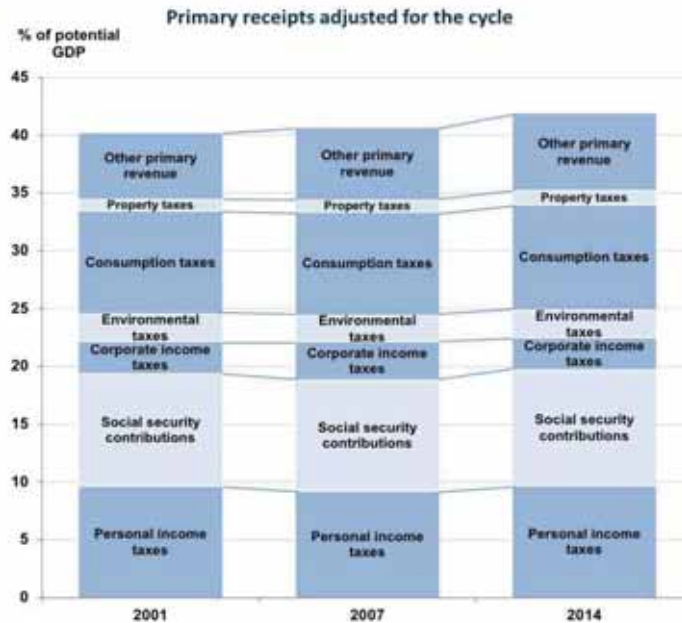
 **Context and background**

- High tax takes, spending and debt in OECD countries
- Governments under pressure to be efficient and cost-effective
- Conventional assessment of tax policy tends to focus on budgetary impacts
- Several other impacts are also important: allocative efficiency (growth), incidence (income distribution), etc.
- Tax policy as part of broader public finance reform, including spending

 OECD



The tax take has risen gradually



Source: OECD Public Finance Dataset (Bloch et al., 2016), 2018 update.

OECD



No linear link between size and efficiency



Source: Fournier and Johansson (2016) and 2018 update of Bloch et al.'s (2016) database.

OECD



OECD inputs to tax reforms

Estimate long-term effects of policy reforms on

- Output per capita
- Household disposable income by decile allowing to gauge
 - Moves relative to other deciles
 - Changes in absolute income levels by decile

With econometric regressions

- Production function framework for output
- Estimation by decile
- Long-term effects (after cyclical impacts have played out)

On an internationally comparable dataset

- Covers 35 countries over 1985-2014
- Adjusts for cyclical effects

OECD



Tax policy has long-term growth and distributional effects

Permanent percentage effect on output per capita of a tax change
(unchanged overall government spending and revenue)



Note: The magnitude of the tax changes is the standard deviation for each country averaged across countries. The brackets show 10% confidence intervals.

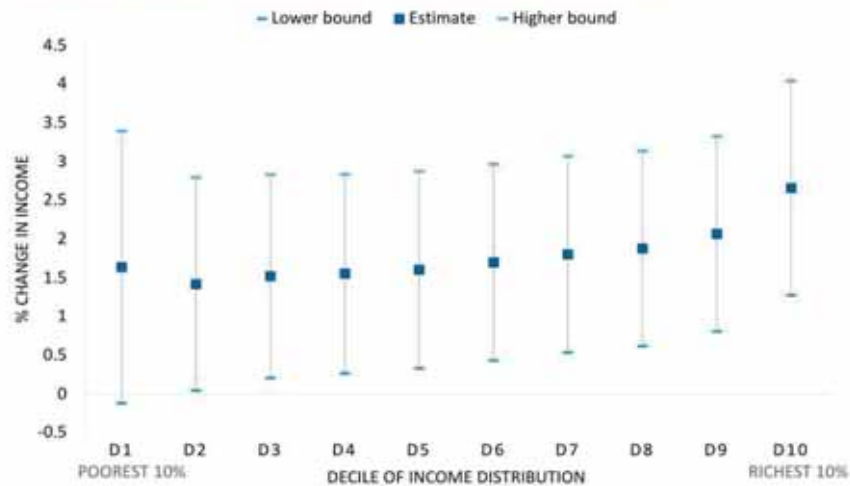
Source: Courmède, Fournier and Hoeller (2018).

OECD



Distributional effects: net wealth taxes

Estimated long-term change in disposable income after permanently reducing net wealth tax receipts by 0.1% of GDP while increasing other taxes



Note: the bounds delineate 90% confidence intervals.

Source: Cournède, Fournier and Hoeller (2018).

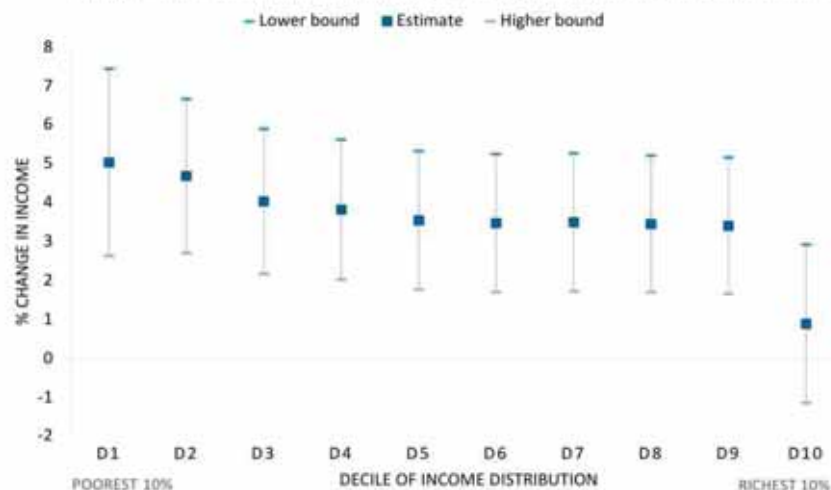
OECD



Distributional effects: inheritance taxes

Estimated long-term effect on disposable income of a large tax-mix shift involving increases in inheritance taxes allowing proportionally cuts in other taxes

A large tax-mix shift is defined as having a 10% probability of being observed over 20 years



Note: the bounds delineate 90% confidence intervals.

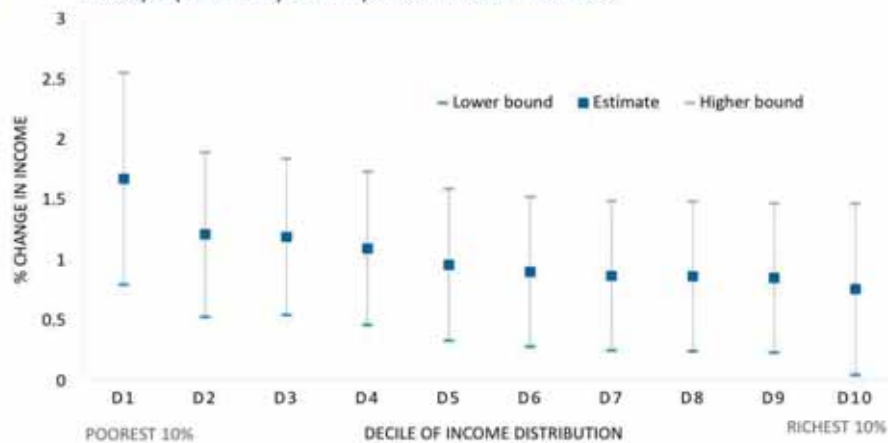
Source: Cournède, Fournier and Hoeller (2018).

OECD



Distributional effects: tax on low-wage earners

Estimated long-term effect on disposable income of reducing the labour tax wedge applicable at 67% of average income by one percentage point while increasing other taxes proportionally to compensate the revenue loss



Note: the bounds delineate 90% confidence intervals.

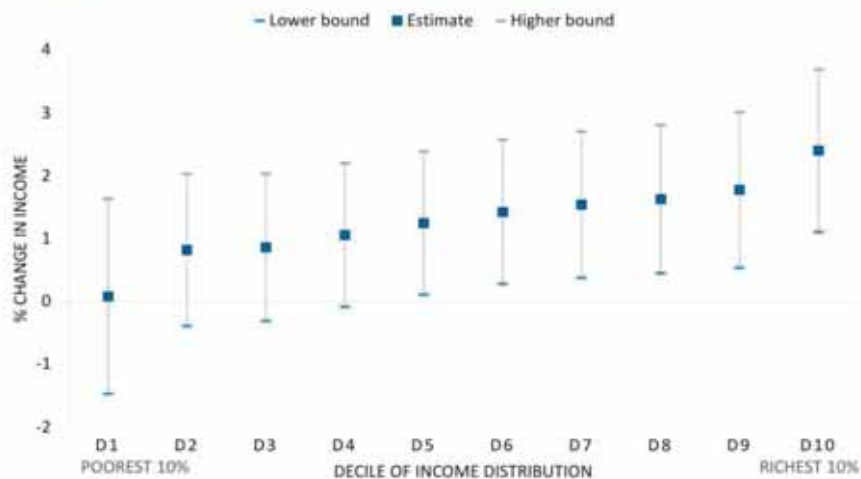
Source: Cournède, Fournier and Hoeller (2018).

OECD



Shifting spending away from subsidies boosts output but only raises above-average incomes

Estimated long-term change in disposable income after permanently reducing subsidies by 0.1% of GDP while increasing other spending items



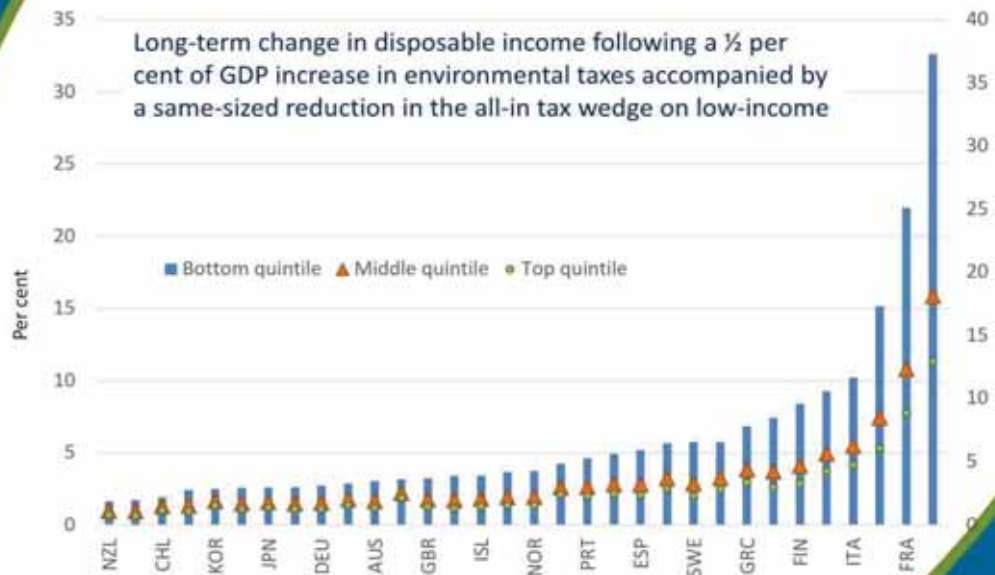
Note: the bounds delineate 90% confidence intervals.

Source: Cournède, Fournier and Hoeller (2018).

OECD



Understanding distributional impacts helps to design reform packages

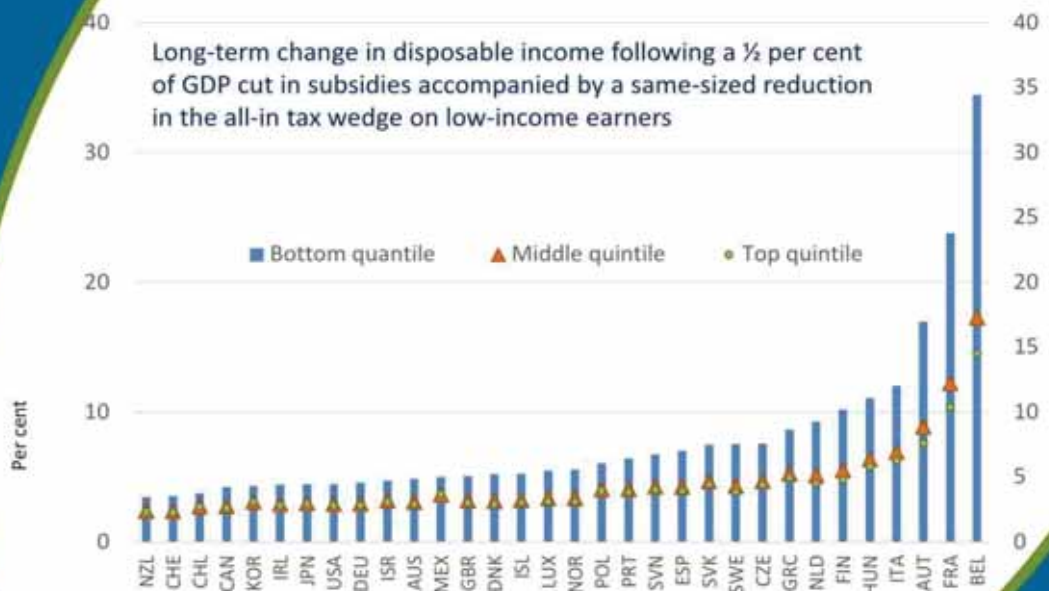


Source: Cournède, Fournier and Hoeller (2018).

OECD



Another example: combining subsidy cuts with a reduction in the low-income tax wedge



Source: Cournède, Fournier and Hoeller (2018).

OECD



Political economy of tax reforms

Reduce disposable income disparities

- Ease effective marginal tax rates on low-income earners
- Hike inheritance taxes

Leave disposable income disparities broadly unchanged and improve absolute income levels for all

- Increase public investment
- Raise recurring property taxes
- Lower effective corporate income tax rates

Widen income disparities, but leave no group worse off in terms of absolute income

- Reduce subsidies,
- Lower wealth taxes
- Lighten the tax burden on above-average labour earnings

OECD



Thank you

OECD



These reports provide additional results and more detail on the analysis

- Cournède, B., J.-M. Fournier and P. Hoeller (2018), "Public Finance Structure and Inclusive Growth", OECD Economic Policy Paper, No. 24, OECD Publishing, Paris.
- Akgun, O., D. Bartolini and B. Cournède (2017), "The Capacity of Governments to Raise Taxes", OECD Economics Department Working Papers, No. 1407, OECD Publishing, Paris, <http://dx.doi.org/10.1787/6bee2df9-en>.
- Akgun, O., B. Cournède and J. Fournier (2017), "Effects of the Tax Mix on Inequality and Growth", OECD Economics Department Working Papers, No. 1447, OECD Publishing, Paris, <http://dx.doi.org/10.1787/c57eaa14-en>.
- Fournier, J. (2016), "The Positive Effect of Public Investment on Potential Growth", OECD Economics Department Working Papers, No. 1347, OECD Publishing, Paris, <http://dx.doi.org/10.1787/15e400d4-en>.
- Fournier, J. and A. Johansson (2016), "The Effect of the Size and the Mix of Public Spending on Growth and Inequality", OECD Economics Department Working Papers, No. 1344, OECD Publishing, Paris, <http://dx.doi.org/10.1787/f99f6b36-en>.

Look up your country on the interactive map
<http://oe.cd/pfig>



CPB Netherlands Bureau for Economic Policy Analysis

Tax policy and its economic and budgetary impacts: The Dutch case

Sander van Veldhuizen



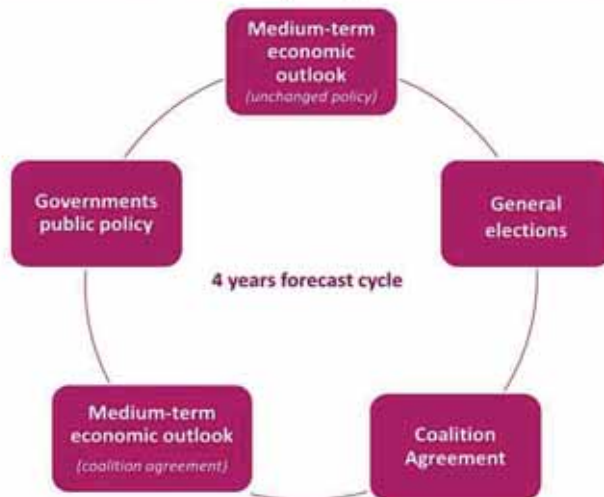
CPB Netherlands Bureau for Economic Policy Analysis

Contents

- **Macroeconomic forecasting at CPB**
- CPBs toolkit
- Two case studies



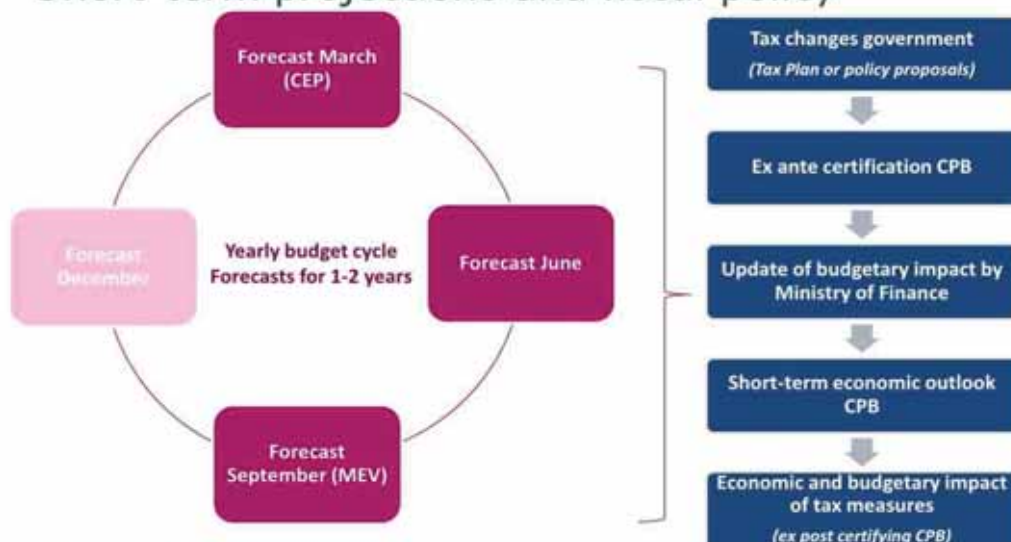
Medium-term projections and fiscal policy



CPB Netherlands Bureau for Economic Policy Analysis



Short-term projections and fiscal policy



CPB Netherlands Bureau for Economic Policy Analysis



Contents

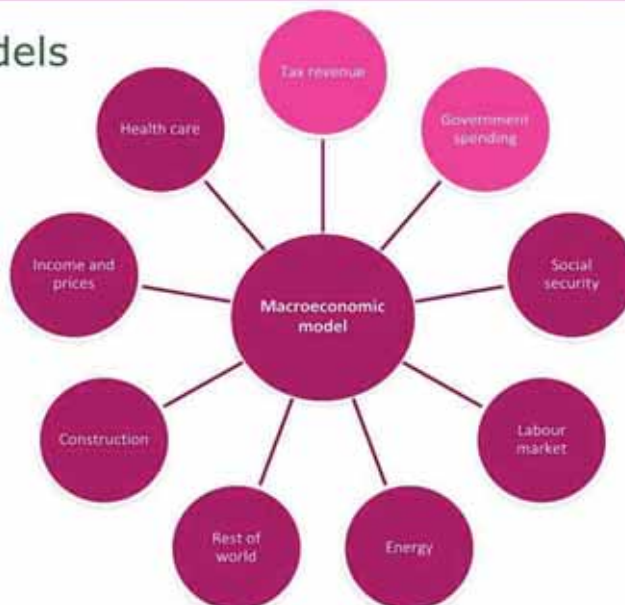
- Macroeconomic forecasting at CPB
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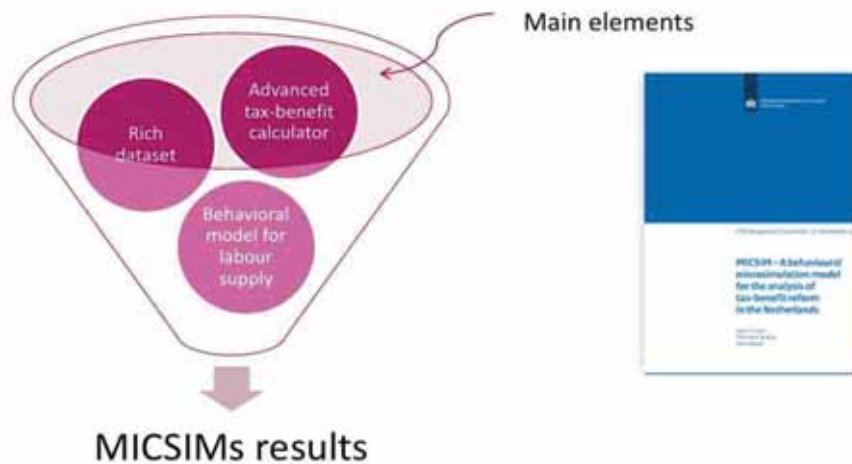
CPBs models



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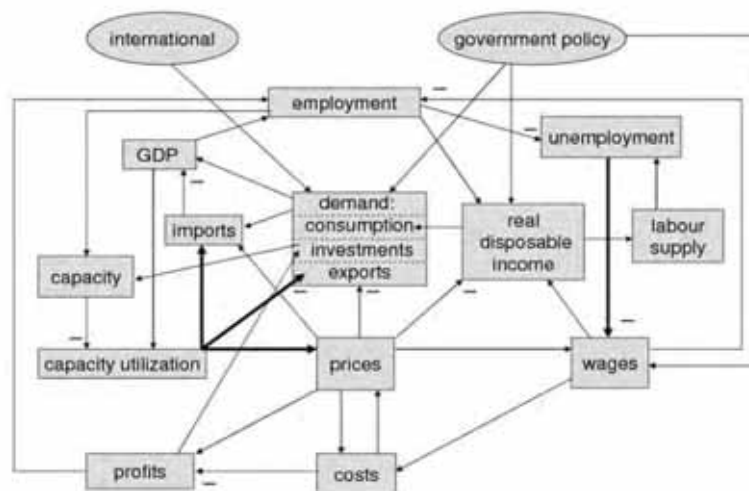
MICSIM



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SAFFIER



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Experts



CPB Netherlands Bureau for Economic Policy Analysis



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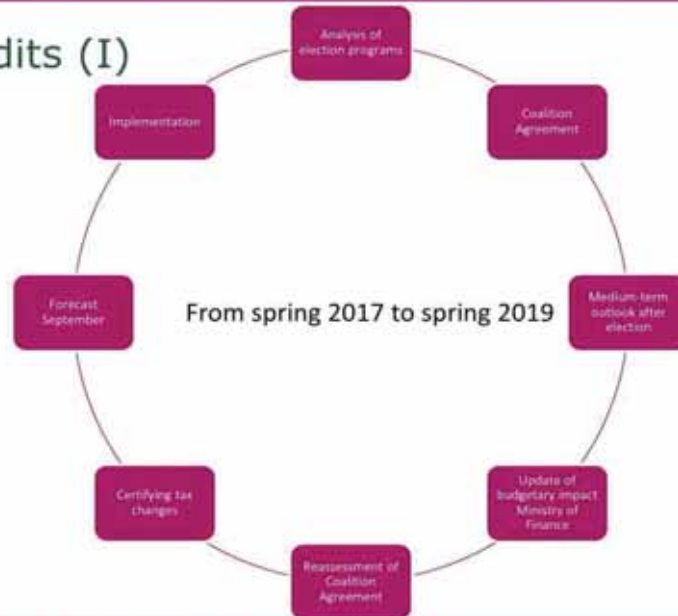


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Tax credits (I)



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Tax credit (II)



General tax credit

- Budgetary impact: €1.5 billion
- Structural employment +0.1%
- Small negative impact on hours worked (income-effect)
- Small increase in productivity
- Income inequality increased



Specific tax credit

- Budgetary impact: €1.5 billion
- Structural employment +0.2%
- More participation of lower income groups
- Decrease in productivity -0.1%
- Income inequality decreased

CPB Netherlands Bureau for Economic Policy Analysis



Thank you for your attention

CPB Netherlands Bureau for Economic Policy Analysis



ufficio
parlamentare
di bilancio

upB

Budget situation in Italy and role of the PBO

Flavio Padrini
Head of the Public Finance Division
11th Annual Meeting of the OECD Network of Parliamentary
Budget Officials and Independent Fiscal Institutions
Lisbon, 4th February 2019

1

What happened? September/October

- Government presented the macro-fiscal strategy (1.5% growth and 2.4% deficit ratio in 2019)
- **During parliamentary hearing on the macro-fiscal strategy, PBO did not endorse macroeconomic forecasts and provided negative assessments of the fiscal strategy**
- Government did not change macro-fiscal strategy; Parliament gave the go-ahead
- **European Commission (COM) listed PBO's non-endorsement as one of the reasons for asking a revised draft budgetary plan (DBP)**

 upB 

2

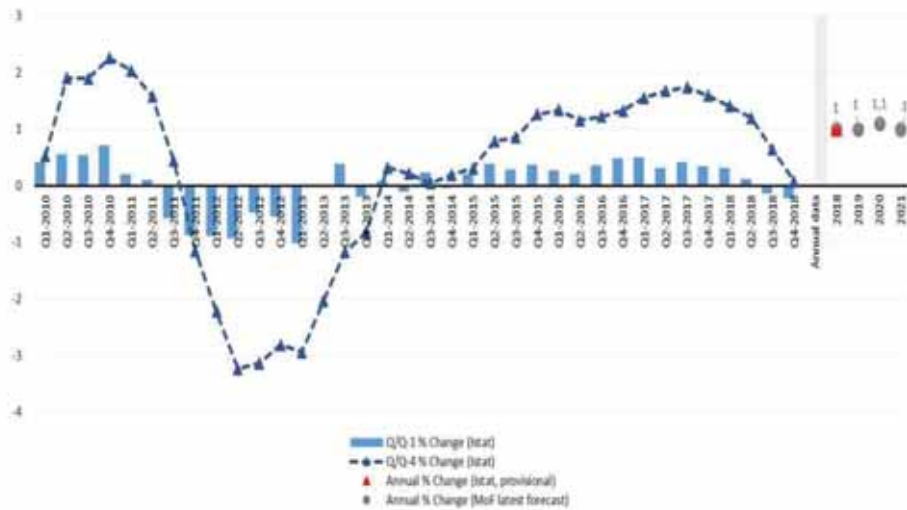
What happened? October/November

- Revised DBP basically the same as the original one (except for very high privatisation receipts contributing “ex-ante” to the decline of the debt ratio)
- **During parliamentary hearing on the Budget Bill, PBO reiterated the risks of the budget strategy, specifically on some specific measures (notably pensions)**
- COM announced intention to open an EDP
- Discussion in Italy on whether the Budget Bill was actually constitutional (balanced-budget rule in the Constitution)
- In all this, interest rates increasing and staying high
- At the end, the Government decided to negotiate with COM deficit targets more in line with fiscal rules and embedded in a more realistic macroeconomic scenario

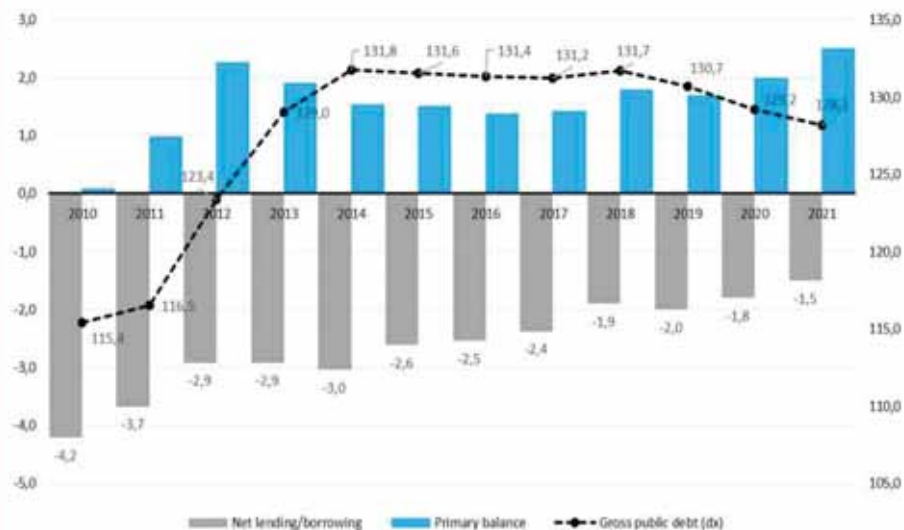
What happened? December/January

- Agreement reached in December (1% growth and 2% deficit ratio in 2019)
- **During parliamentary hearing on the agreement, PBO gauged real growth assumption as still high but the nominal one as plausible; fiscal strategy more in line with fiscal rules and more sustainable but a number of risks remain**
- Budget Law approved by Parliament thereafter
- Government decree on pension and minimum income presented last week (**PBO hearing tomorrow**)

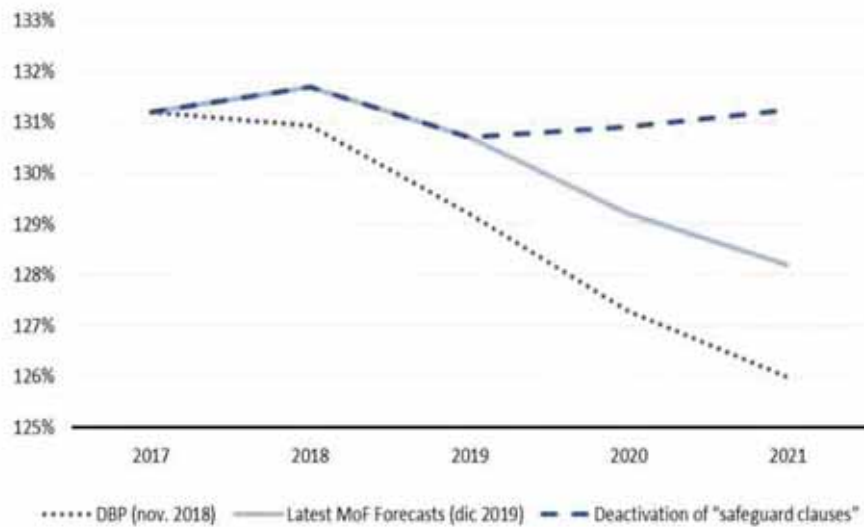
Macro forecasts optimistic by now



Fiscal strategy appears sustainable....




...but a number of risks remain




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PARLIAMENT OF NEW SOUTH WALES
PARLIAMENTARY BUDGET OFFICE

Katie Hill
11th Annual Meeting of the OECD network of PBOs and IFIs
Lisbon, Portugal
4-5 February 2019



New South Wales context



- NSW is Australia's largest State economy
- Government revenues \$81.76 billion
- Government expenses \$80.66 billion
- Fastest growing state economy in Australia, gross state product of A\$557.9 billion in 2016–17, a third of national gross domestic product
- Government expected to spend \$89.7 billion over the next four years on infrastructure
- NSW has no debt and is a net lender (General Government Sector), with a AAA credit rating

Parliament of New South Wales • Parliamentary Budget Office



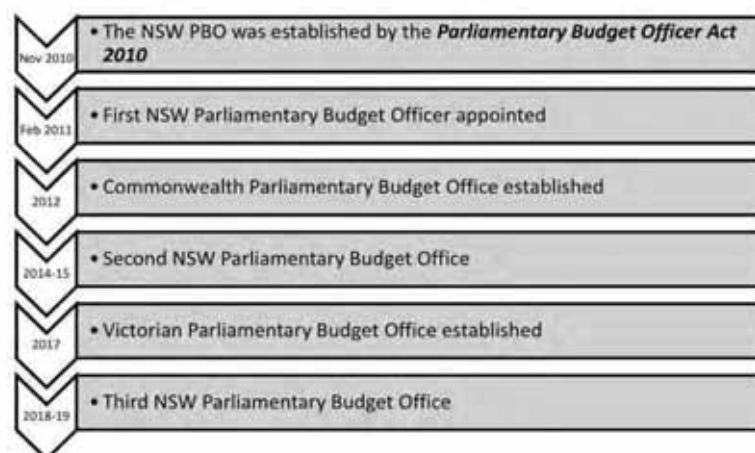
PBO- 1 year in 4 years

- NSW has fixed Parliamentary terms:
 - Elections are held the third Saturday in March every four years
 - Next Election is 23rd March 2019
- NSW Parliament took the view it needed a PBO only in the lead-up to elections.
- NSW PBO is appointed for a term starting in September every fourth year in advance of the election.

Parliament of New South Wales • Parliamentary Budget Office



Establishment of Parliamentary Budget Offices in Australia



Parliament of New South Wales • Parliamentary Budget Office



Current NSW Parliamentary Budget Officer Stephen Bartos



- Appointed for 2015 election and re-appointed for 2019 election
- Former Commonwealth Finance department Deputy Secretary and head of Budget Group
- Also previous Professor of Governance and economics consultant
- Publishes regularly on public policy and finance

Parliament of New South Wales • Parliamentary Budget Office



What does the NSW PBO do?

The NSW PBO has two principal functions:

1. Costs “announced or proposed” election policies for the Premier and Leader of the Opposition.
2. Publishes Budget Impact Statements 5 days before the election.

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Costings (1)

- A costing is the best estimate of the impact of a proposed policy on the forward estimates (that is, the current budget year, 2018-19, and the next three years)
- Considers expenses, revenues, capital, net lending
- Spells out all the assumptions needed to work out the costs of a policy
- Costing can include a ten year impact, usually for major infrastructure projects and revenue

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Costings (cont)

How does the PBO cost a policy?

- The PBO staff review policies to determine whether the PBO requires further information from a Government agency to prepare the costing.
- Agencies are obliged to provide information unless there is an overriding public interest against disclosing this information.
- With agency information, the PBO prepare independent advice, outlining the key assumptions, calculation methods and models used to prepare the costing.

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Budget Impact Statements (2)

- Two Budget Impact Statements are prepared, Government and Opposition
- The Statements list all policies (spending, savings, revenue increases, revenue decreases) and show the impact of these on the forward estimates
- The NSW PBO uses a Pre-Election Budget Update issued by Treasury as the starting point for the Statements

Parliament of New South Wales • Parliamentary Budget Office



OECD Principles for Fiscal bodies

Principle	Role of the NSW Parliamentary Budget Office
Manage Budgets within clear, credible and predictable limits for fiscal policy.	<ul style="list-style-type: none"> • Prepare Budget Impact Statements over a four year period for the two major political parties in NSW
Closely align budgets with the medium-term strategic priorities of government.	<ul style="list-style-type: none"> • Ensure Budget Impact Statements accurately reflect policies of both political parties
Design the capital budgeting framework in order to meet national development needs in a cost-effective and coherent manner.	<ul style="list-style-type: none"> • While the PBO does not have a direct role, it provides input into capital budgeting through the preparation of costings relating to infrastructure projects that impact on capital expenditure.
Ensure that budget documents and data are open, transparent and accessible.	<ul style="list-style-type: none"> • All announced costings of election policies are published on the PBO website. • Budget Impact Statements are published on the PBO website.
Provide for an inclusive, participative and realistic debate on budgetary choices	<ul style="list-style-type: none"> • Published Costings and Budget Impact Statements support informed discussion on policies. • The PBO is an independent office that has a mandate to request advice from Government agencies and prepare independent costing models.

Parliament of New South Wales • Parliamentary Budget Office



OECD Principles for Fiscal bodies (contd)

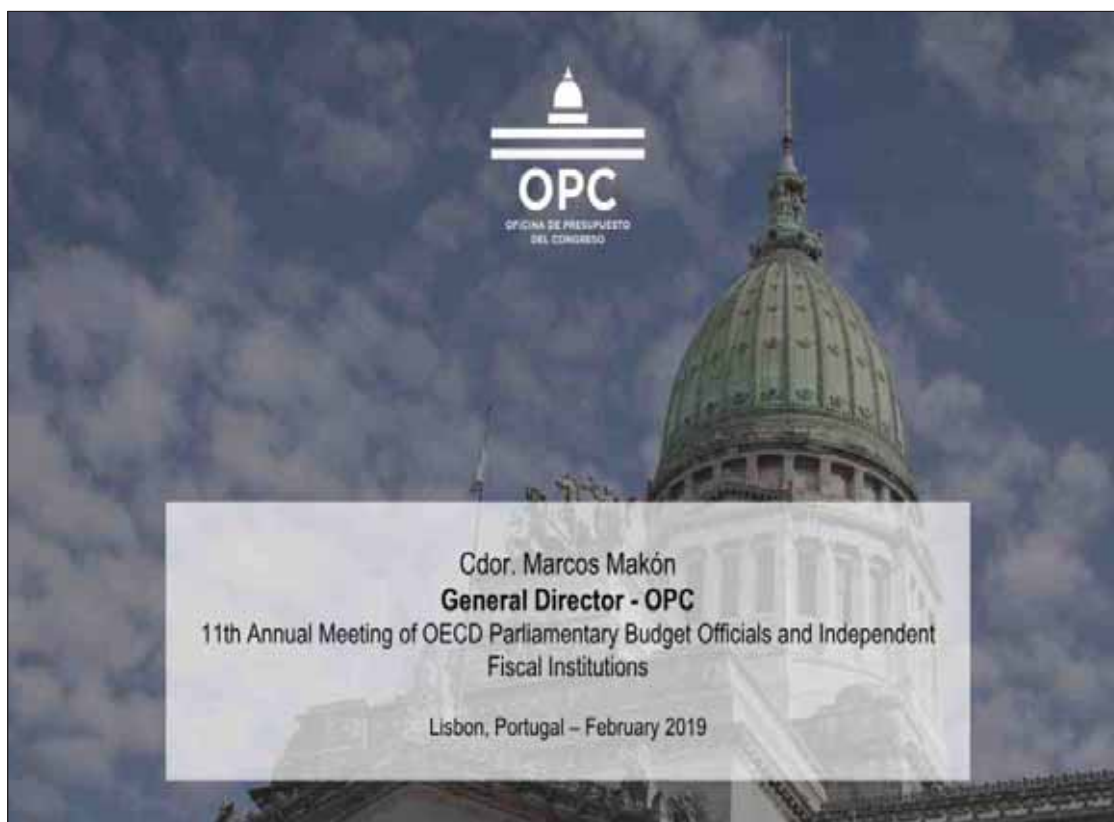
Principle	Role of the NSW Parliamentary Budget Office
Present a comprehensive, accurate and reliable account of the public finances.	<ul style="list-style-type: none"> The Budget Impact Statements support the preparation of the incumbent Government's budget following the election.
Actively plan, manage and monitor budget execution.	<ul style="list-style-type: none"> The PBO plays an active role in budget execution during an election year through the preparation of the Budget Impact Statements. The Statements are built on advice from the current Government with input from the PBO's costing of election policies.
Ensure that performance, evaluation and value for money are integral to the budget process.	<ul style="list-style-type: none"> While the PBO does not provide comment on the merits of a policy, assumptions used to determine the costing will provide information for the general public to make their own determination of the policy.
Identify, assess and manage prudently longer-term sustainability and other fiscal risks.	<ul style="list-style-type: none"> The assumptions used to prepare costings will outline risks and reference longer term or second round effect impacts of a specific policy.
Promote the integrity and quality of budgetary forecasts, fiscal plans and budgetary implementation through rigorous quality assurance including independent audit.	<ul style="list-style-type: none"> Through the costing process, the PBO provides independent financial analysis of policies and provides an independent audit of sorts of the state accounts immediately before an election.

Parliament of New South Wales • Parliamentary Budget Office



Questions and Answers

Parliament of New South Wales • Parliamentary Budget Office



OPC
OFICINA DE PRESUPUESTO
DEL CONGRESO

Cdor. Marcos Makón
General Director - OPC
11th Annual Meeting of OECD Parliamentary Budget Officials and Independent
Fiscal Institutions
Lisbon, Portugal – February 2019

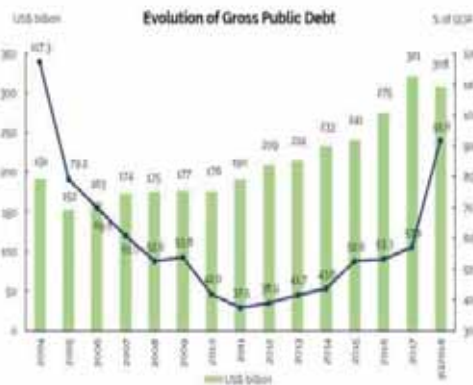
RELEVANT FISCAL DATA

Argentina: Federal Government Operations 2004-2018
(cash basis, % of GDP)

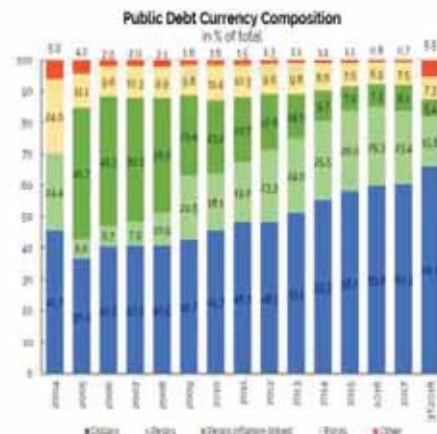


Source: compilation based on Secretary of Treasury data

GROSS PUBLIC DEBT



Note:
From 2005 to 2014 debt pending restructuring does not include compensatory interest.



Note:
1. Total debt excludes debt pending restructuring.
2. In 2014 debt in pesos includes inflation-linked denominated debt.

Source: compilation based on Secretary of Finance data



ABOUT THE OPC

The Congressional Budget Office (known by its Spanish acronym, OPC) is an autonomous body of the Argentine National Congress whose basic role is to provide technical assistance to both Chambers of Parliament in the analysis and follow up of fiscal matters.

It intends to feed into the legislative debate with technical tools that facilitate the interpretation of the initiatives that involve public resources, both those that emerge in Parliament or those that come from the Executive Branch of Government.

LEGAL FRAMEWORK AND RESOURCES

The OPC was created by Law 27,343 in 2016 with great consensus in Parliament.

It has a separate budget within the Legislative Branch. The General Director is responsible for the administrative and financial management of the office.

WHAT IS NOT THE OPC?

- ▶ Audit institution
- ▶ Congressional committee
- ▶ Agency that replicates functions of the Finances Ministry

WHO OVERSEES ITS OPERATIONS?

The management of the OPC is supervised by the Parliamentary Oversight Committee, which includes the authorities of the Budget and Finance Committees of both Chambers of the National Congress. Its main task is to approve the internal regulations of the Office, its annual work plan and budget and the accountability for its management. It can formally request both Chambers the dismissal of any of the Directors due to misconduct.

STRUCTURE

The highest authority of the OPC is the General Director, assisted by four directors with specific functions in different subject areas: Budgetary analysis, Tax analysis, Research, analysis and evaluation, and Debt sustainability analysis. They remain in their positions for five years and are appointed through a competitive selection process. It also has a permanent staff of twenty analysts selected by the same way.

REPORTS AND ACCESS TO INFORMATION

- ▶ The OPC carries out analyses and projections according to that established in Law 27,343 and upon request of the Budget and Finance Committees of both Chambers. They are published on the OPC website.
- ▶ To develop its work, the law provides for full access to the Integrated Financial Information System (known by its Spanish acronym, eSIdif), the Debt Management and Financial Analysis System (SIGADE). Additionally the OPC has obtained access to the National System of Public Investment (BAPIN) and other information systems of the National Administration (ex. SIFEP).

REPORTS AND ACCESS TO INFORMATION

- The OPC work covers different topics:
- National Administration Budget Draft
- Public Sector Budget execution
- Impact analysis of budgetary management
- Public debt
- Tax policy
- Fiscal federalism and other studies

COMPATIBILITY WITH IFI's FUNCTIONS ACCORDING TO OECD

Analysis of long-term fiscal sustainability	X
Macroeconomic or fiscal forecasts	X
Monitoring compliance with fiscal rules	X
Support legislature in budget analysis	X
Policy costing	X
Costing election platforms	

COMPATIBILITY WITH IFI's PRINCIPLES ACCORDING TO OECD

Local ownership	X
Independence and non-partisanship	X
Mandate	X
Resources	X
Relationship with legislature	X
Access to information	X
Transparency	X
Communication	X
External evaluation	

INITIAL STEPS

- ▶ The Parliamentary Oversight Committee approved the internal regulations of the OPC
- ▶ Consolidation of the physical infrastructure (office space and IT systems)
- ▶ Institutional website: www.opc.gob.ar. Provides a transparent communication platform and online access to information
- ▶ Launching of the Institutional Communication and Media Plan
- ▶ About 20 reports published .
- ▶ First competitive selection process to appoint analysts

WHAT'S NEXT?

- ▶ Development of own macroeconomic and fiscal forecasts
- ▶ Development of inhouse database integrating fiscal data for federal, provincial and municipal public sector
- ▶ Training and technical support for congressional advisory staff
- ▶ Selection of permanent staff of analysts
- ▶ Inclusion of external evaluation
- ▶ Development of effective communications channels
- ▶ Appointment of the Advisory Council
- ▶ Encouragement of sub-national IFIs

CHALLENGES

- ▶ To reduce information asymmetry between Executive and Legislative Branches regarding Budget data
- ▶ To expand the production of reports maintaining and enhancing quality
- ▶ To include impact analysis in our reports
- ▶ To become a reference source for legislators
- ▶ To become a respected institution for citizens, NGOs and other IFIs due to the objectivity and high quality of our reports

RISKS

- ▶ External pressures (from politics/lobby groups)
- ▶ Failure to achieve high-quality analysis
- ▶ Loss of political support



D1- PM- Session 2- Marcos MAKON, Argentina



CONGRESO DE LA NACIÓN
ARGENTINA



1. ABOUT THE OPC

The Congressional Budget Office (known by its Spanish acronym, OPC) is an autonomous body of the Argentine National Congress whose basic role is to provide technical assistance to the Parliament in the analysis and follow up of fiscal matters.

It intends to feed into the legislative debate with technical tools that facilitate the interpretation of the initiatives that involve public resources, both those that emerge in Parliament or those that come from Executive Branch of Government.

Legal framework
The OPC was created by Law 27,343. Its function is to ensure compliance with the Financial Administration Act (Law 24,156), the Complementary National Administration Budget Act (Law 24,629) and the Federal Administration of Public Resources Act (Law 25,152) among other rules.

