



The Head of Division

Budgeting and Public Expenditures Division

Paris, 20 January 2011

Dear Mr. Chafer,

Parliamentary Budget Office

Thank you for your letter of 30 November 2010 inviting a submission to the Joint Select Committee on the Parliamentary Budget Office.

As you will appreciate, the OECD does not take a stand on this specific matter before the Australian Parliament. Our submission is based on best practices drawn from OECD experiences for such bodies *should* the Australian Parliament decide to establish a Parliamentary Budget Office.

The growth of bodies to assist the legislature in budgetary matters is a strong trend in OECD countries. They take a variety of forms but their *raison d'être* is the same: Parliaments need specialised resources in order to carry out their constitutional responsibilities *vis-à-vis* the budget. The functions of such bodies include economic forecasts, baseline estimates, cost estimation, analysis of the executive's budget proposals and medium-term analysis. As such, they have the potential to improve transparency and enhance the credibility of the government's budget and public finances in general.

Our submission is informed by the OECD's long and extensive involvement in this area, including the annual meetings of the *OECD Network of Parliamentary Budget Officials*. In fact, discussions at these meetings have specifically focused on the core issues involved with successfully establishing and operating such bodies.

There are five overall key messages that we would like to highlight from our analysis and the discussions at the OECD Parliamentary Budget Officials meetings:



Independence and Non-Partisanship

- Independence and non-partisanship are the pre-requisites for successful parliamentary budget offices. A truly non-partisan unit does not present its analysis from a political perspective and serves all parties in the parliament. This strongly favours such bodies being established as stand-alone offices of parliament.
- Their director should be appointed by the legislature – optimally in a unanimous vote. The director should have full freedom to hire staff.
- The qualifications for the director should be made explicit – including experience in a central agency or equivalent. This recognizes the complexity of the budget process and that only a person with such a background is likely to fully comprehend its intricacies in practice.

Mandate and Resources

- The mandate of such bodies should be clearly defined in legislation – *i.e.* what types of reports and analysis they are to produce. Similarly, their scope for producing reports on a discretionary basis should be clearly defined.
- The resources given to such bodies need to be commensurate with their mandate in order for them to fulfil it in a credible manner. The appropriations for such bodies should be treated in the same manner as the budgets of audit offices in order to ensure their independence.

Relationship with Parliamentary Committees and Members

- The role of such bodies *vis-à-vis* parliament's budget committee, other committees and individual members in terms of requests for special analysis should be clearly established in legislation. Ideally, they would principally serve committees and sub-committees rather than individual members.
- The director of the parliamentary budget office should have the right to testify before committees of parliament.



Full Access to Information

- There will always be a large asymmetry of information between the government and such bodies – no matter how well they are resourced. This creates a special duty to give such bodies full access in legislation to all relevant information in a timely manner. This includes all the models used by the government for the assumptions underlying the budget – economic, revenue and expenditure.

Communications

- The information provided by such bodies should be made available concurrently to all political parties and the public.
- The release dates of major reports and analysis should be formally established, especially in order to co-ordinate them with the release of relevant government reports and analysis. Such bodies need to be careful not to pre-empt government reports.
- Such bodies should release their reports in their own name, rather than providing them to other parliamentary or government institutions who in turn would release them.

The above messages are based on OECD analysis of the experiences of other countries with establishing and operating parliamentary budget offices. We would be pleased to elaborate on these points.

Again, thank you for the opportunity to provide this submission to the Joint Select Committee on the Parliamentary Budget Office.

Sincerely yours,

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Mr. Russel Chafer

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