



GOVERNANCE: PRINCIPLES AND INTERNATIONAL PRACTICES

AIREF Workshop on Independent Fiscal Institutions (IFIs)

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Madrid, 2-3 December



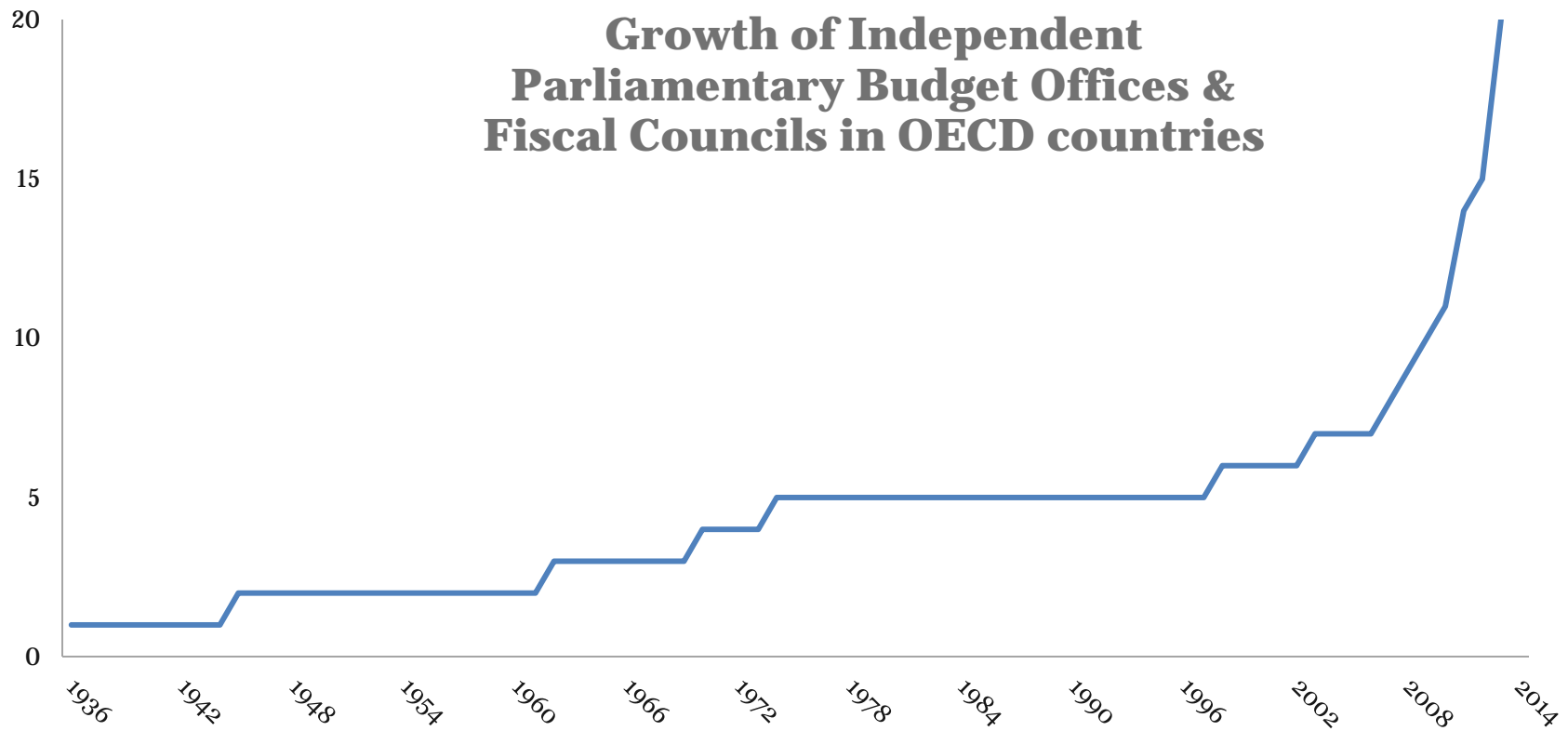
Outline

- Principles – why now?
 - Growth of IFIs in OECD Member Countries
 - PBO Network
- Developing the Principles
 - Consultation process and research
 - Building on common values, meeting common challenges
- Overview of the Principles





Principles – why now?





OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO Network)



PBO Network (2)

- Debate substantive budgeting issues.
- Share practical experiences on working methods.
- Profile new institutions/ significant changes in the mandates of older institutions (*case studies*).
- Identify good practices/ standard setting (*OECD Principles for Independent Fiscal Institutions*).



