

### 3. Questions from the Public Accounts and Estimates Committee taken on notice

**Question 1.** Please provide examples of types of self-initiated reports you see in other jurisdictions that would benefit members of parliament and the public here in Victoria

OECD IFIs that publish self-initiated research can provide timely analysis of the economic and fiscal impact of government policies to their stakeholders in rapidly evolving circumstances. Their open communications and public engagement receive considerable media coverage and bring issues quickly to the fore. Self-initiated reports include (i) briefing notes on specific policy areas that may be of interest to decision makers, (ii) economic and fiscal commentary and long-term fiscal sustainability analysis, (iii) expenditure monitoring reports, (iv) proactive methodological and technical working papers that push the government to be more transparency in its own analysis, (v) notes to bring attention to specific concerns of lack of transparency or misinformation, and (vi) data visualisations and chart packs, among others.

#### *i. Briefing notes on specific policy areas*

Some IFIs proactively publish analysis of specific policy areas that may not necessarily have received the attention of parliamentarians, but that an IFI feels is an emerging issue, perhaps as it has observed controversial debates or misinformation playing out in the public sphere.

Australian (Commonwealth) PBO	The PBO frequently publishes self-initiated backgrounders on emerging issues such as <a href="#">Trends affecting the sustainability of Commonwealth taxes</a> and <a href="#">Disability Support Pension – Historical and projected trends</a> .
Irish PBO	<a href="#">Identifying and costing various programmes that support the Arts in Ireland</a> examined funding by the Irish government for the arts. Such spending is spread across several departments with no aggregate sum. The office attempted to provide such an aggregate sum for the benefit of decision makers.
Financial Accountability Office of Ontario, Canada	<a href="#">Housing and Homelessness Programs in Ontario</a> surveyed the Government of Ontario's housing and homelessness programs, identified recent program and spending changes, and projected the impact of the Province's housing and homelessness programs on core housing need and chronic homelessness.
Canadian PBO	The PBO's <a href="#">Scenario Analysis: COVID-19 Pandemic and Oil Price Shocks</a> was crucial in informing parliamentary decision makers of the potential impact of economic developments in the early stages

	of the pandemic when the government was unwilling to provide its own assessments and fiscal updates.
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## ii. Economic and fiscal commentary and long-term fiscal sustainability analysis

Australian (Commonwealth) PBO	The PBO publishes regular publications such as medium-term budget projections and sustainability analysis such as in <a href="#">2021-21 Medium-term fiscal projections</a> and its new <a href="#">Fiscal Sustainability Report</a> .
Irish PBO	The Irish PBO publishes a <a href="#">Summary and analysis of the government's annual Stability Programme Update</a> .
Canadian PBO	The PBO proactively published a spring and autumn <a href="#">Economic and Fiscal Outlook</a> and an annual <a href="#">Fiscal Sustainability Report</a> .

## iii. Expenditure monitoring reports

Canadian PBO	The Canadian PBO publishes a quarterly <a href="#">Economic and Fiscal Monitor</a> summarising data releases.
Financial Accountability Office of Ontario, Canada	The Ontario FAO publishes a range of expenditure monitoring reports, including assessments of the estimates of individual ministries such as <a href="#">Expenditure Estimates 2019-20: Ministry of Education</a> .
Irish PBO	The Irish PBO publishes a steady stream of expenditure <a href="#">bill analyses and monthly voted spending summaries</a> .
Office for Budget Responsibility	The OBR publishes monthly <a href="#">data summaries and commentary on the public finances</a> in an intuitive and approachable format.

## iv. Proactive methodological and technical working papers

Some IFIs play a leading role in improving the methodological framework around the government's budgeting practices by pursuing their own methodological research and publishing their findings. By setting the standard of "showing their work" IFIs lead by example in encouraging their governments to be more transparent, creating

Canadian PBO	To assist parliamentarians' deliberations in the context of a post-COVID economic recovery, the Canadian PBO estimated the potential impacts of government spending and tax measures on the Canadian economy and published the report <a href="#">Fiscal Multipliers and Fiscal Sensitivities</a> .
Irish Fiscal Advisory Council	The Irish Fiscal Advisory Council has published working papers on <a href="#">Estimating Ireland's output gap</a> , <a href="#">Estimating Ireland's tax elasticities</a> , and a wide range of other topics. Such papers have directly led to improvements in the Department of Finance's methodologies, as government economists looked to adopt some of the modelling practices of the Council.