Our values

- Methodological rigor
- Technical impartiality
- Political independence
- Transparency

2. STRUCTURE

The highest authority of the OPC is the General Director, assisted by four directors with specific functions in different subject areas: Budgetary analysis, Tax analysis, Studies, analysis and evaluation, Debt sustainability analysis. They have a five-year mandate and are appointed by means of a public competitive examination. It also has a permanent staff of analysts selected by the same process.

The management of the OPC is supervised by the Parliamentary Oversight Committee, composed of the authorities of the Budget and Finance Committees of both Chambers of the National Congress, whose main task is to approve the internal regulations of the Office, its annual work plan and budget and the accountability for its management.

3. REPORTS

The OPC carries out analyses and projections according to that established in Law 27,343 and upon request from the Budget and Finance Committees of both Chambers. They are published on the OPC website.

To develop its work, the law provides for full access to the Integrated Financial Information System (known by its Spanish acronym, eSidif), the Debt Management and Financial Analysis System (known by its Spanish acronym, SIGADE). Additionally the OPC has obtained access to other information systems of the National Administration.

The OPC work covers different topics:

- National Administration Budget Draft
- Public Sector Budget Execution
- Impact analysis of budgetary management
- Public debt
- Tax policy
- Fiscal federalism and other studies



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CONGRESO DE LA NACIÓN
ARGENTINA



1. SOBRE LA OPC

La **Oficina de Presupuesto del Congreso (OPC)** es un organismo desconcentrado del Congreso de la Nación cuya misión básica es asistir técnicamente al Parlamento en el análisis y seguimiento en materia fiscal.

Tiene el propósito de alimentar el debate de los legisladores con herramientas técnicas que faciliten la interpretación de las iniciativas que se generen desde el Congreso o desde el Poder Ejecutivo y comprometan recursos públicos.

Marco Legal

La OPC fue creada por la ley 27.343. En su labor, la Oficina debe contemplar el cumplimiento, entre otras normas, de la ley 24.156 de Administración Financiera, la ley 24.629 Complementaria para la Administración del Presupuesto de la Administración Nacional y la ley 25.152 de Administración Federal de los Recursos Públicos.

Nuestros Valores

- Rigurosidad metodológica
- Imparcialidad técnica
- Independencia Política
- Transparencia

2. ESTRUCTURA

La máxima autoridad de la OPC es el Director General, asistido por cuatro directores con funciones específicas en las siguientes áreas de estudio: Análisis Presupuestario, Análisis Fiscal Tributario, Estudios, Análisis y Evaluación del Impacto de Políticas Públicas y Análisis y Sostenibilidad de la Deuda Pública. Duran cinco años en sus funciones y su designación se realiza por concurso de oposición y antecedentes. Cuenta, además, con un cuerpo de analistas seleccionados por el mismo proceso.

La gestión de la OPC es supervisada por la Comisión de Supervisión Parlamentaria, integrada por las autoridades de las Comisiones de Presupuesto y Hacienda de ambas Cámaras del Congreso de la Nación. La misión principal es aprobar el reglamento interno de la Oficina, su Plan de Trabajo y Presupuesto Anual y la rendición de su gestión.

3. INFORMES

La Oficina realiza análisis y proyecciones conforme a lo establecido en la ley de creación y a pedido de las Comisiones de Presupuesto y Hacienda de ambas Cámaras del Congreso Nacional. Los mismos son publicados en la página web de la OPC y pueden descargarse libremente.

Para desarrollar su labor, la ley prevé el acceso al Sistema Integrado de Información Financiera (eSisif), al Sistema de Gestión y Administración de la Deuda Pública (SIGADE) y puede solicitar acceso a otros sistemas de información de la Administración Nacional.

Contenido de los informes:

- Análisis del Proyecto de ley de Presupuesto de la Administración Nacional
- Seguimiento de la ejecución presupuestaria del sector público nacional
- Análisis del impacto de la gestión presupuestaria
- Deuda pública
- Política tributaria
- Federalismo Fiscal y otros estudios



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CONGRESO DE LA NACIÓN
ARGENTINA

D1-PM- Sesión 2- Marcos MAKON, Argentina



OFICINA DE PRESUPUESTO DEL CONGRESO DE LA NACIÓN

LEY 27.343

CREACIÓN

BO. 21/12/2016

El Senado y Cámara de Diputados de la Nación Argentina reunidos en Congreso, etc. sancionan con fuerza de Ley:

CREACIÓN DE LA OFICINA DE PRESUPUESTO
DEL CONGRESO DE LA NACIÓN

CONGRESSIONAL BUDGET OFFICE ACT

LAW 27,343

CREATION

BO. 12/21/2016

The Senate and Chamber of Deputies of the Argentine Nation, gathered in Congress, have passed into law the:

CREATION OF THE CONGRESSIONAL BUDGET OFFICE

ARTÍCULO 1º

Créase la Oficina de Presupuesto del Congreso (abreviada OPC a los efectos de la presente ley) como un organismo desconcentrado del Honorable Congreso de la Nación.

SECTION 1

The Congressional Budget Office (OPC for the purposes of the present Act) is hereby created as a decentralized body of the Argentine Congress.

ARTÍCULO 2º

Son funciones, responsabilidades y facultades de la Oficina de Presupuesto del Congreso:

1. Analizar las estimaciones de ingresos, gastos, metas físicas y deuda pública contenidas en el proyecto de ley anual de presupuesto.
2. Apoyar a las comisiones de Presupuesto y Hacienda y a la Comisión Mixta Revisora de Cuentas de la Administración en el cumplimiento de sus objetivos.
3. Realizar estimaciones del impacto presupuestario de los proyectos de ley ingresados a las comisiones de Presupuesto y Hacienda, a solicitud de dichas comisiones.
4. Realizar estudios, análisis y evaluaciones del impacto logrado por políticas y programas del gobierno en relación a su asignación presupuestaria, a solicitud de las comisiones de Presupuesto y Hacienda.
5. Llevar a cabo análisis sobre los tributos vigentes así como del impacto y la eficacia de los proyectos de ley que propongan modificaciones y/o creación de tributos e impuestos, a solicitud de las comisiones de Presupuesto y Hacienda.
6. Llevar a cabo estudios sobre las temáticas referidas a federalismo fiscal.

SECTION 2

The Congressional Budget Office has the following functions, responsibilities and powers:

1. To analyze the estimates of incomes, expenses, physical goals and public debt included in the annual budget bill.
2. To support the Budget and Finance Committees and the Joint Committee of Public Accounts Auditing in the fulfillment of their purposes.
3. At the request of the Budget and Finance Committees, to produce estimates of the budgetary impact of the bills referred to said Committees.
4. At the request of the Budget and Finance Committees, to undertake studies, analyses and assessments of the impact achieved by government policies and programs in terms of their budget allocation.
5. At the request of the Budget and Finance Committees, to analyze the current taxes as well as the impact and effectiveness of the bills that propose the amendment and/or creation of taxes and duties.
6. To carry out studies on the topics related to fiscal federalism.

7. Efectuar estudios sobre la sostenibilidad intertemporal de la deuda pública, incluyendo análisis de la deuda registrada, de la deuda no registrada y de pasivos contingentes.
8. Promover la incorporación de la perspectiva de género en la asignación de los recursos presupuestarios. Para ello se utilizarán las herramientas del Presupuesto Sensible al Género (PSG) al análisis de proyectos, a fin de determinar el presupuesto destinado a la eliminación de las desigualdades de género. Asimismo, se promoverá la evaluación presupuestaria, en función de los Objetivos de Desarrollo Sostenible de la Organización de las Naciones Unidas (ONU).
9. Efectuar un seguimiento del cumplimiento de lo dispuesto en el artículo 37 de la ley 24.156.

ARTÍCULO 3°

Para el cumplimiento de las tareas de la OPC, el Poder Ejecutivo deberá:

1. Brindar a la OPC el acceso al Sistema Integrado de Información Financiera (SIDIF) de la Secretaría de Hacienda y al Sistema de Gestión y Administración de la Deuda Pública (SIGADE) de la Secretaría de Finanzas del Ministerio de Hacienda y Finanzas Públicas, para el seguimiento de la ejecución presupuestaria y la deuda pública, asegurando la compatibilidad con las disposiciones sobre secreto estadístico de la ley 17.622 y de secreto fiscal del artículo 101 de la ley 11.683. A tal efecto, el Ministerio de Hacienda y Finanzas Públicas coordinará el acceso al SIDIF y al SIGADE de la OPC, responsabilizándose esta última por el debido resguardo de información interna del Poder Ejecutivo nacional.
2. Responder en forma oportuna los informes solicitados por la OPC sobre la ejecución y el desempeño físico-financiero de programas de gobierno, que serán canalizados por la Jefatura de Gabinete de Ministros.

7. To carry out studies on the intertemporal sustainability of public debt, including the analysis of the recorded debt, the unrecorded debt and contingent liabilities.

8. To promote gender mainstreaming in the allocations of budgetary resources. For this purpose, Gender Sensitive Budget (GSB) tools shall be used to analyze projects in order to determine the budget allocated to the elimination of gender inequalities. Promote budgetary evaluation too, taking into consideration the Sustainable Development Objectives of the United Nations (UN).

9. To monitor the compliance with the provisions of Section 37 of Law 24,256.

SECTION 3

In order to enable the OPC to perform its duties, the National Executive Branch should:

1. Provide the OPC access to the Integrated Financial Information System (eSidif) established under the Secretariat of Treasury, and the Debt Management and Financial Analysis System (SIGADE) established under the Secretariat of Finance of the Ministry of Treasury and Public Finance, to monitor budget execution and public debt, ensuring compliance with the provisions of Law 17,622 on statistical confidentiality and Section 101 of Law 11,683 on fiscal confidentiality. To that end, the Ministry of Treasury and Public Finance shall coordinate the OPC access to the eSidif and SIGADE, making the Office responsible for the proper safekeeping of the internal information of the National Executive Branch.
2. Respond in a timely manner to the reports required by the OPC and channeled through the Executive Office of the Cabinet of Ministers regarding the implementation and the physical financial performance of government programs.

ARTÍCULO 4°

Las comisiones del Congreso remitirán a la OPC toda la información con interés presupuestario o económico necesaria para el cumplimiento de sus funciones.

SECTION 4

Parliamentary committees shall refer to the OPC the relevant budgetary or economic information necessary for the performance of its functions.

ARTÍCULO 5°

La estructura de la OPC se organizará por direcciones de acuerdo a las funciones que la oficina debe cumplir:

SECTION 5

The OPC structure shall be organized by divisions, in terms of the functions it is required to perform:

1. Análisis presupuestario, que apoyará mediante informes a las comisiones de Presupuesto y Hacienda y a la Comisión Mixta Revisora de Cuentas de la Administración. También llevará a cabo el análisis de los proyectos de ley que tengan impacto presupuestario en los gastos del sector público nacional, a solicitud de las mencionadas comisiones.

1. *Budgetary Analysis: it shall provide reports to the Budget and Finance Committees and the Joint Committee of Public Accounts Auditing. At the request of the mentioned Committees, it shall also undertake an analysis of the bills that have a budgetary impact on public sector expenditures.*

2. Análisis fiscal tributario, que realizará estimaciones del impacto de los proyectos de ley que modifiquen o creen tributos e impuestos o afecten los recursos de la administración nacional, a solicitud de las comisiones de Presupuesto y Hacienda.

2. *Tax Analysis: at the request of the Budget and Finance Committees it shall produce estimates of the impact of the bills that modify or create taxes and duties, or affect the resources of the National Administration.*

3. Estudios, análisis y evaluación, que realizará estudios, análisis y evaluaciones del impacto logrado por políticas y programas del gobierno en relación a su asignación presupuestaria, a solicitud de las comisiones de Presupuesto y Hacienda.

3. *Studies, Analyses and Assessments: at the request of the Budget and Finance Committees it shall undertake studies, analyses and assessments of the impact achieved by government policies and programs in terms of their budget allocation.*

4. Sostenibilidad y análisis de la deuda pública, la cual realizará estudios y llevará a cabo un monitoreo a través de distintos indicadores de la deuda pública.

4. *Sustainability and Analysis of Public Debt: it shall undertake analyses and follow-up through different public debt indicators.*

ARTÍCULO 6°

La OPC será dirigida por un director general con rango equivalente a secretario de Cámara y por cuatro (4) directores, con rangos equivalentes a prosecretarios de Cámara.

SECTION 6

The OPC shall be led by a General Director, who shall be equivalent in rank to the Parliamentary Secretary, and four (4) Directors, who shall be equivalent in rank to the Parliamentary Under-Secretary. Each of the Directors shall be in charge of one of the divisions referred to in Section 5.

Cada uno de los directores tendrá a su cargo una de las direcciones mencionadas en el artículo 5°. La selección del director general y de los directores se realizará por concurso de oposición y antecedentes al que podrán presentarse todos los interesados que reúnan los antecedentes requeridos.

The selection of the General Director and Directors shall be determined by competitive examination. All qualified candidates shall be allowed to participate in the selection process.

Los postulantes serán evaluados por un comité evaluador integrado por nueve (9) miembros: el presidente, vicepresidente primero y vicepresidente segundo de la Comisión de Presupuesto y Hacienda de la Cámara de Diputados; el presidente, vicepresidente y el secretario de la Comisión de Presupuesto y Hacienda del Senado; un (1) profesor universitario de carreras afines a los cargos a cubrir elegido por el Consejo Interuniversitario Nacional; un (1) representante elegido por la Federación Argentina de Consejos Profesionales de Ciencias Económicas y un (1) representante de la Asociación Argentina de Presupuesto y Administración Financiera Pública.

ARTÍCULO 7º

El director general y los directores durarán cinco (5) años en sus funciones, con posibilidad de ser reelegidos. Podrán ser removidos por mal desempeño en sus funciones previo a la finalización de su mandato por votación por mayoría simple de ambas Cámaras, previa solicitud de la Comisión de Supervisión Parlamentaria de la OPC, creada en el artículo 8º de la presente.

El director general deberá acreditar al menos diez (10) años de experiencia profesional y/o académica relevante en materia presupuestaria y/o económica en el ámbito de la administración pública, del sector privado, de la sociedad civil o de las universidades, así como título universitario de grado o posgrado en ciencias económicas, finanzas públicas, administración y políticas públicas, o disciplinas relacionadas. Los directores deberán acreditar al menos ocho (8) años de experiencia profesional y/o académica relevante en las materias respectivas de cada área, así como títulos universitarios de grado o posgrado en dichas disciplinas.

ARTÍCULO 8º

La OPC contará con una Comisión de Supervisión Parlamentaria conformada por: el presidente, los vicepresidentes primero y segundo de la Comisión de Presupuesto y Hacienda de la Cámara de Diputados y el presidente, el vicepresidente y el secretario de la Comisión de Presupuesto y Hacienda del Senado.

The candidates shall be evaluated by an Evaluation Committee composed by nine (9) members; the Chairman and the First and Second Vice-Chairmen of the Budget and Finance Committee of the Chamber of Deputies, the Chairman, Vice-Chairman and Secretary of the Budget and Finance Committee of the Senate, one (1) university professor specialized in university programs related to the positions to be filled, appointed by the National Interuniversity Council, one (1) representative elected by the Argentine Federation of Professional Councils of Economic Sciences and one (1) representative one (1) representative from the Argentine Association of Public Budgeting and Financial Administration.

SECTION 7

Both the General Director and the Directors shall hold office for the term of five (5) years with the possibility of being reelected. They may be removed for unsatisfactory performance before the end of their term of office by a simple majority vote of the members of both chambers, at the request of the Parliamentary Oversight Committee of the OPC, established by Section 8 hereof.

The General Director must have at least ten (10) years of professional and/or academic experience in budgetary and/or economic matters, within the scope of the public or private sector, and at the civil society or university level, and hold a graduate or post graduate degree in economic sciences, public finance, administration and public policies or other related disciplines. Directors must have at least eight (8) years of professional and/or academic experience in disciplines related to their respective department, and hold graduate or post graduate degrees in such disciplines.

SECTION 8

The OPC shall have a Parliamentary Oversight Committee composed by the Chairman and the First and Second Vice-Chairmen of the Budget and Finance Committee of the Chamber of Deputies and the Chairman, Vice-Chairman and Secretary of the Budget and Finance Committee of the Senate.

La presidencia de la comisión alternará cada dos (2) años entre el presidente de la Comisión de Presupuesto y Hacienda de cada Cámara. Las decisiones se adoptarán por mayoría simple y, en caso de empate, el presidente de la Comisión de Supervisión Parlamentaria tendrá voto doble.

Las funciones de la comisión serán:

1. Aprobar el reglamento interno del cuerpo y sus eventuales modificaciones.
2. Aprobar el anteproyecto de presupuesto de la OPC, para su elevación a la presidencia de las Cámaras.
3. Delegar en el director general las facultades que se estimen necesarias para el mejor cumplimiento de las finalidades de la Oficina de Presupuesto del Congreso.
4. Aprobar el plan de trabajo anual de la OPC.
5. Aceptar herencias, legados y donaciones, subvenciones que le asignen a la OPC organismos públicos o privados, nacionales o extranjeros.
6. Requerir a los distintos organismos de la administración pública nacional la comisión transitoria de personal idóneo en la materia que fuere necesario para el funcionamiento de la Oficina de Presupuesto del Congreso.
7. Aprobar la memoria anual de la Oficina de Presupuesto del Congreso.
8. Solicitar a ambas Cámaras del Congreso la remoción del director general y/o de los directores de la OPC.
9. Conformar un consejo asesor ad honorem de expertos con reconocida experiencia en la materia de la OPC para obtener recomendaciones sobre el mejor funcionamiento de su tarea.

ARTÍCULO 9°

El director general de la OPC tendrá los siguientes deberes y atribuciones:

1. Ejercer la administración de la Oficina de Presupuesto del Congreso.

The Committee Chair shall alternate every two (2) years between the Chairmen of the Budget and Finance Committees of both Chambers. Decisions shall be taken by simple majority and, in the event of a tie; the Chairman of the Parliamentary Oversight Committee shall have a double vote.

It shall have the following functions:

1. To approve the internal regulations of the office and their possible amendments.
2. To approve the preliminary draft budget of the OPC for submission to the Chairmen of both Chambers.
3. To delegate to the General Director the necessary powers for better compliance of its purposes.
4. To approve the annual work plan of the OPC.
5. To accept inheritances, legacies and donations, and grants assigned by public or private and national or foreign bodies.
6. To require the different bodies of the national public administration the temporary commission of suitable staff it may deem necessary for the operation of the OPC.
7. To approve the annual report of the OPC.
8. To ask both Chambers of Congress to remove the General Director and/or directors of the OPC.
9. To create an ad honorem Advisory Council of experts with recognized experience on the OPC matter in order to obtain recommendations on its better operation.

SECTION 9

The General Director of the OPC shall have the following duties and powers:

1. To exercise the administration of the Congressional Budget Office.

2. Elaborar el plan operativo anual.
3. Diseñar el reglamento interno de funcionamiento de la OPC.
4. Confeccionar el anteproyecto de presupuesto de la OPC.
5. Elaborar la memoria anual de la OPC.
6. Gestionar convenios de cooperación.
7. Promover la obtención de recursos y fondos públicos y privados, locales y extranjeros, para el cumplimiento de los objetivos de la OPC.
8. Definir la estrategia comunicacional de la OPC.
9. Entender en la asignación de los recursos humanos de la OPC para el logro de sus objetivos.
10. Entender en las relaciones con comisiones.
11. Establecer metodologías de trabajo.
12. Llevar a cabo los concursos públicos para la selección del cuerpo de analistas previsto en el artículo 10 de la presente ley.

ARTÍCULO 10

La Oficina de Presupuesto del Congreso contará con un Cuerpo de Analistas Profesionales especializados en las respectivas temáticas establecidas en el artículo 5°. Los analistas integrarán la planta permanente del Congreso de la Nación y su dotación no deberá superar los veinte (20) profesionales. Serán condiciones para ingreso al Cuerpo de Analistas:

1. Ser argentino nativo, naturalizado o por opción.
2. Ser seleccionado por un concurso público de oposición y antecedentes.
3. Poseer título universitario de grado correspondiente a carrera de duración no inferior a cuatro (4) años en las mismas disciplinas que se le requieren al director general en el artículo 7°.
4. Experiencia laboral en la especialidad atinente, acreditada por un término no inferior a los tres (3) años después de la titulación.

2. To develop the annual operating plan.
3. To design the internal operating regulations of the OPC.
4. To elaborate the preliminary draft budget of the OPC.
5. To elaborate the annual report of the OPC.
6. To manage cooperation agreements.
7. To promote the procurement of public or private, foreign or domestic resources and funds for the fulfillment of the purposes of the OPC.
8. To define the communication strategy of the OPC.
9. To deal with the allocation of human resources of the OPC for the fulfillment of its purposes.
10. To deal with the relations with committees.
11. To establish work methodologies.
12. To carry out public competitive examinations for the selection of the Team of Analysts provided in Section 10 of this Act.

SECTION 10

The Congressional Budget Office shall have a staff of Professional Analysts specialized in the respective themes established in Section 5. The analysts shall be members of the permanent staff of the National Congress. The professional team shall consist of no more than twenty (20) members. To be eligible for admission to the Team of Professional Analysts, candidates must meet the following requirements:

1. To be a native-born or naturalized Argentine citizen.
2. To be selected through a public competitive examination.
3. To hold a graduate degree corresponding to a four (4)-year university program at a minimum and in connection with the same disciplines required to be appointed General Director and established in Section 7.
4. Work experience in the relevant area for a period of not less than three (3) years after graduation.

ARTÍCULO 11

Las Cámaras proveerán el personal administrativo y de apoyo necesario para el funcionamiento de la OPC.

SECTION 11

Both Chambers shall provide the administrative and support staff required for the operation of the OPC.

ARTÍCULO 12

Las designaciones del personal de la OPC se realizarán mediante resolución conjunta de los presidentes de ambas Cámaras, que estarán causadas y motivadas en las conclusiones que arriben los concursos de oposición y antecedentes previstos en la presente ley.

SECTION 12

The OPC staff shall be appointed by joint resolution of the President of the Senate and the Speaker of the Chamber of Deputies, based on the conclusions of public competitive examinations provided in this Act.

ARTÍCULO 13

A todos los efectos administrativos y funcionales, la OPC mantendrá su relación con cada Cámara a través de las comisiones de Presupuesto y Hacienda de las Cámaras. El presupuesto anual de gastos y recursos de la administración pública nacional preverá las partidas necesarias para el funcionamiento de la OPC. La oficina puede recibir donaciones, crédito y soporte internacional para el mejor desarrollo de su actividad.

SECTION 13

For administrative and operative purposes, the OPC shall maintain relations with both Chambers through their Budget and Finance Committees. The national public administration's annual estimates of expenditures and resources shall provide the budgetary allocations required for the operation of the OPC. It shall be allowed to receive donations, credits and international support for better performance of its activity.

ARTÍCULO 14

Todos los informes serán de acceso público. Deberán ser publicados en los sitios web de ambas Cámaras.

SECTION 14

All reports shall be publicly accessible and published on the official websites of both Chambers.

ARTÍCULO 15

La OPC podrá realizar convenios de cooperación con organismos gubernamentales, centros académicos, de investigación y organizaciones de la sociedad civil, tanto del país como del exterior, para el mejor cumplimiento de su mandato.

SECTION 15

The OPC shall be allowed to carry out cooperation agreements with government bodies, academic and research centers, and civil society organizations, both national and foreign, for better fulfillment of its mandate.

ARTÍCULO 16

Invítase a las provincias y a la Ciudad Autónoma de Buenos Aires a suscribir acuerdos de cooperación con la OPC para facilitar el acceso a la información necesaria para que dicha oficina pueda cumplir con las funciones previstas en la presente ley.

SECTION 16

The Provinces and the Autonomous City of Buenos Aires are invited to sign cooperation agreements with the OPC in order to facilitate access to the necessary information so that such Office can comply with the functions established in this Act.

ARTICULO 17

La Oficina de Presupuesto del Congreso comenzará a funcionar a partir de los noventa (90) días de la publicación en el Boletín Oficial de la presente ley.

SECTION 17

The Congressional Budget Office shall become operational ninety (90) days after the publication of this Act in the Official Gazette.

ARTICULO 18

Comuníquese al Poder Ejecutivo nacional.

SECTION 18

To be communicated to the National Executive.

DADA EN LA SALA DE SESIONES DEL CONGRESO ARGENTINO, EN BUENOS AIRES, A LOS TREINTA DIAS DEL MES DE NOVIEMBRE DEL AÑO DOS MIL DIECISEIS.
REGISTRADA BAJO EL N° 27.343

Marta G. Michetti, Emilio Monzó,
Eugenio Inchausti, Juan P. Tunessi.

GIVEN IN THE SESSION ROOM OF THE ARGENTINE CONGRESS, BUENOS AIRES, ON THE 30th DAY OF NOVEMBER, 2016.
REGISTERED UNDER N. 27,343

Marta G. Michetti, Emilio Monzó,
Eugenio Inchausti, Juan P. Tunessi.

Decreto 1277/2016 Buenos Aires, 20/12/2016


En uso de las facultades conferidas por el artículo 78 de la CONSTITUCIÓN NACIONAL, promúlgase la Ley No 27.343 (IF-2016-04714061-APN-SSP#MH), sancionada por el HONORABLE CONGRESO DE LA NACIÓN en su sesión del día 30 de noviembre de 2016. Dese para su publicación a la Dirección Nacional del Registro Oficial, gírese copia al HONORABLE CONGRESO DE LA NACIÓN y comuníquese al MINISTERIO DE HACIENDA Y FINANZAS PÚBLICAS. Cumplido, archívese.

Macri, Marcos Peña, Alfonso de Prat Gay,

Order 1277/2016 Buenos Aires, 12/20/2016

In exercise of powers conferred by Section 78 of the NATIONAL CONSTITUTION, Law N. 27,343 (IF-2016-04714061-APN-SSP#MH) passed by the HONORABLE CONGRESS OF THE NATION at its meeting on 30 November 2016 to be enacted, published by the National Bureau of Official Registry with a copy for the HONORABLE CONGRESS OF THE NATION and communicated to the MINISTRY OF TREASURY AND PUBLIC FINANCE. To be fulfilled and filed.

Macri, Marcos Peña, Alfonso de Prat Gay,



Congressional Budget Office

February 4, 2012

Transparency at CBO

11th Annual Meeting of the OECD Network of Parliamentary
Budget Officials and Independent Financial Institutions

Mark Hadley
Deputy Director

For more information, see Congressional Budget Office, *Transparency at CBO: Future Plans and a Review of 2010* (December 2010), www.cbo.gov/publication/54585.

CBO

CBO's Goals in Being Transparent

- Promote a thorough understanding of its analyses
- Help people gauge how its estimates might change if policies or circumstances were different
- Enhance the credibility of its work

5

How CBO Fosters Transparency

2

CBO

Ten Ways CBO Is Transparent

- Testifying and publishing answers to questions from Members of Congress
- Explaining its analytical methods
- Releasing data
- Analyzing the accuracy of its estimates
- Comparing its current estimates with its previous ones
- Comparing its estimates with those of others
- Estimating the effects of policy alternatives
- Describing how much uncertainty surrounds its estimates
- Creating data visualizations
- Conducting outreach

3

Testifying and Answering Questions

CBO's staff members often testify at Congressional hearings about the agency's work.

CBO also provides public answers to questions from Members of Congress—about the agency's work in general and about specific analyses or projections.

Explaining Analytical Methods: Providing General Information

CBO works hard to explain its analytical methods. Sometimes, the explanations are for a general audience. For instance, nearly every formal cost estimate includes a section describing the basis of the estimate.

Recent examples of other publications providing general information include the following:

- A report on how CBO prepares baseline budget projections
- A slide deck about CBO's health insurance simulation model
- A report on the model that CBO uses to make long-term projections
- An appendix about the effects of the 2017 tax act on the economy and budget
- A primer about how CBO estimates the costs of federal credit programs

Explaining Analytical Methods: Baseline Budget Projections

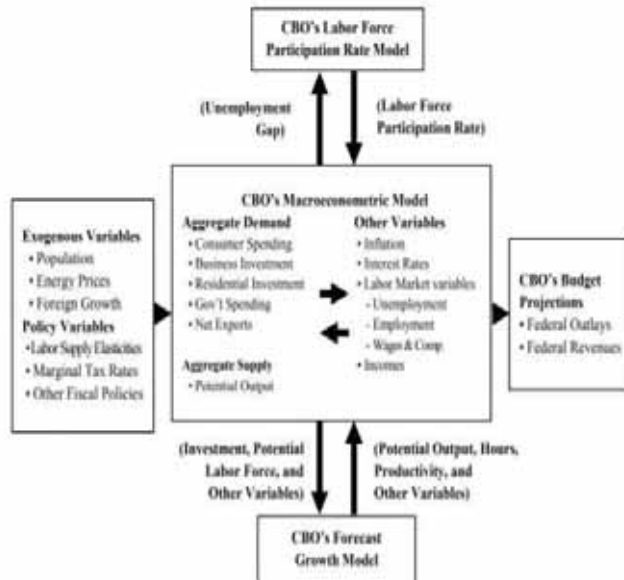


Explaining Analytical Methods: Providing Technical Information

At other times, CBO explains its methods by providing technical information. Recent examples include the following:

- A working paper on how CBO projects labor force participation rates
- An appendix describing how CBO analyzes the distribution of household income
- A slide deck about modeling the subsidy rate for federal single-family mortgage insurance
- An appendix describing how CBO estimates the operating costs of Air Force aircraft
- A working paper on how CBO produces its 10-year economic forecast

Explaining Analytical Methods: CBO's Forecasting Models



That working paper on CBO's economic forecast showed researchers how the agency's various models interact.

Explaining Analytical Methods: Computer Code

To let researchers replicate its results, CBO posts the computer code and documentation for some analyses. For example:

- Code for CBO's estimates of maximum sustainable output allows researchers to replicate those estimates for 1949 through 2016
- Code for CBO's imputations of survey underreporting allows researchers to replicate those imputations for 1979 through 2016 for three large programs

Releasing Data

CBO provides many files of data underlying the analysis in its major reports and other studies. For example, along with its April 2018 and January 2019 reports on the budget and economic outlook, the agency posted files containing the following information:

- Historical data
- Spending projections by budget account
- Revenue projections by category, along with tax parameters and effective marginal tax rates
- 10-year projections of economic output, prices, labor market measures, interest rates, income, and other economic factors
- Details of projections and underlying parameters for Social Security, Medicare, student loans, agriculture programs, and many other programs

16

CBO

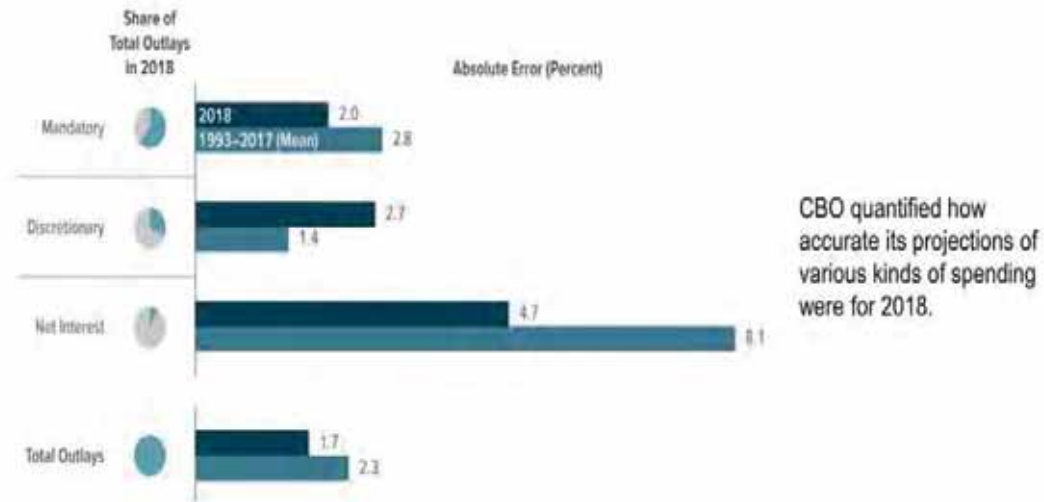
Analyzing the Accuracy of Estimates

CBO analyzes the accuracy of its estimates and publishes the results in reports. These are some examples:

- A report on CBO's economic forecasting record since 1976
- A report on CBO's revenue forecasting record since 1982
- A report on how CBO's projections of subsidies under the Affordable Care Act compared with actual outcomes
- Reports on how CBO's projections of outlays for 2017 and 2018 compared with actual outcomes
- A look back at CBO's estimate of the effects of the 2009 Recovery Act on the Supplemental Nutrition Assistance Program

17

Analyzing the Accuracy of Estimates: Projection Errors for Outlays



Comparing Current Estimates With Previous Ones

CBO routinely compares its current estimates with its previous ones. For example:

- Reports on the budget and economic outlook explain the differences between current and previous revenue and spending projections
- Those reports also explain changes to CBO's economic forecast
- Reports on federal subsidies for health insurance explain how and why current estimates of insurance coverage and subsidies differ from the previous year's estimates
- Reports on the distribution of household income explain any methodological changes and other reasons why estimates differ from those in previous reports
- Other reports describe changes in CBO's long-term projections for Social Security

Comparing CBO's Estimates With Others'

CBO compares its estimates with those of other organizations and the Administration. For example:

- CBO compares its economic forecast with those of the Federal Reserve and the *Blue Chip* survey of 50 private-sector forecasters
- CBO compared its estimates of subsidies provided under the Affordable Care Act with those of government actuaries, the RAND Corporation, and the Lewin Group
- CBO compares its long-term projections for Social Security with estimates by the trustees of the program
- CBO compared its estimates of the economic effects of the 2017 tax act with those of several other organizations

14

CBO

Comparing CBO's Estimates With Others': Estimates of the Effects of the 2017 Tax Act on the Level of Real GDP

Percent

	First Five Years					Tenth Year	Average		
	2018	2019	2020	2021	2022	2027	2018–2022	2023–2027	2018–2027
Moody's Analytics	0.4	0.6	0.2	0.1	0.0	0.4	0.3	0.3	0.3
Macroeconomic Advisers	0.1	0.3	0.5	0.6	0.6	0.2	0.4	0.5	0.5
Tax Policy Center ^a	0.8	0.7	0.5	0.5	0.5	*	0.6	0.3	0.5
International Monetary Fund	0.3	0.9	1.2	1.2	1.0	-0.1	0.9	0.3	0.6
Joint Committee on Taxation	–	–	–	–	–	0.1 to 0.2	0.9	0.6	0.7
Congressional Budget Office	0.3	0.6	0.8	0.9	1.0	0.6	0.7	0.8	0.7
Goldman Sachs	0.3	0.6	0.7	0.7	0.7	0.7	0.6	0.7	0.7
Tax Foundation	0.4	0.9	1.3	1.8	2.2	2.9	1.3	2.9	2.1
Penn Wharton Budget Model	–	–	–	–	–	0.6 to 1.1	–	–	–
Barclays	0.5	–	–	–	–	–	–	–	–

CBO published that last comparison in its April 2018 report about the budget and economic outlook.

15

Characterizing Uncertainty

CBO's reports and cost estimates describe the uncertainty surrounding them. For example:

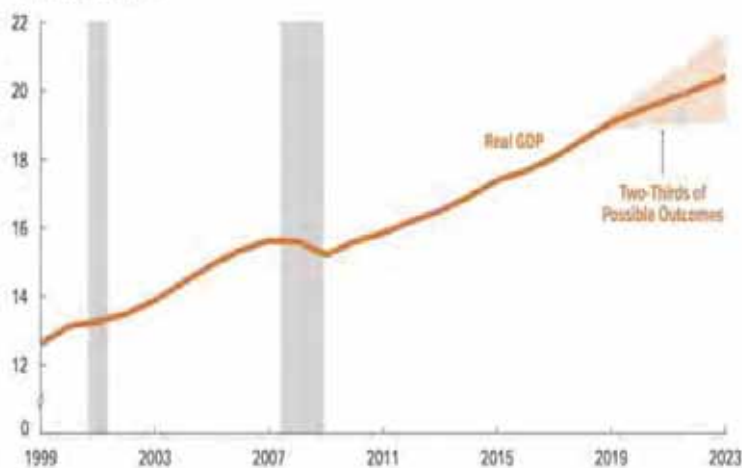
- The most recent report on the long-term budget outlook included a discussion of how federal debt would differ if key economic variables were higher or lower than CBO estimates
- A report on federal subsidies for health insurance, the annual report on the 10-year budget and economic outlook, and many cost estimates contain discussions of uncertainty
- Interactive workbooks show how CBO's budget projections would change if certain economic variables differed from CBO's estimates

16

CBO

Characterizing Uncertainty: The Uncertainty of CBO's Projections of Output

Trillions of 2012 Dollars



As the most recent report on the 10-year budget and economic outlook showed, in CBO's baseline projections, real GDP grows at an average annual rate of 1.9 percent over the 2019–2023 period, but there is a roughly two-thirds chance that the growth will be between 0.6 percent and 3.2 percent.

16

Creating Data Visualizations

To make the federal budget and CBO's analyses easier to understand, the agency publishes infographics, slide decks, and chart books—these, for example:

- *The Federal Budget in 2017: An Infographic*
- *The 2018 Long-Term Budget Outlook in 25 Slides*
- *Factors Affecting the Labor Force Participation of People Ages 25 to 54*

Supplementing regularly updated slide decks on the topic, CBO just released its first visual summary—in lieu of a written summary:

- *A Visual Summary of The Budget and Economic Outlook*

28

CBO

Creating Data Visualizations: A Visual Summary



For the most recent report on the 10-year budget and economic outlook, CBO presented—in 12 figures on four pages—the visual story for deficits, debt, revenues, spending, and the economy.

29

Conducting Outreach

CBO's staff communicate frequently with people outside the agency to explain findings and methods, gather information, and obtain feedback.

The most important form of outreach is direct communication between CBO and the Congress—in person, by phone, and by email—to explain the agency's work, respond to questions, and seek feedback.

Other types of outreach include the following:

- Consultation with outside experts
- Presentations on Capitol Hill and at academic and research institutions and other organizations about CBO's analyses and processes
- Podcasts
- Blog posts

Concluding Thoughts

Making CBO's Work Widely Available

CBO has a long-standing commitment to ensuring that its work is widely available—to the Congress and the public.

- The agency posts all formal cost estimates and analytic reports on its website
- It then notifies subscribers by email and Twitter

24

CBO

This Year

This year, CBO aims to:

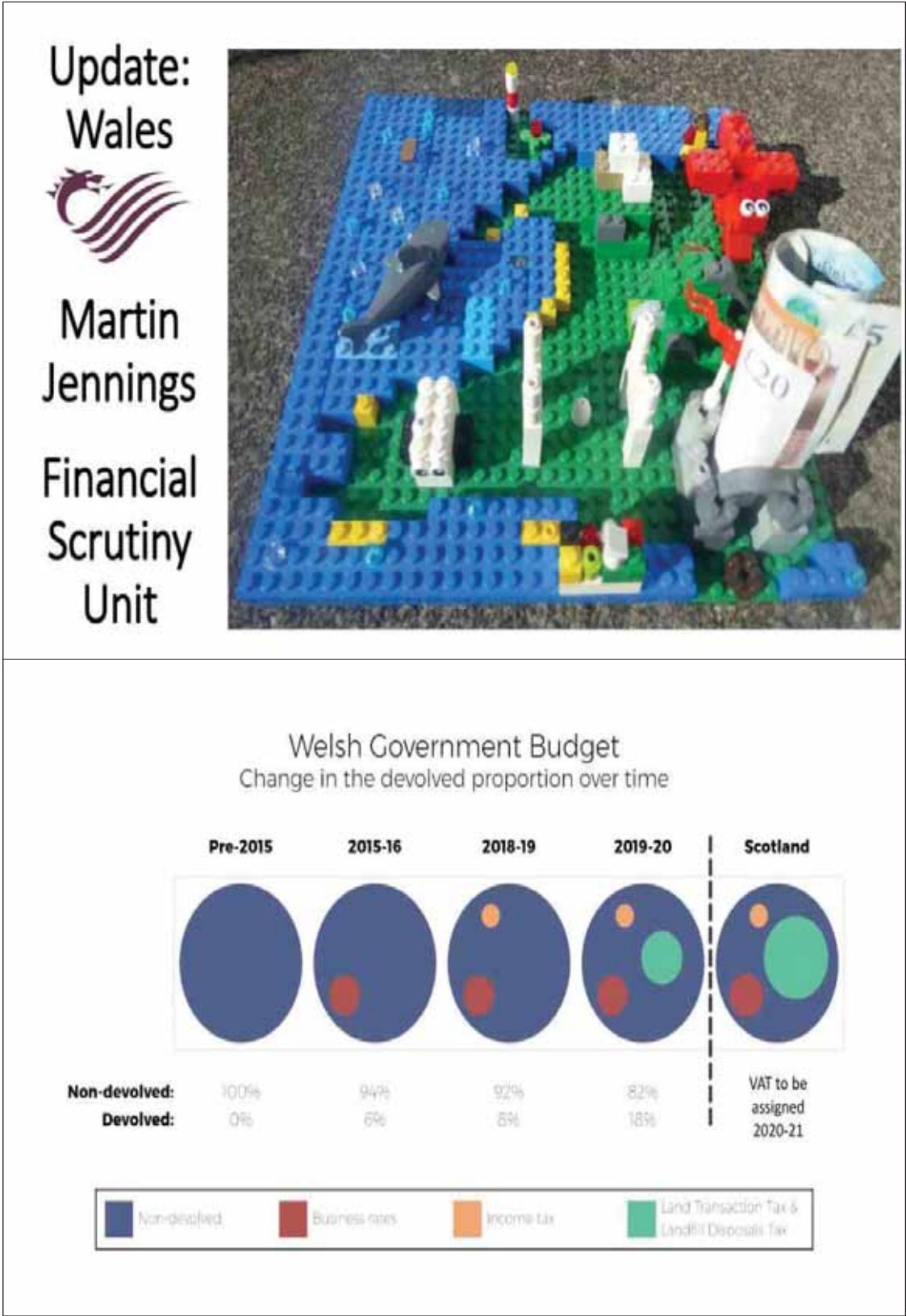
- Publish more overviews and documentation of some of its major models and more detailed information, including computer code, about key aspects of those models
- Update its template for cost estimates to make important information easier to find and read
- Continue to evaluate previous estimates in order to improve future ones

25

This Year

This year, CBO aims to:

- Publish more overviews and documentation of some of its major models and more detailed information, including computer code, about key aspects of those models
- Update its template for cost estimates to make important information easier to find and read
- Continue to evaluate previous estimates in order to improve future ones



Budget and main forecasting timelines





REPUBLIKA SLOVENIJA
FISKALNI SVET

Session 3: Best practice products from the PBO network

Fiscal and macroeconomic consequences of the Coalition Agreement

11th Annual Meeting of the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO)

Lisbon, Portugal
4-5 February 2019

Aleš Delakorda, Head of Analysis, Slovenian Fiscal Council



REPUBLIKA SLOVENIJA
FISKALNI SVET

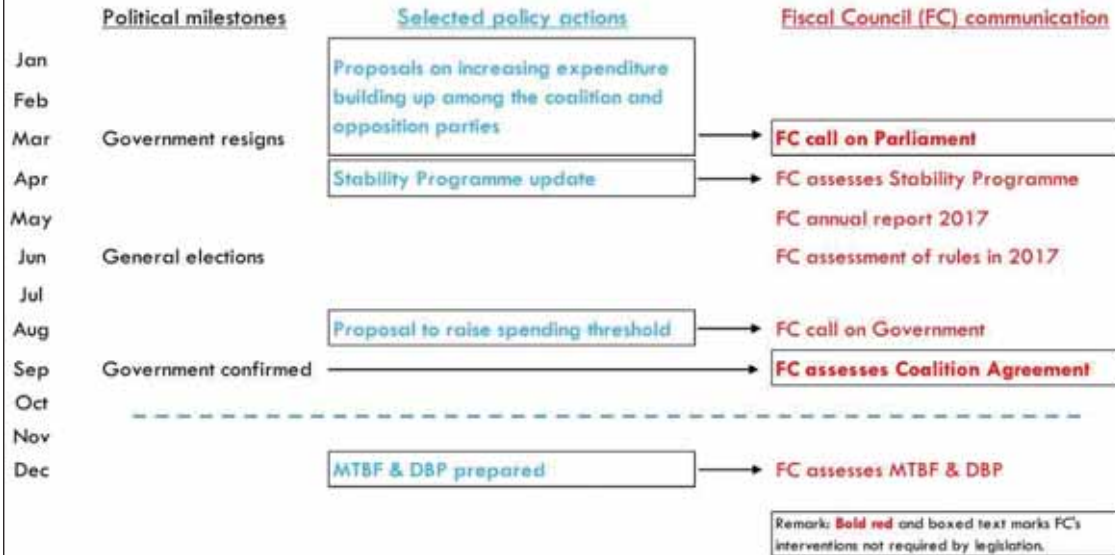
Slovenian Fiscal Council – background

- New institution
- Limited human resources and analytical tools
- Relatively narrow scope of tasks defined by legislation

www.fis-rs.si

2

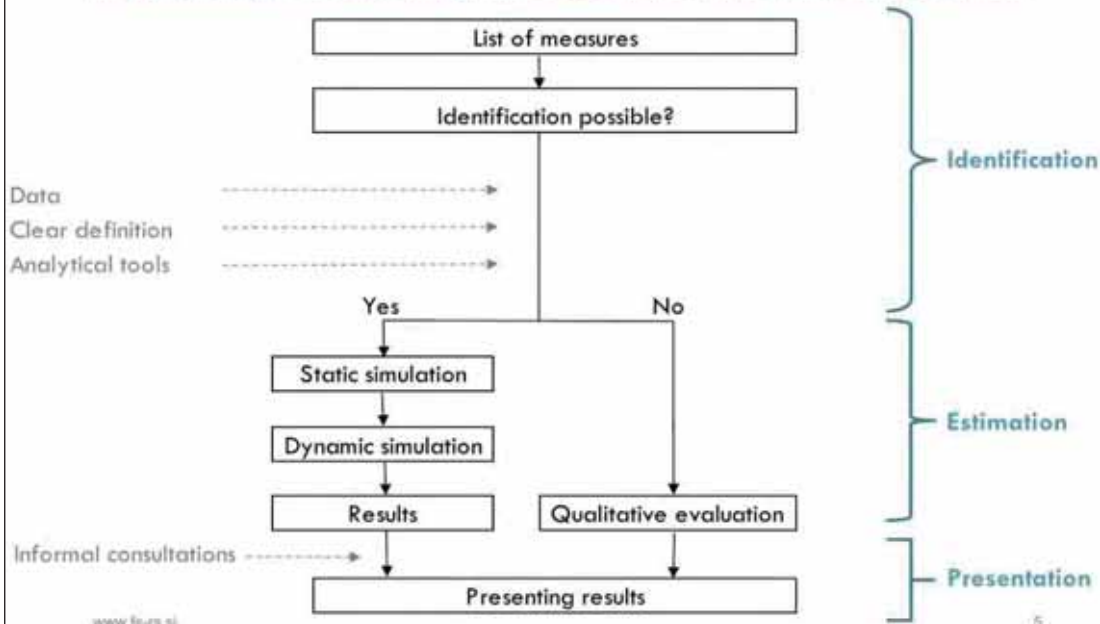
Road leading to assessing political manifesto in Slovenia in 2018



Key aspects of Coalition Agreement

- Relatively rich depth of proposals: measures and targets
- Expenditure-oriented
- Weak definition of revenue measures
- Clear short-term orientation
- Timing of measures not clear in all cases

Key challenges of publishing the evaluation of the Coalition Agreement



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5

Key results: static fiscal effects

	in % of GDP			
	2019	2020	2021	2022
Revenue	1.9-2.2	2.2-2.5	2.4-2.9	2.8-3.2
Expenditure	2.7-3.2	3.8-4.8	4.9-6.4	6.1-8.0
NET EFFECT ON PUBLIC FINANCE	-0.6 to -1.4	-1.3 to -2.6	-2.0 to -4.0	-2.9 to -5.2

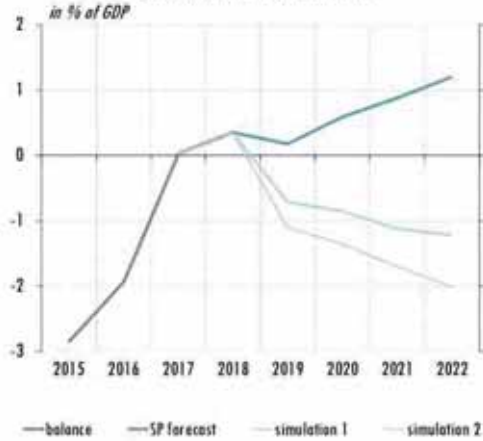
Note: Nominal GDP in 2022 is set by extrapolating the 2021 growth rate from IMAD 2018 Spring Forecast (5.3 %).
Source: FC estimates.

www.fs-rs.si

6

Key results: dynamic fiscal effects

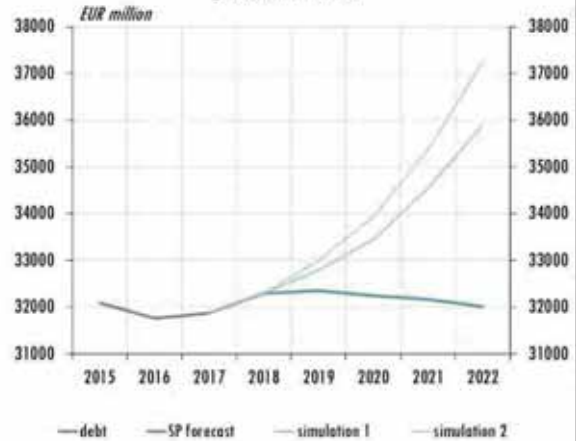
Dynamic simulation of measures: effects on the general government budget balance



Source: SORS, forecast: Stability Programme 2018, FC calculations.