Recommendation of the
Council on Principles for
Independent Fiscal
Institutions

February 2014





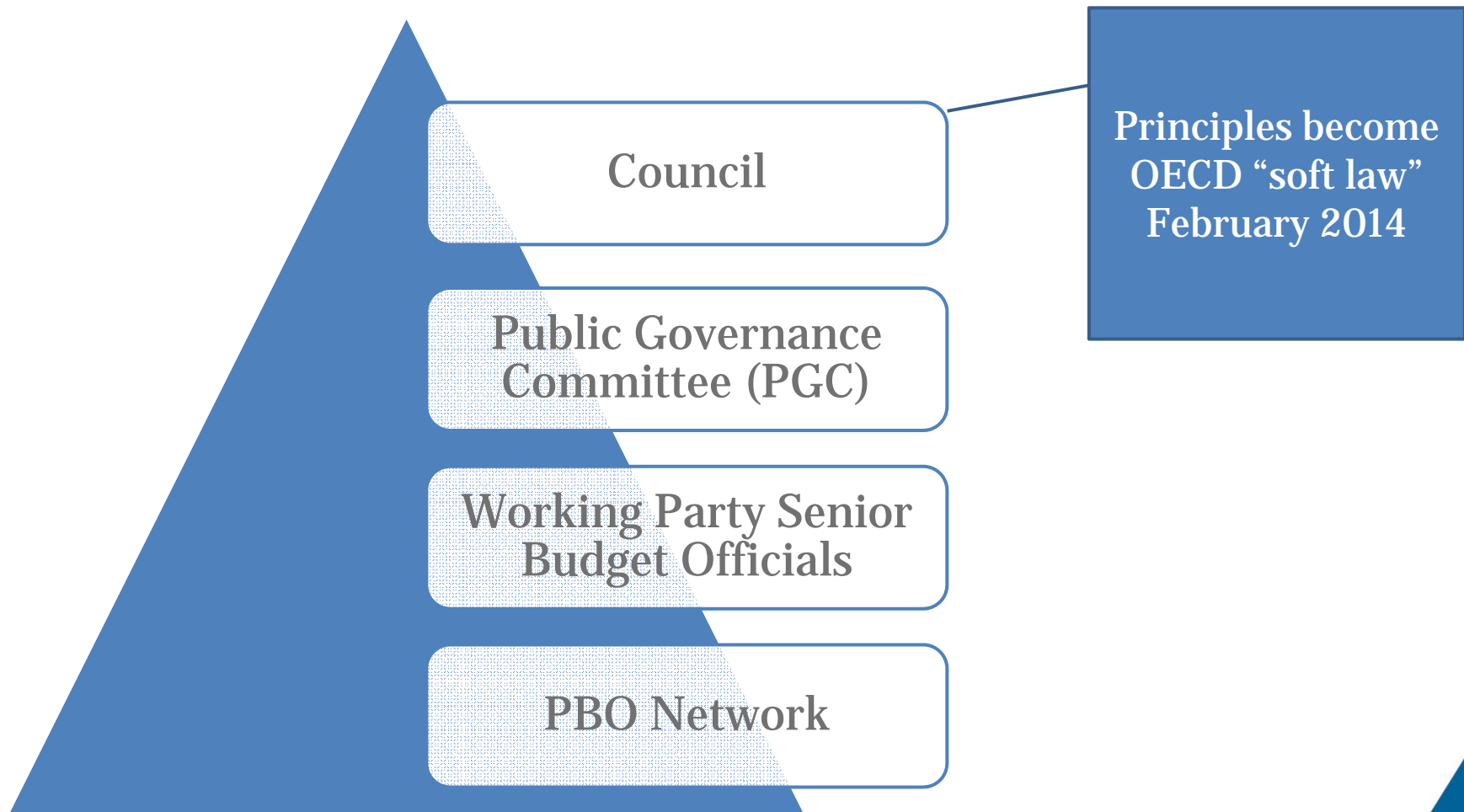
Developing the Principles: Consultation Process and Research

- 2011 Annual Meeting - PBO holds first discussion on developing good practices for independent fiscal institutions (background paper Kopits, 2011)
- Tasked OECD Secretariat with developing Principles.
- Formed High-level Reference Group of heads and deputy heads of IFIs.
- Launched study of IFIs in 18 OECD countries
- Drew on existing OECD analysis on establishing and operating independent parliamentary budget offices, 2011 survey of PBO members, as well as other research Debrun, 2009, Haggeman, 2010 and Calmfors and Wren Lewis 2011.
- And informal consultation with staff within the OECD and other international organizations - EC, IMF.