**v. Notes to bring attention to specific concerns of lack of transparency or misinformation**

Some PBOs publish self-initiated notes that bring attention to emerging issues that may threaten the ability of parliament to serve its oversight role, such as a lack of budget information or a misrepresentation of the government’s proposals.

Canadian PBO	Whenever the Canadian PBO notices key changes in transparency practices or methodological errors in government analysis, they bring the issues to the attention of parliamentarians in key issues notes such as when the new government suddenly removed five-year policy costings from its budget presentation ( <a href="#">Budget 2016: Key Issues: for Parliamentarians</a> ) or when the government uncharacteristically reported the job creation numbers estimated by a special interest group instead of reporting their own numbers for an <a href="#">employment insurance reform</a> .
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**vi. Data visualisations and chart packs**

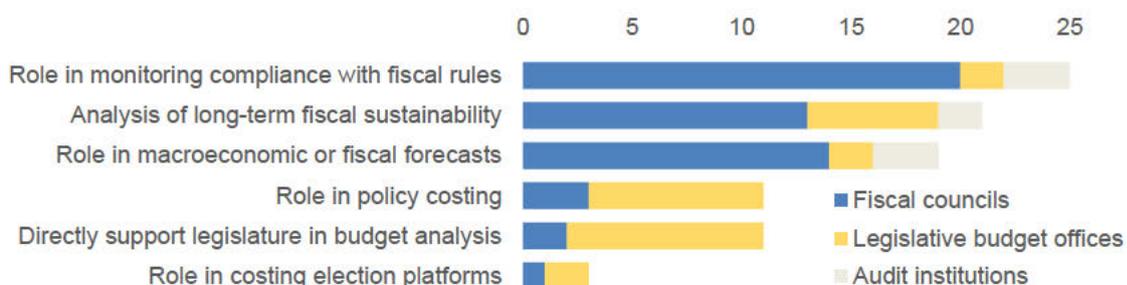
Australian (Commonwealth) PBO	The Australian PBO publishes four annual visual summaries of budget information. The chart packs provide a visual overview of key drivers of the change in the budget estimates between budget updates: <a href="#">Chart packs and other budget analysis</a> .
Irish PBO	Researchers in the Irish PBO provide a wide range of interactive data visualisations to help policymakers quickly come to terms with budget information: <a href="#">Data visualisation and analysis</a> .

**Question 2. Please provide examples of other mandate roles beyond costing from across the OECD network**

Typical tasks carried out by IFIs include creating or endorsing economic and fiscal forecasts, analysing long-term fiscal sustainability, monitoring compliance with fiscal rules or official targets, and directly supporting legislatures in scrutinising the budget, among others (Figure 3.1).

Some IFIs have included unique aspects in their mandates to suit local needs. For example, Spain’s Independent Authority for Fiscal Responsibility (AIReF) has a prominent subnational mandate, reflecting Spain’s decentralised system. The Scottish Fiscal Commission is responsible for assessing the reasonableness of Scottish Ministers’ borrowing projections, as borrowing is only permitted according to strictly monitored criteria under the fiscal arrangements of the UK. For Victoria, stakeholders reported during the external review that fiscal risks receive little attention and the government budgets primarily from a short-term perspective. Decision makers may benefit from the PBO having a mandated role to provide long-term fiscal sustainability analysis.

**Figure 3.1. Core functions by institutional model (number of IFIs)**



Note: A total of 38 IFIs are represented in the data set.  
Source: OECD IFI Database (2019).

The following table from OECD's review of the Victorian PBO shows its limited mandate compared to other PBOs in the OECD network.

PBO	Functions								
	Briefing on economy and public finance	Analysis of executives budget proposal	Support parliament committees	LT fiscal sustainability analysis	Role in macro-economic or fiscal forecasts	Cost estimates (policies, legislation) <sup>1</sup>	Individual member budget inquiries	Monitoring compliance w/ fiscal rules	Costing election platforms
AUSTRALIA	●	●	●	●	○	●	●	○	●
AUSTRIA	●	●	●	○	○	○	●	○	○
CANADA	●	●	●	●	□	●	○	○	●
GREECE	●	●	●	●	■	○	○	●	○
ITALY	●	●	●	●	■	○	○	●	○
KOREA	●	●	●	●	□	●	●	○	○
MEXICO	●	●	●	○	□	●	●	○	○
UNITED STATES	●	●	●	●	□	●	●	○	○
VICTORIA	○	○	○	○	○	●	●	○	●
TOTAL	8	8	8	6	6	6	6	2	2
% of PBOs	89%	89%	89%	67%	67%	67%	67%	22%	22%

Notes: 1. The Austrian PBO, the Greek PBO and the Italian PBO undertake impact assessment of new legislation.