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Dynamic simulation of the measures: effects on general government debt

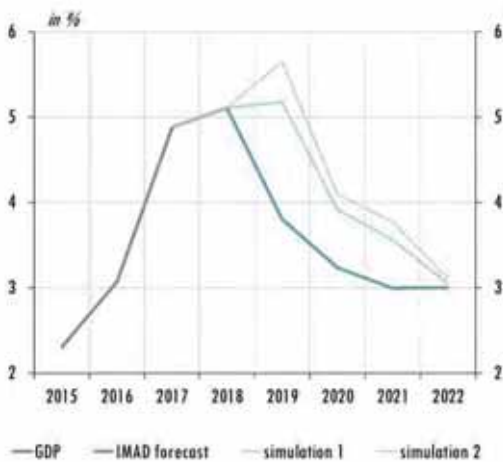


Source: SORS, forecast: Stability Programme 2018, FC calculations.

7

Key results: dynamic macroeconomic effects

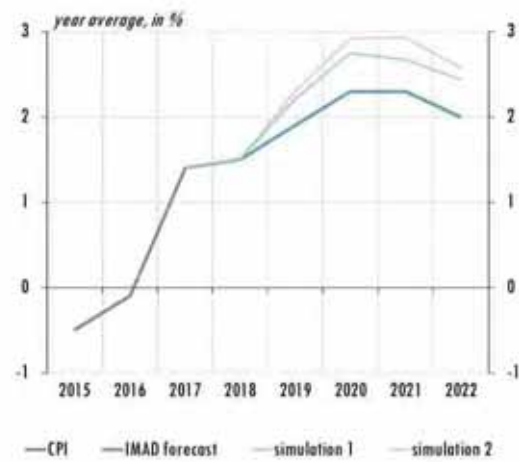
Effects on real GDP growth



Source: SORS, forecast: IMAD Spring forecast 2018, FC calculations.

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Effects on inflation



Source: SORS, forecast: IMAD Spring forecast 2018, FC calculations.

8

Key results: compliance with fiscal rules

	share of GDP, in %			
	2019	2020	2021	2022
Structural balance				
Stability Programme 2018	-1,1	-0,4	0,1	0,4
Static simulation 1	-1,7	-1,7	-1,9	-2,5
Static simulation 2	-2,4	-3,1	-4,0	-4,9
Dynamic simulation 1	-2,0	-1,9	-1,9	-2,1
Dynamic simulation 2	-2,4	-2,4	-2,5	-2,8
Structural effort				
Stability Programme 2018	-0,5	0,7	0,5	0,3
Static simulation 1	-1,1	-0,1	-0,2	-0,5
Static simulation 2	-1,9	-0,6	-0,9	-0,9
Dynamic simulation 1	-1,5	0,1	-0,1	-0,1
Dynamic simulation 2	-1,8	0,0	-0,1	-0,3
One-off measures	0,0	0,0	0,0	0,0
Output gap (June 18)	2,7	2,1	1,7	1,7

Note: Nominal GDP in 2022 is set by extrapolating the 2021 growth rate from IMAD Spring Forecast 2018 (5.3 %). The nominal general government balance for 2022 was defined by extrapolating an identical increase in balance as forecast for 2021 in the 2018 Stability Programme. The public debt was determined accordingly. Results of two simulations based on different assumptions with respect to the implemented measures from the Coalition Agreement are presented. Simulation 1 includes a combination of measures with the biggest static effect on revenue and the smallest static effect on expenditure. Simulation 2, by contrast, includes a combination of measures with the smallest static effect on revenue and the biggest static effect on expenditure. See Appendix 2.

Source: MoF Stability Programme 2018, FC estimates.

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9

Risks, reactions and lessons learned

- Highlighting risks when publishing the evaluation
- Strong media AND political reaction
- Even more caution needed when presenting results
- Need to (further) educate media and MPs on fiscal policy basics
- Clear orientation for further development of analytical tools

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10



REPUBLIKA SLOVENIJA
FISKALNI SVET

Session 3: Best practice products from the PBO
network
**Fiscal and macroeconomic consequences of
the Coalition Agreement**

11th Annual Meeting of the OECD Network of Parliamentary
Budget Officials and Independent Fiscal Institutions (PBO)

Lisbon, Portugal
4-5 February 2019

Aleš Delakorda, Head of Analysis, Slovenian Fiscal Council

Visit us at: www.fs-rs.si/news

Dr Zofia Szpringer, PhD

Good examples from Poland (OECD 2019 Lisbon)

Spending reviews¹

In view of the constraints imposed by the application of fiscal rule ensuring the long-term sustainability of public finances, active fiscal policy requires a stronger emphasis on assessing the quality of existing expenditure. A measure of the quality of public expenditure is the degree to which it contributes to effective implementation of strategic objectives and development priorities, including, in particular, those related to supporting economic growth and reducing social inequalities.

In Poland spending reviews performed since 2014 have helped to strengthen the ability to shape the structure and quality of public expenditure. From 2015, the Steering Committee for public expenditure reviews has been an assisting body of the Minister of Finance in matters related to spending reviews. Its tasks include in particular the approval of public spending reviews programmes and the validation of conclusions and recommendations formulated during the reviews. In 2017, spending reviews concerning the following were carried out:

- 1) mechanisms of motivating teachers and the system of their professional advancement,
- 2) tasks implemented by the Voluntary Labour Corps,
- 3) valorisation and indexation mechanisms and legal conditions determining the level of fixed expenditure, in particular in the area of social expenditure (second stage).

In 2018, expenditure reviews related to (1) prisons, (2) physical culture and sport and (3) support to maritime affairs, inland navigation and fisheries were continued. Public spending reviews are foreseen to cover further areas. Experience with spending reviews has shown the need to institutionalise this budgetary policy tool and to integrate it into the budgetary process in a way that supports expenditure management and the fiscal space in the subsequent years.

¹ Convergence Programme. 2018 Update, p. 33.

Strengthening the budgetary frameworks²

In June 2018 the Act on Public Finances was amended in order to strengthen the implementation of the EU directive.³ The amendment was aimed at introducing the obligation to include in the justification attached to the draft Budget Act information on the following issues:

- a) the macroeconomic scenario and its comparison with the most recent forecasts of the European Commission and other independent institutions,
- b) actions taken in the event of significant adverse developments affecting macroeconomic forecasts in the period of the four years preceding the development of macroeconomic scenario,
- c) sensitivity analysis on general government deficit and debt, public domestic debt and expenditure levels referred to in Article 112aa(1) with different growth and interest rates assumptions.⁴

The amendment imposes obligations on the Ministry of Finance. For example, the explanatory memorandum to the draft budget law compares the government's projections with those of international institutions and the update to the Convergence Programme includes a sensitivity analysis of the general government balance and debt to depreciation of the Zloty (Polish currency) and to an increase in the national interest rate.

The budgetary system reform, initiated in 2016, has been continued. The improvement and further development of the multiannual planning is a complex process of a multiannual nature. Activities related to the optimisation of the multiannual planning and its closer integration with the annual planning in the budgetary process were reflected in the Regulation of the Minister of Development and Finance of 13 June 2017 on the detailed method, procedure and deadlines for preparing materials for the draft budget act.⁵ The continuation of analyses and work in this area will be ensured, drawing on the experience and lessons learned from the solutions already implemented in the area of budgetary planning.

² Convergence Programme. 2018 Update, p. 36.

³ Council Directive 2011/85/EU of 8 November 2011 on requirements for the budgetary frameworks of the Member States.

⁴ The amended regulation was applied for the first time to the draft budget law for 2019.

⁵ This is the so-called budgetary note – a legal act that does not refer to just one budgetary year.

Rationalization of indebtedness of territorial self-government units

In August 2018 the Act on Public Finances was amended⁶ in order to rationalise the indebtedness of territorial self-government units (JST), make their financial economy more flexible and strengthen legal mechanisms aimed at increasing financial security.⁷

The introduced regulations:

- enable early repayment of local governments' debt if they have financial resources for this purpose,
- improve the financial management of local governments and at the same time allow to reduce public debt and its servicing costs.

These regulations apply only to early repayment of debt, i.e. repayment in the years going beyond the budget year for which the budget was adopted, and only to be repaid in the following year. It is connected with the necessity to preserve the possibility of effective verification of the JST debt forecast in the context of the applicable debt repayment limit.

The changes materialized in an increase of the space for spending by local government units. Thanks to these solutions financial resources will be released in the next years, meaning that these resources may be allocated for, e.g. self-government investments.

The new regulations allow the executive body of a local government unit to amend budget and long-term financial forecast of the unit in connection with implementation of projects financed with the European funds.

The amendment also introduced statutory restrictions on the so-called non-standard financing instruments, in particular regarding purpose, obtaining appropriate opinion of the supervisory body or keeping limits measured by the repayment ratio of liabilities for a given year.⁸

⁶ Journal of Laws of 2018, item 2500.

⁷ The need for changes was indicated in the conclusions of the Ministry of Finance's analysis of the current functioning of the regulation in the aforementioned scope, including the individual debt repayment ratio, as well as the postulates of regional audit chambers, the Supreme Audit Office and proposals of local government organizations

⁸ As a result:

- when calculating an individual debt ratio, liabilities that have economic effects similar to a loan or credit agreement are taken into account,
- liabilities with economic effects similar to the loan agreement are subject to limitations analogous to those for "traditional" loans and credits,
- the requirement to obtain the opinion of the regional accounting office on the possibility of repayment of debt has been modified.

Lack of restrictions related to the use of these instruments could be dangerous (e.g. leading to an uncontrolled increase in a local government debt, as well as significant distortion of data illustrating financial situation of a given JST).

VAT GAP

According to the European Commission in 2015 Poland belonged to the EU Member States with the highest VAT gaps.⁹ In response to this, Polish government has intensified activities aimed at improving tax compliance and the efficiency of the tax administration. The most important activities included: general anti-avoidance rule (introduced in mid-2016), modification of the rules for accounting VAT on intra-Community purchases of motor fuels, a so called fuel package (in force since 1 August 2016), grounds for registration refusal and precise terms for taxpayer removal from the VAT register (in force since the beginning of 2017), reintroducing sanctions - up to 100% - for taxpayers who overstate input VAT (in force since January 2017), increase of penalties for tax offences - up to 25 years in prison for falsifying invoices above 10 million PLN (in force since March 2017), extended confiscation of assets obtained under false pretences and assets used for fiscal offences (in force since April 2017).¹⁰ In the coming years, the measurements aimed at improving tax system compliance will be continued, with a particular focus on increasing the collection of VAT and combating related fraud. Poland also supports the initiatives of the EU and the OECD to reduce tax evasion and taxation of the digital economy. Improving the tax system compliance will be facilitated especially by, i.a.: SAF-T¹¹ analyser, i.e. an IT system supporting the detection of invoices documenting fictitious activities, the IT System of the Clearing House (STIR) limiting the possibilities of using the financial sector for fiscal frauds, split payment mechanism, which will impede malpractices at the stage of the transaction and ensure better transparency of the accounts, developing a system for monitoring road transport, regulations limiting the use of mechanisms of the so-called aggressive tax planning in income taxes, introducing an obligation to provide the tax authorities with information on tax schedules to which the so-called promoters who prepare or offer

⁹ Only five countries have larger tax gap (Italy, Greece, Slovakia, Lithuania and Romania). See: Study and Reports on the VAT Gap in the EU-28 Member States: 2017 Final Report, TAXUD/2015/CC/131, ec.europa.eu/taxation_customs/sites/taxation/files/study_and_reports_on_the_vat_gap_2017.pdf

¹⁰ Introduced by amendments to the Criminal Code and other acts.

¹¹ In Polish „jednolity plik kontrolny” – JPK.

arrangements under the services related to taxation will be subject to, introducing changes concerning withholding tax due to paid out receivables for non-residents exceeding the amount of 2 million PLN, introducing the online cash registers for sales recording in favour to natural persons not running a business and flat-rate farmers as a key tool in the fight against the black economy and in strengthening fair competition, reduction in the quantity of fuel imported from third countries with exemption from import duties and excise duty, which would result in a reduction in the resale of cheaper fuel imported from the eastern border of Poland, measures aimed at improving the efficiency of administrative enforcement. The financial effects of measures presented therein are estimated at 10.6 billion PLN in 2018 and an additional 5.9 billion PLN in 2019. In the subsequent years, the measures will be aimed at further reducing the tax gap by, respectively, 4 billion PLN in 2020 and 2 billion PLN in 2021. The total effect of the implemented measures planned for 2018-2020 is estimated at approx. 1 percentage point of GDP.¹²

Legal and factual actions taken by the government, as well as the good economic situation, cause the VAT gap to decrease, although it is still relatively high compared to some EU countries (this is also illustrated by the latest figures for 2016).¹³ We can expect that this reduction will progress if effective action at EU level is also taken. It should be noted that in 2017 and in 2018 the VAT receipts in Poland were significantly higher than in 2016.

¹² Convergence Programme. 2018 Update, p. 33-34.

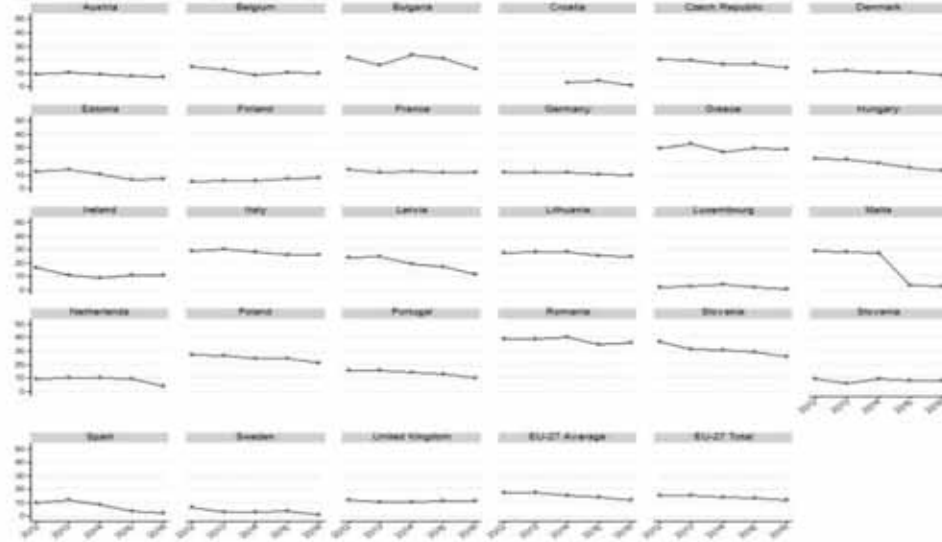
¹³ https://ec.europa.eu/taxation_customs/sites/taxation/files/2018_vat_gap_report_en.pdf

Table 1. VAT Gap Estimates, 2015-2016 (EUR million)

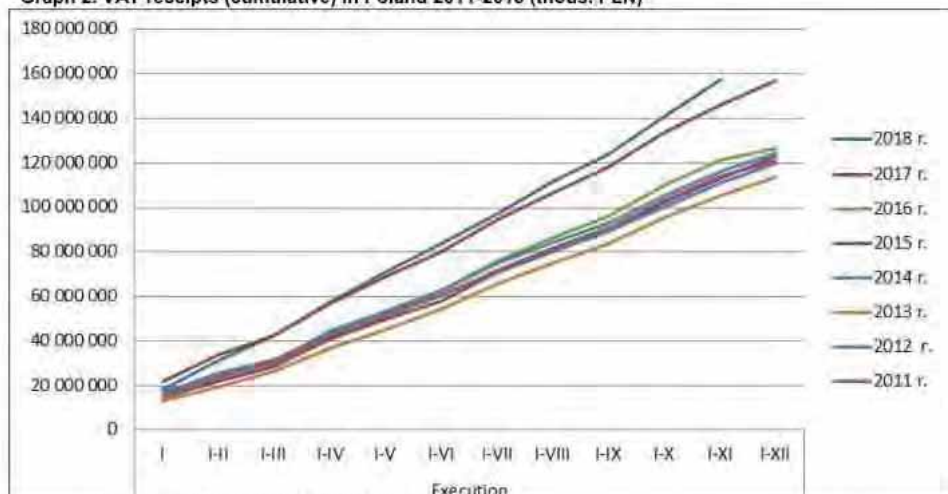
MS	2015				2016				VAT Gap (%)
	Revenues	VTTL	VAT Gap	VAT Gap (%)	Revenues	VTTL	VAT Gap	VAT Gap (%)	
BE	27578	30906	3329	10.77	28722	31801	3079	9.68	-1.09
BG	4059	5117	1058	20.67	4417	5110	693	13.56	-7.11
CZ	12382	14903	2521	16.92	13091	15256	2165	14.19	-2.73
DK	25493	28546	3054	10.70	26519	28985	2466	8.51	-2.19
DE	211616	236322	24706	10.45	218784	241463	22679	9.39	-1.06
EE	1873	1999	127	6.33	1974	2118	144	6.78	0.44
IE	11955	13375	1419	10.61	12826	14436	1610	11.15	0.54
EL	12885	18243	5358	29.37	14333	20249	5916	29.22	-0.15
ES	68601	71498	2897	4.05	70591	72557	1966	2.71	-1.34
FR	151680	171547	19867	11.58	154430	175326	20896	11.92	0.34
HR	5690	5941	251	4.22	6016	6086	70	1.15	-3.07
IT	101061	136814	35753	26.13	102957	138945	35988	25.90	-0.23
CY	1517	1690	174	10.28	1664	1746	83	4.73	-5.55
LV	1876	2265	389	17.17	2032	2290	258	11.27	-5.90
LT	2888	3880	992	25.57	3026	4009	983	24.52	-1.05
LU	3442	3523	80	2.28	3416	3445	29	0.85	-1.43
HU	10669	12611	1943	15.40	10587	12216	1629	13.33	-2.07
MT	684	708	24	3.42	729	749	20	2.71	-0.71
NL	44879	49584	4705	9.49	48557	50581	2024	4.00	-5.49
AT	26247	28529	2282	8.00	27300	29449	2149	7.30	-0.70
PL	30075	39727	9652	24.30	30479	38483	8004	20.80	-3.50
PT	15368	17640	2272	12.88	15770	17554	1784	10.16	-2.72
RO	12939	19747	6808	34.48	10968	17105	6137	35.88	1.40
SI	3218	3507	289	8.24	3315	3604	290	8.04	-0.20
SK	5420	7664	2243	29.27	5420	7292	1872	25.68	-3.60
FI	18974	20379	1405	6.89	19694	21401	1707	7.98	1.08
SE	40501	41975	1474	3.51	42770	43236	465	1.08	-2.43
UK	182152	204752	22600	11.04	166866	188906	22040	11.67	0.63
Total EU-28	1035722	1193392	157672	13.2	1047253	1194398	147146	12.3	
Median				10.7				9.9	

Source: Study and Reports on the VAT Gap in the EU-28 Member States: 2018 Final Report TAXUD/2015/CC/131, p. 19.

Graph 1. VAT Gap in EU Member States, 2011-2016



Graph 2. VAT receipts (cumulative) in Poland 2011-2018 (thous. PLN)



Source: Graph based on data of the Ministry of Finance.

In Poland, alongside measures aimed at reducing the VAT gap, efforts have been made to design a method of identifying goods and services that provides taxpayers and tax authorities with a greater certainty that the tax rate applied is correct. Such a method could also rationalise the structure of VAT rates.

Cybersecurity

The National Cybersecurity System Act¹⁴ was passed by the Polish parliament in 2018 to enter into force on 28 August 2018. The Act implements the Directive on Security of Network and Internet Systems.¹⁵ It is the first comprehensive regulation related to cybersecurity and establishes the national cybersecurity system.¹⁶ The Act stipulates the organization of the national cybersecurity system as well as the tasks and responsibilities of organizations and institutions included in the system. The Act also describes rules of supervision and control and outlines the Republic of Poland's

¹⁴ The Law of 5 July 2018 on the national cybersecurity system (Journal of Laws of 2018, item 1560).

¹⁵ Directive (EU) 2016/1148 of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union (Official Journal of the EU of 19 July 2016, L 194/1).

¹⁶ The law is not applicable to telecom companies that have internal cybersecurity regulations.

Cybersecurity Strategy, but also defines cybersecurity, key services, cyber services, alongside with incidents and procedures of reporting incidents.¹⁷

Noteworthy, a strategic document related to cyberspace security – the National Republic of Poland's Cybersecurity Policy Frameworks for the years 2017-2022 – was adopted in April 2017 by the resolution of Council of Ministers no. 52/2017. The document was created by the interdepartmental team under the direction of the Ministry of Digital Affairs. Achieving high levels of security of national electronic systems related to key services, digital services and administrative services is one of the core tasks enlisted in the National Frameworks. The national cybersecurity system will be therefore upgraded to enhance its real-time threat monitoring and integrated cybersecurity management capabilities.

The abovementioned actions taken by the Ministry of Digital Affairs in cooperation with other ministries are based on the 2015 amendment of the law of 4 September 1997 on functioning of the government administration¹⁸ that added competence for cyberspace security to "Computerization" chapter of that Law. Such actions are driven by the necessity of establishing a comprehensive national electronic security system. The necessity was recommended after an audit carried out by Supreme Audit Office in public institutions responsible for cyberspace security.

¹⁷ From the perspective of cooperation between the banking sector and public authorities it seems important to note the Banking Cybersecurity Centre that is a part of the National Cybersecurity Centre platform.

¹⁸ Journal of Laws of 2018, item 762.



New parliamentary initiatives to support MP's in budget oversight

Jeroen Kerseboom
Rolf Noordsij

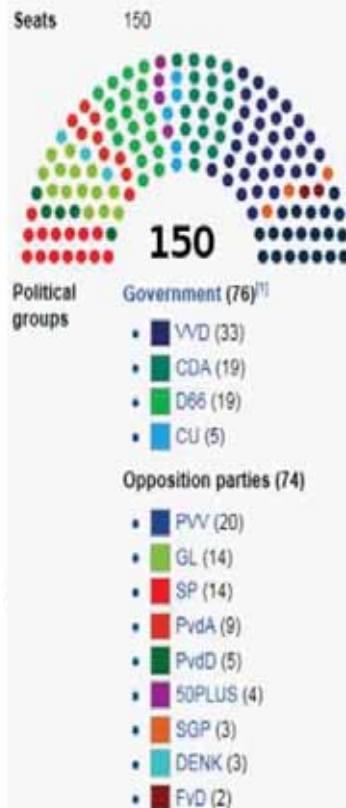
House of Representatives - The Netherlands
Analysis and Research Department



NL Parliament

- Bicameral (Senate & HoR)
- 150 MP's in HoR
- 13 standing committees
- 533 FTE total staff
- 33 FTE Analysis & Research Department

TWEEDE KAMER DER STATEN-GEREAAL



NL Parliament & Budget Cycle

- **SEPT Year t-1** (budget preparation)
Debating and approving the National Budget: 21 budget bills
- **JUNE Year t, DEC Year t** (budget execution)
Debates about adjusting the current budget: supplementary budget bills
- **MAY Year t+1** (accountability of the budget)
Scrutinizing and debating 21 annual reports

Improving final stage of the budget cycle; scrutinizing the annual reports: WHY?

- Controlling the budget is essential task of a Parliament
- Lack of public, political and media attention for accountability

Is tax payer's money spent:
Regularly?
Effectively?
Efficiently?





Tweede Kamer
DER STATEN-GENERAAL

Improving final stage of the budget cycle; scrutinizing the annual reports: HOW?

- **V-100**

Civilians scrutinize the annual reports: did we get value for money?

- **Rapporteurs**

Duo's of MP's scrutinize the annual reports:
6 questions about regularity, efficiency and effectiveness.



Tweede Kamer
DER STATEN-GENERAAL

'V-100'

V = 'Verantwoording'
(accountability)

100 = # participants



What's presented to Parliament (1)

Third Tuesday of September: Prince's Day

- Government's plans presented to Parliament
- Suitcase with the National Budget



What's presented to parliament (2)

Third Wednesday in May: Accountability Day

- Government's results presented to Parliament
- Suitcase with the annual reports of all ministries



What's presented to parliament (3)

Monday after Accountability Day:

- 100 civilians discuss 10 different topics in the annual reports
- Suitcase with critical questions presented to the Chair



Follow-up V-100

- Questions V-100 sent to all MP's and to the ministers involved to answer them
- May: Plenary debate. Spokesmen can refer to V-100 questions.
- June: Committee debates about annual reports. MP's can use the V-100 questions and answers in this debates.

Philosophy of the V-100

People should be well informed what happened with the taxpayer's money:

- were policy goals reached last year?
- were promised results achieved?
- enough transparency how money was spent?

Is #overheidsgeld zinnig, zuinig en zorgvuldig besteed? 100 mensen duiken in #jaarverslagen ministeries. Meer: facebook.com/tweede.kamer #V100



How to audit the budget and accounts?



How do I audit the budget and accounts?

This card outlines the 6 primary questions that a Member of Parliament can ask when auditing the budget and accounts.



Tweede Kamer
DER STATEN-GENERAAL

How to audit the budget and accounts?

1. What is the general situation regarding the policy area?

- what is the current domestic and international situation?
- what are the developments over time?
- what is going well and what could be improved?

2. Which objectives have been planned/achieved?

- what does the minister want to achieve/has the minister achieved?
- correct objectives?
- correct indicators?
- influence of the minister?

3. Which actions leading to the objectives have been planned/attained?

- what does the minister want to do/has the minister done?
- correct actions underpinning the objectives?
- are actions specific and measurable?
- clear role for the minister?



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How to audit the budget and accounts?

4. Which expenditure is planned/has been realised?

- budgeted/spent?
- significant over/underspending to be explained?
- adjustments and additional investments sufficient justification and identifiable?
- subsidies justified?
- guarantees granted and exposures for ministry?
- expenses for primary department and operational organisations?
- end of year margin?
- expenses distributed across multiple policy articles or ministries?
- financial position of institutions executing policy but not included in state budget?

5. What is the verdict regarding the legitimacy, effectiveness and efficiency?

- focus points with regard to operational management and policy information?
- audit findings of the Netherlands Court of Audit regarding legitimacy?
- audit findings of policy effectiveness examinations and evaluation reports?
- correct planning for future policy effectiveness examinations?
- proper attention to focus areas identified by the House of Representatives?
- comparative (international) key figures regarding effectiveness and efficiency?

6. What are my conclusions and recommendations (as reporter to the committee)?

- considerations regarding granting discharge?
- requests for minister?

Rapporteurship annual reports

- 'Duo rapporteurship' (1 MP of coalition, 1 MP of opposition)
- Supported by staff
- Findings, conclusions and recommendations first presented to the committee and later –on behalf of committee - to the minister

Advantages rapporteurship-model

- More attention for the annual reports
- 'Committee commitment'
- Importance of the efficiency and effectiveness of public expenditure is stressed
- Improvements in the reports (e.g. indicators)
- Efficient method for committee

New development: How MPs in the Dutch parliament strengthened their budgetary and accounting powers

Pieter Duisenberg

After experiencing a lack of political interest for financial and performance information in the Dutch House of Representatives, the author, a member of parliament, introduced a systematic approach for parliamentarians to review the country's national budget and accounts. Drawing on corporate experience, the approach is a parliamentary version of a corporate audit committee working with a standardized review questionnaire. It gained wide support and is now used by several parliamentary committees. Nevertheless, the author raises various questions to the public accounting and control research community to improve the method and ensure its long-term use by politicians.

Keywords: Audit committees; internalization; politicians; questionnaire; structured review.

I was surprised, disappointed, and even perhaps embarrassed with the unprofessional way the annual national budget was treated in the Netherlands. It was late 2012, and I had just been elected as an MP after a 20-year career in the corporate world. Perhaps I was naïve to expect the country's budget to be dealt with in the way I knew in the private sector. Maybe it was all due to my political inexperience. However, I stuck to my firm opinion that a structured use of accounting (financial and non-financial performance) information by politicians would have a major positive impact on political decision-making and the effectiveness of politics and the public sector. So I designed a structured approach for reviewing the budget and annual report which is now widely used by Dutch MPs. This article sets out this new approach, our experiences so far, and opportunities for further improvement.

Exercising parliament's budgetary powers

Politics has a huge impact on society and it acts with a mandate from society. Hence transparency, reliability and accountability of political decision-making are essential, not only to assure effective spending of taxpayers' money, but also to provide conditions and solid ground to society in a world of tremendous change. The national budget is instrumental in this context: it translates political choices to allocated amounts of money. In the Netherlands, the central government budget for 2016 amounts to approximately 300 billion euro, which is 43% of gross domestic product.

The budget codifies the government's policy goals, strategies, tax and spending decisions.

The constitution of the Netherlands (articles 104–105) gives parliament, especially the House of Representatives (the Tweede Kamer—see box below), the powers to amend, approve and hold government accountable for the budget. The national budget is presented in September before the start of the new fiscal year, and the annual report in May after the end of that fiscal year. These documents are complemented by economic projections by the Central Planning Bureau (CPB) and validated by the Netherlands Court of Audit.

Given the importance of parliamentary powers for budget approval and accountability, one would expect a structured, thorough and internalized approach towards the setting and evaluation of goals, strategies, budgets and results. However, this is not usually the case. The parliamentary review appears to be more *ad hoc*, zooming in on particular topics that happen to be politically salient at that given

Pieter Duisenberg has been a Member of Parliament for the liberal party (VVD) in the House of Commons of the Netherlands since 2012. Before being elected, he worked for 20 years in the private sector.

Dutch government

The Netherlands is a constitutional monarchy, based on the trias politica, with parliamentary elections taking place on the basis of a list system of proportional representation. Parliament consists of two chambers, where the main political function is for the 'Tweede Kamer' (second chamber). Parliament has legislative, as well as controlling powers, vis-a-vis the government (executive). There are many parties represented, when this article was written in September 2016 there were up to 16, including some with only one seat. The government is created out of a coalition of some of the parties. Currently the coalition consists of two parties—liberals (VVD) and social-democrats (PvdA). All other parties are usually referred to as 'the opposition'.

moment, rather than taking an holistic, systematic approach. In addition, looking ahead (strategy plans, budget approval) gets far more attention than looking backwards (results, accountability).

This practice falls short of the potential of proper budget scrutiny as required by the constitution in articles 104–105. There are several possible reasons for this:

- Coalition parties may have less interest in critically approaching the executive than opposition parties.
- The fragmentation and volatility of the political landscape (more parties and decreasing support for the traditional ruling parties).
- Politicians being focused on day-to-day public media exposure.
- The different backgrounds and experiences of politicians (especially regarding accounting and control).
- The lack of standard operating processes in parliament with respect to executing budgetary powers.

I was not alone in my concerns. Both MPs and the Court of Audit had been calling for improvement in the way the Dutch parliament was exercising its budgetary powers:

- In 2014, the parliamentary committee for ICT reported an estimated 1 billion euro up to 5 billion euro of wasted resources on public government ICT projects per year.
- In 2015, the parliamentary committee on the high-speed Fyra train concluded that there had been a 11 billion euro misspend on this public railway project.

Both of these parliamentary committees concluded that the provision of information from the executive, as well as parliamentary scrutiny, was not good enough.

- In 2015, the Court of Audit concluded that out of 86 fiscal expenditure measures (for example excise duty exemptions and fiscal innovation stimuli), totalling 18 billion euro annually, effectiveness was not tested for 45 of the measures.
- Also in 2015, the Court of Audit concluded that in the case of additional investment in teacher professionalization of up to 1.2 billion euro per year, parliament had lost sight of the relationship between budgets, expenses and results.

Therefore, while articles 104–105 clearly set

out parliament's role and responsibilities, there are significant opportunities for improving the exercise of its budgetary powers. This observation is not new. Forty years ago, a former parliamentary chairman observed that parliament could make better use of its budgetary powers and should not lose itself in trivia and local issues (Vondeling, 1976). In 2000, the finance minister stated that over the next 10 years, the standard of parliamentary control of the budget and annual report had to be at a much higher level (Zalm, 2000). In subsequent years, the Netherlands moved to a form of performance-based budgeting. However, this led to an overload of policy information in a non-focused direction and then administrative overload. This was corrected in 2011 with the introduction of a revised performance management system with a very modest set of indicators and more reliance on multi-year effectiveness evaluations. What remained constant throughout these years was an ongoing lack of political interest for this type of information (de Jong *et al.*, 2013).

Introducing corporate experience

Transparency, reliability and accountability of political decision-making are essential. Many politicians think that politics are different from business. However, this does not prevent the public sector learning from the private sector on how to link strategy to performance management systems (van Helden and Reichard, 2016). Of course, there are differences, which influence or constrain the direct applicability of principles from one sector to the other. Key differences are ownership (government versus transferable shares); funding (taxes versus revenues from products sold); goals (public interest effectiveness, poor measurability versus profitability, good measurability); and control (multiple stakeholders versus the market and shareholders) (see Perry and Rainey, 1988; van Helden and Reichard, 2016).

However, public government decisions are just as much about choices in objectives, strategy, resource allocation (budget), control and accountability as are private sector decisions. In addition, public governance is based on the same principles as private sector governance, with a division of counter-balancing powers, between executive and controlling powers. Therefore, there will be differences, but also many commonalities in the design and use of performance management systems and the exercise of budgetary powers.

Entering politics after my corporate career,

I was surprised by the lack of structure in strategic and budget control, which I was used to in business. In the companies I worked for (Royal Dutch Shell, Eneco, McKinsey & Company), change rather than stability was omnipresent, and change was dealt within a framework of structured methodologies for strategic control: scenarios, long-term plans, budgets, investment decision methods and performance information.

In recent years, there has been a revival of attention in corporate governance after the financial crisis and corporate scandals such as Worldcom, Enron, and at Shell regarding oil reserves. As a result of such scandals, the Dutch corporate governance code has been fundamentally revised (Frijns, 2008). The code includes the counterbalancing roles of the executive board and supervisory board. There are some clear similarities between the corporate supervisory board and its big brother (or sister)—the parliament. Just like parliament, the corporate supervisory board also has roles to amend, approve and hold accountable. Its roles include approvals and supervision on setting and realizing strategic targets; annual budget and important investment decisions; risk management; and financial reporting.

One other aspect is particularly relevant in this context. The supervisory board nominates an audit committee from its members, which advises the supervisory board on financial and performance information, risk management practices and findings by the external auditors.

These corporate principles of governance can be used to improve the use of information and execution of budgetary powers in the Dutch parliament.

Structured use of information and budgetary powers in the Dutch parliament

While articles 104–105 clearly set out parliament's role and responsibility, the actual use of information and execution of budgetary powers could be improved. The main potential for improvement was to have a cycle-loop of *ex ante* planning to *ex post* control, which would be actively used by politicians, with both a one-year and longer term horizon, which focused not only on financials but also on effectiveness and risks. This would improve the information and control position of parliament and would bring more transparency, reliability and accountability to political decision-making.

For these reasons, a new method was put to the Dutch parliament. The method draws on the corporate experiences outlined above. It introduces, like the audit committee of a

corporate supervisory board, a subcommittee of two in each departmental committee, for example the committee on education, the committee on health, and the committee for social affairs. The subcommittees are tasked to do in-depth, 'cover-to-cover' research of the budget in September and the annual report in May, and report back to the responsible committee. Their report is discussed with the entire committee and accountable minister, before a general political debate takes place. To ensure that its findings are 'objective' and aimed at improving the information and control position of parliament as a whole, the subcommittee is deliberately 'politically neutral'. It consists of one member of the ruling coalition government and one member of the opposition. Each member takes two alternating 'subcommittee duties'.

When tasked to research the budget or produce an annual report, an MP is guided and supported by a structured review questionnaire. This questionnaire (see figure 1) prompts questions on financials, effectiveness, and risks, with both a one-year and longer term horizon.

The structured review questionnaire has been widely adopted as standard operating procedure for budget research. As a result, the budget and annual report are becoming a predictable recurring cycle of transparency, reliability and accountability of political decision-making.

First reactions; first results

I proposed this new method in late 2012 to the parliamentary committee of which I am a member (education). Fortunately, many of my colleagues in the education committee shared the view that we should improve the way we were exercising our budgetary powers and improve our information and control position. The proposal was, therefore, adopted. Initially, in the first review in May 2013, much of the work had to be carried out by myself (with parliamentary support staff), while a colleague in the subcommittee was productive and critically supportive in the discussions and shaping the report. This team of myself, as a coalition parliamentarian, together with an opposition parliamentarian, was crucial to stress the point that this was not for short-term political gain but, rather, a method for the whole parliament to improve its information and control position and execution of its core responsibility of budgetary control. The first report in May 2013 proved very valuable and since then the committee has repeated the

exercise each budgetary and annual report round in 2013, 2014 and 2015. The subcommittee duty was performed according to a rotation scheme of the committee members. Through these standard regular reviews, the education committee and the accountable minister have consequently entered into a recurring, semi-annual, structured review discussion of the entire education agenda and budget.

The method has now been adopted by other committees: social affairs, health, infrastructure, and foreign trade and development. Therefore currently about 80% of the national budget is being effectively scrutinized by parliament.

So far there has not been any major

reallocation of spending as a result of the method, but it has improved parliament's information about financials and has shifted the focus towards the effectiveness of government policies, to longer term goals, risks and accountability for results. First experiences are that parliamentary committees are clearly taking more interest in controlling the budget and executing their budgetary and accounting powers. For example, the subcommittee on social affairs, as well as the committee on health, are currently developing performance outcome criteria which they want included in the budget and annual report. Also, there is increasing interest in the design and outcomes of multi-year effectiveness evaluations, which are reinforced by question 5 in the audit guidance

Figure 1. Official guidance on how to audit the budget and accounts.

1. What is the general situation regarding the policy area?

- What is the current domestic and international situation?
- What are the developments over time?
- What is going well and what could be improved?

2. Which objectives have been planned/achieved?

- What does the minister want to achieve/what has the minister achieved?
- Correct objectives?
- Correct indicators?
- Influence of the minister?

3. Which actions leading to the objectives have been planned/attained?

- What does the minister want to do/what has the minister done?
- Correct actions underpinning the objectives?
- Are actions specific and measurable?
- Clear role for the minister?

4. What expenditure is planned/has been realized?

- Budgeted/spent?
- Significant overspending/underspending to be explained?
- Adjustments and additional investments sufficient justification and identifiable?
- Subsidies justified?
- Guarantees granted and exposures for ministry?
- Expenses for primary department and operational organizations?
- End of year margin?
- Expenses distributed across multiple policy articles or ministries?
- Financial position of institutions executing policy but not included in state budget?

5. What is the verdict regarding the legitimacy, effectiveness and efficiency?

- Focus points with regard to operational management and policy information?
- Audit findings of the Netherlands Court of Audit regarding legitimacy?
- Audit findings of policy effectiveness examinations and evaluation reports?
- Correct planning for future policy effectiveness examinations?
- Proper attention to focus areas identified by the House of Representatives?
- Comparative (international) key figures regarding effectiveness and efficiency?

6. What are my conclusions and recommendations (as reporter to the committee)?

- Considerations regarding granting discharge?
- Requests for the minister?

(see figure 1). Fortunately, despite all this collective committee activity, the use of the method has not led to a reduction of the political debate but, rather, has helped it. It actually introduced a two-step approach:

- The budgetary control powers for parliament as a whole are being properly exercised.
- The method supports the quality of political debate by putting the real facts on the table.

Further improvements

While the method has taken ground 'bottom-up' in the Dutch parliament, we now need to ensure its long-term survival and improve the method itself. The current generation of parliamentarians is becoming increasingly supportive. They have found that the workload is less than they expected and that it is well worth the effort. They are positively surprised to find it is not rocket science, but more a matter of 'just do it!' Nevertheless, the adoption is still fragile and more work is needed to ensure codification and internalization of the method before a new generation of politicians arrives after the next general election, which will be before March 2017.

In general, the drivers for the use of performance information by politicians is an important suggested topic for performance management research (van Helden and Reichard, 2016). Many methodological questions remain as well:

- How can we appropriately measure the outcome of government policy?
- What is the optimal planning horizon needed to evaluate government policy, solving the dilemma of long-term effects versus short-term electoral interests?

- Does accounting information on an accrual basis improve political decision-making and control?
- How can transparency, predictability and accountability to the general public be improved?


These are some of the questions that I hope the public accounting and control research community can answer so that we have accurate knowledge on how to deliver better parliaments, better government, and better politics.

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IMPACT

This article explains a new method which has strengthened the budgetary and accounting powers of the Dutch parliament. The method, designed by a politician with a corporate background, involves setting up a parliamentary version of a corporate audit committee working with a standardized review questionnaire. The method has gained wide support in Dutch parliament, increasing politicians' use of accounting information and their ability and interest in exercising budgetary control. Furthermore, the initiative is gaining interest from local councils in the Netherlands, including the city of Amsterdam, who see it as a way of improving budgetary and accounting powers for politicians at all levels of public government.