Developing the Principles: Consultation Process and Research (2)





Developing the Principles – Building on common values, meeting common challenges

- **Values**

Independence; non-partisanship; transparency, accountability; technical competence

- **Challenges**

capacity constraints; access to information; communications (media), guaranteeing independence ; demonstrating non-partisanship and technical competence; ensuring long term viability; assessing impact





Overview of the Principles

22 Principles covering:

1. Local ownership (1.2-1.2)
2. Independence and non-partisanship (2.1-2.6)
3. Mandate (3.1-3.3)
4. Resources (4.1)
5. Relationship with the legislature (5.1-5.2)
6. Access to information (6.1-6.2)
7. Transparency (7.1-7.4)
8. Communications (8.1)
9. External evaluation 9.1)





1. Local Ownership

- Not artificially imposed or copied from abroad.
- Taking into account:
 - Local needs
 - capacity constraints
 - country's legal framework
 - political system
 - budgeting culture
 - specific issues institution is trying to address
- For example, in Spain, highly decentralized, EU requirements...





2. Independence and non-partisanship

Key elements	Spain
...“favours that IFI be precluded from normative policy-making responsibilities to avoid even the perception of partisanship”	? (majority of IFIs in OECD area, but some exceptions)
Leadership selected on the basis of merit and technical competence; qualifications made explicit; proven competences in economics, public finances, and budget process	✓
Clearly term lengths; number of terms; causes for dismissal. Optimally term independent of/spanning beyond electoral cycle	✓
Remunerated; full time (with some exceptions)	✓
Leadership full freedom to hire and dismiss staff in accordance with applicable labour laws	?
Staff selected through open competition based on merit and technical competence	✓



3. Mandate

Key elements	Spain
Defined in higher level legislation; including types of, who may request, and if appropriate timelines for release of reports and analysis	✓
Scope to produce reports and analysis at own initiative and determine work own programme (within mandate)	✓
Clear links to budget process	✓



4. Resources

Key elements	Spain
Commensurate with mandate (including resources for staff and council members)	?
Appropriations published and treated in the same manner as the budget of other independent bodies (audit offices)	?
Multiannual funding commitments further enhance independence and provide protection from political pressure	?



5. Relationship with the legislature

Key elements	Spain
<p>Mechanisms to encourage appropriate accountability to the legislature:</p> <ol style="list-style-type: none">1. Submission of IFI reports to parliament;2. Appearance of IFI leadership or senior staff before the budget committee;3. Parliamentary scrutiny of the IFI budget;4. A role for parliament's budget committee (or equivalent) in IFI leadership appointments and dismissals (<i>e.g. Australia, Ireland, Korea, Mexico, Slovak Republic, UK, US</i>).	<ol style="list-style-type: none">1. One report submitted to Parliament (main reports public).2. AIREf President appears once per year before relevant committees. Both AIREf President and Parliament can ask for additional hearings3. Scrutiny of budget (as part of overall central government budget).4. President interviewed by Finance Committee as part of the appointment process.



6. Access to information

- Access in timely manner guaranteed in legislation, reaffirmed through protocols or MOU (*e.g. Australia, Slovak Republic*).
- At no cost or sufficient budget provided to cover potential costs (*e.g. for actuarial services*).
- Restrictions also clearly defined in legislation (*e.g. taxpayer confidentiality, sensitive information in areas of national defense*).





7. Transparency

8. Communications

- Special duty to act transparently; transparency key to building credibility.
- Reports, analysis and underlying methodologies published and freely available; sent to legislature.
- Develop effective communications channels with media and other stakeholders (*“influence in fiscal policy is persuasive”, warnings must be heard to be effective*).





9. External Evaluation

“Whose watching the watchdog?”

- Subject to some level of scrutiny if underlying methodology is published.
- Permanent advisory panel or board (*e.g. Netherlands, Slovak Republic, UK, US*).
- Peer review of selected pieces of work (*e.g. Canada*)
- Peer reviews by academics (on scientific value) and by clients (on policy relevance) every 5 years in the Netherlands.
- In-depth evaluations or reviews (*e.g. in legislation UK, Australia, others planned/committed to, e.g. Ireland/Spain; new workstream in PBO network*).





For more information

- Web page: www.oecd.org/gov/budget/pbo
- Contact: Lisa von Trapp at Lisa.vontrapp@oecd.org

THANK YOU!