Key: ● = Yes, ○ = No, ◐ = Other, ■ = Assess forecasts only, □ = Prepare alternative forecasts

Source: OECD 2019

### Question 3: Please provide examples of access to information clauses from IFI legislation in the OECD network that contain grievance mechanisms

Timely access to relevant and reliable information is critical for the work of IFIs. Access to confidential government information is often what sets IFIs apart from think tanks and private sector institutions that may also provide independent budgetary analysis and forecasts. The OECD and PBO Network have developed a useful resource on access to information practices, submitted to PAEC alongside this document.<sup>3</sup> Most IFIs rely on legislated access to information, memorandums of understanding with departments, and well-established informal working relationships with departments to obtain the data that they need. However, there are occasions where it is useful to have a mechanism in place for the IFI to seek a remedy if a department does not comply with its request for information. The following table highlights some examples of legislation for IFIs that provide clear grievance mechanisms in the event of non-compliance.

#### Legislated grievance mechanisms in OECD IFIs

Brazilian Independent Fiscal Institution	The IFI can submit the request for information to the Steering Committee of the Senate, which then submits the request on behalf of the IFI according to <a href="#">Resolution N°42 § 10</a> . "The Independent Fiscal Institution may forward, through the Bureau of the Federal Senate, written requests for information to Ministers of State and to any holders of bodies directly subordinate to the Presidency of the Republic, implying in a crime of responsibility the refusal, non-compliance within thirty (30) days or the provision of false information."
Canadian PBO	<a href="#">Section 79.42 of the Parliament of Canada Act</a> states that if the Parliamentary Budget Officer is of the opinion that he or she has not been provided with free or timely access to information, he or

<sup>3</sup> See *Briefing Note: Access to information for Independent Fiscal Institutions* (OECD, 2020<sub>[2]</sub>).

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	she may so notify the Speaker of the Senate and the Speaker of the House of Commons or any appropriate committee of the Senate, of the House of Commons or of both Houses of Parliament.
Financial Accountability Office of Ontario, Canada	<a href="#">Section 12 of the Financial Accountability Officer Act, 2013</a> states that “The Financial Accountability Officer may notify the Speaker of the Assembly and the chair of the Standing Committee on Finance and Economic Affairs if the Financial Accountability Officer is of the opinion that a ministry or a public entity has failed to comply with a request under subsection.”
Portuguese Public Finance Council	The <a href="#">Statutes of the Portuguese Public Finance Council</a> state that, should any public entity not fulfil the duty of providing the information in good time, this shall be stated on the Council’s webpage, and in serious cases the Council shall notify the President of the Republic, the Assembly of the Republic, the Tribunal de Contas and the Banco de Portugal.
Spain AIReF	<a href="#">Organic Law 6/2013</a> states that in the event of non-compliance “It is the duty of the President of the Independent Authority for Fiscal Responsibility to appraise if the case at hand is a gross or repeated non-fulfilment and, if so, he/she shall raise it to the attention of the National Government and the Spanish Parliament.”

## Further assistance

The OECD secretariat and the PBO Network is available to support institutional development and would be happy to answer and further questions of the PAEC as the inquiry continues.

More resources are available at: <https://www.oecd.org/gov/budgeting/parliamentary-budget-officials/>.

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# References

- OECD (2020), *Briefing Note: Access to information for Independent Fiscal Institutions (IFIs)*, [3]  
<http://www.oecd.org/gov/budgeting/OECD-PBO-Network-Briefing-Note-Access-to-information-for-IFIs.pdf>.
- OECD (2019), *OECD Review of the Victorian Parliamentary Budget Office*, [2]  
<https://www.oecd.org/gov/budgeting/oecd-ifi-review-victorian-parliamentary-budget-office-australia.pdf>.
- OECD (2014), *Recommendation of the Council on Principles for Independent Fiscal Institutions*, [1]  
<https://www.oecd.org/gov/budgeting/OECD-Recommendation-on-Principles-for-Independent-Fiscal-Institutions.pdf>.