11th Annual Meeting of the OECD Network of
Parliamentary Budget Officials and Independent Fiscal
Institutions (PBO)
4 – February
Lisbon Portugal

THE LONG VIEW: SCENARIOS FOR THE WORLD ECONOMY TO 2060

OECD Economic Policy Paper #22
by Yvan Guillemette and David Turner



OECD
BETTER POLICIES FOR BETTER LIVES



The merits of forecasting at different horizons

	SHORT 1-2 Quarters	MEDIUM 2-3 Years	LONG 3-4+ Decades
Accuracy	Good & Improving	Poor & Little Improvement Usually Miss Downturns	Planning rather than the Plan Timing of cycle less important
Policy relevance/ Interest	? For Nerds!	Fiscal & mopo credibility Quantifying uncertainty ... tricky	Natural horizon: <ul style="list-style-type: none"> Structural reforms Mega-trends like ageing Debt sustainability



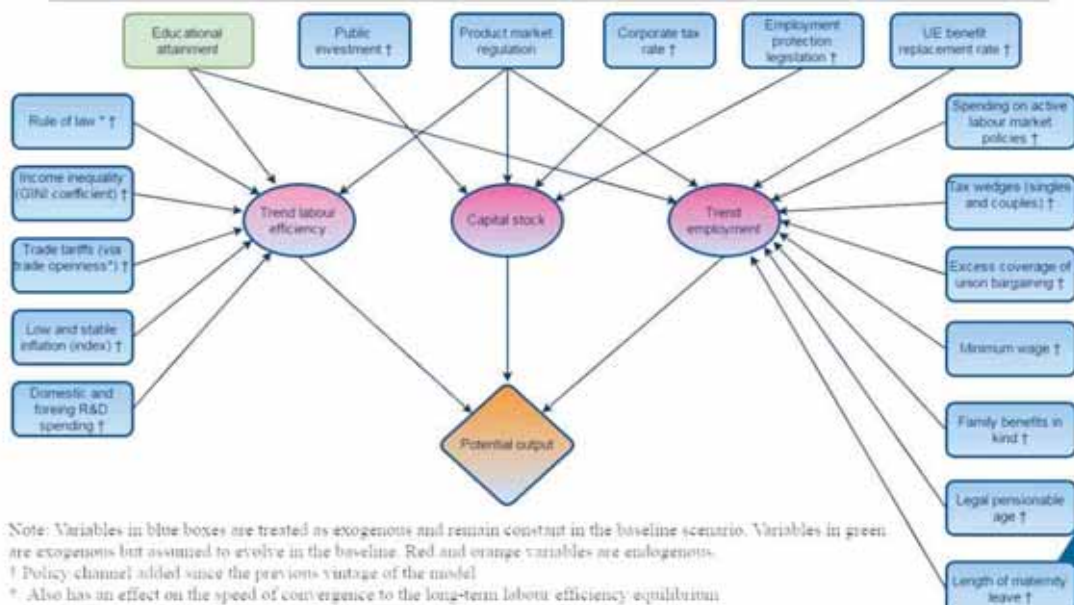
Long-term scenarios model: key features

- All OECD + non-OECD G20 countries
- Core is production function for potential output
- Linked to short-term *Economic Outlook* projections
- Saving & Investment equilibrated through R

3



Policy channels



4



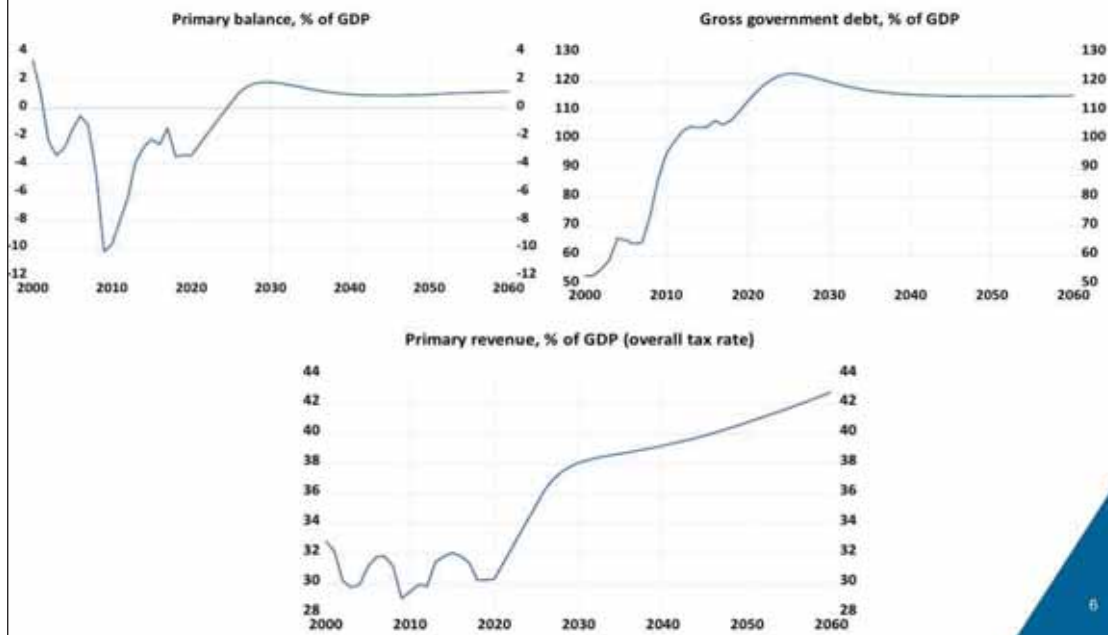
Fiscal block: spending pressures

- **Health spending** per capita projections depend on
 - Growth in real GDP per capita
 - Change in the share of population aged 65+
 - Baumol effect: 1.3% per year
- **Pension expenditure** from EC Ageing Report and S&P's projections
- **Other primary expenditure** constant on real per capita basis.
 - Additional channel demographics → public finances
 - Structural reforms that boost employment rate → fiscal dividends.

5



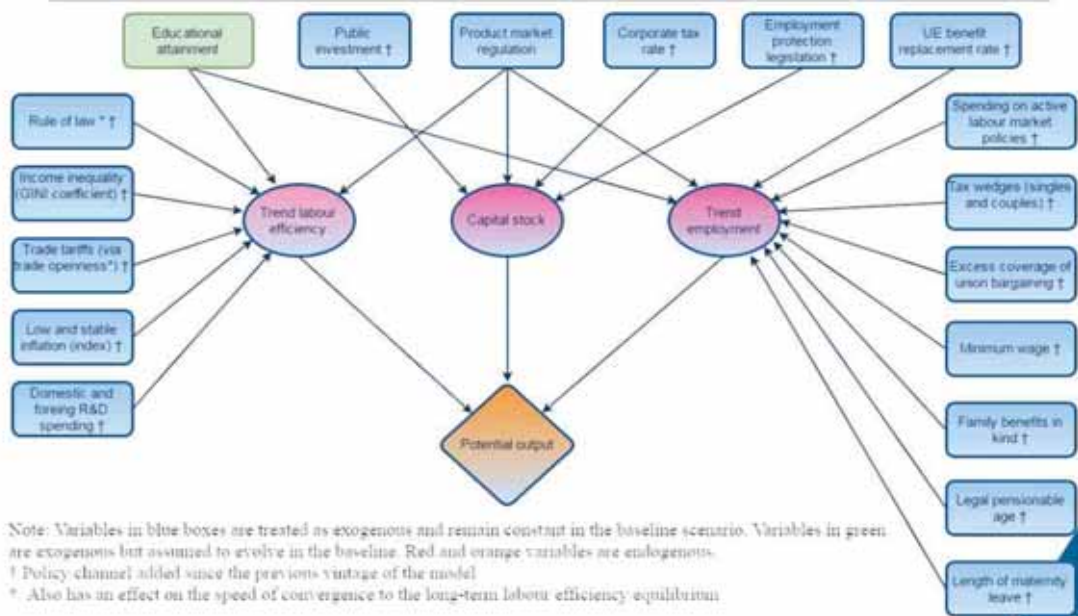
Fiscal rule stabilises debt-to-GDP ratio at initial level using overall tax rate (eg USA)



6



Policy channels



BASELINE SCENARIO

No institutional or policy reforms

Look at fiscal pressures building up

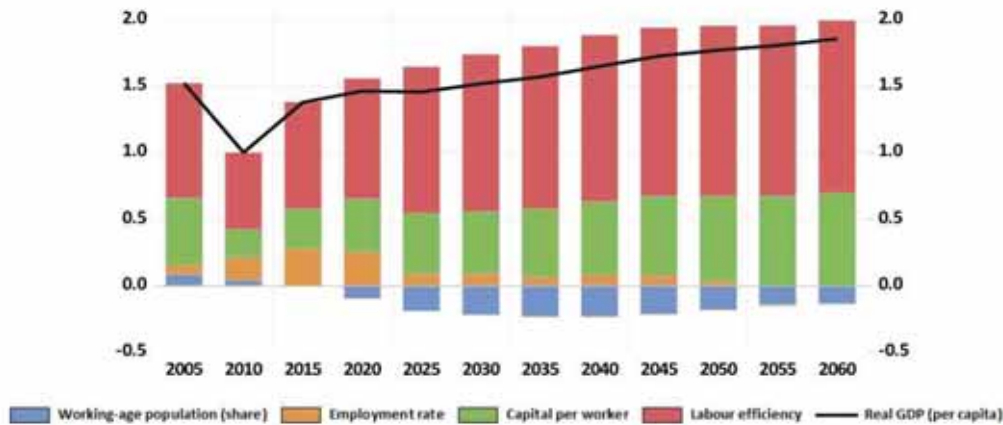
Reference point for reform scenarios



Demographic change weighs on growth in OECD living standards

The positive contribution from a rising employment rate declines and the contribution of the working-age population share turns negative

Trend real GDP per capita growth in the OECD, %



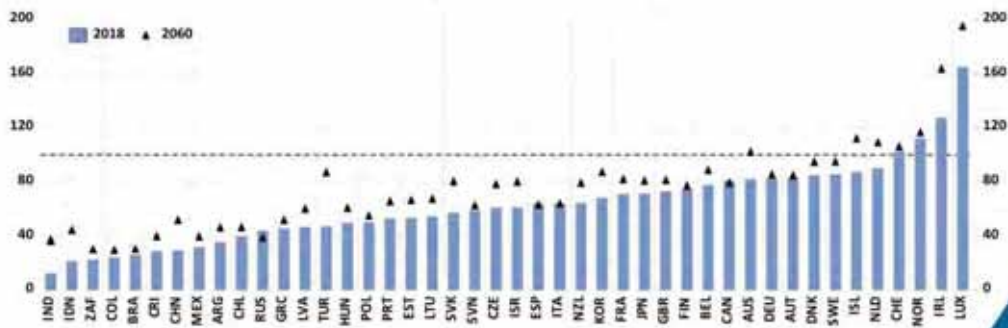
9



Living standards converge slowly

- GDP per capita advances in all countries and gradually converges toward those of the most advanced countries, but to varying degrees.
- Living standards in high-growth emerging market and Eastern European converge most, driven by catch-up in trend labour efficiency,
- But GDP per capita in the BRIICS and some low-income OECD countries remains below half that of United States in 2060.

C. Real GDP per capita at 2010 Purchasing Power Parities, USA = 100

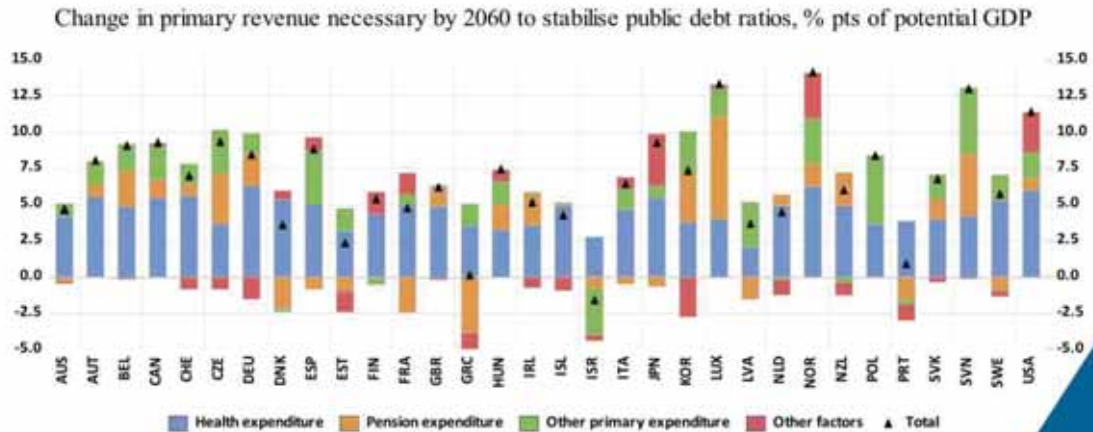


10



Fiscal pressure builds up

Median OECD tax rate up **6½** % pts of GDP



11



Summary of average historical effects on income equality and output

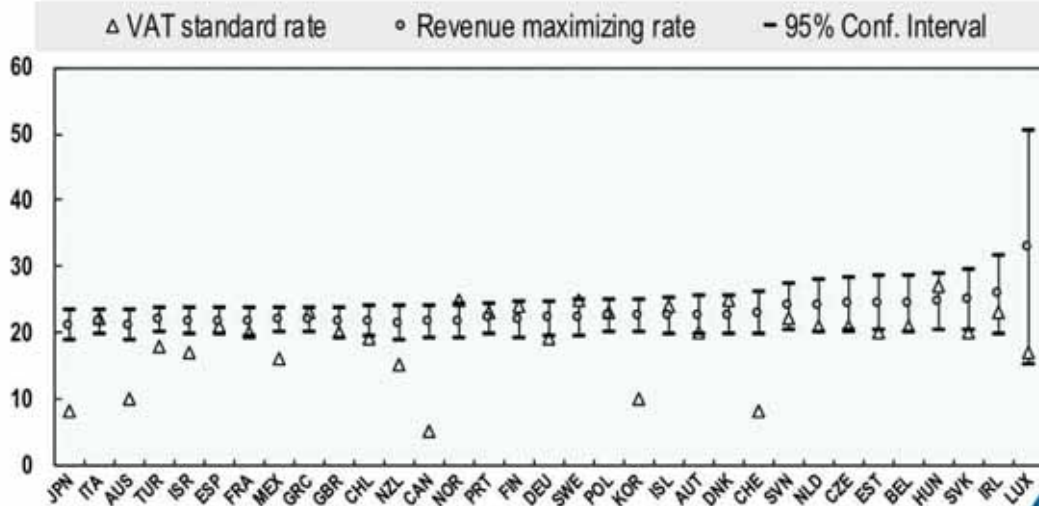
	Equality: Poor/rich	Average output	Income of the poor	Income of the rich
Higher tax wedge on upper-middle incomes	😊	😞	😞	😞
Higher tax wedge on lower-middle incomes	😞	😞	😞	😞
Higher effective CIT rate	n.s.	😞	😞	😞
Higher standard VAT rate	n.s.	n.s.	n.s.	n.s.
More environmental taxes	😞	n.s.	😞	😊
More property taxes	n.s.	😊	😊	😊
More inheritance taxes	😊	😊	😊	😊
Higher taxes on net wealth	😊	😞	😞	😞

Source: Agkun, O., B. Cournède and J. Fournier (2017), "The Effects of the tax mix on inequality and growth", *OECD Economics Working Papers*, No. 1447.

12



Country-specific revenue-maximising VAT standard rates & actual rates, % 2016

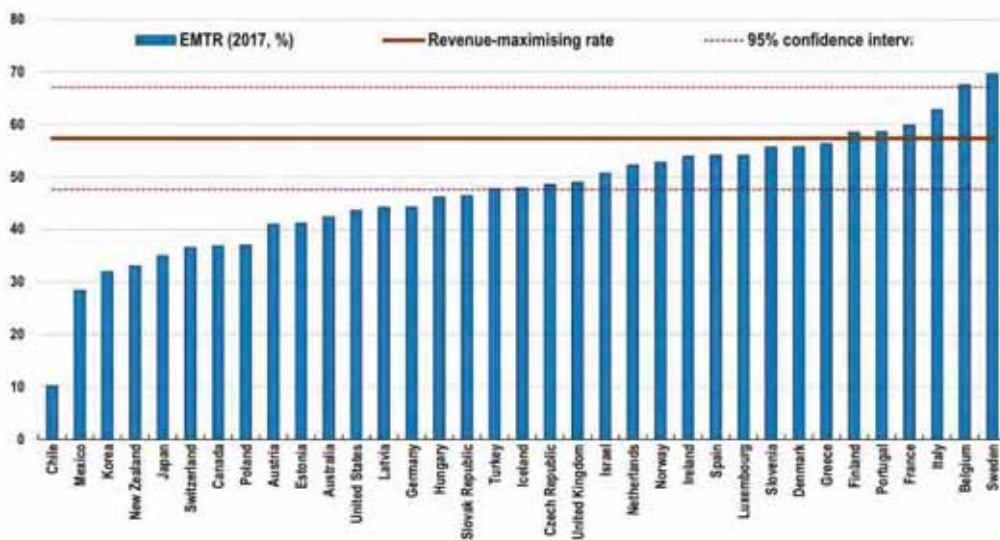


Source: Akgun, Bartolini and Cournède (2017)

13



Effective marginal effective tax rates of workers with wages of 167% of the average and estimated revenue-maximising rate



Source: Akgun, Bartolini and Cournède (2017)

14



REFORM SCENARIOS

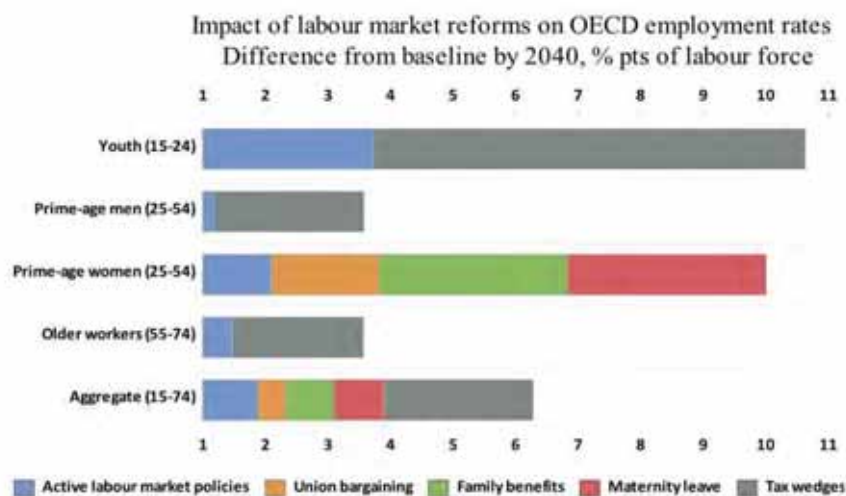
1. Better governance & educational attainment in BRIICS
2. Competition-enhancing product market reforms in OECD
- 3. Flexibility-enhancing labour market reforms in OECD**
4. Increase in pensionable age in OECD
5. Higher R&D spending in OECD
6. Higher public investment in OECD
- 7. Cost containment in health care sector in OECD**
8. Higher average import tariffs in all countries

15



Labour market reforms could be most beneficial to women and youth

A reform package to improve labour market policy settings in OECD countries up to those of leading countries raises the aggregate employment rate by 6½ percentage points by 2040, mostly via higher youth and female employment.



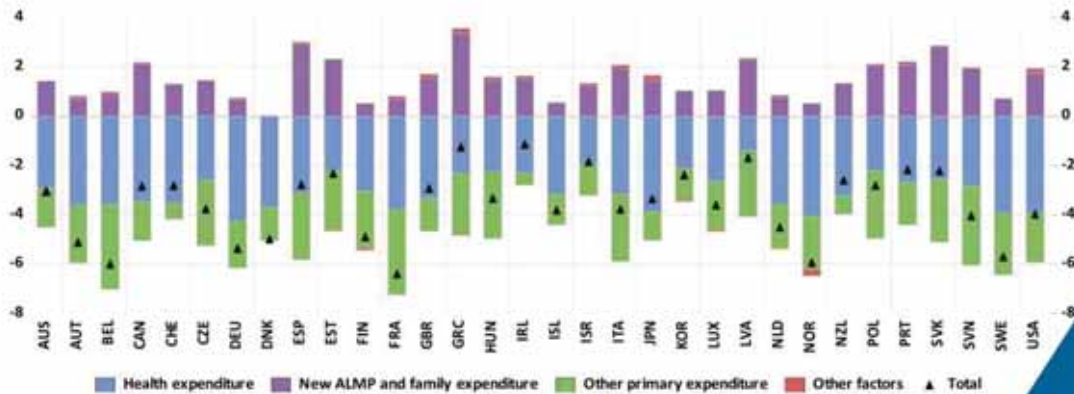
16



Labour market reforms + health cost containment would help alleviate projected fiscal pressures

Median reduction of **3½ %** pts of GDP in tax pressure relative to baseline.

Change in tax rate to stabilise public debt ratios,
difference from baseline in % pts of potential GDP

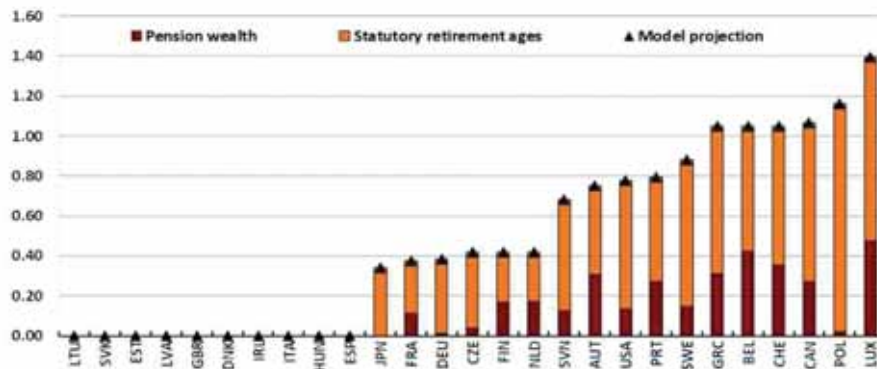


17



Increase in participation rate of older workers if retirement ages rise by 2/3 of gains in life expectancy

Change 2017 to 2030, % pts of the population aged 55 to 74



Note: Assumes minimum and normal retirement ages rise by two-thirds of the projected increase in life expectancy at 65, unless they are already planned to rise as fast or faster than this, in which case the chart shows a zero effect..



VARIANT SCENARIOS

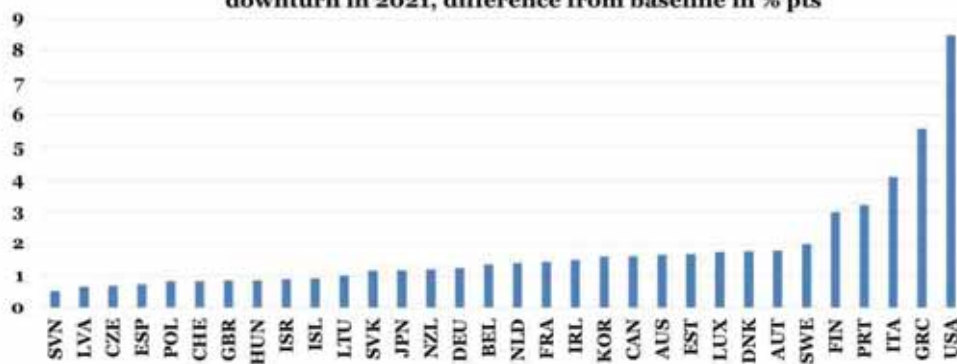
- Another global downturn
- Lower (r-g)

19



Another global slump would raise tax pressure even with no potential output effect?

Peak change in tax rate to stabilise public debt ratio with global downturn in 2021, difference from baseline in % pts

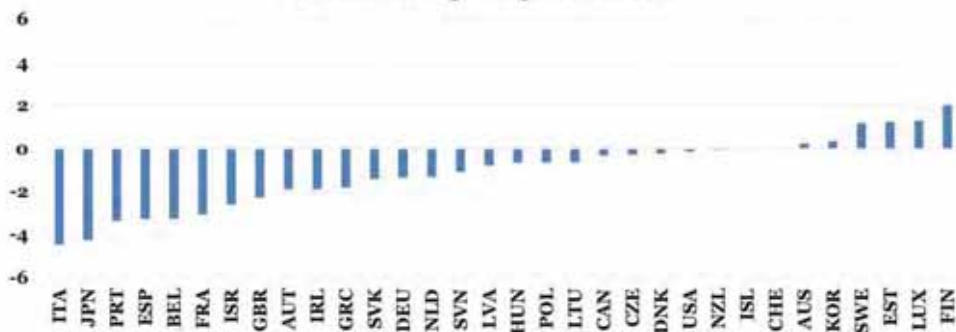


20



What if interest rates have already 'normalized'?

Peak change in primary revenue necessary to stabilise public debt ratio assuming lower path for interest rates, difference from baseline in % pts of potential GDP



21



Future work?

- Possible model improvements to fiscal side:
 - More complete modelling of fiscal impacts of reforms
 - Incorporate Laffer curve effects of taxation
 - Better modelling of pensions
- Other Scenarios to explore in detail:
 - Another GFC
 - Different (r-g)
- **YOUR SUGGESTIONS WELCOME !**

22



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11th Annual Meeting of the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO)

Lisbon, Portugal 4-5 February 2019

Long Term Scenarios for the World Economy to 2060

A brief Commentary

José Félix Ribeiro

TWO BIG STRUCTURAL CHANGES IN GLOBALIZATION TO 2060

**THE LONG TERM SCENARIOS FOR THE WORLD ECONOMY
TO 2060 by OECD give us a PRECIOUS approach to the
future of the world economy**

**I will comment the Baseline Scenario having as focus
structural changes that are going to affect Globalisation and
Growth to 2060 and the challenges it creates for small
economies like THE Portugal economy**

GLOBALISATION IS CHANGING AND WILL CHANGE EVEN MORE (1)

- The era of plentiful labor, brought by Asia Pacific economies is ending, basically by China demographic evolution - and with it the transfer of segments of global value chains to these economies justified by low labour costs and the growth of productivity by a scholarized population adapted to industrial discipline.
- Now India and Africa are the next big origins of labor for the world economy but it is not clear – namely for Africa - how this labor is going to impact Globalisation- as an wave of export of services and goods or as waves of massive migration to developed countries

GLOBALISATION IS CHANGING AND WILL CHANGE EVEN MORE (2)

The era of massive transfers of savings from Asia Pacific economies - and OPEP arab economies - to the US economy is also weakening by the convergence of

- The “maturing” of Asia Pacific first industrialized economies - Japan, South Korea, Taiwan
- China’s geoeconomic strategy of competition with US – with anew focus to apply its reduced external surpluses

But the transfers of US household savings to foreign economies realized by its institutional investors don’t seem to be ending

GLOBALISATION IS CHANGING AND WILL CHANGE EVEN MORE (3)

Technology innovation is going to change the pattern of international trade flows:

a) The digital economy is going to revolutionize and globalize the service sector - enhancing its productivity by the digital connectivity given by the cyberspace, but also by AI

b) The digital economy - including 3D printing, robotics and AI - is going to relocate the industrial production near the "demand hubs" - and international trade - mainly long distance - of intermediary and of consumer products is going to be dramatically reduced

GLOBALISATION IS CHANGING AND WILL CHANGE EVEN MORE (4)

The Climate Change challenge is going to change Globalisation:

a) It will GENERATE a wave of investment in Adaptation - namely in coastal metropolis - investment which is not linked with productivity growth but with survival reasons

b) It will FORCE a new energy paradigm that will emerge to 2060 - probably first with hydrogen solutions and after with compact nuclear fusion - and this will impact drastically the oil economies of today - Middle East, Caucasus and Central Asia and Russia. Creating an additional focus of turbulence

CHALLENGES TO SMALL ECONOMIES LIKE PORTUGAL

The BIG challenges for the Portuguese Economy
to 2060

How to Grow ,
to Create Employment
and enhance Social Mobility

FIVE CHANGES

- 1. To align the transformation of its international specialization with the three global trends that we have JUST spoken about
- 2. To revise its financial system in accord with reforms in its “social compact” – pensions, health and training - strengthening the capacity to finance competitive investments and innovation ... And answering the central question of Land rent ...and its eventual usefulness
- 3. To implement Education, training and labour market reforms that give incentives to Human Capital accumulation for Post Industrial Societies and Knowledge economies
- 4. To diversify its international linkages –now concentrated in continental Europe - to more innovative partners - namely in Northern Europe, North America and in the Indo Pacific region
- 5. Making the Lusophone Space an international partnership for a new integration of Africa in the world economy



The Scottish Parliament
Pàrlamaid na h-Alba



SPICe The Information Centre
An t-Ionad Fiosrachaidh

**Allan Campbell, Head of Financial Scrutiny Unit,
Scottish Parliament Information Centre**

**To tweet, or not to tweet – PBOs/IFIs and social media
in a time of political upheaval**



The Scottish Parliament
Pàrlamaid na h-Alba



This presentation will cover....

- About the FSU and SPICe
- Social media in the Scottish Parliament
- Current use of social media by SPICe
- Some examples and statistics
- Dealing with comments
- The future - @SPICe_Research
- To tweet or not to tweet?



About the FSU and SPICe

- Financial Scrutiny Unit - one of three research teams within the Scottish Parliament Information Centre
- Seven staff covering public finance, taxation, the economy
- Two staff dedicated to data visualisation work, for SPICe and Committees
- SPICe digital development – launch of SPICe Spotlight blog in 2018, increased capacity for data visualisation, and new Twitter account coming soon



Social media in the Scottish Parliament

- [Twitter](#) – wide range of accounts
- [Facebook](#) – FMQs live
- [Instagram](#) – behind the scenes
- Web and social media team
- Public engagement strategy and social media policy
- Social media is an engagement tool, not a one-way communication tool
- Digital engagement tools – something different





Social media in the Scottish Parliament - Instagram



How does SPICe use social media?

- Core customers remain MSPs, their staff and Parliament staff
- But, much more likely to read SPICe material if it's in the papers or on social media
- More coverage = more MSP engagement with our impartial research = better scrutiny of the Government
- For last two years a lot more of our briefings and blogs have been on Twitter, some on Facebook
- Media promotion too – no embargoes but close working with Media Relations Office



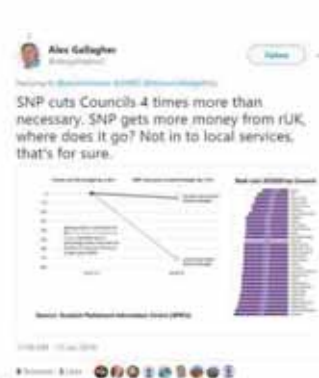
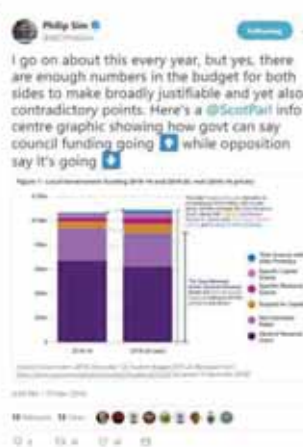
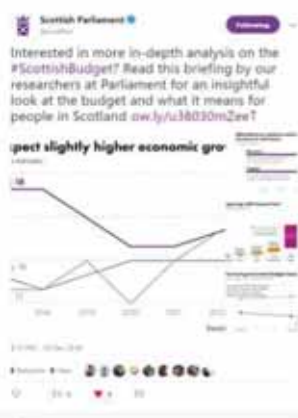
Some examples

Budget 2019-20 –

- [@ScotParl tweet](#) thread
- [BBC journalist using SPICe graphics](#)
- [Bright young people](#)
- [Use by MSPs](#)
- [Mis-use and relabelling by political party](#)
- [World Bee day](#)



Some examples



Hélène
The Scottish Parliament
Pàrlamaid na h-Alba

Some more examples

Newsbreak
@newsbreak

#ScotBudget: The bright young people at SPiCe have published a breakdown of Scottish local government funding.

The core grant is falling by 3.4%, but total funding (which includes ringfenced funding) is increasing by 2%.

https://publications.parliament.scot/Research/18_01...

Figure 1 - Local Government Funding 2016-18 and 2018-20, real (2016-18 prices)

Source: Scottish Government (2017)

Scottish Parliament
@ScotParl

At @ScotParl we have our own #beehives, & the #beeswax has been used to seal every act of the Scottish Parliament since it reconvened in 1999. On #WorldBeeDay why not check out our SPiCe blog & find out how important #bees are to the economy & environment ow.ly/4Yo30k43rl

12:55 PM - 21 May 2018

421 Retweets 794 Likes

Hélène
The Scottish Parliament
Pàrlamaid na h-Alba

Statistics – Nov-Dec 2018 Briefings

Category	Views
Overall	~600
With Social media	~1,200

When promoted through the Parliament's social media channels, on average briefings get **104%** more views



Hélène



The Scottish Parliament
Pàrlamaid na h-Alba



Dealing with comments - SP_IntRelations

- Colleagues in International Relations office set up a new account in January.
- First tweet received many comments. Mostly misinterpretation/abuse.
- "What part of the devolved powers do you fall under? Oh, it doesn't so the Scottish taxpayer has s paying twice.[#embarrassing](#)" and "Naff off you imbeciles!"
- Response – Thread explaining in more detail, not individual responses

Hélène



The Scottish Parliament
Pàrlamaid na h-Alba



Dealing with comments - SP_IntRelations



International Relations - Scottish Parliament
@SP_IntRelations

Happy new year / Bliadhna mhath ùr! Welcome to the official twitter account of the Scottish Parliament's International Relations office. Follow us to keep up to date with international work @ScotParl. Read more about our work in 2018: scottish.parliament.uk/abouttheparlia...

11:06 am · 7 Jan 2019 · Twitter Web Client

43 Retweets · 91 Likes



International Relations - Scottish Parliament
@SP_IntRelations

Welcome to all our new followers and thanks for your interest in our account! We'd just like to provide you with a little more information on the role of the International Relations Office [@ScotParl](#).

5:26 pm · 9 Jan 2019 · Twitter Web Client

11 Retweets · 26 Likes

International Relations - Scottish Parliament @SP_IntRelations · 9 Jan

Replying to @SP_IntRelations

The Scottish Parliament and Scottish Government are separate organisations with different aims. Reserved matters, such as foreign policy, are not devolved, and instead are dealt with by the UK Parliament/Government in London. See why does what [@scottish.parliament.uk/abouttheparlia...](#)

International Relations - Scottish Parliament @SP_IntRelations · 9 Jan

The Scottish Parliament is staffed by public servants (not just members) who serve the Parliament as a whole and must remain politically impartial. Our staff team is the International Relations Office – read about our mandate [here](#) [parliament.scotland.nhs.uk/ir-office](#)

International Relations - Scottish Parliament @SP_IntRelations · 9 Jan

Our aim is to enhance the profile and reputation of [@scottish.parliament](#), exchange knowledge & views, and develop relationships globally. The work happens regardless of whoever happens to be the government of the day. See who visited us, and where we went in 2018: [parliament.scotland.nhs.uk/ir-office](#)



The future

- Launching @SPICe_Research Twitter account in mid-February
- Catching up with many of our UK counterparts
- Six volunteers in SPICe – staff commitment important
- Still working closely with the social media team, and other accounts in the Parliament.



To tweet or not to tweet?

- Yes, if you want to reach a wider audience, and increase the reach to your core audience
- Yes, if you have staff capability, capacity and drive to do it
- Would be helpful if you have social media professionals in your organisation to learn from
- No, if just looking for another a one-way communication tool
- No, unless you really want to engage, and commit to the medium




#cmvm on social media

Lessons from 5 months





Lisbon, February 2019


#european overview

Use of social media by some regulators in the EU

	AMF	FCA	FRC	AFM	ANACOM	ASF	FIN-FSA
	27.961	118.504	6.832	17.954	2.255	239	4.032
	8.144 528	44.900 388	5.142 1.463	19.500 97	64.900 1		2.785 72
		3.499 3.350		1.211 1.167		657 639	
	1635	1276	165		69		11

Twitter

LinkedIn

Facebook

YouTube

all subjects

subjects regarding events, reports, public consultations

subjects related to consumer/investor protection and fraud prevention

library for videos shared on other social networks

Rules & guidelines: FCA  | SEC  | AMF (Canada)  | ASIC (Australia) 

2

#networks we use



- Official Institucional account
- More active presence since September 2018
- Constant follower growth (+52% to 9.480)
- Contents mainly in portuguese
- Specific contents from website

#posts highlights



#networks we use



- Official institucional account
- Since september 2018
- Slow followers growth (140 | 5 months)
- Contents mainly in portuguese
- All contents published in the website
- Mentioned 261 times

#posts highlights



#networks we use



- Created for a specific event
- 149 followers in a month and a half
- Since September 2018 (stopped mid October)
- Contents in portuguese
- Contents related to the subject of the event

#posts highlights



5

#why and for whom

Goals and audience



- enhance the reach of our messages and informations
- signpost them to a broader audience
- have a better understanding of the impact of what we communicate
- target contents to specific segments of people

#target audience

Twitter	Industry, opinion makers, journalists, population in general
LinkedIn	Industry, professionals from related sectors, journalists, business oriented
Facebook	Population in general

#what we share

Twitter	all communications (press releases, events, consultations, statistics...)
LinkedIn	events, consultations, legislation, reports, periodic publications...
Facebook	financial literacy and consumer/investor education

6

#challenges, risks and rewards

Summing up the first five months



7

#how do we interact

What we observe



- Frequent mentions, mainly on Twitter and on third party publications about football
- There are also mentions on publications from individuals, entities which whose professional activities are directly related to what we do
- Shares are more frequent on LinkedIn and often include comments and hashtags by the one sharing

What we do

- We don't answer, but we are considering threads on specific topics if necessary
- We don't follow or retweet, but we are considering it

8

#how our audience interacts with us

Comments and mentions



Generic 'hot topics': football | politics | law



On @CMVM_pt tenho aqui umas perguntinhas. O artigo 56.º do Estatuto da Energia Henrique Gomes revelou q, quando estava no cargo, foi "proibido de falar em rendas excessivas" na eletridade nas suas intervenções públicas pelo então ministro da Economia Álvaro Santos Pereira.

Our topics: measures | decisions | news



9

#what we've learned

Looking ahead



- Social media handbook (Guidelines and rules)
- Community management & engagement
- Tailored made contents for each network
- Keep building our social media presence

10

#from individual profile to an institutional

As a journalist



- Establishing a public persona
- Building an audience
- Monitoring content from followers & experts
- Getting a sense of the world around
- Interaction: debate and direct answers

As an institution

- Establishing a public voice
- Building an audience
- Monitoring content from followers & experts
- Getting a sense of the world around
- Interaction: more tricky, but still necessary

11

#steppingdownfromtheivorytower

Getting real



12



#cmvm on social media

Lisbon, February 2019

13





BACKGROUND

3



Context for the Review

- **OECD PBO Network** finds good practices and sets standards for IFIs

OECD
Networks



- *OECD Principles for IFIs* include principle on external evaluation

- *Evaluation framework* developed to support this

Standards



- CFP external Review commissioned at own initiative towards end of first leader's term

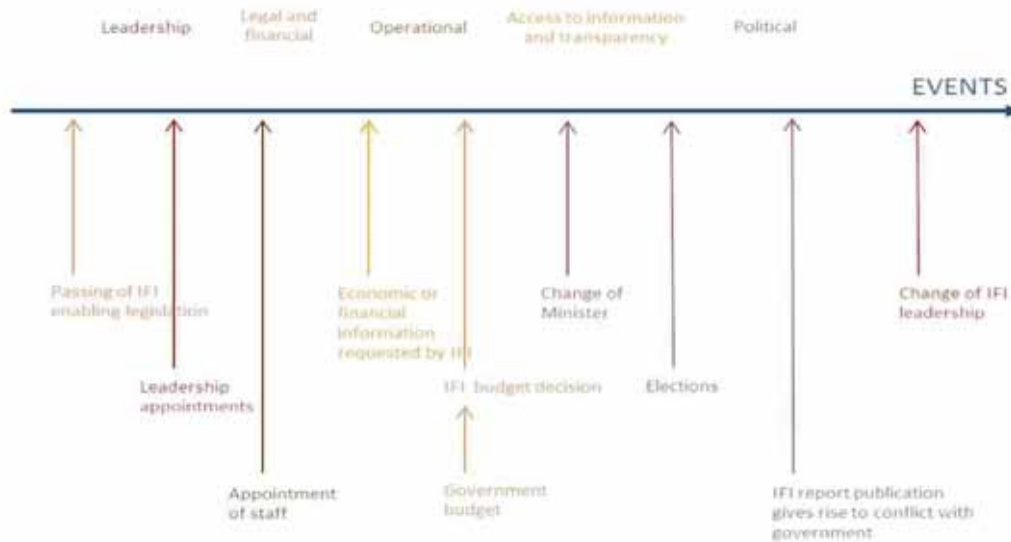
Application



4



Inflection points for an IFI



5



Review methodology



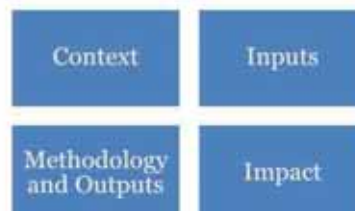
Team

- OECD Secretariat (Budgeting and Public Expenditures Division)
- Peers from the US CBO, University of Lisbon, Canadian PBO

Stakeholders consulted

- MoF, CoA, BoP, Parliament, CFP Senior Board, CFP staff, international org's, economic forecasters, academics, media...

Structure



6



KEY FINDINGS

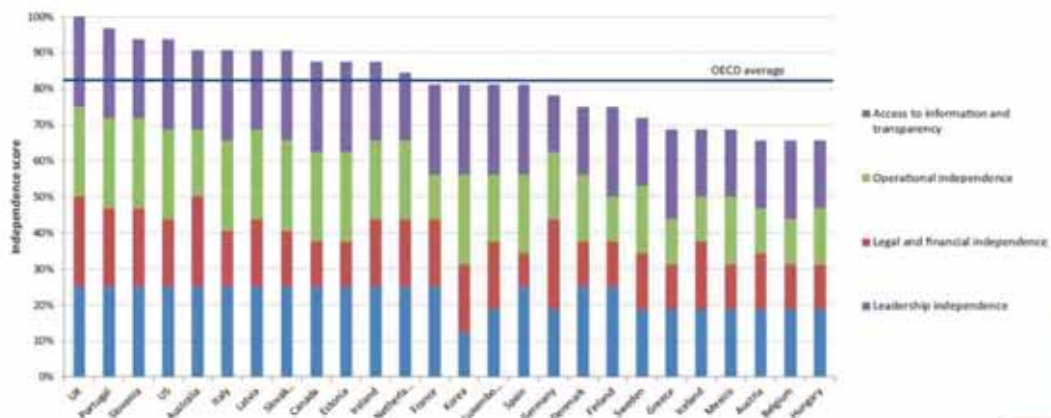
7



In what ways is the CFP doing well?

1. Council is already a well-regarded **independent** institution

Index of IFI independence (2018)



Source: von Trapp and Nicol, 2018

8



In what ways is the CFP doing well?

2. Work of the Council **impacts public debate** on fiscal policy

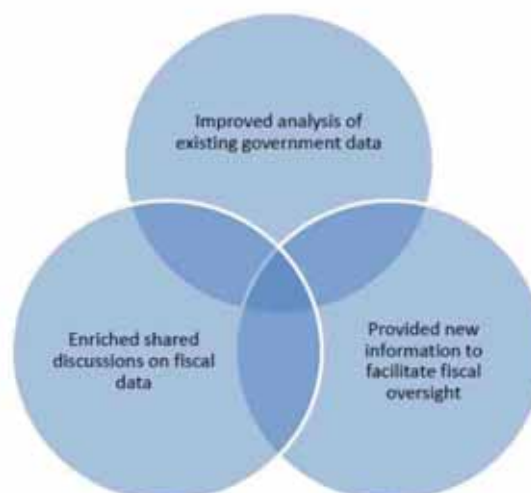


9



In what ways is the CFP doing well?

3. CFP has helped improve **fiscal transparency** and analysis



10



What are key challenges for the CFP?

1. Access to
information, esp.
social security



2. Mistakenly
associated with
Troika



3. Leadership
appointment not fully
protected from political
interference



11



KEY RECOMMENDATIONS

12



Key recommendations

1. Relevant government departments and agencies should meet with CFP to resolve access to information challenges



2. CFP should seek to broaden public and political understanding of its value and role



3. Introduce role for parliament in leadership appointment



13



A note on multiple institutions (CFP + UTAO)

- Some would like to see consolidation
 - But this has challenges
 - CFP does not enjoy broad political backing like UTAO
 - UTAO lacks institutional strength and capacity for in-depth analysis like CFP
- OECD does not recommend any institutional changes
 - Both have carved out a distinct role
- Focus should be on continued coordination



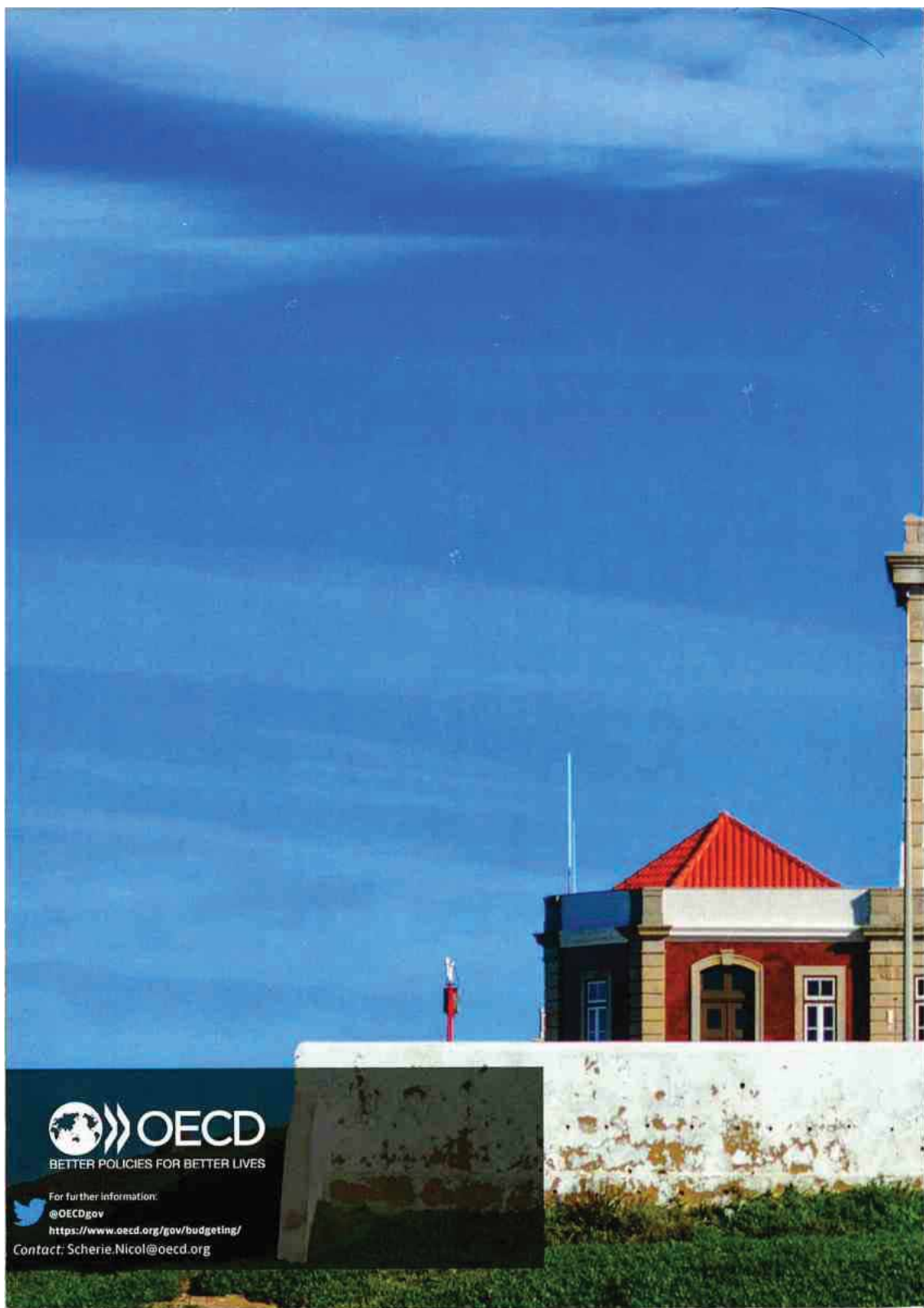
14



THANK YOU

FOR MORE INFORMATION CONTACT:
SCHERIE.NICOL@OECD.ORG








HIGHLIGHTS

Portuguese Public Finance Council (CFP)



Portugal was one of several countries severely effected by the 2008 global financial crisis. The impacts were far-reaching and Portugal undertook comprehensive reforms to manage them and stabilise its economy while having regard to the social impacts on its people. The Portuguese Public Finance Council (CFP) was created in 2011 as part of a package of national reforms to strengthen long-term fiscal sustainability and budget management. As such, it was created for the benefit of Portugal and the Portuguese people.

The Council was given a relatively broad mandate with responsibility for delivering eight core tasks, including assessing the Portuguese Government's compliance with fiscal rules. Its mandate was further extended in 2013 to give the Council an official role in endorsing the government's macroeconomic forecasts.

The OECD review, commissioned at the Council's initiative, comes towards the end of the term of its first leader. This provides an opportune moment to reflect on the impact of the Council, and identify aspects that could be improved to ensure its long-run viability. The review was undertaken by the OECD with the support of an international peer from the US Congressional Budget Office (CBO) as well as a Portuguese academic peer.

OECD IFI reviews provide a detailed assessment of how an institution is performing against OECD Principles for IFIs and assess the context, inputs, outputs and the impact of its work. The methodology is anchored in an evaluation framework developed within the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions. It leverages conventional evaluation tools such as stakeholder interviews, benchmarking and peer review. Each review offers a set of interconnected and mutually supporting recommendations aiming to strengthen the IFI's potential to undertake fiscal oversight in a sustainable and impactful way.

THE CFP IN 2019

Context for establishment: National budget management reforms	Governing body: Senior Board with 5 council members
Enabling legislation: 5th amendment to Budget Framework Law 91/2001 (Law 22/2011, 20 May 2011)	Number of permanent staff: 19
CFP's statutes: Law 54/2011, 19 Oct 2011	Budget: EUR 2.7 million

OECD IFI REVIEW: PORTUGUESE PUBLIC FINANCE COUNCIL (CFP) - HIGHLIGHTS

OVERVIEW OF REVIEW FINDINGS

In a relatively short period of time, the CFP has become a well-regarded independent institution providing high-quality analysis of public finances in Portugal. The institution will shortly be fully delivering on its mandate, and already receives impressive media coverage for its work. CFP reports are often discussed in Parliament and referred to during national fiscal debates. The Institution has also played an important role in improving fiscal transparency and providing new information to facilitate fiscal oversight and a greater understanding of issues affecting Portugal's long-term fiscal sustainability.

The early success of the CFP is in no small part due to the excellent stewardship by its first President, the rest of the Senior Board, and the head of staff. This leadership team has instilled in the institution a high degree of independence, reinforced through its institutional arrangements. In particular, the President of the Court of Audit and the Governor of the Bank of Portugal play an important role in relation to the appointment of the Council's leadership and auditor, as well as its budget.

KEY CHALLENGES

While it is off to an excellent start, the CFP faces several challenges. The most prominent among them are as follows:

1. The CFP has difficulties in accessing some information, particularly data relating to social security. This affects the Council's ability to deliver medium and long-term projections.
2. The establishment of the Council around the Troika period means that it can be mistakenly associated as enforcing austerity imposed from the outside. The value of the Council is thus not always recognised by those who oppose fiscal austerity.
3. The leadership appointment process is not fully protected from political interference. Arrangements could be strengthened to ensure the CFP continues to be served by well-respected and non-partisan leadership in an increasingly fragmented political environment.

KEY RECOMMENDATIONS

1. Relevant government departments and agencies should meet with the CFP to resolve access to information challenges, particularly in the area of social security. Regular reporting by the CFP on access to information requests, and whether or not they have been fulfilled, would also better highlight its continued challenges to external stakeholders. In addition, timely access to information would be fostered by additional staff capacity in some areas of government.
2. To achieve broader public and political buy-in, the CFP should improve the way it communicates so that the value of the institution, and its outputs, are more widely understood. In particular, the CFP should focus on communicating its role as a national institution, serving the citizens of Portugal.
3. To broaden the collective responsibility for the leadership appointment decision, and increase transparency around the process, the President of the Court of Audit and the Governor of the Bank of Portugal could submit the list of proposed candidates to the Budget and Finance Committee at Parliament for its opinion before the final decision is taken by the Council of Ministers.

A more detailed description of the review findings is available in the full report, available at: www.oecd.org/governance/budgeting...

HIGHLIGHTS

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	<p style="text-align: right;">19</p> <p style="text-align: center;"><i>Table of contents</i></p> <table border="0"> <tr> <td>Abbreviations and Acronyms.....</td><td>5</td></tr> <tr> <td>Executive Summary.....</td><td>7</td></tr> <tr> <td>Summary of Recommendations.....</td><td>9</td></tr> <tr> <td>Introduction and Review Methodology.....</td><td>11</td></tr> <tr> <td>Chapter 1: Context.....</td><td>13</td></tr> <tr> <td> 1.1. Introduction.....</td><td>13</td></tr> <tr> <td> 1.2. Relationship to the legislature.....</td><td>13</td></tr> <tr> <td> 1.3. Relationship with other institutions in Portugal.....</td><td>14</td></tr> <tr> <td> 1.4. Mandate.....</td><td>15</td></tr> <tr> <td> 1.5. Multiple institutions in Portugal.....</td><td>17</td></tr> <tr> <td> 1.6. Conclusions and recommendations.....</td><td>21</td></tr> <tr> <td>Chapter 2: Inputs.....</td><td>25</td></tr> <tr> <td> 2.1. Introduction.....</td><td>25</td></tr> <tr> <td> 2.2. Funding.....</td><td>25</td></tr> <tr> <td> 2.3. Human resources.....</td><td>29</td></tr> <tr> <td> 2.4. Access to information.....</td><td>34</td></tr> <tr> <td> 2.5. Independence.....</td><td>37</td></tr> <tr> <td> 2.6. Conclusions and recommendations.....</td><td>39</td></tr> <tr> <td>Chapter 3: Methodology and Outputs.....</td><td>41</td></tr> <tr> <td> 3.1. Introduction.....</td><td>41</td></tr> <tr> <td> 3.2. Technical assistance of CFP methodology.....</td><td>42</td></tr> <tr> <td> 3.3. Key issues for CFP aspects.....</td><td>47</td></tr> <tr> <td> 3.4. Conclusions and recommendations.....</td><td>54</td></tr> <tr> <td>Chapter 4: Impact.....</td><td>55</td></tr> <tr> <td> 4.1. Introduction.....</td><td>55</td></tr> <tr> <td> 4.2. Influence on the public debate.....</td><td>55</td></tr> <tr> <td> 4.3. Influence of fiscal transparency as a factor for improved fiscal management.....</td><td>62</td></tr> <tr> <td> 4.4. Conclusions and recommendations.....</td><td>64</td></tr> <tr> <td>Annex A: Review team and acknowledgements.....</td><td>65</td></tr> <tr> <td>Annex B: Interview list.....</td><td>67</td></tr> </table>	Abbreviations and Acronyms	5	Executive Summary	7	Summary of Recommendations	9	Introduction and Review Methodology	11	Chapter 1: Context	13	1.1. Introduction.....	13	1.2. Relationship to the legislature.....	13	1.3. Relationship with other institutions in Portugal.....	14	1.4. Mandate.....	15	1.5. Multiple institutions in Portugal.....	17	1.6. Conclusions and recommendations.....	21	Chapter 2: Inputs	25	2.1. Introduction.....	25	2.2. Funding.....	25	2.3. Human resources.....	29	2.4. Access to information.....	34	2.5. Independence.....	37	2.6. Conclusions and recommendations.....	39	Chapter 3: Methodology and Outputs	41	3.1. Introduction.....	41	3.2. Technical assistance of CFP methodology.....	42	3.3. Key issues for CFP aspects.....	47	3.4. Conclusions and recommendations.....	54	Chapter 4: Impact	55	4.1. Introduction.....	55	4.2. Influence on the public debate.....	55	4.3. Influence of fiscal transparency as a factor for improved fiscal management.....	62	4.4. Conclusions and recommendations.....	64	Annex A: Review team and acknowledgements	65	Annex B: Interview list	67
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4.4. Conclusions and recommendations.....	64																																																												
Annex A: Review team and acknowledgements	65																																																												
Annex B: Interview list	67																																																												

Tables

Table 1.1. Overview comparison of UTAG and CFP	11
Table 2.1. The CFP's budget, revenue and expenditure 2012-2018	26
Table 2.2. Difference between funding sought by the CFP, and funding approved by government	27
Table 2.3. CFP staffing levels 2012-2018	33
Table 3.1. Assessment criteria	42
Table 3.2. Assessment of CFP's models and methodologies	43
Table 3.3. Assessment of key outputs relative to goals	53

Figures

Figure 2.1. Mandate and resources of EU IFIs	28
Figure 2.2. CFP functional chart	28
Figure 2.3. The CFP Senior Board and Executive Committee	32
Figure 2.4. Arrangements through which access to information is secured across OECD IFIs	34
Figure 3.1. CFP reports throughout the year	42
Figure 3.2. CFP's economic projections – sample 1	47
Figure 3.3. CFP's treatment of uncertainty – sample 1	48
Figure 3.4. CFP's treatment of uncertainty – sample 2	48
Figure 4.1. CFP media coverage and report publications 2014-2018	57
Figure 4.2. Total CFP media mentions by type of coverage 2014-2018	58
Figure 4.3. CFP web versions and reports released 2014-2018	59
Figure 4.4. CFP parliamentary mentions 2011-2018	61
Figure 4.5. Channels through which the CFP has demonstrated impact	63

Boxes

Box 1.1. The CFP's legislative framework	13
Box 1.2. Policy setting by the US Congressional Budget Office	16
Box 1.3. The Portuguese Parliamentary Budget Office (UTAG)	18
Box 2.1. Appointment process for members of the Slovak Council for Budget Responsibility	30
Box 2.2. Tracking of information requests by OECD IFIs	35
Box 2.3. Developing a culture of independence: the US Congressional Budget Office	38
Box 3.1. AIBF macroeconomic forecasting working group for Spain's regions	45
Box 3.2. The US Congressional Budget Office's Advisory Panels	51
Box 4.1. IFI communication tools	59
Box 4.2. AIBF efforts to broaden political understanding of the institution	62

Abbreviations and Acronyms

AIBF	Spanish Independent Authority for Fiscal Responsibility
CBO	US Congressional Budget Office
CRB	Slovak Council for Budget Responsibility
CFP	Conselho das Finanças Públicas (Public Finance Council)
CEPR	Netherlands Bureau for Economic Analysis
CPI	Consumer Price Index
EC	European Commission
EU-IFIs	Network of EU Independent Fiscal Institutions
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IFI	Independent Fiscal Institution
IMF	International Monetary Fund
MIVAR	Mixed-data sampling
MoU	Memorandum of Understanding
MPs	Members of Parliament
OEIR	UK Office for Budget Responsibility
OLS	Ordinary least squares
PBO	Parliamentary Budget Office
PBO Network	OECD Network of Parliamentary Budget Offices and Independent Fiscal Institutions
PMF	Portuguese Macro-Fiscal model
UK	United Kingdom
US	United States
UTAG	Unidade Técnica de Apoio Orçamental (Portuguese Parliamentary Budget Office)
VAR	Vector Autoregression

Executive Summary

The Portuguese Public Finance Council (CFP – Conselho das Finanças Públicas) was established in 2011 as part of comprehensive national budget reforms in response to the 2008 global financial crisis.

The Council was given a relatively broad mandate, with responsibility for delivering eight core tasks, including ensuring the Portuguese Government's compliance with fiscal rules. Its mandate was further extended in 2013 to give the Council an official role in advising the government's macroeconomic forecasts.

In a relatively short period of time, the CFP has become a well-organised independent institution providing high-quality analysis of public finances in Portugal. The institution will shortly be fully delivering on its mandate and already receives impressive media coverage for its work. CFP reports are often discussed in Parliament and referred to during national fiscal debates. The institution has also played an important role in improving fiscal transparency and providing new information to facilitate fiscal oversight and a greater understanding of issues affecting Portugal's long-term fiscal sustainability.

The early success of the CFP is in no small part due to the excellent stewardship by its first President, the rest of the Senior Board, and the head of staff. This leadership team has mobilised the institution's high degree of independence, reinforced through its institutional arrangements. In particular, the President of the Court of Audits and the Government of the Bank of Portugal play an important role in relation to the appointment of the Council's leadership and advice, as well as its budget.

While it is still an excellent start, the CFP faces several challenges. The most prominent among them are as follows:

1. The CFP has difficulties in securing senior politicians, particularly data requests to assist scrutiny. This affects the Council's ability to deliver medium and long-term projections.
2. To achieve broader public and political buy-in, the CFP needs to improve the way it communicates so that the value of the institution, and of its outputs, are better understood.
3. The leadership appointment process is not fully protected from political interference. Arrangements could be strengthened to ensure the CFP continues to be served by well-respected and non-partisan leadership in an increasingly fragmented political environment.

A summary of the main recommendations follows.

	<div data-bbox="1275 338 1299 358" data-label="Page-Header">18</div> <div data-bbox="976 418 1165 439" data-label="Section-Header">Sustainability of Macroeconomic Policies</div> <div data-bbox="879 470 922 486" data-label="Section-Header">Context</div> <div data-bbox="879 486 1267 555" data-label="Text"> <p>1. The CFP should undertake concerted efforts to communicate its role as a national institution, leaving the citizens of Portugal. The aim is to overcome misconceptions that its purpose is to collect authority imposed from the outside. As part of this, the Council should work to broaden understanding across the political spectrum of the value of the institution and its crucial role in relation to long-term fiscal sustainability.</p> </div> <div data-bbox="879 553 1267 633" data-label="Text"> <p>2. The CFP has a proven track record and the potential to take on new functions, such as the provision of policy settings, provided that it is given adequate additional resources and access to relevant information. It should be noted that policy setting is a particularly resource-intensive activity. Resources and information available to the CFP should always be commensurate with the Council's mandate, as outlined in OECD Principle 4.1.</p> </div> <div data-bbox="879 631 1267 725" data-label="Text"> <p>3. The CFP should continue to good coordination with UTAD to ensure working methods are complementary and mutually reinforcing. Both institutions have a useful and distinct role in relation to fiscal oversight in Portugal. However, such measures should be mindful of potential duplication of work. Improved budget reporting by the government will support these institutions in delivering their functions, and reduce the potential for their information requests stretching limited government resources during peak times of the budget cycle.</p> </div> <div data-bbox="879 723 916 741" data-label="Section-Header">Inputs</div> <div data-bbox="879 739 1267 810" data-label="Text"> <p>4. The CFP should publish a medium-term funding plan that sets out its resource requirements to operate at full capacity. This should form part of the material accompanying the Council's budget proposal. It should also be published on the Council's website so that information is publicly available so as whether allocated funding is at the level required for the Council to fully implement its legislative mandate.</p> </div> <div data-bbox="879 806 1267 889" data-label="Text"> <p>5. Should the CFP's legislation be revised, stakeholders may wish to consider giving the President of the Court of Audit and the Governor of the Bank of Portugal powers to approve the CFP's funding for submission as part of the Draft State Budget proposal submitted to Parliament. While funding has not been an issue for the CFP to date, this would help ensure any future risk of government interference in the level of resources the Council reasonably requires.</p> </div> <div data-bbox="879 884 1267 967" data-label="Text"> <p>6. The leadership appointment process should be strengthened and further protected from political interference, in line with OECD Principle 7.1. One option is for the President of the Court of Audit and the Governor of the Bank of Portugal to select the list of proposed candidates to the Budget and Finance Committee in Parliament. This gives the Commission an opportunity to provide an opinion on the proposal, before the final decision is taken by the Council of Ministers. The aim would be to broaden the collective</p> </div>
<div data-bbox="287 1149 311 1167" data-label="Page-Header">19</div> <div data-bbox="317 1173 702 1207" data-label="Text"> <p>responsibility of the decision taken to appoint a given candidate and to help increase transparency around the process.</p> </div> <div data-bbox="317 1205 702 1274" data-label="Text"> <p>7. The gender criterion for leadership appointments should be refined so that it applies to members of the Senior Board, excluding the President. This would increase the potential pool of candidates for the position of President. At the same time, gender balance could also be strengthened by increasing the gender criterion to apply to two members of the Senior Board being male or female.</p> </div> <div data-bbox="317 1272 702 1341" data-label="Text"> <p>8. Relevant government departments and agencies should meet with the CFP to render access to information challenges in line with OECD Principle 6.1, particularly in the area of social security. Regular reporting by the CFP on access to information requests, and whether or not they have been fulfilled, would allow the Council to better highlight its continued challenges to external stakeholders.</p> </div> <div data-bbox="317 1339 702 1406" data-label="Text"> <p>9. Timely access to information would be fostered by additional staff capacity in some areas of government. This may require re-thinking organisational arrangements in areas where the government has struggled to maintain, or attract, staff, and where the CFP has had particular difficulties accessing timely information, such as information relating to the draft State Budget.</p> </div> <div data-bbox="317 1406 362 1424" data-label="Section-Header">Outputs</div> <div data-bbox="317 1422 702 1505" data-label="Text"> <p>10. The CFP should take steps to increase transparency around its economic modelling to reinforce its reputation as an independent and non-partisan institution, in line with OECD Principle 7.1. In addition, the CFP should report on the accuracy of its projections and forecasts when this becomes technically feasible. The Council could also set up a working group, or hold annual workshops, to serve as platforms for analytical discussions on projections and forecasting in Portugal.</p> </div> <div data-bbox="317 1503 702 1572" data-label="Text"> <p>11. The CFP should increase its focus on medium-long term fiscal sustainability. The Council already produces five-year economic projections, but a greater focus on these, and on medium-term fiscal projections, is recommended. Continued fiscal challenges around ageing and debt also merit the Council looking at issues such as the sustainability of the social security system in more detail, in line with its mandate.</p> </div> <div data-bbox="317 1570 702 1626" data-label="Text"> <p>12. The CFP should boost its strong internal quality control process by drawing on external expertise when undertaking work in more specialist areas, such as health finance. One way in which this could be facilitated is through the CFP establishing an external advisory panel, or organising seminars with international experts.</p> </div> <div data-bbox="317 1626 357 1644" data-label="Section-Header">Impact</div> <div data-bbox="317 1641 702 1697" data-label="Text"> <p>13. The CFP could improve the way it presents information in its reports through enhancing executive summaries with one or two key summary charts and tables. The Council may also consider reducing the number of tables and charts in the main body of some reports to reduce the risk of loss of focus and confusion on the part of the reader.</p> </div> <div data-bbox="317 1695 702 1778" data-label="Text"> <p>14. The CFP could also seek to better communicate its main messages to non-technical stakeholders so that the public has a better understanding of the role, and benefits, of the institution, in line with OECD Principle 8.1. The re-development of the website provides an opportune moment to consider how communication tools such as podcasts, short video clips and infographics may be helpful in this regard. These materials could also prove useful for the CFP increasing its social media presence.</p> </div>	<div data-bbox="1275 1149 1299 1167" data-label="Page-Header">19</div> <div data-bbox="956 1227 1181 1249" data-label="Section-Header">Institutional and Review Methodology</div> <div data-bbox="879 1276 1299 1352" data-label="Text"> <p>This review was commissioned by the Portuguese Public Finance Council (CFP). It was at the Council's initiative and covers towards the end of the term of its first tenure. This provides an opportune moment to reflect on the impact of the Council to date, and identify aspects that could be improved to ensure its long-term viability. Consequently, it should help better prepare the Council for the transition from its foundation chair to its next tenure.</p> </div> <div data-bbox="879 1361 1299 1424" data-label="Text"> <p>The methodology for this review is outlined in the OECD Principles for Independent Fiscal Institutions (OECD, 2014a) and a subsequent evaluation framework elaborated within the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO Network). Principle 4.1 of the OECD Principles for Independent Fiscal Institutions states that:</p> </div> <div data-bbox="911 1433 1299 1494" data-label="Text"> <p><i>"It should develop a mechanism for external evaluation of their work... as be considered by local or international experts. This may take several forms, review of selected pieces of work, annual evaluation of the quality of analysis, a permanent advisory panel or board, or peer review by an IFI in another country."</i></p> </div> <div data-bbox="879 1503 1299 1550" data-label="Text"> <p>The Network of IFI Independent Fiscal Institutions (IFI-Net) outlined that OECD Principle is best discussed Defining and Enhancing Minimum Standards for Independent Fiscal Institutions (2016).</p> </div> <div data-bbox="879 1559 1299 1621" data-label="Text"> <p>The evaluation framework takes as a starting point internationally agreed standards (e.g. the OECD Principles). As such, the review assesses the CFP against these standards. Furthermore it assesses new institutions in OECD countries and, where possible, identifies the differences it has made. The framework covers four main elements:</p> </div> <div data-bbox="911 1630 1299 1706" data-label="List-Group"> <ul style="list-style-type: none"> • Context, the institutional setting and mandate of the CFP • Inputs, human and financial resources, access to information and independence • Outputs, the CFP's core products, including effectiveness of the methodology • Impact, of the CFP's work, including effectiveness of communications and stakeholder confidence </div> <div data-bbox="879 1715 1299 1762" data-label="Text"> <p>The evaluation framework follows a performance framework approach and by governments globally and leverages international evaluation tools such as stakeholder interviews and peer review.</p> </div>

The final report will be published by the OECD in English and made available electronically on the OECD's website. The findings of the review will be presented and discussed at a peer review session at the 2019 meeting of the OECD PBO Network, as part of ongoing discussions on the governance arrangements and working methods of member IFIs, as well as an evaluation of IFIs and the Network's evaluation framework.

The review team

The review team included two members of the OECD Secretariat's Budgeting and Public Expenditure Division in the Directorate for Public Governance, one international peer from the United States (US), one local academic peer, and contributors from other relevant members of the OECD Secretariat and peers within the PBO network. The mission to Lisbon, Portugal, for stakeholder interviews was undertaken in November 2018 (see Annex B for more information).

Chapter 1: Context

1.1. Introduction

In May 2011 the Conselho das Finanças Públicas (CFP), the Portuguese Public Finance Council, was created through the 50th amendment of the Budget Framework Law.¹ Article 7 of that law established the Council as an independent administrative entity that has administrative and financial autonomy. The Council was created as part of a package of reforms to strengthen long-term fiscal sustainability and budget management in Portugal, and in doing so, it was intended for the benefit of Portugal and the Portuguese people.

Portugal was one of several countries severely impacted by the 2008 global financial crisis. The impact was far reaching and Portugal undertook comprehensive reforms to manage the impact and stabilise its economy while having regard to the social impacts on its people. Between 2008 and 2011, Portugal grappled with negative economic growth, rapidly increasing public debt and a negative expenditure balance relative to the government's revenue.

In 2009, the government considered setting up an independent fiscal council and in January 2011 established a working group to draft the proposed legislation. The Council was subsequently established through an amendment to the Budget Framework Law, as referred to in Box 1.1, and the Parliament enacted the legislation on 19 October 2011. The initiative was timely and helped Portugal manage a further economic downturn between 2012 and 2013.

Box 1.1. The CFP's legislative framework

The 50th amendment to the Budget Framework Law 51/2006 (Law 23/2011, 20 May 2011) formally established the council. Article 12.1 stated:

"An independent body is created, the Public Finance Council, responsible for understanding the achievement of the objectives proposed for the macroeconomic and fiscal performance, the long-term sustainability of public accounts and compliance with the budget balance rules laid down in Article 12-C, the rules on expenditure by the central government laid down in Article 12-D, and the independence rules of autonomous regions and local governments established in the respective financing laws."

The CFP's mission was adopted in Law 44/2011 of 19 October 2011 and amended by Law 52-R/2014 of 21 December 2014.

This mission set out that the mission of the Council is to undertake an independent assessment of the consistency, compliance and sustainability of fiscal policy, while

Law 52-R/2014, as introduced by Article 197 of the Law No. 52-R/2014

ensuring transparency as to its contribution to the quality of democracy and economic policy decision making, as well as towards ensuring Portugal's financial stability.

The mission also set out provisions with regard to the CFP's independence (Article 2), tasks (Article 9), reporting arrangements (Article 7), access to information (Article 8), consultation with stakeholder entities (Article 9), governing bodies (Article 10), senior board (Article 11 to 20), executive committee (Article 21 and 22), auditors (Article 23 to 25), staff (Article 26), budget (Article 27 to 29), working of autonomy (Article 30), legal responsibility (Article 31) and the council's subpage (Article 32).

Source: Assembleia da República, 2011, (i) and (ii) Assembleia da República, 2011, (i).

The place is representative of the CFP's role in the 2011 bailout agreement with the European Central Bank, the European Union and the International Monetary Fund (IMF) to assist the "Troika". The close working between the formation of a working group, its proposed legislation and the Troika agreement means that the Council is institutionally closely connected to the adjustment measures included in that agreement. This gives rise to political and communication challenges for the Council in terms of proving itself as a Portuguese institution representing the interests of Portuguese citizens.

1.2. Relationship with the legislature

The Council is independent of the Executive and the Parliament. It is an independent administrative entity under Portuguese law and interacts with other independent entities, including Statistics Portugal (Instituto Nacional de Estatística - INE), the Court of Audits (Tribunal de Contas) and the Bank of Portugal (Banco de Portugal). The Council's independence is reflected in its legislation, including that it "is not to request or receive instructions from the Parliament, Executive or any other public or private entity". The President of the Republic, the Government and the Parliament all receive the Council's reports and they are also available on its website.

Supporting the CFP's independence, the President of the Court of Audits and Governor of the Bank of Portugal provide advice on the appointment of Senior Board members of the CFP, the appointment of its auditors and its annual budget. The Parliament does not appoint members of the CFP's Senior Board, this is performed by the Council of Ministers. However, Parliament does approve the Council's Budget as part of its role in approving the State Budget.

Although the CFP was established at a time when the government of the day enjoyed a majority position in Parliament, the political environment in Portugal is now more fragmented. The Council's connection to the Troika accord means that it can be mistakenly associated to austerity measures imposed from the outside. The Council has thus found it difficult to get political support from those who oppose fiscal austerity. The CFP has gone to considerable effort to clarify its independence, but the confusion persists. In order to safeguard its future, the Council now works to ensure that it would make informed efforts to broaden understanding across the political spectrum of the value of the institution and its overall role in relation to long-term fiscal sustainability.

1.3. Relationship with other institutions in Portugal

The CFP has collaborated and established relationships with institutions across the breadth of government, including the Ministry of Finance, the Bank of Portugal, the Court of Audits

and Statistics Portugal. These relationships are principally for the collection of data, exchanges of clarity information, and to understand developments in models and other analytical tools. The Council also has regular contact with government bodies, state agencies and similar organisations that draw on its assessment of the government's performance.

Although there is a strong academic community in Portugal, few think tanks and organisations regularly comment on the macroeconomic and fiscal issues. There are, however, industry bodies such as the Competitiveness Forum (Forum para a Competitividade). The absence of such bodies places increased importance on the assessments prepared by the CFP, as there are fewer organisations with comparative expertise providing commentary on the sustainability of Portugal's fiscal outlook.

1.4. Mandate

The CFP's mandate is to provide an opinion on the government's proposed objectives for its macroeconomic and budgetary activities, the long-term sustainability of public finances and compliance with the country's fiscal rules. The opinion is in the form of an independent assessment of the consistency, compliance and sustainability of fiscal policy. Through the mandate, the Council's assessments are to support the quality of economic policy decisions and the financial stability of the Portuguese Republic. Article 7 of the Budget Framework Law states that the CFP is:

"to assess, on the proposed objectives regarding macroeconomic and budgetary activities, the long-term sustainability of the public finances and compliance with the budget balance rules; the rules governing central administration spending; and the rules governing the independence of the autonomous regions and local authorities provided for in the respective financing laws." (Assembleia da República, 2011c)

A list of eight tasks is included in the Council's Statute, specifically:

1. Assess the government's macroeconomic activities and the consistency of the budget proposals to these activities.
2. Assess whether the government complies with its fiscal rules.
3. Analyse the dynamics of the public debt and its sustainability.
4. Analyse the dynamics of existing commitments, with special emphasis on the personnel and health systems and on public-private partnerships and concessions, including an assessment of their implications for the sustainability of the public finances.
5. Assess the financial position of the autonomous regions and local governments.
6. Assess the economic and financial situation of public enterprises, their potential impact on the consolidated public accounts, and their sustainability.
7. Analyse the expenditure.
8. Monitor the budget income.

The Council has a broad mandate, which supports its ability to provide a comprehensive assessment of the macroeconomic forecasts and the dynamics of budget to these forecasts. The breadth is illustrated by tasks (6), (5) and (8), which enable the CFP to look over

deeply into fiscal risks in areas such as social security, health, PPP commitments, international liquidity and the resilience of public enterprises. The ministry anticipates the importance of ensuring the CFP has the resources it needs to fulfil the aforementioned role of 8.

In 2013, the CFP's role was expanded to include ensuring the macroeconomic forecast underpinning the national institutions' fiscal plans and staff budgets. The approval of this role was related to Portugal confirming with the new European fiscal framework, the so-called "5-pack". The underlying idea in Portugal's commitment to undertake a range of deficit-reducing measures is to ensure alignment on strategy relating to economic governance in the Euro area. This gave the CFP a formal role in analysing the macroeconomic forecasts underlying the national institutions' fiscal plans and staff budgets as well as the national accounts and forecasts that are to be observed in the event of repeated deviations from the medium-term objectives.¹⁶

The involvement process was first applied in October 2014 for the 2015 draft budget. A Memorandum of Understanding (MoU) between the CFP and the Ministry of Finance signed in February 2015, defines how the analysis of the macroeconomic projections underpinning the Budgetary Programme and the three budget proposals is to be performed. The MoU also defines the information the Ministry of Finance is to supply to the Council in order for it to perform its role. The national legislature has the responsibility of making its decision as to whether to approve the Budgetary Framework Law.¹⁷

Given its broad mandate, the CFP has taken a proactive approach through increasing the scope of its work over time. This has enabled it to develop a minimum level of staffing capacity and expertise in order to be able to fulfil its mandate. Coming into its second year, the CFP is close to delivering its full mandate. Over the course of the next year, the CFP will continue to develop its expertise in the remaining areas, specifically public accounts, analysing the dynamics of existing commitments in the health system (task 4) and assessing the economic and financial situation of public enterprises (task 6).

Of note, the CFP does not have a voting role – that is, it does not prepare estimates or policy proposals for the government or political parties in Parliament, as is the case in some other independent fiscal institutions such as the Congressional Budget Office (see Box 1.2). However, a number of stakeholders noted that there is a need for greater understanding of the economic and budgetary part of individual policy measures in Portugal, and would like to see the Council bring greater attention to this additional function. Developing that role would require significant additional resources and access to new government information, e.g., confidential micro-data. In addition, there are important considerations about whether the policy-making role would be best followed by UTAD (Portugal's Parliamentary Budget Office).

Box 1.2. Policy review by the US Congressional Budget Office

- *Multi-ministeriality in the past*
Executive Order No. 17574 (19 of the Executive Order of 21 June 2013) on economic governance, for monitoring and assessing staff budget plans of member states in the Euro area.
- *Article 111, Article 228 and Article 230*
UTAD has an explicit mandate to provide policy proposals to the Council.

Updating existing estimates for alternative policy proposals is a key role for the US Congressional Budget Office (CBO). In undertaking this work, CBO staff first develop current law "baseline projections" for all government programmes (roughly 1,000 different spending accounts) that extend out for a period of 10 years. Throughout the year, the CBO then completes legislative costing that includes positive estimates of budgetary costs or savings for various proposals, with estimates done relative to the baseline projections that were completed earlier in the year. For most years, the US budget system focuses on 10 years of projections. In some cases, the focus is limited to 5 or fewer years, while in others, there is interest in reviewing the potential effects for the long term, looking out for 20 or more years. The CBO's Budget Analysis Division includes roughly 85 full-time analysts (out of the CBO's total staffing of around 240 people) that devote much of their time to policy costing (along with doing budget projections).

Source: OECD 2014

1.5. Multiple institutions in Portugal

At the time the CFP was being proposed, there was already a Portuguese Parliamentary Budget Office (UTAD), using the Portuguese acronym, supporting the Budget and Finance Committee of Parliament with technical analysis relating to the general government's budget. As a result, there are two institutions in Portugal with responsibility for providing an assessment of the general government's budget. An overview comparison of these two institutions is provided in Table 1.1.

Table 1.1. Overview comparison of UTAD and CFP

	UTAD	CFP
Year established	1978	2013
Mandate	To assist the government in preparing the budget and Finance Committee of Parliament in its work	To monitor the government's budget
Staff	140	25
Head of staff	1	1

Note: The budget in UTAD is a estimate. The CFP budget is a forecast based on the current law and the current government's policy. The CFP and CFP budgets are also directly comparable, given the CFP's past 10-year estimates with monthly projected income and the CFP is also.

Source: OECD 2014

Box 1.3 provides a summary of the UTAD's institutional arrangements and mandate. While UTAD and the CFP are different and distinct institutions, there is some overlap in their work. Specifically, both institutions assess the medium-term fiscal stance set out in the Stability Programme, and the two and spend proposals are one in the annual Draft State Budget. There are some stakeholders that feel that Portugal is too small a country to support the demands of two institutions undertaking these tasks. Some government stakeholders had the wrong both institutions' data requirements in these areas can be difficult for the government, particularly in peak times in the budget cycle, when resources are already stretched. Some parliamentary stakeholders also believe that having two institutions is duplicative and have a preference for UTAD being the sole institution providing analysis of the budget. This is likely to be true in the international terms among some

parliamentary stakeholders that the CFP is associated with fiscal maturity imposed from the outside. Other stakeholders would welcome the integration of UTAD into the CFP.

Box 1.3. The Portuguese Parliamentary Budget Office (UTAD)

The Portuguese Parliamentary Budget Office (UTAD) was created in 2006. Its purpose is to provide non-partisan budget analysis and technical support to the Parliament, particularly the Budget and Finance Committee. Prior to 2006, most financial budget information had to be found separately and in 2006, the Socialist Party had an absolute majority in the Parliament, which provided the political support necessary to establish UTAD.

UTAD is a specialised unit within the Parliament's Directorate of Parliamentary Support (DAP) and functions under the authority of the Parliament. UTAD does not have a separate appropriation, its operating costs are funded from the administrative budget of the Parliament. The Budget and Finance Committee has little direct influence in determining the financial resources for UTAD and the timing issue of its staff, and this creates a disconnect between the Committee's requests of UTAD and UTAD's ability to action the requests.

The Budget and Finance Committee approves UTAD's annual work programme. Much of the work programme is based around scheduled reports. The release of its main reports on the annual State Budget and Stability Programme update are timed to coincide with parliamentary discussions. Other periodic reports on both the consolidated general government and individual public subsectors include annual budgetary means, public-private partnerships and an annual analysis of debt development and budget execution as well as annual accounting issues. Discretionary requests from the Budget and Finance Committee and requests from other parliamentary committees or from individual parliamentarians via the Budget and Finance Committee make up the rest of UTAD's work. UTAD published a total of 16 publications in 2018, and these are made available to the public on its website.¹⁸

Due to a lack of staff, UTAD has not been able to fully perform all of its functions and staff work under considerable pressure to complete work. Some functions, such as the task of creating the budget impact of draft legislation are not well developed because of a lack of resources. Staff, including the recruitment of the staff, are typically recruited from other government bodies, businesses (at the end of the legislature), and there is no formal guarantee that new recruits will be signed with the same individuals in the following legislature. Moreover, each party can terminate the contract anytime with a 30-day notice. The short duration of recruitment and the lack of a formal employment contract with the Parliament creates uncertainty for UTAD to perform its role, as well as uncertainty for the individual staff members.

Source: OECD 2018 and UTAD (2018).

A number of stakeholders also believe that having two institutions is beneficial for Portugal. One argument commonly expressed for having both institutions is that their

¹⁶ See: https://ec.europa.eu/economy_finance/utad/index_en.htm

analysis serves different purposes. UTAD directly supports the Parliament's Budget and Finance Committee and is able to provide timely information that helps members analyse the State Budget and the Stability Programme. On the other hand, the CFP undertakes its work over a longer timeframe and is able to therefore undertake more in-depth analysis of these documents that would otherwise not be done.

Another way in which the institutions differ is in their independence. The CFP compares more favourably than UTAD in this respect when measured using the OECD's Principles for Independent Fiscal Institutions. The Parliament resolution that created UTAD states that it is "a specialised unit that operates under the guidance of the standing parliamentary committee with competence in budgetary and financial matters". Both UTAD's staff and access to information are thus subject to the approval of the parliament's Budget and Finance Committee, and amendments only last until the end of the legislature. The position of UTAD's leader is an informal arrangement that is useful in practice, but not supported in law. UTAD's leader is typically seconded, with their contract renewal tacitly every month for the duration of the legislature, and does not have control over the hiring process for its staff. Moreover, there are no written provisions for dismissals. Hence, UTAD staff can be removed relatively easily, as happened following the 2009 general elections when all staff were dismissed and UTAD ceased to operate. As a result, a number of Portuguese stakeholders have concerns that consolidating the CFP's functions into UTAD would be a significant backslide on UTAD's organisational arrangements and independence more so be significantly strengthened.

On the whole, while there is some overlap of functions between the two institutions, each plays a useful role in relation to fiscal oversight in Portugal and has found their own distinct place in the Portuguese institutional landscape. The existence of both institutions is likely to endure for the foreseeable future.

The existence of multiple institutions requires effective coordination to ensure working methods are complementary and to minimise duplication. At present, both institutions coordinate relatively well, even if this is on an informal basis. This is facilitated through leaders and staff moving between the institutions through their career. The existence of multiple institutions also has the potential to place heavy demands on limited government resources if there is a high volume of information requests during peak times in the budget cycle. Both UTAD and the CFP have agreed on standardised routine data requests with key departments in the Ministry of Finance as an attempt to ensure timely access to information and to minimise the burden on the public administration. Yet, the Portuguese Government may wish to consider how it might improve budget reporting to further reduce this risk.

Table 12. Does the CTP meet the OECD Principles for Independent Fiscal Institutions (assessment of legislation and practice)

Key: ● = yes, ● partial, ○ no

OECD Principle	Is there related legislation in Portugal?	Comments	Notes
1. LOCAL OWNERSHIP			
1.1 Broad national ownership, commitment, and consensus across the political spectrum. Mandates from should not be artificially imposed or imposed.	● partially	Initiative to set up institution came from national task force. Majority support in parliament enacted enabling legislation.	
1.2 Local media and the local institutional environment should determine options for the role and structure of the IFI.	● partially	Non-partisan reports from Portugal were approved to prepare draft statute for institution.	
2. INDEPENDENCE AND NONPARTISANSHIP			
2.1 There are no persons in positions that a political perspective creates or demonstrates objectivity and professional excellence, and serves all parties. IFIs should be prohibited from any normative policy-making responsibilities to avoid even the perception of partisanship.	●		
2.2 The leadership of an IFI should be selected on the basis of merit and technical competence, without reference to political affiliation. The qualifications should be made explicit.	●	Legislation stipulates that members of the House Board shall be representatives of all ideological groups, with experience in economics and public finance and a high degree of independence.	
2.3 Term lengths & number of terms that the leadership of the IFI may serve should be clearly specified in legislation along with dismissal criteria & process.	●	The President of the CTP is appointed for a non-renewable 7-year term. Removal of them office is limited to the reasons specified in legislation.	
2.4 The leadership term should primarily be independent of the electoral cycle.	●	The House Board's terms are detached from election cycles.	
2.5 The position of head of the IFI should be a non-partisan and preferably full-time position. Staffing of member standards should be explicit.	●	The President of the CTP is a non-partisan, full-time position, and other criteria to guard against a conflict of interest apply.	
2.6 The leadership of the IFI should have full freedom to hire and dismiss staff in accordance with applicable labor laws.	●	The CTP has the freedom to hire and manage its employees in the bounds set by the commission committee.	

Table 13. Does the CTP meet the OECD Principles for Independent Fiscal Institutions (assessment of legislation and practice)

2.7 IFI should be selected through open competition based on merit & technical competence, without reference to political affiliation or ties with civil service conditions.	●		
3. MANDATE			
3.1 The mandate should be defined in legislation, including types of reports and analysis they are to produce, who may request them and timelines for release.	●	The mandate, reporting commitments and the requests of the reports are defined in legislation.	
3.2 IFI should have the scope to produce reports and analysis as they see fit and autonomy to determine their own work programme within their mandate.	●	The CTP can undertake work in its own initiative.	
3.3 Clear links to the budget process should be established within the mandate.	●	The CTP assesses the macroeconomic scenario for the draft base Budget and the Stability Programme and its opinion is included in these documents.	
4. RESOURCES			
4.1 The resources allocated to IFI should be commensurate with their mandate.	●	The resources allocated are sufficient for the scope of work the CTP currently undertakes, although this does not represent the full scope of its mandate.	
4.2 The appropriations for IFI should be published and listed in the same manner as the budgets of other independent bodies.	●	The appropriation for the CTP is reported as a separate line item in the government's budget. The CTP's budget proposal is subject to a formalistic opinion issued jointly by the President of the Court of Audit and by the Governor of the Bank of Portugal.	
4.3 Multilateral lending commitments may further enhance IFI's independence and provide additional protection from political pressure.	●	The CTP budget appropriation "can only be reduced in duly justified exceptional circumstances".	
5. RELATIONSHIP WITH THE LEGISLATURE			
5.1 Mechanisms should be put in place to encourage appropriation accountability to the legislature.	●	The CTP is a project in accordance of the government's macroeconomic projections before the Budget and Finance Committee of the Parliament. The CTP regularly appears before the Committee during the year.	
5.2 The budgeting calendar should allow sufficient time for the IFI to carry out analysis necessary for parliamentary work.	●	The budget calendar is well structured which enables the CTP to carry out analysis necessary for parliamentary work.	
5.3 The role of the IFI vis-à-vis the parliament's budget committee (or equivalent), other committees, and individual	●	The CTP cannot request a written instruction from the Parliament. Requests for advice from the Budget and	

members in terms of requests for analysis should be clearly established in legislation.	●	Finance Committee are served by a separate institution, CTAD.	
6. ACCESS TO INFORMATION			
6.1 IFI should have full access to all relevant information in a timely manner.	●	Legislation establishes the right to information and provides for consequences for non-compliance. Despite this, the CTP has had challenges accessing information on specific topics.	
6.2 Any institutions or access to government information should be clearly defined in legislation.	●		
7. TRANSPARENCY			
7.1 IFI should act as transparently as possible, including full transparency to their work and operations.	●		
7.2 IFI reports and analysis (including underlying data and methodology) should be published, made freely available to all and easy to perform.	●		
7.3 The release dates of major reports and analysis should be formally established, especially in order to coordinate them with the release of relevant government reports and analysis.	●		
7.4 IFI should release their reports and analysis, in matters relating to their core mandate on economic and fiscal issues, in their own name.	●		
8. COMMUNICATIONS			
8.1 IFI should develop effective communication channels from the start.	●	The CTP employs a multi-channel communication strategy through parliamentary and stakeholder engagement, media interviews, briefings, publications, and website material.	
9. EXTERNAL EVALUATION			
9.1 IFI should develop a mechanism for external evaluation of their work.	●	Evaluated through this score, but dependent on a decision by the Senate Board in regard to being a requirement in legislation.	

1.6. Contributions and recommendations

The establishment of the CTP was part of comprehensive national budget reforms in response to the 2008 global financial crisis. The Council has a well-designed and clearly articulated legal framework which to date has served Portugal well. It is a young institution, established in early 2011, it has quickly become an integral and respected part in Portugal's fiscal framework. Although the economic situation in Portugal has improved since the Council was established, the sustainability of public finances remains an important issue. In order to particularly improve given that there are few alternative sources of revenue in Portugal's economy, and fiscal methods.

The Council has given a formal mandate when it was established. This was intended to 2013 to ensure Portugal complied with new EU requirements to have an independent fiscal institution oversee macroeconomic forecasts underlying three-yearly medium-term fiscal plans and draft budgets. The CTP is clear to fulfilling its full mandate, and has plans to close remaining gaps over the forthcoming year.

The success of the CTP in delivering independent fiscal analysis has gone on to inspire for it to be given additional functions that would enhance its role in fiscal oversight in Portugal. In particular, a number of stakeholders would like to see the Council examine the economic and budgetary cost of individual policy measures in Portugal. The Council has built up skills and credibility that would serve it well in delivering this function. As such, the CTP could potentially provide policy savings in the future, as long as the new function is accompanied by adequate national resources and access to relevant information from the Portuguese Government, including confidential price data.

Portugal had no thought to plan for the merits of an independent fiscal institution such as the CTP before the global financial crisis led to the 2011 Budget agreement for Portugal by the Troika. Although the Troika programme is now complete, some political stakeholders continue to actively monitor the Council with this period of fiscal austerity. The CTP has made significant effort to present itself as an institution of national origin serving the people of Portugal through its focus on ensuring long term fiscal sustainability. In order to safeguard its future, the Council may wish to consider how it would broaden understanding across the public of spectrum of the value of the institution.

The structure of both the CTP and CTAD in the spirit of budgetary oversight is considered by some as excessive for a country the size of Portugal. While there is some potential for overlap, each institution also serves a distinct and useful purpose that is valued by Portuguese stakeholders. Continued coordination between both institutions will help ensure working methods are complementary and mutually reinforcing, improved budget reporting by the government will support these institutions in delivering their mandate. It will also reduce the risk that their information requests cover almost limited government resources during peak times of the budget cycle.

35

Chapter 2: Insights

2.2. Introduction

An assessment of an IFI's impact must take into account its human and financial resources, as well as whether those resources are predictable and sustainable. It should also examine the IFI's access to information and whether the IFI has the necessary level of independence to carry out its work. According to the OECD Principles, an IFI must have resources commensurate with its mandate to fulfil it in a credible manner (Principle 4.1). An IFI must also have access to all relevant information in a timely manner, including methodologies and assumptions underlying its budget and other fiscal proposals (Principle 6.1). Finally, non-partisanship and independence are prerequisites for any successful IFI (Principle 7.1).

This chapter examines the extent to which the CFP has sufficient funding, human resources, access to information, and independence in order to deliver its mandate. Analysis indicates that the Council has received adequate funding so far in order to undertake its tasks, although its funding needs may grow for it to be able to deliver its mandate in full. The government's intention that carried the Council's work, but its backing agreement provision could be strengthened by inserting it to better protect from political interference.

Although the CFP has access to information processed as legislation and monitored through MoU, it still experiences problems obtaining information, particularly in relation to social security. The institutional arrangements for the CFP are still in terms of maintaining its independence. In addition, the first President of the Council has initiated a culture of independence and non-partisanship within the institution that has the potential to last long beyond the end of her tenure.

2.3. Funding

Under Article 26 of the CFP's Statute, the Senior Board is responsible for preparing the CFP's budget, which is reviewed by President of the Court of Audit and the Governor of the Central Bank. Subject to a favourable review by these two bodies, the budget is submitted to the Ministry of Finance for approval using the procedure that apply to comparable independent administrative bodies such as the Court of Audit. The CFP's budget has been a separate line item in the State Budget since 2012 and its funding is not connected to any other institution.

The role of the President of the Court of Audit and the Governor of the Bank of Portugal is to review the draft budget prepared by the Senior Board of the CFP and to submit it to the Minister of Finance. The process to prepare a draft budget and submit it for review is largely the same done and over in the wider bodies, the Council of the Parliament's contribution of the annual budget is processed. The process and decision-making provide the CFP with a high degree of predictability on the timing of its funding. However, the Ministry of Finance thus prepares advice to its Minister on the overall situation of funding in the national budget. This does not necessarily result in any

36

particular treatment of the proposed budget prepared by the Senior Board of the CFP, even if the bodies of the Court of Audit and the Bank of Portugal prepare a favourable review of the CFP's proposed budget. In this regard, obtaining a favourable review from the bodies of the Court of Audit and the Bank of Portugal amounts to an advisory role on the soundness of the proposed budget and does not include decision rights to approve or establish an expenditure on the Ministry of Finance to approve the proposed budget. This is an area where the decision rights and expectations of the parties involved in approving funding to the CFP are pluralist.

The OECD Principles (Principle 4.1) state that:

"the appropriations for IFIs should be predictable and secured in the same manner as the budgets of independent bodies, such as audit bodies, in order to ensure their independence" (OECD, 2014:1)

Under the Portuguese State Budget appropriations, the CFP's budget "can only be reduced in duly justified exceptional circumstances" (CFP statute, Article 21(2)). Consistent with this, Table 2.1 below shows that, since the CFP became fully operational in 2014, the budget has not reduced in each time.

Table 2.1. The CFP's budget: income and expenditure 2012-2018

Item, million	2012	2013	2014	2015	2016	2017	2018
Revenue							
Current	2,879	2,971	2,532	2,79	2,827		
Capital	0.041	0.055	0.081	0.093	0.093		
Total	2,920	3,026	2,613	2,893	2,920		
Expenditure							
Restatements	6,568	1,433	1,64	1,637	1,59	1,550	
Goods and services	0.167	1,168	0.822	0.396	0.9	0.762	
Purchase of capital goods	3,786	0.042	1,055	8.1	0.011	0.041	
Total	10,521	2,643	3,536	2,076	2,601	2,353	

Source: CFP funding.

In 2014, the CFP's approved budget (the both current and capital spending) was EUR 2.53 million and in 2017 it was EUR 2.76 million. On average, two thirds of the Council's budget is spent on remuneration, one third on goods and services. Goods and services include spending items such as office rental, ICT, travel and subsistence and transportation services. With the exception of 2015, when the Council's funding was left unchanged in each year, the CFP has received a modest increase in its budget each year since the three-year period.

The fact that funding has not reduced is not the same as saying the CFP has received the funding it sought from the government. The CFP publishes its approved budget but does not publish the value of its proposed budget. As such, there is no disclosure on whether the CFP has been under-funded relative to what it sought from the government to fulfil its

¹ Note, in 2012, the CFP never got additional funding to help it get up.

37

mandate. Table 2.2 shows the difference between the funding sought and the funding approved since the Council was established. In general, the Council has received less funding than it has sought. However, the shortfall has tended to be small, amounting to about 4% of final funding in 2014, and less than 2% of the final funding allocated in each subsequent year.

Table 2.2. Difference between funding sought by the CFP and funding approved to government

Item, million	2012	2013	2014	2015	2016	2017	2018
Funding sought	2,980	3,244	2,635	2,629	2,659	2,717	2,745
Funding approved	2,960	2,648	2,536	2,629	2,641	2,700	2,740
Shortfall (€mm. million)	20	596	99	0	18	17	5
Shortfall as a % of funding approved	0.6%	2.3%	3.9%	0.0%	0.7%	0.6%	0.2%

Notes: In 2012, government advice was not considered in accordance with its Government Code. This led to an overstatement and hence the lower approval amount of approved funding shown in all comparative decisions on the State Budget CFP included.

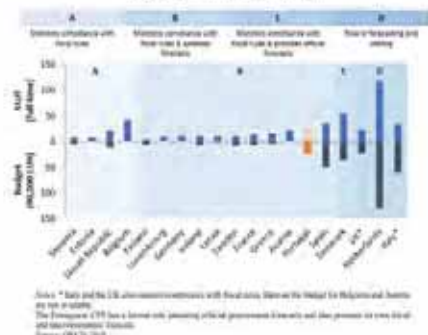
Source: CFP data.

To date, the funding has been sufficient for the Council to perform its current activities, however, it has not been fully justified over that period relative to the scope of work assigned to its mandate (as highlighted in Section 2.4). Further, as the IT system and office equipment age, it is likely to face higher capital costs in coming years.

Given fiscal constraints in Portugal, it could be argued that the shortfalls shown in Table 2.2 do not appear unreasonable in the context of managing government priorities. However, as the CFP extends its activities in order to fully deliver its mandate, its funding needs will grow. A larger shortfall for an extended period without adjustment for cost pressures or capital replacement would increase the risk around the effectiveness with which the CFP could fulfil its functions.

Figure 2.2 shows that relative to other IFIs, the CFP is considerably funded for the scope of functions it performs. However, this chart does not capture the broad range of activities that the Council should assess in delivering its mandate, as set out in Section 2.4.

Figure 2.1. Mandarin and consonants of 44 HSo



Notes: * Early and the U.S. also cooperates with fiscal data. Imports to the United States by persons and business are not available. The frequency of GDP has a biennial cycle, assuming official government forecasts and also presents an even list of all macroeconomic data. Source: CIA, 2010.

January 1998, Vol. 1, No. 1

3.4. *Thymus praecox*

This section considers the role and performance of the governance bodies, oversight body and staffing. The Council has two governance bodies (the Senior Board and the Executive Committee) and one oversight body (the legalised auditor). In total, the Council has 23 permanent staff, comprising its Senior Board, head of staff, analysts, administration and support staff. Figure 2.2 shows the CFP functional chart.



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Source: CDF, 2004.

2.3.1. Senior Board

The *Senado* Board is the highest governing body of the CFF and is responsible for the Agency's fulfilling its mission and overseeing the performance and control environment of the organization. The *Senado* Board comprises five members, up to two of whom can be non-nationals of Portugal. The positions are set as executive President for chair, Vice President, one Executive Member and two Non-Executive Members. According to the CFF's statute, *Senado* Board members are to be personalities of acknowledged merit, with experience in economics and public finance, and not all members can be of the same gender. At present, four out of five members of the *Senado* Board have a University and four out of five are male.

The President must be a Portuguese citizen, and reside in Portugal. During an initial five-year transition period, members' terms were staggered: The President for seven years (non-renewable), the Vice-President and the Executive Member for five years (non-renewable) and the two Non-Executive Members for three years (non-renewable). Now, all members are appointed for a seven-year term, non-renewable. The terms of the former fiscal members are defined from election cycles to help maintain the independence of the CFE.

The President of the Steering Board is the leader of the organization and represents the CTP at parliamentary hearings and press conferences. This person is responsible for convening the meetings of the board, presides over the Executive Committee and in this regard takes part in the day-to-day operations of the CTP. A Vice President supports the President.

The resulting signature provides guarantees of independence, such as certifying a previous number cannot have been a number of a national jurisdiction within the previous two years. It also specifies the limited conditions under which a number can be removed from the list, for example, through suspension, absence from two meetings or through domestic law actions inconsistent, agreed jointly by the President of the Court of Audit and the Governor of the Bank of Portugal.

Members are appointed by the Council of Ministers on a proposal jointly prepared by the President of the Court of Audit and the Governor of the Bank of Portugal. The Council of Ministers may also take advice from officials, such as the Ministry of Finance on the proposal jointly prepared by the President and Governor.

The appointment process is unique to Vermont and reflects the recommendations of Vermont in 2010 when the institutional arrangements for the CFP were designed. The CFP is a voting institution in terms of the number of times appointment decisions have been made. In general, the members proposed jointly by the President of the Court of Appeals and the Governor of the State of Vermont have been appointed by the Council of Ministers. However, during the most recent appointment process, the first proposed candidate was rejected and new candidates had to be found. While the two candidates that were finally appointed are now self-regulated members of the CFP Senior Board, this incident highlights that the appointment process is not free from political interference.

While the existing legislation for the CTF to be revised in the future, alternative approaches to appointing members with proper protection from political interference may be desirable. A number of stakeholders suggested that the final appointment should be made by a specialised agency at Parliament, rather than the Council of Ministers. This is the view for the Council for Budget Responsibility in the Slovak Republic (see Box 2.5). Involvement of Parliament in the appointment process would potentially have the added benefit of increasing transparency and support for the legislative process of the CTF. However, stakeholders also noted that the process is still political and there would also be a risk of political deadlock over candidate proposal.

Box 2.3. Appointment process for members of the Slovak Council for Budget Responsibility

The Council for Budget Responsibility in the Slovak Republic has three members, one chair and two other members. The chair is elected by the Parliament (National Council of the Slovak Republic), with the support of at least three 6000 majority vote of members, based on a proposal by the government. One council member is elected by the Parliament with an absolute majority of members present, based on a proposal of the President of the Slovak Republic. Another member is elected by the Parliament with an absolute majority of members present, based on a proposal by the Government of the National Bank of Slovakia.

Another point put forward is for the President of the Court of Audit and the Government of the Bank of Portugal to submit the list of proposed candidates to the Single and Finance Committee of Parliament. This gives the Committee an opportunity to provide an opinion.

Figure 2.2. CBT functional chart



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Source: CDF, 2004.

2.3.1. Senior Board

The *Senado* Board is the highest governing body of the CFF and is responsible for the Agency's fulfilling its mission and overseeing the performance and control environment of the organization. The *Senado* Board comprises five members, up to two of whom can be non-nationals of Portugal. The positions are set as executive President for chair, Vice President, one Executive Member and two Non-Executive Members. According to the CFF's statute, *Senado* Board members are to be personalities of acknowledged merit, with experience in economics and public finance, and not all members can be of the same gender. At present, four out of five members of the *Senado* Board have a University and four out of five are male.

The President must be a Portuguese citizen, and reside in Portugal. During an initial five-year transition period, members' terms were staggered: The President for seven years (non-renewable), the Vice-President and the Executive Member for five years (non-renewable) and the two Non-Executive Members for three years (non-renewable). Now, all members are appointed for a seven-year term, non-renewable. The terms of the former fiscal members are defined from election cycles to fully enhance the independence of the CFE.

on the proposed, believe the final decision is taken by the Council of Ministers. The aim would be to broaden the collective responsibility of the European Union to appoint a great candidate and to help increase transparency around the process.

A similar process has already been adopted for the leadership of legislative agencies in Portugal, and his previous work, even if the Parliament's opinion is not binding. In an EUCLID context, it is not unusual for the Parliament to have a role in the leadership appointment process for CEOs, even if it does not take the final decision. For example, in Spain, the *Alfarr President* is appointed by the Council of Ministers. Prior to the appointment, the interested candidate for President of *Alfarr* must appear before the Congress of Deputies Finance and Public Administration Committee which assesses the candidate's experience, training and skills.

The CEF President's term ends in February 2019, and the 2021 President has already been appointed. In order to meet the gender criterion under the existing legislation, the eligible candidates had to be female as the other four members of the Senate Board are currently male. Nadezhda Nigmatova had that gender criterion on top of the existing criterion for candidates, women that – in a country the size of Portugal – the pool of potential appointees is limited.

While the existing legislation for the CFP is to be revised in the future, no alternative approach to prevent this situation from arising again would be for the greater relevance to apply to all members of the Sector Board, except the President. This would mean that, in making a new CFP President, the President of the Court of Audit and the Governor of the Bank of Portugal would always have the ability to seek the widest possible pool of eligible, specified candidates for the top position. Such an alternative would be stronger if it applied to one of the four remaining positions on the Sector Board, giving a greater role of male or female of 80 percent of the full five-member board.

2.1.2 Executive Committee

The Executive Committee is responsible for the day-to-day management of the CFP. The President chairs the committee and fellow members of the committee include the Executive Member of the Senior Board and the head of staff of the CFP. The distinctions between the Senior Board and the Executive Committee are highlighted in Figure 2.1.

<p>36 </p> <p>Source: OECD 2019</p> <p>According to its enabling legislation, the CFP has a number of powers available to it in instances where the information is not supplied in the period taken to supply the information is unreasonable. The Council can put a notice on its website stating the nature of the information not supplied and the powers involved. It can also formally censure the President of the Court of Audit, the Governor of the Bank of Portugal, the President and the President of the Republic as a last resort. The range of powers are limited to guard against political interference to disrupt the supply of information. The powers are basically used proactively depending on the seriousness of the situation.</p> <p>In fact, the CFP has only resorted to the use of these powers, placing a notice on its website in July 2017 advising that the Instituto de Estatística – part of the Ministry of Labour, Solidarity and Social Security – had failed to comply with its duty to provide social security information on the number of beneficiaries (existing and new) in good time. This notification was a decision not taken lightly by the Council. However, the impact of this notice has been limited. Despite press attention to the notification, and a follow-up letter from the CFP's President to the Minister for Labour, Solidarity and Social Security in February 2018, the CFP is still awaiting the provision of the social security information¹².</p> <p>Government stakeholders report that problems related to the CFP accessing the social security information is a full and timely manner are exacerbated by difficulties accessing the required information (which sits in multiple databases), and the difficult nature of compiling and checking this information. More generally, distrust in itself government across the public sector have negatively impacted the variety of social government stakeholders to respond to information requests in a timely manner. This is a problem for different areas of the government, stakeholders that provide information to the CFP.</p> <p>Given that the CFP's ability to access information impacts its ability to fulfil its mandate, it is important that steps to improve information timeliness, especially those in the area of social security, are made. In order to achieve this, the CFP has conducted and tried to meet with the relevant institutions. A meeting would allow the CFP and Government counterparts to develop a shared understanding of the data needed and the plan for its delivery. Ideally, the institutions could formalise information requirements into a MoU.</p> <p>The lack of response to CFP requests (taken to date indicate that relevant government stakeholders need to effort higher priority to their legal requirement to provide the CFP with access to the information it needs to fulfil its mandate.</p>	<p>37 </p> <p>In cases where the government is under-empowered to access the CFP's data requests, the government should work to boost the capacity of the civil service. In some cases, this may involve rethinking organisational arrangements so that it is easier to access and report staff. Subsequent to these developments, if the CFP is still experiencing problems accessing information in these specific areas, it should consider using its power to censure the President of the Republic, the Parliament, the President of the Court of Audit, and the Governor of the Bank of Portugal.</p> <p>2.3. Independence</p> <p>Independence and non-partisanship refer to the ability of an IFI to undertake its duties free from political pressure or influence. The extent to which independence is achieved within an IFI is significantly influenced by the legislation that establishes and governs the institution.</p> <p>One of the most notable ways in which the CFP's legislation supports its independence is through establishing a wide (or potentially independent bodies) the leaders of the Court of Audit and the Bank of Portugal in relation to the appointment of the Council's leadership and staff, and also its budget.</p> <p>The CFP's legislation has several other legal provisions that promote its independence:</p> <ul style="list-style-type: none"> Legal independence: The CFP has legal autonomy from the Executive, Parliament and President and other public institutions by company from it as an independent administrative entity (Article 7), similar to the Court of Audit and Bank of Portugal. Article 7 also states that the CFP cannot request or receive instructions from the Assembly of the Republic, the government or any other public or private entity. Leadership independence: Leadership positions are 600-hour and remunerated. The duration of their terms are not linked to the political cycle. In addition, leadership can only be removed by certain reasons prescribed in the legislation. Operational independence: The CFP has autonomy in determining its own work programme, and therefore, work in its own initiative. It also has financial independence to determine the way in which it deploys its budget appropriation. The Council's operational independence has also been reinforced through the Senior Board and all staff being located in offices separate from the Court of Audit, the Bank of Portugal, Ministry of Finance and the Parliament. <p>It is important to note however that while independence does not always translate into de facto independence, and may not capture the underlying culture of the IFI, government and other public institutions. However, most IFIs work to gain de facto independence over time through their actions and mission. The first leader of any IFI has a particularly important role in establishing a culture of independence within the institution, as well as ensuring that the institution gains external credibility and relevance in its first few years of existence. Developing a culture of independence takes time, and requires continued effort to maintain.</p> <p>Despite being a young institution, strong leadership by the first President of the CFP, Teresa Cardoso, a well-respected economist in Portugal, also established the Council as a respected institution delivering oversight of public finances. The first President has focused on ensuring that the Council's analyses have been directed to the present or imminent, significant work. This has been aided by the Council having had staff</p>
<p>38 </p> <p>respected and well-qualified members appointed to the Senior Board, and the fact that the head of staff has selected and developed a strong, highly dedicated staff of economists. The institution thus has a clear preference for employing independent economists based on available data and state-of-the-art analytical methods.</p> <p>A natural concern of any institution is that a successful organisational culture established by one leader may be eroded if subsequent leaders have a different approach. With regard to the CFP, provided the Council of Ministers continues to support members to the Senior Board that are independent and self-respected experts in Portugal, then the strong and independent organisational culture that the first CFP President has developed is likely to serve as a valuable asset for the institution in the longer term. This was the case with the first leader of the Congressional Budget Office in the US (see Box 2.4).</p> <p>Box 2.5. Developing a culture of independence: the US Congressional Budget Office</p> <p>The US Congressional Budget Office's (CBO's) reputation as a strong independent organisation providing a non-partisan source of national budget and economic information in the United States was greatly influenced by having a highly respected first leader, Alice Rivlin, who served as the agency's founding director from 1975 to 1983. The CBO was able to thrive and maintain its reputation as an independent, non-partisan source of information well beyond Alice Rivlin's tenure as large part because of the strong independent culture that she established within CBO.</p> <p>The agency's staff, from the start, was geared towards top-quality, rigorous analysis that was free from political influence. CBO staff have always strived to provide clear and concise analyses of budgetary and policy issues, regardless of whether those analyses were supportive or contrary to the policies and preferences of whoever was in political control of the US Government. Again, Alice Rivlin set that tone of clear independence – for example, some of the work conducted during her first few years as CBO director was critical of highly critical of statements and policy positions of the Administration of President Jimmy Carter (even though Alice Rivlin had been selected by leadership of the US Congress that was controlled by the same political party as the President namely, the US Democratic Party).</p> <p>Subsequent leadership of the CBO has continued the tradition of strong non-partisan analysis and independence presented during the agency's first several years under Alice Rivlin's leadership. Each of the CBO's eight directors who followed Alice Rivlin, inherited an agency with a strong staff culture of independence and dedication to high-quality, independent analysis. As a result, that culture and the credibility of the CBO's work has continued under a series of directors appointed by different political stakeholders.</p> <p>Source: OECD 2019</p> <p>The CFP is far from being neutral in independence and appears to actively undertake activities to erode its independence and the purpose of its role. Examples include regularly stating the independence and purpose of the organisation in its publications, appointment before parliamentary committees and at media conferences. In addition, it remains accountable to that its budget is subject to scrutiny, an auditor provides an opinion on financial expenditure and internal controls, it prepares its annual report and its accounts</p>	<p>39 </p> <p>and other products are publicly available through the internet and media. Continued work to reinforce the independence of the Council is evident in it is still a young institution relative to the age of most of institutions in Portugal, including the Court of Audit and the Bank of Portugal.</p> <p>2.4. Credibility and (re)renewal</p> <p>The CFP is sufficiently resourceful in the near term, but may face higher staff costs in order to fully fulfil the scope of its mandate. In addition, in some years the Council may have the need for a gross budget, e.g., to enable the replacement of IT equipment as it becomes outdated. It may be helpful if the CFP developed a mid-term budget plan for the resources it requires to fully implement its legislative mandate in a predictable and accountable manner. This should include capital replacement and first part of the material required to the President of the Court of Audit, the Governor of the Bank of Portugal, and the Ministry of Finance with the annual proposed budget. The mid-term budget plan should be published on the CFP's website so that information is publicly available as to whether it is being funded to at the level required for the Council to fully implement its legislative mandate. A consideration could be given to the President of the Court of Audit and the Governor of the Bank of Portugal having the power to approve CFP's funding for submission to Parliament to ensure the practical risk of government interference to the level of resources the Council needs to implement.</p> <p>The CFP is well governed and has strong, competent leadership, supported by professional staff. The governance structure has served the institution well, but the leadership appointment process could be strengthened to ensure that it is better protected from political interference. For example, the President of the Court of Audit and the Governor of the Bank of Portugal could submit the list of proposed candidates to the Budget and Finance Committee in Parliament. This gives the Committee an opportunity to provide an opinion on the proposal, before the final decision is taken by the Council of Ministers. The aim would be to broaden the collective responsibility of the decision taken to appoint a governor, and to help increase transparency around the process. The government may also wish to consider setting its greater emphasis for CFP leadership as that it applies to the members of the Senior Board, but excludes the President. Such a change would increase the pool of candidates for the position of President. At the same time, greater balance would also be strengthened by increasing the greater emphasis to non-members of the Senior Board being made or limited.</p> <p>The CFP has a legislative guarantee to access information from the government, and this is reinforced by MoU between the Council and the Government where necessary. However, the Council continues to experience challenges in accessing the information it requires to deliver its mandate, particularly in the area of social security. Relevant Government stakeholders should meet with the Council to resolve these access to information issues, and ideally agree a MoU covering future arrangements for information-sharing. Where financial resources are hindering the capacity of the government to respond to the CFP's requests, the government should work to boost its capacity. Further, increased transparency around the Council's information requests, for example through publishing details of such information requests, and whether or not it has been delivered, would allow the CFP to better highlight its continued challenges to external stakeholders.</p> <p>The CFP has a high degree of independence, reinforced through its institutional arrangements. In addition, the first President of the CFP has established the institution's culture of independence and non-partisanship that has the potential to last long beyond the</p>

end of her tenure. However, this is subject to the Council of Ministers continuing to appoint non-partisan and well-qualified successors.

Chapter 3: Methodology and Outputs

3.1. Introduction

The CFP provides an independent assessment of the consistency, compliance and sustainability of fiscal policy. In doing this, it has steadily established itself as a well-regarded independent institution providing high-quality analysis of public finances in Portugal.

As stated in Section 1.4, the CFP's annual work programme is based on the eight specific tasks outlined in its Statute. In the areas where the CFP is already delivering publications, the review finds that its methodologies and products both continuously comply with its legislative requirements, and compare well against institutional standards.

The CFP's Statute also identifies various reporting requirements. These include an analysis of the draft State Budget, and an analysis of the Medium Programme, including the achievement of the macroeconomic forecasts underlying their discussion. A mandatory analysis of the institutional budgetary framework programming is made together with the draft State Budget, since the State Budget Law annually reviews the spending limits. The CFP also produces an analysis of the budget outcome of the previous year, which is a core, mandatory document.²⁷

In addition to the statutory requirements, the CFP has undertaken work at its own initiative. In 2013, the CFP issued the biennial publication of a flagship report entitled 'Public Finance: Past, Present and Future', which presents its own fiscal and macroeconomic estimates for the current year and projections for the next four years under the no-policy change assumption. The goal of this publication is to raise awareness of the intertemporal consequences of fiscal policy. This report is updated twice a year: before the presentation of the Stability Programme in the Spring and before the presentation of the draft State Budget in the Autumn.

Further, in July 2018, the CFP launched the 'Fiscal Risk and Public Finance Sustainability Report', which is also plans to update every two years. This report focuses on five areas: macroeconomic performance, public revenue and public expenditure, contingency liabilities and public debt.

In April 2018, the CFP also started publishing a biennial analysis of the Local Government sector, which has immediately received broad media attention, both from the national press and from local and regional newspapers, especially with regard to the status of municipalities and their compliance to the legal debt limit.

Apart from its regular publications, the CFP maintains a 'Notebook' which that seeks to explain complex technical issues in the public through easy-to-understand language. So far,

²⁷ Article 17 of the Statute requires a compulsory publication of the Review Report to come the month of the State Budget for the previous year.

the issues addressed comprise macroeconomic projections underlying the budget, public debt, the difference between cash accounting and national accounting, a description of the often-complex social protection systems, and the impact assessment of economic policy programmes. The CFP has also published some Occasional Papers and Opinions on diverse issues such as the reform of the Budget Framework Law, public finance management, local and regional finances, and other relevant economic issues.

Overall, the CFP's reports are of excellent quality. They are thorough, with numerous tables and charts to accompany them, with written text. Most reports include a useful executive summary, though in some cases, the summaries could be improved upon—for example, by including one key chart or overview table in that opening summary material.

The range of the CFP's reports throughout the budget cycle is illustrated in Figure 3.1.

Figure 3.1. CFP reports throughout the year



3.2. Technical assessment of CFP methodologies

3.2.1. Approach

The CFP uses a number of tools to deliver on its mandate. This technical review synthesises and assesses those tools using six assessment criteria. The goal is to determine whether these tools are appropriate for the Council's analysis and whether they meet standards provided by other IFIs. Table 3.1 summarises the assessment criteria used.

Table 3.1. Assessment criteria

Technical performance	Does the evidence literature support this model, or all of it, or is this model?
Assessable	Is the model likely to give accurate results for the type of analysis?

Communication	Are the methodology and results in easily and consistently understood in Portuguese and the public?
Transparency	Are methodologies used (from the model to the output) and data from external sources clearly identified and explained?
Robustness and consistency	Does the model output only contain what is expected and not too uncertain?
Data reliability	Does the evidence literature support this model, or all of it, or is this model?

3.2.2. Results of the technical assessment

The CFP employs a number of models to deliver on its mandate. It plans to add to the existing models in the future. The Portuguese Macroeconomic Model (PMF) plays a central role in all analyses that the Council conducts. This is a standard macroeconomic model enhanced by a detailed fiscal section. This model is supported by a number of satellite models that allow analysts to check the robustness of the PMF model's results. They also provide the CFP with the capacity to undertake probabilistic assessment of its projections.

The methodology and models used by an IFI depend on its specific mandate and the resources available to it. In most cases, simple statistical models may suffice and provide reasonable results. Occasionally, more complex models do not necessarily lead to more robust results. In fact, results from very complex models are difficult to communicate. Maintaining the models may also require too many dedicated resources.

The technical review concluded that the models and approaches the CFP uses to deliver its mandate are appropriate. Table 3.2 summarises the assessment of each model.

Table 3.2. Assessment of CFP's models and methodologies

Macro-Fiscal Model (PMF)	Macroeconomic model with semi-structural approach for economic and fiscal forecasts	Appropriate
GEOP VAR	A set of Vector Autoregression (VAR) models for short-term forecasting of GDP and its components	Appropriate
Potential output	A labour-augmented Cobb-Douglas production function for the supply block of PMF	Appropriate
Smoothing model for GDP	A collection of bridge and mixed data sampling (MIDAS) models, combined with bootstrapping simulations	Appropriate
CFP VAR	A collection of VARs to forecast inflation in the short run	Appropriate
Fair charts	Probabilistic methods for comparing financial ratios	Appropriate
Smoothing model for revenue	A collection of bridge and mixed data sampling (MIDAS) models, combined with bootstrapping simulations	Appropriate

Medium-term A collection of several MLR regressions for the (short-term) economic forecast (without assumptions)

The assumptions listed in Table 3.2 are based on analysis undertaken using the following six criteria:

(i) **theoretical justification**, all models used by the CFP are based on academically accepted methodologies. The Portuguese Macro-Fiscal model is a standard macro model that combines pre-estimated long-term equilibrium behaviour with short-term Keynesian dynamics through an error correction process.

The supply block of the model is a labour-augmented Cobb-Douglas production function with constant returns to scale. All the other sections of the model are constructed on the basis of accepted economic theory. For example, private consumption takes into account the effect of financial wealth and long-term interest rates; business investment follows an investment process; and nominal wages are modelled as a Phillips Curve.

The PMF is supported by a number of Vector Autoregressive (VAR) models to verify PMF's forecasts of GDP and inflation. While VARs are not based on a specific economic theory, they are linear autoregressive models that have become popular among forecasters for short-term forecasts.

The mixed-frequency forecasting models (MIDAS) are hybrid models that using high frequency data for forecasting lower frequency key macro variables for one or two quarters.

(ii) **accuracy**, analysis conducted by an ITF aims to create a framework for debate and to assess the appropriateness of the government's forecasts and estimates. In this context, the precision of forecast models is not as important as the internal consistency of a forecast and the reasonableness of the narrative that explains the forecast. Despite this, most ITFs monitor the degree of accuracy of their forecasts and compare the results with forecasts of other such institutions, and with alternative models.

The OECD did not undertake an independent assessment of the accuracy of CFP's projections and forecasts and the performance of its models because to evaluate the accuracy of these, one requires data on estimates and forecasts for a longer period of time than is currently available. Similarly, the CFP has not yet prepared a report on the accuracy of its projections and forecasts for the next years. However, the CFP internally monitors its accuracy by comparing its economic and fiscal projections and forecasts with others produced for the Portuguese economy.

In addition, the statistical performance and properties of the models can be assessed by modeling their simulation results and impulse responses. The CFP has provided the simulation results of the PMF model in a working paper; the results indicate reasonable simulation properties.

The methodologies and models that the CFP employs are consistent with common practice. Thus, the CFP's models are appropriate forecasting tools, if they are implemented by sound judgment; they can provide reasonably accurate forecasts. Nevertheless, it would be helpful to stakeholders if the Council can provide an analysis of its forecast accuracy as much as it is feasible.

(iii) **communication**, one of the CFP's main stakeholders are policymakers. It is critical to communicate the results of its reports in terms that policymakers can easily

understand and provide value. The Council uses only a limited number of standard macro-model results that are relatively easy to communicate. For example, PMF is a standard macro-model, its results provide a simple narrative on potential profiles of long-term economic variables and their interactions with each other.

An examination of the reports published by the CFP shows that model-based results are clearly communicated. The technical review concludes overall that the CFP scores highly on communication because it has struck the right balance between the complexity of the models it uses and the ability to easily explain the results.

(iv) **transparency**, in principle, allowing external experts full access to the models' equations, parameters and even software codes would help improve the performance of the models. Experts can suggest improvements and find coding errors and identify other issues that the analysts who maintain and use the models may have overlooked.

One way in which the CFP could improve greater transparency in its modelling would be through setting up a working group of economic forecasters in Portugal. This would also allow the Council to periodically obtain some feedback and new ideas related to the modeling of the Portuguese economy and the key links and financial flows between Portugal and the rest of the EU. An example of a working group of economic forecasters set up by Spain's independent fiscal institutions (AIEF) is provided in Box 3.3. Another option could be for the CFP to set up an annual workshop where such macro and fiscal issues could be discussed, with participants from the CFP, other national and international institutions and academia.

Box 3.3. AIEF macro-economic forecasting working group at Spain's AIEF

AIEF has a broad mandate that includes undertaking macroeconomic forecasts for Spain's regions. One of the key parts in AIEF's regional work is the level of AIEF's understanding the macroeconomic projections for the regions. AIEF recognised this as an important issue for development and is working to improve the availability of data, such as disaggregated trade data. AIEF also set up a working group to try and develop a homogeneous methodology to arrive at estimates for this data. The group is made up of AIEF and macro analysts and statisticians from the regional statistical institutions of all IT regions. The National Statistical Institute was also invited to participate but declined. The group is chaired by one of the regions and AIEF provides secretariat support.

Source: [Yar 2019] and [AIEF].

In addition, since ITs are limited publicly, it can be argued that the models they develop belong to the public. Some countries, such as the USA CBO and the United Kingdom (UK) Office for Budget Responsibility (OBR), make their models and their code public. There are, however, risks associated with allowing the public to have full access to the models. To use a model properly, the user has to fully understand all its linkages. An outside expert is unlikely to sufficiently understand all the intricacies of a model to be able to use it properly. This may lead to misinterpretation or misusing models. Moreover, preparing detailed documentation and instructions for using a model is resource-intensive. An IT should weigh the benefits of increasing resources to prepare documentation for a model against the cost of the time lost in using ITs to do further analysis.

The CFP has provided a working paper that describes its core macro-fiscal model, however, it does not provide the estimated parameters of the model and its code. It is not necessary

at this time to provide further detail on the PMF. However, providing the same level of information, that is, a working paper, for the other models in use by the CFP would help increase the CFP's credibility.

On **resources and business continuity**, most ITs are relatively small organisations that are likely to experience a high turnover of employees. In building models, an institution has to take into account the resources required to maintain and use the models, as well as the time needed to train new employees. If the models are complex and difficult to use, the institution may encounter disruption in its work when some employees leave.

The technical review concludes that the CFP has the right balance between the complexity of its models and the capacity to achieve business continuity. Two or three skilled economists can maintain and run all the models used by the Council.

On **international use**, the CFP's approach to forecasting, short and medium-term economic outlook and fiscal outlook is similar to the approach used by other ITs, including Canadian PBO, the UK OBR and the US CBO. Some, such as Spain's AIEF, use many complex statistical models that are difficult to maintain and operate.

There is no standard approach to forecasting. For example, the UK OBR uses an ad hoc approach. That is, information on high frequency indicators and surveys determines the momentum in GDP growth. This in turn enables forecasting for the current and the subsequent quarters. Canada's PBO uses a similar approach that employs information from high frequency data and simple regressions. There is a large element of judgment involved in the approaches used by the UK OBR and the Canadian PBO. The CFP's reliance on MIDAS is appropriate mainly because it reduces the need for the forecaster's subjective judgment.

The CFP uses a standard approach to medium-term economic forecasting. It does a bottom-up forecast of the national accounts components of GDP. Prices and wages respond to the output gap, which is estimated using a Cobb-Douglas production function.

The CFP also uses a number of VAR models to verify the Portuguese Macro-Fiscal model's forecasts and assess the uncertainty associated with forecasting GDP and its components. The Canadian PBO uses a similar approach, while the UK OBR first examines the output gap and judges how fast the economy should reach its potential level of GDP. Then GDP components are forecast consistent with the chosen profile for GDP. Both the Canadian PBO and UK OBR provide fan charts for their economic outlook on the basis of past forecasting errors.

On the **fiscal outlook**, government revenues depend on the projected tax base, which are derived from the medium-term economic outlook, and the tax rates. Some organisations, such as the US CBO and the Canadian PBO, use microsimulation tax models to measure tax elasticities and effective tax rates, which are then applied to the projected tax base derived from the macro outlook.

The CFP uses a set of error correction regressions along with a forecasting model to estimate short-term elasticities. Microsimulation models, which are based on a large sample of actual tax filers, typically provide a more accurate estimate of elasticities. In addition, they can be useful in estimating the revenue impact of tax changes and their distributional impacts.

Forecasting government spending does not require complex models. In most cases, institutional arrangements, demographic factors and government policies determine the future path of spending. For example, in Canada, a large percentage of government

spending is in the form of transfers to persons and other levels of government. These are largely determined by demographic factors and nominal GDP growth.

The CFP's approach to forecasting government spending is in line with methodologies used by other ITs. Government consumption is projected or remains constant relative to GDP in the long run, while government transfers are projected based on their specific structure and underlying policies.

3.3. Key Issues for CFP Experts

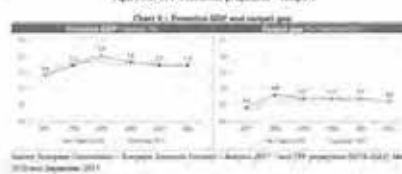
The publication of reports containing analysis and opinion is the main instrument used by the CFP to deliver its mandate. This section focuses key aspects of the Council's reports, including their short-term versus longer-term focus, the treatment of uncertainty, and their communication, clarity and transparency. It also provides an assessment of any Council reports relative to similar publications by peer institutions within the OECD's member countries.

3.3.1. Near-term focus versus longer-term estimates

The CFP is effective in providing both short-term estimates of economic performance and public finance outcomes when planning on budget plans for the current or upcoming fiscal year, and longer-term projections when considering the broader perspective of Portugal's financial position over a medium-term of five fiscal years.

It is somewhat natural for economic projections and budget information to focus more on the near immediate term term of just one fiscal year. The focus, in both the political sphere and in the economic media is support in Portugal, as for most countries. However, to address the significant concerns for long-term financial stability of governments, a clear forward macroeconomic and budgetary outcomes over five or more years is essential. A sample of CFP's economic projections extending out for five years, taken from a March 2018 publication, is shown in Figure 3.2 below.

Figure 3.2. CFP's economic projections – sample 1



Source: European Commission, European Economic Forecast – Autumn 2017, and CFP projections 2017-2025. Model 2017 (see Appendix, 2017).

Source: (1) ECU, 2018.

As noted above, the Council's reports provide some balance between near-term and longer-term focus. However, it may be prudent for the Council to place at least a little more

emphasis on the perspectives that extend out for five years, and if possible, to develop projections that extend out for ten years or more, as IFA in several other countries do. Uncertainty over such long-term projections often requires adjustments when looking back for the future, but it is not all too unrealistic to require reasonable budgetary estimates for the long term, to serve as a baseline of most likely outcomes under a "steady-state change" scenario.

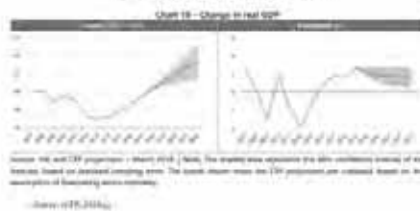
By way of comparison to the CFP's focus over time for five fiscal years, the US CBO completes a variety of macroeconomic projections and budget analysis activities that focus on mid-term or long-term projection horizons. For example, the CBO's annual Budget and Economic Outlook focuses on a 10-year projection period and similarly, the bulk of the agency's work on cost estimates for legislation cover a period of 10 years. Moreover, its separate annual reports to the Congress, the CBO presents a Long-Term Budget Outlook that presents outcomes going out for 25 years for most.

3.3.2. Treatment of uncertainty

Projections of macroeconomic activity and public finance (budgetary) results are inherently uncertain. In particular, the extremely changing dynamics in domestic and worldwide markets, as well as governments responses to a country's results, can significantly affect the magnitude and even the direction of *ex ante* economic and budget trends. As a result, any "point estimate" of a key parameter such as GDP growth or the nationwide budget deficit is subject to such uncertainty and to the reality that the actual results may deviate noticeably from even the best, unbiased estimate. The CFP takes effort to recognize such uncertainty and has adopted the commonly used practice of including probability-based "fan charts" and/or discussing the uncertainty of projections in its key reports.

A sample chart from the CFP's March 2018 publication on Portugal's Public Finance position illustrating uncertainty in the economic projections is shown in Figure 3.3, with a shaded area reflecting a two-tailed probability interval around the set of point estimates for GDP growth.

Figure 3.3. CFP's treatment of uncertainty – sample 1



While nearly all CFP publications are rich in detail, in terms of having a list of information presented in tables and useful charts, the Overview or Executive Summary sections of most such reports generally consist of just written text summarizing key aspects of the report. Those introductory summaries could be augmented by the inclusion of a single key summary table and/or key chart for the report. This would help give readers the most important information from the report before they delve into the details of the following chapters, as well as presenting that key information to busy readers who do not have the time or inclination to read through the entire report.

As an example, the Executive Summary of CFP's July 2018 report on Fiscal Risks and Public Finance Sustainability consists of five pages of text, including several key summary numbers from the report. While that summary is reasonably comprehensive, its readability could be improved by presenting some of those summary data points in a relatively simple summary table, and perhaps highlighting the most important analysis results in just one simple chart (such as a chart showing a comparison of economic growth across the projection horizon used in the report).

3.3.4. Quality control process

For any IFA, having a consistent high-quality product is critically important because each IFA's public credibility rests largely on two key criteria: (1) the perceived independence (from political leanings) of the institution, and (2) the perceived quality of the IFA's output – in particular, of its core publications.

The unique organizational set-up of the CFP serves to ensure good internal quality control. In particular, relative to peer institutions, the CFP Senior Board is hands-on in terms of providing constructive guidance for publications while keeping a close eye on quality control during that process. The Council's President also plays a critical role in reviewing CFP documents to make sure they are as thorough, transparent, clear, and technically sound.

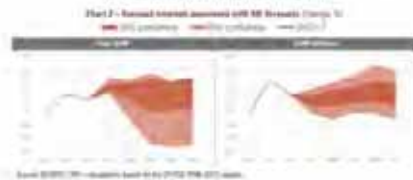
In addition, the CFP has done an excellent job of selecting and training its staff and promoting a high level of motivation. CFP economists and analysts tend to be highly motivated to do their best work and to support the mission of the institution. The Council's staff has three well-qualified technical economists who work closely with the staff members that report to them, as well as communicating well with each other. That close coordination across different task areas further helps to ensure the high quality of the CFP's published work. Overseeing all of the CFP's technical work is a single head of staff who has over 30 years of management experience. That position is a critical link the quality control because it involves the roles of hiring and training staff as well as reviewing drafts of each CFP report. In addition, the CFP technical head has a planning function as well, and part of the process of formulating strategy for future CFP activities includes setting up work plans and internal processes that will continue to keep "quality control" at the forefront.

Finally, the communications expert at the CFP serves a very important role in the quality control process by reviewing reports before they are published and providing helpful feedback on any parts of the analytical presentation that is not as clear as it might be, in addition to providing some editing suggestions to improve clarity.

Together, these elements help guide the institution achieve an extremely high quality of work, and have built strong public credibility for the CFP in its first several years of operation.

A further, more sophisticated example is provided by the CFP fan charts illustrating the uncertainty associated with economic projections, where the CFP includes 20 percent and 80 percent probability ranges for five-year projections (see Figure 3.4).

Figure 3.4. CFP's treatment of uncertainty – sample 2



Source: CFP, 2018a.

The CFP may wish to consider extending this good practice by providing a similar assessment of uncertainty for its macroeconomic forecasts and projected budget outcomes. The existing tables and charts are comprehensive, but material could be improved by including some additional fan charts showing the range of reasonably likely outcomes around key projections. While it is unlikely to be practical to present a range of outcomes for all forecast variables, greater discussion and presentation of uncertainty would help further improve future publications, particularly with regard to the five-year projections, where there is greater uncertainty.

3.3.5. Comprehensiveness and clarity of reporting

The CFP's regular publications on Portugal's public finance position, the analysis of the long Budget and macroeconomic forecasts, and results of recent year's budget outcomes tend to be comprehensive and well-presented. The most recent of these publications (annual reports from 2018) are particularly effective in terms of presenting analytical material in detail, accompanied by numerous tables and charts. A good example of comprehensiveness and clarity in publication is CFP's April 2018 Analysis of Overall Government Account 2017, namely, the report on the budget outcomes of the most recently completed fiscal year. Overall, this documentation of the budget's outcome is both very thorough and clearly written. The use of bold text at the start of most key paragraphs is a good tool to highlight the major storylines of the report.

It is important to carefully balance text to charts and tables in technical reports. While as general, the balance in CFP reports is good, on some occasions the CFP includes a substantial number of charts and tables relative to text. While different charts can be helpful for the expression of the analysis, too many charts can make it hard to quickly grasp key elements of the overall story laid out in the report.

As the CFP works to fill elements of its mandate which are relatively specific, e.g., health finance, it may benefit from its positioning in general quality control process by drawing on external expertise. This is a practice undertaken by peer IFAs to bring in additional checks and perspectives to the quality assessment process. An example of the use of such external expertise is provided by the US CBO's use of advisory panels – both for economic forecasting and for health care analysis (see Box 3.2).

Box 3.2. The US Congressional Budget Office's Advisory Panels

Throughout the more than five-decade history of the US CBO, it has maintained and relied upon a panel of economic advisors consisting of widely recognized experts with a broad range of economic, financial, and budget-related backgrounds. Many have positions in academia, but representatives from the business world and private sector economics forecasting firms have also been included. Generally, CBO's panel of advisors comprises 20 to 25 members that serve two-year terms, but members have sometimes been reappointed for multiple terms.

The economic advisors typically meet with CBO staff at the agency's offices in Washington DC, twice a year for reviews of preliminary economic projections. Panel members sometimes present results of their own recent research, and they provide critical outside feedback to the CBO. These semi-annual meetings serve as an important source of input to the CBO's official economic projections that underlie the agency's Budget and Economic Outlook reports to the US Congress. As an off-the-record confidential, informal discussion, the free flow of opinions and arguments made by a broad range of economic research experts during these meetings constitute a highly valuable input to the CBO's own deliberations on interpreting recent data and determining a well-reasoned forecast of future activity for the US economy.

In addition, the CBO has used a panel of health advisors over the past decade. That group of 20 or so experts in health policy and the health care sector reflect a variety of backgrounds, areas of expertise, and experience. The CBO hosts occasional meetings of its health advisors, as well as soliciting their views between meetings. Through these interactions, CBO members benefit from gaining an understanding of recent research and developments in health care delivery and financing in the United States.

Source: OECD 2018

Where there is limited specialist expertise available inside Portugal, the CFP could engage with relevant academics, think tanks and experts who are based internationally. For example, the Italian CBO's "MaPia" activities brought in international researchers from various international organizations as well as academics. The intention is to provide necessary reports from CBO, other public institutions and think tanks to recent developments and a network of experienced foreign researchers.

3.3.6. Transparency

The CFP has done an excellent job of presenting its work in a transparent manner. The CFP's reports are published regularly in both Portuguese and English on its extensive public website. CFP publications often include detailed "how" descriptions to explain methodologies or key aspects of the work, and these are an indicator of significant transparency in the Council's work. In addition, some publications contain Annexes that

present additional details in tabular form to support the work presented in the main body of a report. The CFP might want to build on these good practices through including further detail on its methodology and analytical approach in additional short Annexes to some reports.

The CFP also has some internal “working papers” which the Council prepares in order to test the viability of these papers as future publications for public access. This is a reasonable approach for the CFP to take in developing new publications and can help ensure that CFP methodology or analytical results are sufficiently well-documented, properly cited, and of professional quality before new publications are launched. However, the CFP may wish to communicate this practice to those stakeholders providing data for these working papers to ensure full transparency and avoid giving rise to questions about why data is provided in a certain way and yet there are no related publications.

Another key aspect of transparency is relationships with the press. The CFP is proactive in its relationship with the media. The Council’s president has frequently talked to reporters and is available to explain the CFP’s work and its role in debates about Portugal’s public finances. Representatives of the press also mentioned that they were able to get additional explanations by talking to some CFP staff, though some of these press representatives said that they would like to have more interaction with the technical staff of the CFP.

3.3.A. Assessment of key outputs relative to peers

The CFP has only been fully operational for about five years, and it is thus somewhat early to make a full assessment of its published work in comparison to peer IFIs. However, based on Table 3.3 it is reasonable to conclude that CFP’s work compares very favourably with the published work of most-confident peer IFIs in OECD countries, particularly in light of its limited resources. Table 3.3 provides a summary evaluation of some key CFP reports relative to similar reports published by peer institutions across the OECD.

Table 3.3. Assessment of key outputs relative to peers

Report type	Macroeconomic Forecast	Draft State Budget	Stability Program
How well does the report fulfil the legal mandate?	The CFP complies with its mandate to review and endorse the Government’s economic forecasts in the spring and fall each year. Through reports with joint tables and charts.	Detailed reports such as the November 2018 review (40 pages, many tables and charts) mean that the CFP is fulfilling its mandate well.	The CFP fulfils the legal requirement for a review of the annual update, with both an analysis of the macro-financial and 3-year perspectives of budgets.
How does the content and methodology compare to international standards?	The CFP’s macroeconomic modelling compares favourably with common international standards, including those used by the European Commission, the IMF, and the Bank of Portugal.	The CFP is doing a thorough job of reviewing State Budget plans, including sufficient detail to compare favourably to common international standards for such work.	The final CFP analysis covers and compares a well done and thorough, equal to or superior to Stability Programme work at other European countries.
How does the content and methodology compare to that of peer IFIs?	The content of reports and methodology used compares well to those used by IFIs in other OECD countries. Published, methodological material is thorough, but not as extensive as for other peers such as the UK (HMT) and the US (CBO).	The CFP analysis of State Budgets compares favourably with that undertaken by many peer IFIs. The analysis is more detailed than that of some peers, but somewhat less detailed than others (such as the UK CBO). The CFP projections extend not only a few years, however, while some IFIs projections go out further.	The CFP’s detailed analysis, extending out for 3 years, compares very favourably to the Stability Programme (public analysis done by other European IFIs). The CFP does a good job showing both and deficit estimates, and their compliance with European fiscal rules. The CFP may wish to do a key- message more prominently as is done by peer institutions such as the Irish Fiscal Advisory Council.

3.3. Contributions and recommendations

In addition to the reports that the CFP is mandated to publish, the Council publishes analysis in many other areas in order to fulfil its mandate. It also publishes work at its own initiative in areas of importance to long-term fiscal sustainability in Portugal.

The CFP’s approach to modelling and forecasting is generally appropriate and consistent with common practice. However, the Council could take steps to increase the transparency of its approach and enhance the credibility of its work through providing more detailed documentation of all models it uses, and reporting on the accuracy of its projections and forecasts when it becomes technically feasible. The CFP could also set up a working group on annual syntheses, to focus on platforms for analytical discussions and improve the overall quality of projections and forecasts amongst Portuguese institutions. The development of a macroeconomic risk model by the CFP would also facilitate greater forecasting and its policy analysis.

The work of the CFP has a strong focus on the short and medium term. Even though the Council does 3-year projections, many of its participants focus more on the relative near-term of just a year or two. This is understandable given that the focus of government forecasts and budget plans are for just the current year and upcoming fiscal year. However, to the Portuguese fiscal context, increased focus on the medium-term seems warranted. Concerns around ageing and debt mean that increased focus on the sustainability of public finances in the longer term is also merited.

The CFP performs well in disseminating its analyses and providing thorough and clear advice about Portugal’s economy, State Budget, and Stability Programme updates in its reports. These reports are accessible via website and contain helpful tables, charts, and useful summaries of key analytical indicators. While the CFP’s published reports are already very strong, they could be improved by enhancing executive summaries with one or two key summary charts and tables. The CFP may also consider including the number of tables and charts included in the main body of some reports. Having such detail can be useful, but too many risks loss of focus and confusion on the part of readers.

Finally, the internal quality control process for CFP reports is very strong, at large part due to input from the better funded and the Council’s communications expert. As the CFP moves to fulfil its mandate in more operational areas, such as health expenditure, the Council may benefit from drawing on external expertise to ensure the quality of its reports remains high. One way in which this could be achieved would be through the CFP establishing an external advisory panel to regularise members with government reports, as has been done by peer institutions.

Chapter 4. Inquiry

4.1. Introduction

This chapter seeks to assess the scientific evidence with regards to the CFP’s impact on providing credible, based opinions and technical judgments regarding public finances. Although they have no decision-making authority, IFIs promote discipline and transparency in public finances through their influence on the public debate around fiscal policy. The CFP is no different, as its main channel of influence is the public debate, primarily through media exposure and discussions in Parliament. As such, a key measure of impact of the CFP’s work results, assessing its timely impact on fiscal policy debate.

Overall, the creation of the CFP has greatly improved the discipline, accuracy, and analysis of fiscal information in Portugal, which has in turn enhanced stakeholders’ understanding of public finance issues. Although the fragmented political landscape in Portugal poses real challenges for the CFP impacting fiscal policy debate across the full political spectrum, the CFP’s reports are widely used in Parliament and inform the decision-making process. The broad media attention and press coverage of the CFP’s publications are further evidence of the salience and authority of the CFP with regard to fiscal policy oversight.

4.2. Influence on the public debate

In its seven years of existence, and amidst a changing economic and political environment, the CFP has demonstrated consistently its commitment to increase budget transparency and accountability, and its role in ensuring fiscal sustainability in Portugal. Its relevance and legitimacy comes from its unique role in the institutional landscape. Indeed, although OMTs also exist, it has a more limited mandate relating to supporting the Budget and Finance Committee in Parliament, and does not enjoy the same public visibility.

Since its early years, the CFP has recognised that its work could have greater impact through the institution pro-actively engaging with the media, as well as Parliament. Having a direct relationship with the media has been particularly helpful given the opportunities of the political landscape in Portugal, where some parliamentary stakeholders maintain a view of the CFP as being associated with the Troika and pro-austerity. The CFP has implemented a targeted communication strategy, which works to increase coverage of its outputs in the specialised press, and most to avoid the Council becoming a regular commentator on economic and fiscal events. The next focus for the CFP is to improve communication with the public at large so that the relevance of the institution and of its outputs are more widely understood.

4.2.1. Media coverage

OECD Principle 4.1 states that IFIs should develop effective communication channels from the onset, especially with the media. This assists in fostering informed stakeholders that

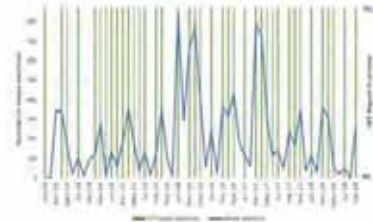
may then exert timely pressure on the government to behave transparently and responsibly in fiscal matters. From its creation, the CFP has recognised the importance of engaging with the media. Over time, the CFP has continuously developed new materials, such as concise report summaries, as a means to further improve media engagement. However, the CFP is careful to tailor media interventions so that they are timed around publications. This strategy stems from recognising that targeted communication allows for greater impact, since maintaining the noise-to-signal ratio increases the chance of key messages penetrating the public debate.

The work of the CFP is covered by all major newspapers at the national level, and has recently been receiving attention from local and regional media following the launch of its publication on Local Government matters. In general, journalists, mainly from specialised press, stated that the CFP's reports are clearly presented and accessible to an expert audience, although perhaps not as much to a broader audience. Of note, media stakeholders praised the usefulness of the reports' executive summaries, as well as the CFP-led training sessions for journalists. Overall, journalists have a positive perception of the Council's independence and transparency, and an equally positive impression of the quality, clarity and usefulness of the Council's work.

Figure 4.1 shows the total number of media mentions that the CFP has received over the period 2014 to 2018. It shows that spikes in media coverage tend to occur around the time that the CFP publishes its reports. Overall, the CFP's publication "Public Finance, Position and Constraints" published in March and updated in September has generated the most consistent media coverage over the years. This publication updates the macroeconomic and fiscal projections made by the Council.

Spikes in media mentions in January to April 2016, and April 2017 can be explained by fiscal events at the domestic and European level. In 2016, the European Commission considered that there was a risk of serious non-compliance of Portugal's Draft Budget Plan 2016 with the Stability and Growth Pact. Hence, the CFP's analysis of the Draft Budget Plan and macroeconomic forecasts received significant media attention. In 2017, there was considerable public debate around the Portuguese tax burden. In addition, the CFP gave evidence in Parliament and two new members were appointed to the Council's Senior Board. Together, these factors led to heightened media mentions for the institution. Increased attention to the work of the CFP during fiscal debates speaks to the relevance of the work of the Council in informing fiscal policy-making, and demonstrates that it has so far been successful in fulfilling its core mission.

Figure 4.3. CFP media coverage and report publications 2014-2018

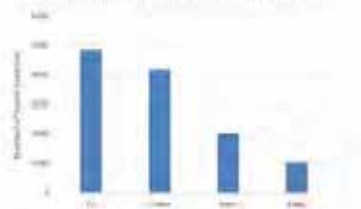


Source: OECD. Based on information provided by the CFP.

Figure 4.2 shows the total CFP media mentions by type of coverage (TV, online, press, and radio). Online coverage is greater than coverage in the printed press, particularly in more recent years. In 2014, the CFP received 1.7 online mentions for every one mention in the printed press. By 2018, this figure doubled.

In addition to engaging with traditional media, the CFP is currently one of the few (OECD, IFIs) doing TV appearances, alongside the UK OBR, the French CFP, the Netherlands CFP, and the Canadian FBO. Figure 4.2 shows that the Council received more mentions on TV than any other media platform. In particular, the CFP received a lot of TV coverage during the period January-April 2016 when the European Commission considered that there was a risk of serious non-compliance of Portugal's Draft Budget Plan 2016 with the Stability and Growth Pact.

Figure 4.2. Total CFP media mentions by type of coverage 2014-2018



Source: Figures include media coverage from January 2014 to September 2018.

Source: OECD. Based on information provided by the CFP.

4.2.2. Website and social media

The CFP communicates proactively through its website. Similar to the situation with media coverage, increased traffic to the CFP website tends to coincide with the release of major CFP reports (see Figure 4.3). Web traffic has, in general, been consistent each year since the CFP was established. The spike in web traffic in June 2015 is related to national elections, the spike in April 2016 is related to a TV appearance by the CFP leader, and the spike in April 2017 can be explained by public debate surrounding the tax burden and the CFP giving evidence in Parliament. This demonstrates how CFP engagement with the media and Parliament can lead to further traffic to the CFP's website, and consequently, greater own engagement with CFP's work.

Figure 4.3. CFP web mentions and reports released 2014-2018



Source: OECD. Based on information provided by the CFP.

For its initial years of existence, the website of the CFP served its purpose. The fact that it is maintained in both Portuguese and English has proven useful and has allowed for greater impact during a period when international organisations have been closely following Portuguese fiscal affairs. However, the Council recognised that its website was static for its next phase of development and recently hired an external consultancy to update it. In the near future, the new website will include a blog with contributions from technical staff as a way to improve the visibility of the CFP's work, and ultimately raise public awareness of the Council's output. This is in line with best practice among OECD IFIs. As a comparative experience, the US CBO Director and senior staff members post five to ten blogs per month to publish new reports, provide technical explanation and discuss key topics.

Given the desire for the CFP to better communicate its purpose and outputs with the public, the Council might consider developing online resources accessible for non-technical stakeholders around the key messages of the CFP's most important reports. In particular, the use of podcasts, short video clips and interactive infographics may be helpful. Box 4.1 below provides some insights on communication tools for IFIs.

To date, the CFP has been relatively inactive on social media, only using Twitter to indicate that reports have been released. However, engaging these platforms with charts, video clips or infographics communicating the key messages of these CFP outputs could leverage greater impact.

Box 4.1. IFI communication tools

To be as effective as possible, an independent fiscal institution (IFI) needs to develop and use varied communication tools. Clearly, an IFI's flagship reports are critically important.

for documenting and communicating their work. For the CFP, the reports on performance of official macroeconomic forecasts, analysis of the Stability Programme, assessment of the budget outlook, and analysis of the State Budget all serve that critical communication role.

An important aim of these reports are, however, to primarily serve to go beyond these publications to communicate with government and private stakeholders, as well as the media and the general public. Additional communication tools to accomplish that broader communication mission perhaps most prominently include having a state-of-the-art interactive website that allows users to drill down throughout to find and use information produced by the IFI. The CFP has been developing a new, greatly improved website that will go a long way towards meeting that communication need. Lessons from recent history suggest that continued upgrades of website layouts and capabilities is warranted.

Forms of effective communication for an IFI also include having frequent interaction with the press, through periodic press briefings by leadership and informal staff communications to various bodies of government from individual members of the press.

Short, accessible summaries of IFI work are a good way to get across key messages from long, in-depth reports. Having such separate, simplified summaries can be particularly effective (over and above having good "executive summaries" within such reports). Similarly, some of the IFI's work may be best summarized and presented in somewhat non-traditional ways:

- * Databases
- * Working papers
- * Blog entries (often by IFI leadership, sometimes by key staff members)
- * Podcasts or short (radio) "explanations"
- * Infographic(s) or graphic images and summary explaining text)
- * Interactive (such as simple spreadsheet models that allow users to input key assumptions)

Several IFIs have developed rich websites that display many of the above communication tools. See, for example, the website for the US Congressional Budget Office (www.cbo.gov), Canada's Parliamentary Budget Officer (www.pbo.gc.ca), and the UK's Office for Budget Responsibility (www.obr.org.uk).

Source: OECD

4.2.1. Parliamentary debate

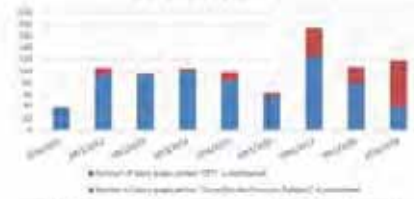
By influencing the parliamentary debate, IFIs can strengthen the legislature's ability to hold the government to account throughout the budget process. Over the course of the year, the CFP issues several annual reports before the Budget and Finance Committee on two occasions: firstly to inform parliamentary discussion of the Stability Programme in Spring, and secondly, to inform parliamentary discussion of the draft State Budget in the Autumn. In addition, there have been CFP hearings at the request of the Budget and Finance Committee on other specific legislative matters, such as the reform of the Budget Framework Law, and the local and regional finance laws. More recently, a parliamentary

hearing on public debt was held by the Working Group of the Budget Committee in part of their evaluation of the public and external indebtedness.

One measure of the Council's impact on the parliamentary debate is the number of CFP parliamentary mentions. Figure 4.4 shows the number of diary pages where the CFP is mentioned in primary session each year. By this measure, parliamentary mentions increased in the 2015/17 and 2016/18 parliamentary terms. Indeed, these spikes can be explained by significant events at European and national levels involving important political decisions relating to public finances. In 2016/17, the European Commission issued a warning around the consistency of the Draft Budget Plan 2016 with the Stability and Growth Pact, with a risk of being prior to elections. In 2016/18, there was significant parliamentary debate on the 2017 Budget Bill regarding the government's growth forecasts, which are formally endorsed by the CFP.

Overall, the Parliament's reliance on the CFP's work in times of heightened debate on fiscal issues points to the relevance of the Council's outputs as well as to its ability to launch political discussions.

Figure 4.4. CFP parliamentary mentions 2013-2018



Note: Each diary page covers a primary day in Parliament and has one of pages. The number of diary pages where CFP is mentioned is not a perfect measure as the CFP may be mentioned multiple times on each page. For this exercise, it has been chosen to report the number of mentions through diary pages.

Source: CFP. Data based on information provided to CFP by the Parliament.

Despite its impact on fiscal debates in Parliament, the Council has encountered challenges in the political realm, which means it does not benefit from cross-party support. As mentioned in Section 4.2, although the strength of the CFP stemmed from a national decision, some parliamentary stakeholders associate it with the Tavares period. In particular, some parliamentarians on the left have reservations about the CFP, and perceive it as having a partisan bias in its assessments in order to support fiscal austerity. The CFP may wish to consider ways in which it may become understanding across the political spectrum of the value of its work. Cross-party political support can be important for the sustainability of the institution over time.

Stakeholders suggested that one potential way for the CFP to increase its appeal across the political spectrum would be for it to broaden its analysis and present new information on how future policy affects different groups in society. Quantitative analysis is likely to particularly appeal to political stakeholders on the left.

Box 4.2 below provides insights into the approach that the President of the Spanish IFI (AIRF) took to broaden political understanding of the institution.

Box 4.2. AIRF efforts to broaden political understanding of the institution

The Spanish Independent Authority for Fiscal Responsibility (AIRF) is an example of an IFI that has been successful in building a strong credibility within Parliament over time. The government that created AIRF had no absolute majority, and did not seek cross-party support for the establishment of the institution. The Spanish court system (in the Law that created AIRF, and the 154 Deputies' agreement) did not start to take on an institution with backing from all political parties. However, the President took action to encourage greater cross-party credibility for AIRF. In particular, the President met individually with all of the parties represented in the Spanish legislature, explaining the role of the institution and reinforcing its independence. AIRF also held information sessions at its premises that MPs could attend, sought to increase the number of hearings before Parliament (its reports and forecasts) and undertook media at the request of MPs. As a result, even those political stakeholders that disagreed with the mission of the institution now generally recognise the quality of its work and its independence. Parties across the political spectrum have increasingly come to AIRF for information and clarification regarding AIRF's opinions. Parliamentary stakeholders report that AIRF has enriched the parliamentary debate on fiscal issues and that AIRF's products are viewed as useful across the political spectrum.

Source: AIRF 2019 and CPM Trapp et al., 2018(a).

4.3. Enhanced fiscal transparency as a basis for improved fiscal management

In Portugal, many of the problems experienced during the financial crisis derived from poor information on fiscal developments and reporting (IMF, 2014). Improved fiscal transparency provides a basis for sound and prudent fiscal management.

One of the key ways in which IFIs demonstrate impact, is through their work enhancing fiscal transparency and improving fiscal analysis. Stakeholders report the CFP as having contributed to improvements in fiscal transparency in Portugal in recent years through a number of channels, described below:

Figure 4.5. Channels through which the CFP has demonstrated impact



Source: OECD (2019)

4.3.1. Improved analysis of existing government data

The CFP makes a number of regular data requests to government stakeholders, e.g., data on tax revenues and on local government finances. These requests have provided the government with new compelling sets of data. Government analysts now report using these datasets for their own monitoring purposes. The Council's data requests have therefore brought about improved analysis of existing government data.

4.3.2. Enhanced shared discussions on fiscal data


The introduction of a new stakeholder to analyse fiscal data has led to enriched discussions on, and improved access to, sensitive information on the data. Stakeholders from across the institutions of government report that shared conversations with CFP on the analysis of data has helped improve their own understanding of fiscal data and has provided important new insights. This has been particularly helpful for those stakeholders involved in the compilation of fiscal statistics, such as the Institute of Statistics and the Bank of Portugal.

4.3.3. Provided new information to facilitate fiscal oversight

Stakeholders report that CFP publications provide new information that facilitates fiscal oversight through: improved understanding of the government's fiscal status and providing new economic and fiscal data that helps track public finances. In addition, a

<p>44 </p> <p>number of stakeholders witnessed the forward-looking approach, but the CFP has responded to fiscal insights in Portugal.</p> <p>4.6. <i>Communication and recommendations</i></p> <p>The CFP recognizes that one of its main channels of influence is the public debate. In this context, the Council has implemented a targeted communication strategy, which seeks to maintain media coverage of its reports in the specialized press. The Council has been successful in developing good relations with the print media, journalists and the President has been broadcasting its stakeholding radio and TV appearances. Overall, the CFP's outputs were received as an important source of information in the media, particularly around the release of key reports and during periods of heightened political and fiscal tension.</p> <p>Nonetheless, increased activity on the CFP's subject leads to consider with the release of major CFP reports. The recent release of the CFP's website will help ensure that the Council improves the way it communicates with the public at large. In particular, the forthcoming introduction of a CFP blog should be a useful tool to raise public awareness of the Council's work. Looking forward, the CFP might consider developing online materials as well as, for non-technical stakeholders, around the key messages of the CFP's most important reports. In particular, the use of podcasts, short video clips and infographics might be helpful, and could also prove useful for social media.</p> <p>The CFP regularly appears before the Budget and Finance Committee in Parliament to give evidence. The work of the CFP is used in parliamentary debates, particularly more recently where the work of the CFP has helped inform key fiscal debates. However, some present parties on the left have some reservations about the CFP, and even it as having a partisan bias in its assessments in order to support fiscal austerity. The CFP may wish to consider ways in which it could broaden understanding across the political spectrum of the value of the institution and its crucial role to ensure to long-term fiscal sustainability. This may be possible through looking at how its work is used by better presented to ensure its credibility in parliamentary stakeholders.</p> <p>The autonomy of the CFP has brought about improvements to the public availability of fiscal information in Portugal. There is also evidence that analytical discussions around this information has improved understanding of public finance issues among politicians and public stakeholders and helped facilitate greater fiscal savings.</p>	<p>45 </p> <p>Box 3. Review team and acknowledgements</p> <p>The review team would like to thank the President and staff of the CFP, as well as the many individuals who agreed to be interviewed for the review, for their frank and candid discussions of all issues during the review process. A particular thank you goes to Miguel M. Azeiteiro and Luis Gomes for their assistance in organizing the various interviews and coordination throughout the review. The review team is grateful to José Maria Wilson, Chief of UTAO, for his assistance in research related to the Portuguese Parliament.</p> <p>The review team would like to acknowledge the important contribution of Mariana Azeiteiro, Chief Economist at the Institute of Fiscal Studies and Taxation, and former Deputy Parliamentary Budget Officer at the Canadian Parliamentary Budget Office, in ensuring access to the methods and models used by the CFP.</p> <p>The review team would like to thank Teresa Lou, Head of Division, for her support, Senior Policy Analysts in the Budgeting and Public Expenditure Division, OECD, and Michael Harash, Lecturer in Economics, University of York, and founding Member of the Council for Budget Responsibility (CBO), Slovak Republic, for their thoughtful comments.</p> <p>The review team would also like to acknowledge the helpful contributions of António Dória, Policy Analyst, Budgeting and Public Expenditure Division, Directorate for Public Governance, OECD.</p> <p>Review team</p> <p>António Alesina is a Full Professor of Economics at MIT – Sloan School of Economics, and Management, Universidade de Lisboa. He is also the President of UACE – Portuguese Unit in Geography and Economics, and the President of EUM – Research in Economics and Mathematics, at IESE. He has previously worked as a Senior Economist at the European Central Bank, Spanish Economics at OECD, IMF, and at IFCB, and as a Consultant and Advisor to the Portuguese Ministry of Finance. Previous projects work include the Euro-American Development Bank, for European Commission, the European Court of Auditors and the International Monetary Fund. He has published and worked in such topics as Macroeconomics, Fiscal policy, Financial Economics, Sovereign debt, and Government efficiency.</p> <p>Andrew Alesina is Deputy Head of Division in the Budgeting and Public Expenditure Division, Directorate for Public Governance, OECD. Andrew joined the OECD after two years as a director at the New Zealand Treasury. Through his career, he has served in progressively larger roles while also undertaking assignments outside the organization. These include roles included as an advisor at the International Monetary Fund and the poverty action. Areas of expertise include public sector performance, government, governance, and joint owned enterprises. Achievements in the Treasury sector in fiscal responsibility, strategic, strategic, a programme of value in publicly led, national, international, reflects the government's investment and infrastructure systems and progress for the government's first welfare budget.</p>
<p>46 </p> <p>Peter Fontaine has 40 years of experience in public policy and public administration. For most of that time, his primary work focus has been the US federal budget. Peter spent 30 years working at the US Congressional Budget Office, where he served as an analyst covering energy programs. He later managed a Congressional estimating group and then served as Deputy Assistant Director and as Assistant Director for CBO's Budget Analysis Division for 13 years. In that role, Peter guided CBO's development of baseline projections and analysis of legislation considered by the Congress, including completion of about 600 cost estimates each year and managing a staff of about 80. Peter now teaches a graduate course on Public Budgeting, Revenue, and Expenditure Analysis at the George Washington University and provides consulting support on governmental budgeting and the work of independent fiscal institutions.</p> <p>Scherie Ward is a Policy Analyst in the Budgeting and Public Expenditure Division, Directorate for Public Governance, OECD. She specializes in the areas of independent fiscal institutions and parliamentary budget oversight. She began her career as an economist for the economic development agency for the Highlands and Islands of Scotland. She moved to the Scottish Parliament in 2008, providing research support to the elected members in areas relating to public finance and the economy. In this role, she helped set up the Financial Scrutiny Unit and worked on the devolution of increased fiscal powers to Scotland.</p>	<p>47 </p> <p>Annex B. Interviewees list</p> <p>The review team would like to thank all those who have contributed evidence and insights to this review, in particular individuals from the following institutions and groups who met with the team during its mission to Lisbon in November 2018.</p> <ul style="list-style-type: none"> • Banco de Portugal - Bank of Portugal • BPPA Research • CFP Senior Board Members <ul style="list-style-type: none"> • President: Tereza Lourenço, Paul De Senneville, Miguel M. Azeiteiro, George Raptis, Carlos Mendes • Vice: Sérgio Lourenço, Rui Balduino • CFP staff: Director (head of staff), Director (coordinator), Technical staff, communications staff, media • Directorate General of local authorities (DGAL) • European Commission Portuguese Country Desk • Former Minister of Finance <ul style="list-style-type: none"> • Maria Luís Albuquerque (now Minister of Parliament) • Vítor Gaspar (now Director of the Fiscal Affairs Department at the IMF) • Former Secretary of State for the Budget <ul style="list-style-type: none"> • Luís Montez Sacramento (now at Bank of Portugal) • João Reis (now economic advisor to the President of the Republic) • Forum para a Competitividade • Instituto De Estudos Económicos Financeiros E Fiscais (IEEFF) - Institute for Economic, Fiscal and Tax Law • IFCP - Public Debt Management Agency • IMF Portuguese Country Desk • ISE (Instituto Nacional de Estatística) - Statistics Portugal • Instituto de Estatística (IE) - Ministry of Labour, Solidarity and Social Security, Information Institute • Instituto de Public Policy (IPP) • Instituto de Gestão Financeira de Seguros Sociais (IGFSS) • Ministry of Finance, including

- Chief Economist
- DG Budget
- GPEARI - Planning, Evaluation, Strategy and International Relations Office
- Tax authority
- MPs from Portuguese Parliament's Budget and Finance Committee
- NICEP - Capital Markets Forecasting Lab
- Nova School of Business and Economics
- Portuguese media:
 - Fim
 - Expresso
 - Jornal de Negócios
 - Público
- Porto Business School, University of Porto
- Santander Totta Research Department
- Tribunal de Contas (Court of Audit)
- UTAD (Unidade Técnica de Apoio Orçamental) - Parliament Budget Office



Parliamentary Budget Office

Establishing the Parliamentary Budget Office

The Parliamentary Budget Office
of Victoria Australia

Lisbon Portugal | February 2019

Anthony Close ICPA Fellow ANZCA
Parliamentary Budget Officer



Parliamentary Budget Office

Legislation

Operational products

- Policy costings
- Financial, economic and fiscal advice
- Election policy costings
- Pre-election reports
- Post-election reports (for an election-costing period)

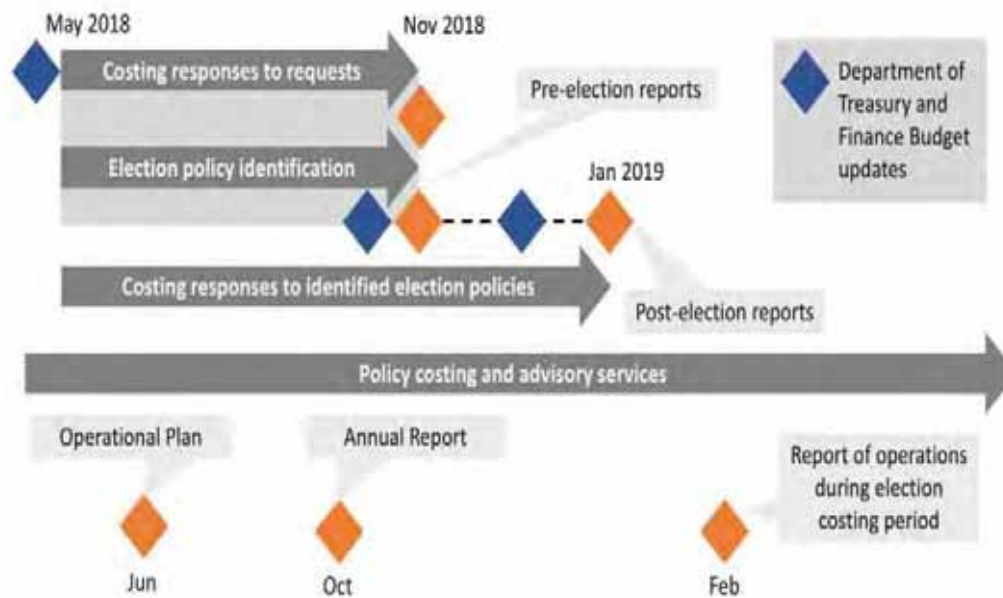
Objectives

- Ongoing, authoritative, independent and credible advice
- Timely and relevant services that are readily understandable
- Inform policy development and public debate

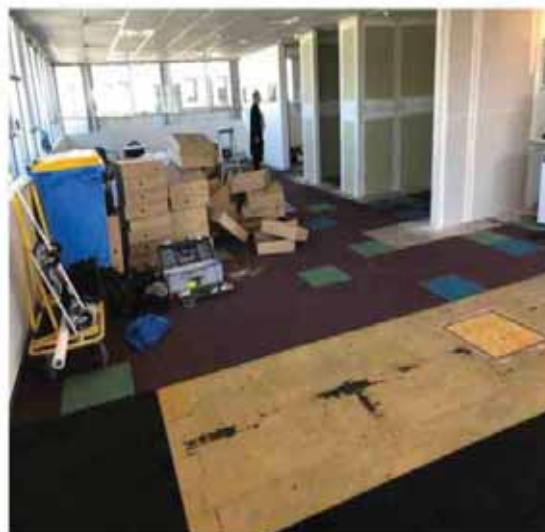
Stakeholders

- Members of Parliament
- the Victorian community
- public sector bodies

Timing risk



Timing risk





Parliamentary Budget Office

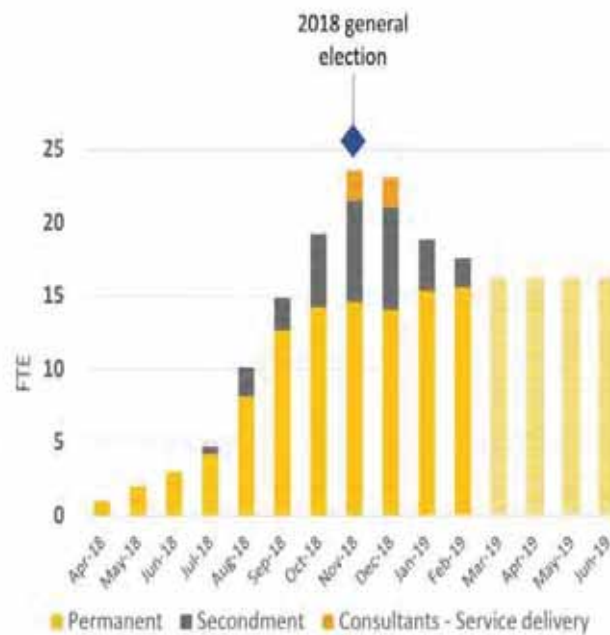
People

Organisation structure

- Advisory services (4 FTE)
- Policy analysis (9 FTE)
- Office of the PBO (3 FTE)

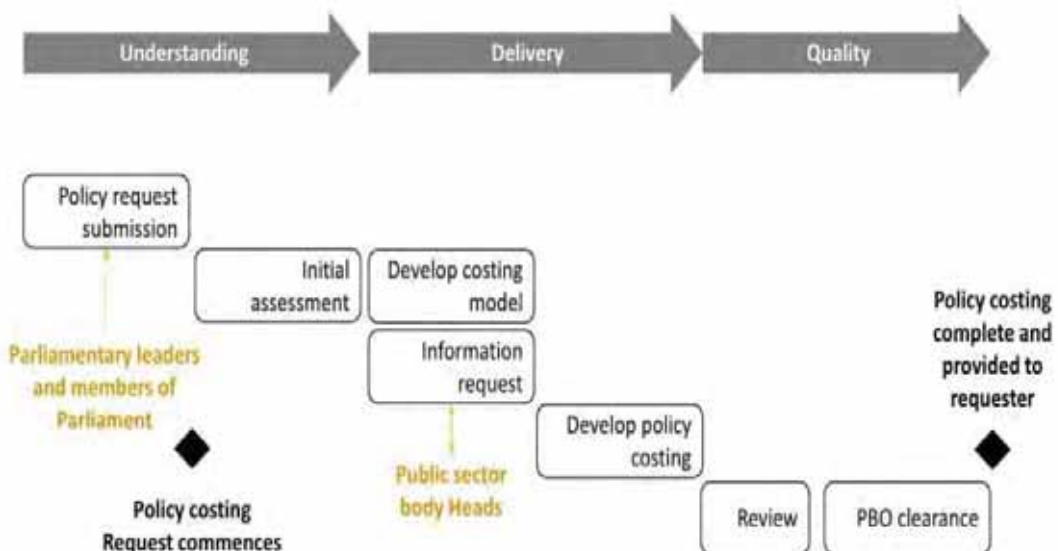
Election period support

- Secondments - Department of Treasury and Finance portfolio analysis experience
- Consultants – Global public infrastructure experience



Parliamentary Budget Office

Process

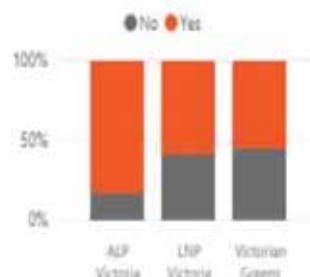




Costing response

- ### Budget impacts
- Change to net position**
-
- | Scenario | Value |
|----------|-------|
| 2019-20 | 38.1 |
| 2019-21 | 104 |
| 2019-22 | 116.2 |
- Source: 2019-22 (2)
- 385.6**
- Change to net operating balance**
-
- | Scenario | Value |
|----------|-------|
| 2019-20 | 38.1 |
| 2019-21 | 104 |
| 2019-22 | 116.2 |
- Source: 2019-22 (2)
- 385.6**
- ### Costing components
- Net position**
-
- | Scenario | Value |
|----------|-------|
| 2019-20 | 38.1 |
| 2019-21 | 104 |
| 2019-22 | 116.2 |
- Source: 2019-22 (2)
- 385.6**
- Net position** measures the gap between the government's revenues and expenses, and investments in financial and non-financial assets. It provides the change to net position as an indicator of the potential impact on the public budget. This is the most complete measure for comparing policy options, as it includes changes in the way the policy might impact the net position of the state budget.
- Net operating balance** measures the gap between the government's revenues and expenses for the financial year. It provides the change to net operating balance as an indicator of the potential impact on the operating budget. A positive change indicates that the policy might improve the net operating balance of the state budget.

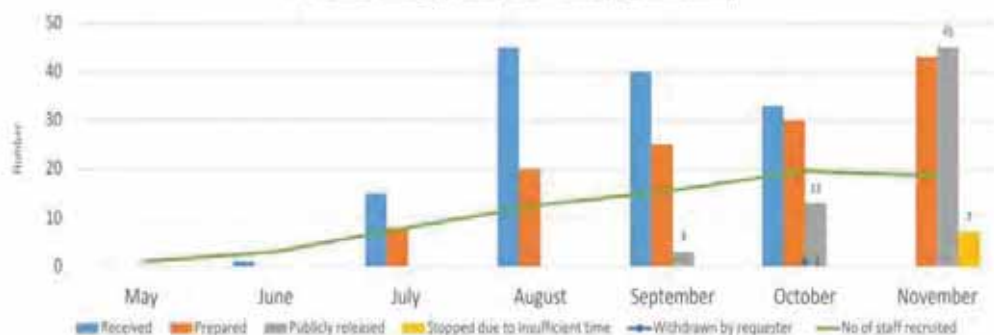
Public funding announced



Pre-election outputs

3 Pre-election reports

Pre-election costings by month, treatment and progressive staffing

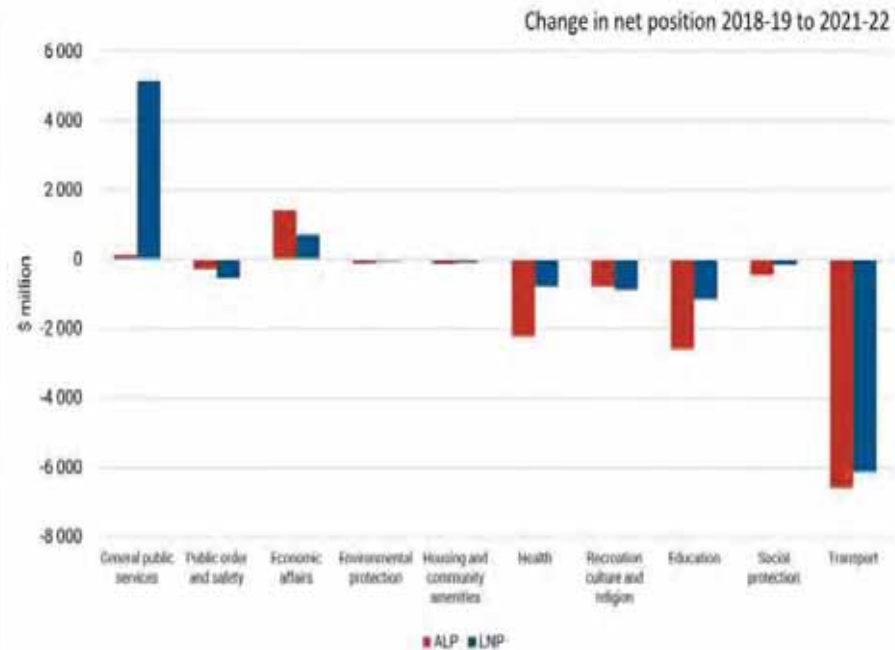


Post-election outputs

692
Election policy
costings

200+
Re-costed for
PEBU & HYBU

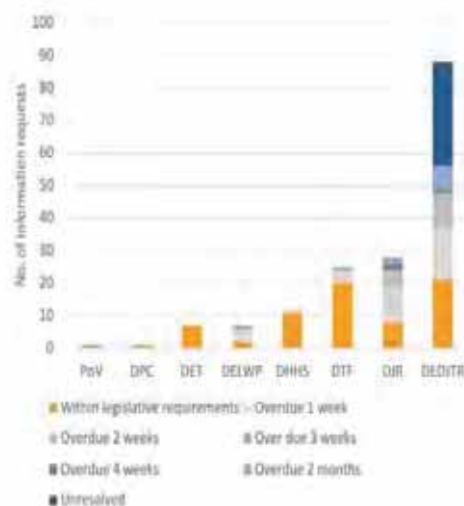
3
Post-election
reports



Successes and Challenges

The challenge of obtaining information from the public sector

- Significant early effort in public sector engagement and MoU
- Resulted in:
 - Around 40 per cent within legislated timeframe
 - Around 40 per cent late
 - Around 20 per cent unresolved
- Quality of responses was poor



Successes and Challenges

What worked well

- The value proposition of a PBO to the political process
- PBO team and culture
- Document management and workflow system to manage volume
- Dealing with uncertainty through defensibility
- Targeted use of consultants and secondments

Other challenges

- Legislation gaps and practicalities
- Converting political party public statements into election policies

Questions



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

New Experiences in Costing Election Platforms

Lisbon, February 2019

Presentation to
The OECD Network of PBOs and IFIs

Canada's PBO – Background & Context

Origin	2006 – <i>Federal Accountability Act</i> 2008 – First PBO
Purpose	Increase transparency and add credibility to the government's fiscal forecasting and budgeting
Goal	A better informed Parliament = greater accountability

2

2017 – a New Role for The PBO

Parliament of Canada Act 2017

- The PBO is established as an independent Agent of Parliament
- **Parliament gives the PBO two distinct mandates:**
 - Providing economic and financial analysis to the Senate and the House of Commons when Parliament is not dissolved
 - Preparing estimates of the cost of election campaign proposals in the period before a general election **(new)**

3

New Mandate

- First time political parties can ask an Agent of Parliament to cost electoral commitments
- Next general election scheduled for October 21, 2019
- Requests can be considered 120 days before the election
- The law provides the general framework only
 - There is flexibility with respect to operational details

The Canadian Context – Election Costing

Who can make a request?

House of Commons – Two Groups

- Recognized parties (Liberals, Conservatives, NDP)
- Independents (includes members of smaller, unrecognized parties)



5

The Canadian Context – Election Costing

What can be requested?

Estimate of the financial cost of a platform proposal

- A policy that a political party is considering making in the lead up to the general election
- Generally speaking, that policy will be either a **revenue measure** or an **expenditure measure**
- Not within the mandate to attest to the feasibility of the entire platform

6

The Canadian Context – Election Costing

What can be requested?

PBO will cost platform proposals that:

- are legally and practically feasible
- within federal jurisdiction
 - (i.e. not under provincial responsibility)
- specific and sufficiently detailed
- intended for the requester's platform only

7

The Canadian Context – Election Costing

With 3 parties and several independents, how will requests be managed?

- **Equitably** – Time and resource budget allocations (equal per party)
- To be fair across parties a **standardized resource formula** will be used to determine the level of "effort"

Based on three factors:

1. Novelty
2. Technique
3. Data

8

The Canadian Context – Election Costing

How will requests be managed?

- **Confidentially** – All requests remain confidential until the policy proposal is publicly announced



- **Publication** – Once announcement is made by a party, our cost estimate will be published on our website

9

The Canadian Context – Election Costing

- **Novelty** – A first for Canada
- **Capacity** – Finite Resources
 - No limits on the number or complexity of requests
 - During the (short) Canadian summer
- **Data Access** – Departmental assistance provided “at the discretion” of the Minister and Deputy
- **Objectivity** – Analysis must remain non-partisan and credible

The Canadian Context – Election Costing

International Experience

Insights gained from Australia and the Netherlands

- Build analytical and modelling capacity
- Establish linkages with the Executive Branch
- Seek additional election-related funding
- Rehearse ahead of time

The Canadian Context – Election Costing

Capacity – Strategic Resource Investment

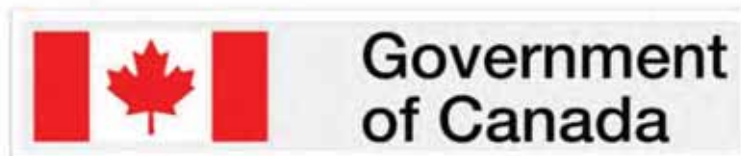
Increase in Human and Financial Resources

- Number of employees increased from 15 to 41
- Budgetary increase from C\$2.6M to C\$7M
- Strong focus on building modelling capacity for key policy areas (defense, taxation, health and student programs)

The Canadian Context – Election Costing

Data Access – Linkages with Departments

- Formal agreements with departments



- Protocols ensure confidentiality is respected
- A Minister may agree that the department will help, but PBO can't disclose any information to the Minister

The Canadian Context – Election Costing

Objectivity – Transparency

"Estimating the financial cost of election campaign proposals: a framework"

- Publication released in November 2018
- Costing Workshops for Parties to be launched this month
- Ongoing, structured communication with parties, MPs, media
- Positive reactions so far (not unanimous)



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BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

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Evolution of the EU Fiscal Framework: Past and Future

George Kopits

**11th Annual Meeting of the OECD Network of PBOs and IFIs
Lisbon, February 4-5, 2019**

Outline

- **Evaluation of the EU framework**
- **International experience**
- **Options for reform**
- **Concluding remarks**

Evaluation of the EU framework

Components, attributes of the framework

- **Stability and Growth Pact (SGP)**
 - Fiscal policy rules
 - Procedural rules (SP, CP, etc.)
- **EU institutions (Council, Commission, Eurostat, EFB)**
- **National independent fiscal institutions**
- **EU budget**

Kopits - CFP WWC

3

Evaluation of the EU framework

SGP: K-S criteria of good practice

Criterion	Original version Buti and Giudice (2002)	Present version
Definition	+++	+++
Transparency	+++	++
Simplicity	++	
Flexibility	++	+++
Adequacy	++	++
Enforceability	++	+
Consistency	++	++
Efficiency	++	++

Key: +++ very good; ++ good; + fair.

Kopits - CFP WWC

4

Evaluation of the EU framework

Major weaknesses of the SGP

- Most **complex** macro-fiscal rules worldwide
- Deterioration in **transparency**
- Ineffective **enforcement**
 - noncompliance is never sanctioned
 - Commission openly political
 - continued erosion of credibility

Kopits - CFP WWC

5

Evaluation of the EU framework

Characteristics of national IFIs

- Most IFIs broadly meet **OECD Principles**
- Wide range in mandate, size, structure, impact

Characteristics of the EU budget

- Extremely small and allocated for very specific tasks
- Limited scope for satisfying **subsidiarity principle**
(especially macro stabilization)

Kopits - CFP WWC

6

International experience

Fiscal policy rules under alternative systems

Unitary system

- **Centralized** regime: single set of rules (e.g. France, Peru)

Federal system

- **Coordinated**, top-down approach (e.g. Brazil, Germany)
 - uniform fiscal rules for all subnational governments
 - central government guarantees, bailouts
- **Autonomous**, bottom-up approach (e.g. Canada, Switzerland, US)
 - fiscal rules chosen by subnational governments
 - no-bailout principle
- **Mixed** approach (European Union)
 - uniform fiscal rules
 - no-bailout clause

Kopits - CFP WWC

7

International experience

Fiscal policy rules in selected countries

	Basic Rules	Statute	Authority	Sanction
New Zealand	operating balance (MT)	law		reputational
EU (SGPact)	structural balance; debt limit	treaty, constitution	peer review	financial
Sweden	structural surplus; primary exp. limit	law	fiscal council	judicial
Bulgaria, Estonia	overall balance; primary exp. limit	guideline		reputational
Poland	debt limit	constitution		judicial
Chile	structural surplus; stabilization fund	law	expert group	judicial
Peru	overall balance; stab. fund; exp. limit	law	central bank	judicial
Brazil	current balance; debt limit; wage limit	law		judicial
India	current balance; deficit limit	law		judicial
Switzerland	structural balance	constitution		judicial
Hungary 1.0	debt limit; primary expenditure limit	law	fiscal council	reputational

Kopits - CFP WWC

8

International experience

Independent fiscal institutions in selected countries

	Structure			Remit / Functions			
	Head	Staff	Compliance	Macro-fiscal	Sustainability	Costing	Advisory
United States (CBO)	individual	X		X	X	X	
Netherlands (CPB)	individual	X	rules	X	X	X	
Belgium (HCF)	collective	other	targets	X	X		X
Korea (NABO)	individual	X		X		X	
Sweden (FPC)	collective	other	rules	X	X		X
Canada (PBO)	individual	X	targets	X		X	
Hungary (former FC)	collective	X	rules	X	X	X	
United Kingdom (OBR)	collective	X	target	X	X	X	

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9

International experience

Economic performance in complying countries

- enhanced policy credibility, low risk premium
- lower vulnerability to crises
- improved fiscal sustainability
- latitude for expansionary countercyclical stance
- above-average economic **growth** and **stability**

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10

International experience

Performance in complying advanced economies

	Effective Date	Growth 1/		Volatility 2/	
		Own	Comparator	Own	Comparator
New Zealand	1994	2.7	2.1	0.5	0.7
Sweden	1998	2.5	1.4	1	1.3
Austria (€)	1998	1.6	1.4	1.1	1.3
Belgium (€)	1998	1.6	1.4	0.9	1.3
Finland (€)	1998	1.8	1.4	1.8 (1)	1.3
[Through 2010		2.6	1.6	1.3	1.3]
Ireland (€)	1998	4.3	1.4	0.9	1.3
Luxembourg (€)	1998	3.9	1.4	0.8	1.3
Netherlands (€)	1998	1.6	1.4	1.2	1.3
Spain (€)	1998	2	1.4	1.3	1.3
Norway	2001	1.6	1.1	0.8	1.7
Switzerland	2002	1.7	1	0.9	1.9

(1) "Nokia" effect after 2010.

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11

International experience

Performance in complying emerging-market economies

	Effective Date	Growth 1/		Volatility 2/	
		Own	Comparator	Own	Comparator
Bulgaria	1998	3.5	3.8	0.8	0.6
Estonia	1998	3.8	3.8	1.6 (2)	0.6
[Through 2007		6.9	4.3	0.4	0.5]
Poland	1998	3.8	3.8	0.4	0.6
Chile	2000	3.8	3.4	0.5	0.9
Peru	2000	5.1	3.4	0.5	0.9
Brazil	2001	2.4 (3)	3.4	1.3 (3)	0.9
[Through 2010		3.6	3.3	0.7	0.8]

(2) Euro accession in 2011. (3) Effect of Rouseff presidency.

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12

International experience

Major lessons for success

- Well-designed rules: simple, transparent, flexible
- Oversight by nonpartisan, technically competent IFI that anticipates need for adjustment
- Local ownership, political will to implement rules, to listen to IFI
IFIs “cannot instill political courage to make unpopular decisions” A. Rivlin
- Need for no-bailout clause, letting market exert pressure
“I used to think that, if there was reincarnation, I wanted to come back as the president or the pope... But now I want to come back as the bond market. You can intimidate everybody.” J. Carville

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13

Options for reform

1. Consolidation of SB/MTO and debt reduction

[roots: Sweden, Brazil]

- Convergence to debt reference value

$$d_n^* < d_t \quad \rightarrow \quad s_t^* \geq \left(\frac{r-g}{1+g} \right) d_{t-1} + \Delta d_t^*$$

- Retain expenditure benchmark
- Commission: technical surveillance role only
- Council: political role, policy recommendations
- Junior sovereign bonds to finance unjustified excess deficits

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14

Options for reform

2. *Operational real debt rule*

[roots: Hungary, US]

- Convergence to (nominal) debt reference value

$$\text{in year } t: \quad S_{t+3}^* = r_{t+3}^f D_{t+2}^f + \Delta D_{t+3}^*$$

$$\text{in year } t+1: \quad B_{t+3}^* \geq S_{t+3}^* - M_{t+3}^f$$

- Commission: technical surveillance role only
- Council: political role, policy recommendations
- Junior sovereign bonds to finance unjustified excess deficits

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15

Options for reform

3. *Market-based autonomous approach*

[roots: Canadian, Swiss, US subnational gov'ts]

- Member states choose their own national fiscal rules
- Need to deal with national legacy government debt
- IFIs: oversight of compliance with national rules
- Commission: overall surveillance and guidance
- Council: effective enforcement of no-bailout principle

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16

Options for reform

Steps toward a closer union

[in line with the subsidiarity principle]

- Strengthening of central functions (defense, environmental protection, infrastructure) financed with an earmarked percentage of VAT
- Assumption of central stabilization role, financed with issuance of special-purpose bonds during recessions, and withdrawn during expansions

Alternatives: “*Hanging together or falling apart*”

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17

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- Kopits, G. (2017) “Managing the Euro Debt Crisis” in L. Odor, ed., *Rethinking Fiscal Policy after the Crisis*, Cambridge University Press.
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- Rivlin, A. (2014) “Politics and Independent Analysis” in G. Kopits, ed., *Restoring Public Debt Sustainability: The Role of Independent Fiscal Institutions*, Oxford.

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18

European Fiscal Board

Future evolution of the EU's fiscal framework

Mateusz Szczurek, member of the Board

Recent initiatives to improve the SGP

The diagram consists of two large red arrows pointing in opposite directions, separated by a central blue box. The left arrow points left and contains the text 'SIMPLIFICATIONS' and 'CLARIFICATIONS'. The right arrow points right and contains the text 'MORE ECONOMIC JUDGEMENT' and 'MARGIN OF DISCRETION'. The central blue box contains the text 'MOVED IN OPPOSITE DIRECTIONS'. Below each arrow is a list of bullet points. A vertical dashed line separates the two lists.

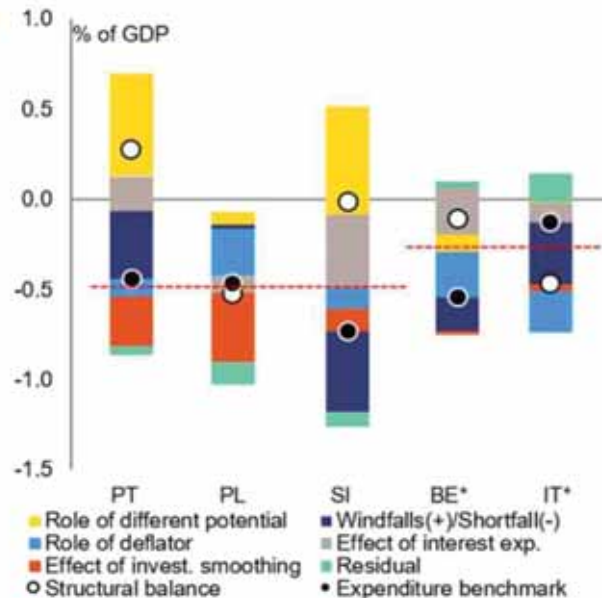
SIMPLIFICATIONS CLARIFICATIONS	MOVED IN OPPOSITE DIRECTIONS	MORE ECONOMIC JUDGEMENT MARGIN OF DISCRETION
<ul style="list-style-type: none">• More prominence to expenditure benchmark in preventive arm of SGP• Use of expenditure benchmark in corrective arm of SGP• Attempt to clarify reading of the two indicators in assessing compliance with SGP		<ul style="list-style-type: none">• Plausibility tool for output gap estimates• Country-specific changes to commonly agreed methodology for output gap estimates• Introduction of 'margin of discretion' on top of existing flexibility

**In sum, recent innovations have increased complexity;
they have been added to, not simplified, existing provisions**

4

Background: Ch. 2 – Overall assessment for borderline cases

- Discrepancies between indicators interpreted in favour of the structural balance
- Assessment highly judgemental often lacking of convincing explanation (forbearance?)
- Replicability by independent assessor remains a challenge



5

Review of flexibility in 2015-2017

- **January 2015: COM Communication on 'Making the best use of the flexibility** within the existing rules of the SGP'
- **Early 2016: Commonly agreed position** reached with the Council

Our main findings:

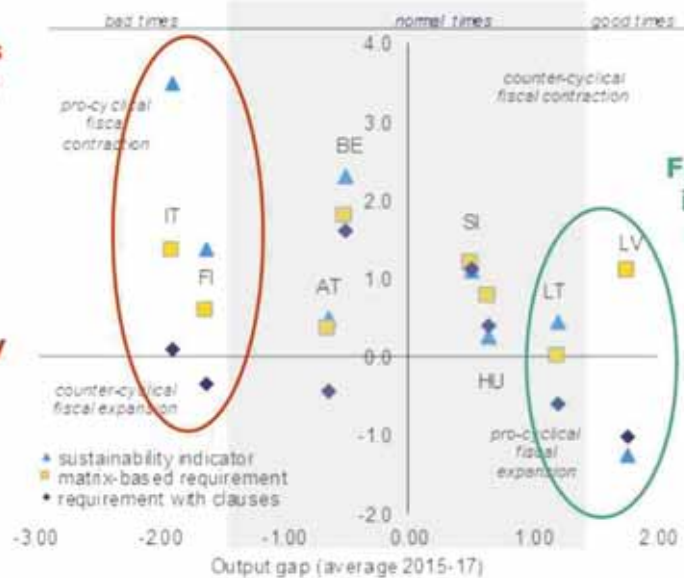
- **Flexibility for cyclical conditions:** marginal modulation of fiscal efforts compared to benchmark of 0.5% adjustment per year
- **Element of asymmetry:** more modulation for bad economic times coupled with tendency to underestimate good times when they occur
- **Not much of an incentive to invest or reform:** the two countries that applied for the investment clause **did not actually increase investment**; only few countries used the reform clause, and **assessment** of implementation was **not always conclusive**
- **No visible impact on compliance:** Member States failed to meet even much reduced adjustment requirements
- **Unusual event clause:** applied quite frequently, with considerable degree of **discretion**

6

Background: Ch. 5 – Adjustment requirements (2015-2017)

Flexibility did not necessarily improve the balance between stabilisation and sustainability

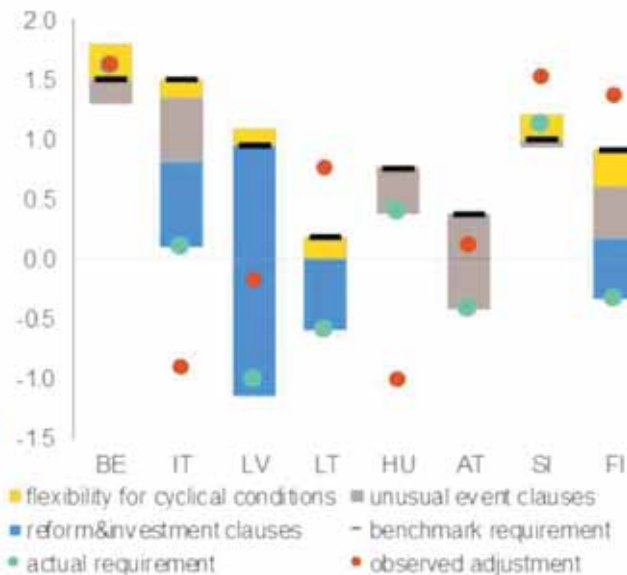
For countries in bad times: averted pro-cyclical contraction but implied major departure from sustainability needs



7

Background: Ch. 5 – Fiscal requirements and observed adjustment

- Some Member States failed to observe the more comfortable adjustment path
- Italy stands out: although flexibility and other clauses lowered the total requirement from 1.5% to 0.1% of GDP, the structural balance deteriorated by 0.9% of GDP in 2015-2017



8

Background: Ch. 5 – Repeated failures to meet targets

- Does the design of the flexibility framework offer adequate incentive and ownership to comply with EU fiscal rules?
- Italy is an example where the targeted structural budget balance (in level) has never been observed, while continuing to benefit from flexibility

ITALY				
Structural budget balance	2015	2016	2017	2018
required no clauses	-0.9	-0.5	-0.8	-1.1
required with clauses	-0.9	-1.3	-1.2	-1.4
outturn	↓ -1.0	↓ -1.7	↓ -1.7	?

- However, the recurring failure to comply with fiscal targets did not lead to a formal breach of EU fiscal rules.
- This can be mostly explained by the possibility to cumulate the margin of broad compliance that comes on top of the different flexibility provisions

9

Background: Ch. 5 – Assessment of structural reforms

- Commission assessment of whether reforms have been fully implemented was sometimes not conclusive

- Most of the times, the assessment pointed to limited or some progress in the implementation of reforms. Is it enough?

country	granted deviation	main area of intervention	Country Report ex-post assessment
Italy	2015 Stability Programme (SP) 0.4% in 2016	(i) public administration	limited progress (2017) some progress (2018)
		(ii) product and service markets	limited progress (2017) some progress (2018)
		(iii) labour market	some progress (2017) limited progress (2018)
		(iv) civil justice	some progress (2017) limited progress (2018)
		(v) education	-
		(vi) a tax shift	some progress (2017) limited progress (2018)
		(vii) spending review	substantial progress (2017)
		(viii) bank insolvency procedure	some progress (2017) limited progress (2018)
Latvia	2016 SP 0.1% in 2016	(i) healthcare reform	limited progress (2017) some progress (2018)
Lithuania	2017 SP 0.5% in 2017	(i) labour market (ii) additional pension reforms	some progress (2017, 2018) some progress (2018)
Finland	2017 SP 0.5% in 2017	(i) pension reform	-
		(ii) health and social services	some progress (2017) limited progress (2018)

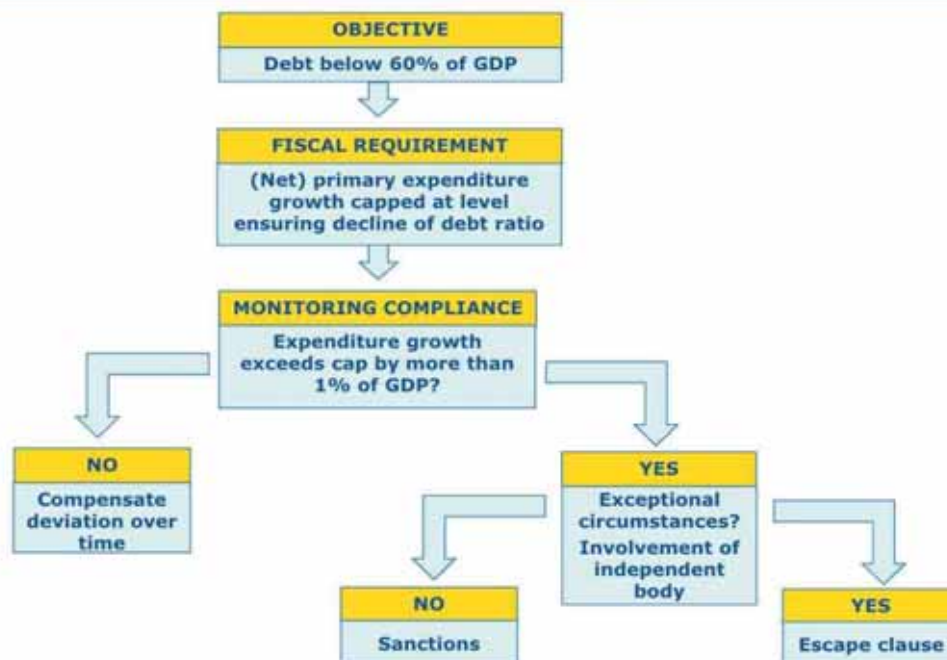
10

Proposal for a new fiscal framework

CURRENT SGP	NEW FISCAL RULES
TWO FISCAL ANCHORS: <ul style="list-style-type: none"> → Maintain balanced budget over the cycle, with deficit ceiling at 3% → Reduce debt to 60% 	ONE FISCAL ANCHOR: <ul style="list-style-type: none"> → Reduce debt to 60%
FOUR FISCAL REQUIREMENTS: <ul style="list-style-type: none"> → Structural budget balance → Nominal budget balance → Net expenditure growth → Short-term debt dynamics 	ONE FISCAL REQUIREMENT: <ul style="list-style-type: none"> → Net expenditure growth
MANY FLEXIBILITY PROVISIONS: <ul style="list-style-type: none"> → Fiscal adjustment modulated over the cycle → Flexibility clauses: investment, structural reforms → Several escape clauses covering different contingencies: economic downturn, unusual events 	ONE ESCAPE CLAUSE : <ul style="list-style-type: none"> → Covering different contingencies (economic downturn, unusual events)
SURVEILLANCE: <ul style="list-style-type: none"> → Annual surveillance cycle 	LESS INVASIVE SURVEILLANCE: <ul style="list-style-type: none"> → 3-year surveillance cycle
GOVERNANCE: <ul style="list-style-type: none"> → Commission and Council 	UPGRADED GOVERNANCE: <ul style="list-style-type: none"> → Commission and Council → Independent bodies to produce economic assessment including for escape clause

11

Proposal for a new fiscal framework (fits on one page!)

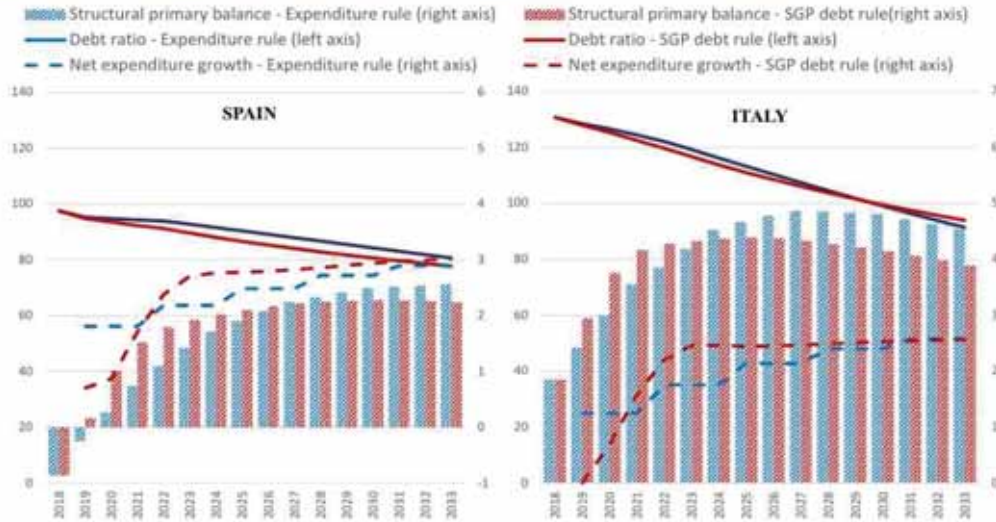


12

Background: Ch. 6 – Simulations of proposed rule vs existing debt rule

Medium term: proposed rule achieves same debt reduction as current debt rule

Short term: proposed rule allows for greater economic stabilisation



Note: The adjustment path under the expenditure rule is computed assuming that the economy is growing at its potential rate and that inflation is at 2%. The adjustment path under the debt rule is computed based on actual projections for GDP and inflation. Implicit interest rates are computed assuming that long-term nominal rates converge to 5% over ten years, and interest expenditures increase in line with the expected roll-over schedule of debt. 'Net expenditure growth' refers to the growth rate of primary expenditures at current prices, net of discretionary revenue measures and cyclical

13

Can analysis be more clearly demarcated from political decision-making?

Functions in country surveillance	Description	Institution in charge in the post-crisis EU
(1) Advisory function	Provide analysis/advice to national governments	Commission: central role
(2) Rating agency function	Supply information to the public (and financial markets) about country performance and prospective compliance with rules	Commission: increasing role
(3) Creditor/lender function	Provide the basis for decisions on conditional lending to countries	ESM claiming more of a role as the representative of future creditors

Demarcation between analysis and decision-making is important for (2) – and for the survival of a rules-based system

Political evaluations are an unavoidable part of recommendations in challenging cases – but **only after an independent analysis** is provided by a non-political Commission staff (DG ECFIN) or by an outside agency and a "comply-or-explain" process when required

14

Thank you for your attention

<https://ec.europa.eu/european-fiscal-board>



Building good relations between IFIs and finance ministries:

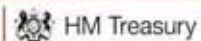
Lessons from UK experience

Richard Hughes
Director of Fiscal Policy

OECD Network of PBOs and IFIs
Lisbon, Portugal
5 February 2019

Contents

- 1. Mandate of the OBR vs. other IFIs**
- 2. How HMT benefits from the OBR**
- 3. Keys to a successful partnership**
- 4. Challenges to be managed**



OFFICIAL SENSITIVE

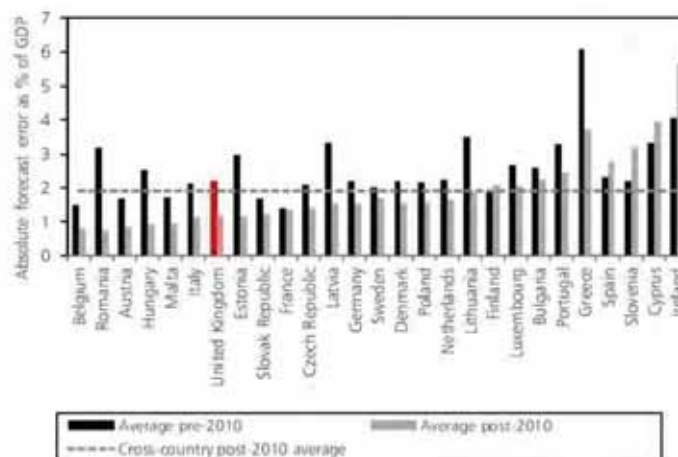
2

1. Mandate of the OBR vs. other IFIs: OBR has a broad, but technical mandate

	Macro-fiscal forecast	Policy costing	LT fiscal analysis	Compliance w/ fiscal rules	Policy advice
Australia					
Austria					
Belgium					
Canada					
Denmark					
Finland					
France					
Ireland					
Korea					
Mexico					
Netherlands					
Portugal					
Slovak Rep					
Spain					
Sweden					
USA					
United Kingdom					

2. How HMT benefits from the OBR: a. A more accurate forecast

Average year-ahead forecast error for government borrowing: 2000-2015



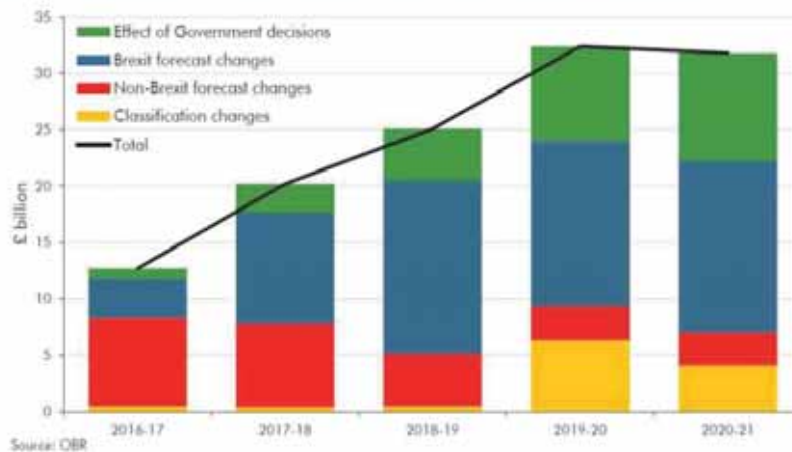
*absolute error
Source: IMF Forecast Evaluation Database

2. How HMT benefits from the OBR:

b. An apolitical forecast

Changes to UK Fiscal Outlook: Spring-Autumn 2016

Chart 1.4: Sources of changes to public sector net borrowing since March



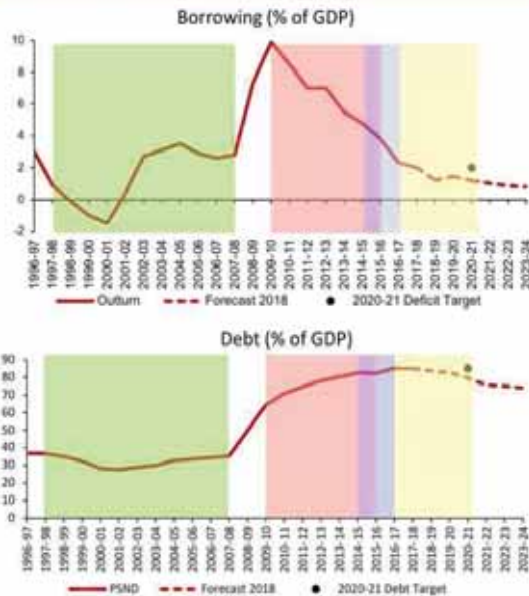
2. How HMT benefits from the OBR:

c. A more orderly budget process

Issue	Before OBR	After OBR
Budget date	Announced within a few weeks of Budget Day	Announced at least 10 weeks before Budget Day
Policy development	New policies developed the day before Budget Day	All major measures must be notified a week before budget day
Policy costings	Selective NAO scrutiny of policy costings	Systematic validation of policy costings
Document production	Budget documents signed off the morning of Budget Day	Budget document printed 48 hours before Budget Day

2. How HMT benefits from the OBR:

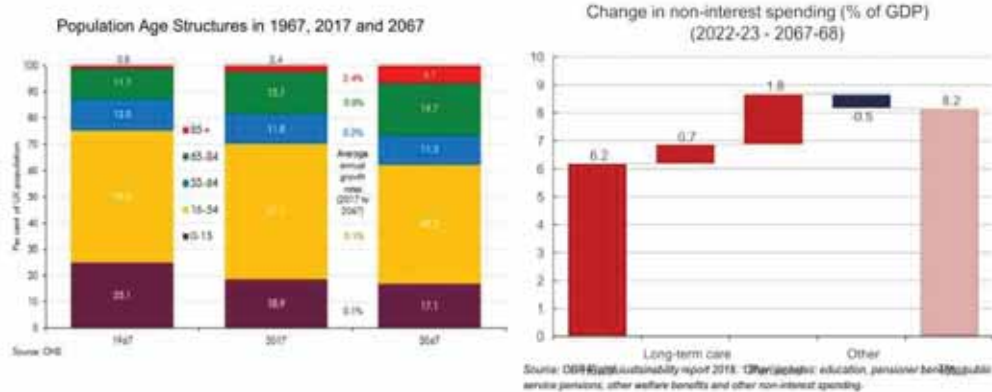
d. Smarter fiscal rules



Years	Balance Rule	Debt Rule
1998-08	Ave. Current balance > 0 over cycle	Debt < 40%
2010-14	Structural current balance > 0 by Y5	Debt falling by 2015-16
2014-15	Structural current balance > 0 by Y3	Debt falling by 2016-17
2015-16	Overall balance by 2019-20	Debt falling in every year
2016-21	Structural deficit < 2% by 2020-21	Debt falling in 2020-21

2. How HMT benefits from the OBR:

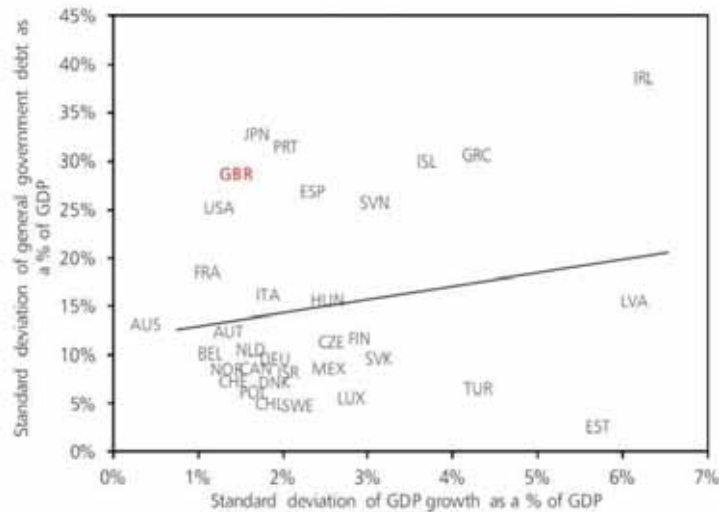
e. Greater focus on long-term sustainability



2. How HMT benefits from the OBR:

f. Greater awareness of fiscal risks...

Chart 1.D: Volatility in government debt vs. GDP growth (2000-16)



Source: OECD

2. How HMT benefits from the OBR:

...and accountability for their management

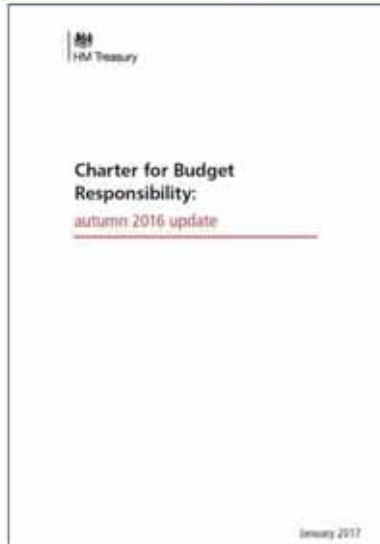


TABLE OF CONTENTS

- 0. Executive Summary
- 1. Managing Fiscal Risks
- 2. Macroeconomy
- 3. Financial Sector
- 4. Revenue
- 5. Spending
- 6. Balance Sheet
- A. Fiscal Risk Register

3. Keys to a successful partnership:

a. Clear statutory basis



Contents of Charter

1. Govt's fiscal rules
2. Content of budget documentation
3. OBR's remit
4. Timing & horizon of forecasts
5. Content of OBR forecasts
6. Access to information
7. No policy commentary
8. Supplementary reports

3. Keys to a successful partnership:

b. Written protocols

Memorandum of understanding between the Office for Budget Responsibility, HM Treasury, the Department for Work & Pensions and HM Revenue & Customs

Contents	
1. Introduction	1
2. Accountability and transparency	2
Introduction	2
Fiscal rules and statements, and Economic and fiscal outlook	3
Medium-term budget and long-term fiscal projections	4
Assessment of the accuracy of previous forecasts	5
Analysis of trends in welfare spending	7
Assessment of fiscal rules	8
3. Effective cooperation	9
Fiscal rules and statements, and Economic and fiscal outlook	9
Analysis of fiscal sustainability and long-term fiscal projections	10
Assessment of the accuracy of previous forecasts	10
Analysis of trends in welfare spending	11
Assessment of fiscal rules	11
Further action and reporting	11
4. Regular information exchange	12
Rights of access to information	12
Pre-release access to reports	14
Quality of information	14
Efficiency of information collection	15
Handling external requests for information	15
5. Key points to note	16

Contents of MoU

1. Roles of OBR, HMT & other Depts
2. Governance of forecast process
3. Sharing of information & models
4. Budget forecast timetable
5. Pre-release access to reports
6. Dispute resolution

3. Keys to a successful partnership:

c. Mutual respect

HMT Obligations

- Share information early
- Set clear timetables
- Explain details of policy
- Provide budgetary certainty
- Defend OBR independence
- Accept OBR forecast

OBR Obligations

- Make key judgement early
- Deliver forecasts on time
- Explain forecast changes
- Share analytical capacity
- Reject partisan mandates
- Not comment on Govt policy

3. Keys to a successful partnership:

d. Dual accountability

- Budget Responsibility Act and Charter for Budget Responsibility are approved by Parliament
- Members of OBR's Budget Responsibility Council (BRC) are nominated by Chancellor but confirmed by Parliament's Treasury Select Committee (TSC)
- OBR reports are submitted to both Government and Parliament
- After each fiscal event, BRC members testify before TSC before Chancellor's appearance
- Parliament can request additional information from OBR, consistent with Act and Charter


3. Keys to a successful partnership:

e. Sanctions for non-compliance

- OBR logs all substantive contact with Government
- EFO Preface summarises HMT-OBR pre-Budget interactions
- TSC routinely asks if any HMT-interference in forecast
- Disputes between HMT and OBR referred to OBR non-executives
- Non-executives can refer any irregularities with TSC
- OBR has unfettered access to financially literate media

4. Challenges to manage:

- a. Hollowing out of HMT expertise
- b. Planning for multiple scenarios
- c. Limited iteration between policy and forecast
- d. Attenuated contact between forecasters and policymakers
- e. Change of government
- f. Growing suspicion of experts



Congressional Budget Office

February 5, 2019

CBO's Use of Outside Experts

11th Annual Meeting of the OECD Network of Parliamentary
Budget Officials and Independent Fiscal Institutions

Robert Sunshine
Senior Advisor

CBO

In conducting analyses and in preparing cost estimates and studies, CBO consults with numerous outside experts—mostly informally.

Those experts include professors, analysts at think tanks, representatives of industry groups, other private-sector experts, and people working for federal agencies and for state and local governments.

They are selected to represent a variety of areas of expertise and perspectives.

Most of the agency's analytic reports are reviewed by outside experts who specialize in the issue at hand.

5

Many hundreds of outside experts are consulted informally each year as CBO prepares cost estimates for legislation and multiyear budget projections.

In 2018, CBO convened five formal meetings with its official panels of experts.

Also in 2018, CBO received written feedback during the preparation of 22 reports or working papers, with an average of three reviewers per document.

When obtaining written feedback, CBO acknowledges that assistance in a section called "About This Document" at the end of a report or on the cover page of a working paper.

CBO currently has three official panels of experts:

- Panel of Economic Advisers
- Panel of Health Advisers
- Technical Review Panel for CBO's Health Insurance Simulation Model (HISIM)

In selecting the members of its panels, CBO:

- Looks for widely recognized experts on the topic of the panel
- Asks for suggestions from Congressional staff and from people whose work CBO uses in its analyses
- Seeks a variety of backgrounds, areas of expertise, and experience

Members serve two- or three-year terms and can be reappointed.

Outside experts help establish the credibility of CBO and its work.

The relationship between CBO and its outside advisers is mutually beneficial: CBO benefits from the advisers' participation and expert advice, and the advisers benefit from interacting with each other and with CBO's staff.

Having established relationships with experts helps ensure high-quality and timely responses.

CBO's Panel of Economic Advisers

The panel generally meets twice a year, while CBO is preparing its economic forecasts.

Advisers are sent a preliminary version of each forecast and have an opportunity to comment on it at (and after) the meeting.

CBO usually makes changes to the preliminary forecast to reflect input from members of the panel.

Staff members of key Congressional committees are invited to attend the meetings.

Panel meetings include presentations by experts on various economic issues—for example:

- The effects of new tariffs on the U.S. economy
- The international economic outlook
- Quantifying uncertainty in CBO's 10-year economic projections
- Understanding low productivity growth
- CBO's model for projecting labor force participation
- Connections among interest rates, debt, capital flows, and exchange rates

The panel consists of 22 widely recognized experts who:

- Represent a variety of perspectives
- Have varying areas of expertise, including macroeconomics and forecasting, international economics, public finance, labor economics, economic growth, and financial markets
- Have experience working in academia, the private sector, the executive branch, the Federal Reserve System, and think tanks

The panel has included several Nobel Prize winners.

CBO's Panel of Health Advisers

16

CBO

The panel usually meets once a year, and CBO solicits advisers' views between meetings.

CBO learns from the advisers about cutting-edge research and the latest developments in health care delivery and financing.

Staff members of key Congressional committees are invited to attend the meetings.

11

Topics discussed at past meetings include:

- Veterans' health care
- Spending on prescription drugs
- Modeling health insurance coverage
- Quality measurement and performance assessment in health care
- Hospital and insurer consolidation

The panel consists of about 20 widely recognized experts with a variety of backgrounds, areas of expertise, and experience. They include:

- Academic economists
- Representatives of key health care providers, including hospitals and physicians' groups
- Representatives of large employers that offer insurance to their workers
- Actuaries and others from the health insurance industry
- Physicians, pharmaceutical experts, and medical experts
- State government officials
- Legal and public health experts

The Technical Review Panel for CBO's Health Insurance Simulation Model

14

CBO

The panel was established to provide feedback as CBO develops the next generation of HISIM.

At two virtual meetings with the panel, members of CBO's staff gave presentations on several topics, including:

- The role of HISIM at CBO
- Data underlying the new model
- Modeling decisions by consumers
- Modeling decisions by firms

Feedback from panel members was incorporated into the new model.

15

An in-person meeting will take place in 2019 to inform future improvements to the model. (Such improvements are made annually.)

The panel will continue to assist CBO during the next two years; after that, such assistance will be provided by CBO's regular Panel of Health Advisers.

The panel includes 10 experts with experience in developing theoretical models of economic behavior that affects health insurance coverage. Most of the experts work in universities, but one is at a think tank and another is an actuary.

The advisers were selected to provide a variety of technical perspectives, as well as diverse views about how consumers behave, how they evaluate health insurance, how smoothly insurance markets work, how government regulations affect those markets, and other topics.

Precautions That CBO Takes in Selecting Panel Members

16

CBO

Panelists and people being considered for the panels must disclose any substantial political activity and any significant financial interests—such as those related to health or health care for people advising on those issues.

Political activity and financial interests are not necessarily disqualifying. Instead of disqualifying an adviser, CBO may choose to disclose such information to CBO staff members who are in contact with the adviser or exclude the adviser from discussions of particular issues.

If a panelist has accepted a political appointment or joined a political campaign, he or she is generally asked to leave the panel.

18

Participation in political activity is considered "substantial" if it would be reasonably viewed as establishing a significant connection between CBO and a campaign, a political candidate, an officeholder, or a cause.

Specific positions taken are irrelevant; rather, the potential harm to CBO's reputation for objectivity comes from association with political activity or public advocacy.

Examples of substantial political activity include employment with a political campaign, acting as a surrogate for a campaign, and sustained involvement in forming an officeholder's policy positions.

Financial interests are "significant" if they exceed certain dollar thresholds.

Resources

"Consultation With Outside Experts," *Transparency at CBO: Future Plans and a Review of 2018* (December 2018), pp. 21–23
www.cbo.gov/publication/54885

"Panel of Economic Advisers"
www.cbo.gov/about/processes/panel-economic-advisers

"Panel of Health Advisers"
www.cbo.gov/about/processes/panel-health-advisers

"Technical Review Panel for CBO's Health Insurance Simulation Model"
www.cbo.gov/about/processes/technical-review-panel

"Agendas from Prior Meetings of CBO's Panels of Advisers"
www.cbo.gov/about/processes/meeting-agendas

"CBO's Policy for Its Panels of Advisers Regarding Political Activity and Financial Interests"
www.cbo.gov/about/objectivity/advisers_policy

1. 포르투갈 약항



□ 포르투갈 약항

- 국 명 : 포르투갈 공화국(The Portuguese Republic)
- 면 적 : 92,225.61 km²(한반도의 약2/5)
- 인 구 : 1,029만명(2017년 기준)
- 수 도 : 리스본(시내 50만명, 수도권내 283만명)
- 민 족 : 이베리아족, 켈트족, 라틴족, 게르만족, 무어족 등의 혼혈
- 종 교 : 카톨릭(90%이상)
- 기 후 : 대서양, 지중해 및 대륙성 혼합, 건기(5-10월) / 우기(11-4월)

□ 정치현황

- 정부형태 : 반(半) 대통령제(Semi-Presidentialism)
- 총리가 일상적인 국정운영 담당
- 국가원수 : Marcelo Rebelo de Sousa 대통령(2016.3.9 취임, 임기5년, 사민당)
- 행정수반 : António Costa 총리(2015.11.26 취임, 사회당)
- 의회제도 : 단원제(임기 4년, 비례대표 230석)

□ 경제현황

- GDP : 1,931억 유로
- 1인당GDP : 18,737 유로
- GDP 성장률 : 2.7%
- 산업구조 : 서비스업 75.4%, 제조업·건설업·에너지 22.4%, 농림수산업 2.2%
- 대외무역 : 수출 503억, 수입 610.6억 유로
- 재정적자율 : GDP의 3.0%
- 실업률 : 8.9%
- 물가상승률 : 1.4%
- 관광객 수 : 2천4백만 명
- 관광수입 151.5억 유로(GDP의 7.8%, 전년대비 19.5% 증가)

□ 우리나라와의 관계

- 외교관계 수립 : 1961.4
 - 주포르투갈 대사관 개설 : 1975.6
 - 주한 포르투갈 대사관 개설 : 1988.8
- 공관장
 - 주포 : 박철민 대사(2016.11 부임, 17대)
 - 주한 : 곤살브스 드 제수스(Gonalves de Jesus) 대사(2017.10 부임)
- 교역규모(2017) : 7.29억불(출처 : 한국무역협회)
 - 대포르투갈 수출 : 4.59억불(플라스틱, 차량, 정밀화학, 철강, 기계류, 합성고무, 통신장비, 반도체 등)
 - 대포르투갈 수입 : 2.7억불(고무제품, 전기기기, 의류 및 섬유제품, 신발, 모자, 플라스틱, 가구, 주방용품, 어류 등)

2. 주요 경제 정세



- 포르투갈에 대한 EU 과도 재정적자 프로세스 종료
 - 2016년 포르투갈 재정적자는 GDP대비 2%로 1974년 민주화 이후 최저치를 기록한바, EU 집행위원회는 2017.5.22 포르투갈이 영구적으로 재정적자를 GDP 대비 3% 미만으로 감소시킬 것으로 보인다면 ECOFIN(EU 재무장관회의)에 포르투갈의 과도한 재정적자 프로세스 종료를 권유함.
 - 정부는 2017년과 2018년 재정적자를 각각 GDP 대비 1.4%와 1.1%로 전망함.
- 거시경제지표 호전
 - 2017년 2/4분기 GDP 성장률은 3%(3/4분기 2.5%)로 21세기 들어 가장 높은 성장률을 기록했고, 정부는 2017년과 2018년 연간 GDP 성장률을 각각 2.6%와 2.2%로 전망함.□
 - 구제금융 프로그램 이행 기간이던 2013년 16.2%에 달한 후 Centeno 재무장관 취임 직전인 2015.10월 12.4%로 하락한 실업률도 2017년 3/4분기 8.5%까지 하락함.
- 포르투갈 국채 투기등급 탈출
 - 신용평가기관 Standard & Poor's는 9.15 포르투갈 국채 신용등급을 투기등급(BB+)에서 투자등급 최저등급(BBB-)으로 1단계 상향 조정하고, Fitch는 12.15 투기등급(BB+)에서 2단계 상승한 투자등급(BBB)으로 조정함.
 - Centeno 재무장관은 9월 “S&P의 결정은 포르투갈이 경제 및 공공재정에서 괄목할만한 진전을 가져왔음을 모두 인정하는 사실을 반영한 것”이라고 말하고, “S&P의 결정은 최근 금융부문 구조변화에 대한 인정, 강력한 투자 및 수출 역학에 기초한 경제성장 그리고 공공지출과 공공부채의 통제에 기반을 두고 있다”고 덧붙였다.

○ 2017년 1-10월간 상품교역 현황

- 포르투갈 통계청(INE)이 12.11(월) 발표한 자료에 따르면, 금년 1-10월간 상품교역은 수출(FOB)이 45,780백만 유로로 전년 동기 대비 10.8%(4,474백만 유로) 증가하고 수입(CIF)은 57,381백만 유로로 전년 동기 대비 14.2%(7,138백만 유로) 증가함.☐
- 동 기간 11,602백만 유로에 달한 무역적자는 전년 동기(8,938백만 유로) 대비 29.8%(2,664백만 유로)나 증가하여, 상대적으로 커버율(수출의 대 수입 비율)이 전년 동기 82.2%에서 79.8%로 하락함.

※ 최근 포르투갈 상품교역 현황

(단위: 백만 유로)

	2012	2013	2014	2015	2016
수출	45,213.0	47,302.9	48,053.7	49,634.0	50,022.3
수입	56,374.1	57,012.8	59,032.1	60,344.8	61,242.9
수지	-11,161.1	-9,709.9	-10,978.4	-10,710.8	-11,220.6

(출처: INE 및 PORDATA)

○ 2018년 최종 국가예산안 국회통과

- 정부가 2017.10.14 국회에 제출한 2018년도 예산안 초안은 11.4 국회 본회의 표결에서 여당 사회당(86석)과 좌익블럭(19석), 공산당(15석) 및 녹색당(2석)의 찬성, 동물애호당(1석)의 기권 및 시민당(89석)과 국민당(18석)의 반대로 가결됨.

※ 예산 관련 세부내용은 내년도 정세전망 참조

- 동 예산안 최종안은 11.29 상기 좌익 정당들과 동물애호당의 찬성으로 통과됨(동물애호당은 초안 표결에서 기권했으나, 변경안 일부인 4개 안이 수용되자 최종안 표결에서는 찬성).
- 한편, 정부가 매년 예산안과 함께 제출하는 법안 형식의 2017년도 국가 경제사회계획(Great Options of Plan)도 11.4 전반적인 내용에 대한 표결과 11.29 최종 표결에서 예산안과 동일한 투표 결과로 통과됨.

○ Centeno 재무장관 유로그룹 의장 선출

- Mario Centeno 재무장관이 2017.12.4 EU 회원국 중 유로존 국가 19개국 재무장관들의 모임인 유로그룹 의장으로 선출되어 2018.1.13. 취임함. 유로존 국가에 대한 재정적 지원에 대한 결정을 담당하는 유로존 영구구조기금인 유럽안정기구(European Stability Mechanism) 이사회 의장을 겸하게 됨.
- 동 장관은 2017.11.30 유로그룹 의장 입후보를 발표하면서, “경제통화 동맹을 완결하기 위해 필요한 합의 도출에 기여할 의사가 있다” 고 밝힌 바 있음.