## Annex A. OECD Principles for Independent Fiscal Institutions

The twenty-two Principles for Independent Fiscal Institutions (fiscal councils and independent parliamentary budget offices) proposed below are grouped under nine broad headings: (1) local ownership; (2) independence and non-partisanship; (3) mandate; (4) resources; (5) relationship with the legislature; (6) access to information; (7) transparency; (8) communication; and (9) external evaluation.

### **1. Local ownership**

1.1. To be effective and enduring, an IFI requires broad national ownership, commitment, and consensus across the political spectrum. While a country seeking to establish an IFI will benefit from the study of existing models and experiences in other countries, models from abroad should not be artificially copied or imposed. Regional or international authorities may provide valuable support and protection.

1.2. Local needs and the local institutional environment should determine options for the role and structure of the IFI. Design choices may also have to take into account capacity constraints, particularly in smaller countries. The basic characteristics of an IFI, including specific protections, should be informed by the country's legal framework, political system, and culture. Its functions should be determined by the country's fiscal framework and specific issues that need to be addressed.

### **2. Independence and non-partisanship**

2.1. Non-partisanship and independence are pre-requisites for a successful IFI. A truly non-partisan body does not present its analysis from a political perspective; it always strives to demonstrate objectivity and professional excellence, while serving all parties. This approach favours having IFIs precluded 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 – including professional standing and relevant government or academic experience. Qualifications should include proven competence in economics and public finances and familiarity with the budget process.

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2.3. Term lengths and the number of terms that the leadership of the IFI may serve should be clearly specified in legislation as should be the criteria and process for dismissal for cause. The leadership's term should optimally be independent of the electoral cycle. Independence may be enhanced by defining the term span beyond the electoral cycle.

2.4. The position of head of the IFI should be a remunerated and preferably full-time position. Strict conflict-of-interest standards, particularly for institutions with council members employed on a part-time basis, should be applied equally vis-à-vis other employment in the public or private sector.

2.5. The leadership of the IFI should have full freedom to hire and dismiss staff in accordance with applicable labour laws.

2.6. Staff should be selected through open competition based on merit and technical competence and without reference to political affiliation. Conditions of employment should be along the lines of that of the civil (or parliamentary) service.

### **3. Mandate**

3.1. The mandate of IFIs should be clearly defined in higher-level legislation, including the general types of reports and analysis they are to produce, who may request reports and analysis, and, if appropriate, associated timelines for their release.

3.2. IFIs should have the scope to produce reports and analysis at their own initiative, provided that these are consistent with their mandate. Similarly, they should have the autonomy to determine their own work programme within the bounds of their mandate.

3.3. Clear links to the budget process should be established within the mandate. Typical tasks carried out by IFIs might include (but are not limited to): economic and fiscal projections (with a short- to medium-term horizon, or long-term scenarios); baseline projections (assuming unchanged policies); analysis of the executive's budget proposals; monitoring compliance with fiscal rules or official targets; costing of major legislative proposals; and analytical studies on selected issues.

### **4. Resources**

4.1. The resources allocated to IFIs must be commensurate with their mandate in order for them to fulfil it in a credible manner. This includes the resources for remuneration of all staff and, where applicable, council members. The appropriations for IFIs should be published and treated in the same manner as the budgets of other independent bodies, such as audit offices, to ensure their independence. Multiannual funding commitments may further enhance IFIs independence and provide additional protection from political pressure.

### **5. Relationship with the legislature**

5.1. Legislatures perform critical accountability functions in country budget processes and the budgetary calendar should allow sufficient time for the IFI to carry out analysis necessary for parliamentary work. Regardless of whether an independent fiscal institution is under the statutory authority of the legislative or the executive branch, mechanisms should be put in place to encourage appropriate accountability to the legislature. These may include (but are not limited to): (1) submission of IFI reports to Parliament in time to contribute to relevant legislative debate; (2) appearance of IFI leadership or senior staff before the budget committee (or equivalent) to provide responses to parliamentary questions; (3) parliamentary scrutiny of the IFI budget; and (4) a role for Parliament's budget committee (or equivalent) in IFI leadership appointments and dismissals.

5.2. The role of the IFI vis-à-vis Parliament's budget committee (or equivalent), other committees, and individual members in terms of requests for analysis should be clearly established in legislation. Preferably,

the IFI should consider requests from committees and sub-committees rather than individual members or political parties. This is particularly relevant for those IFIs established under the jurisdiction of the legislature.

## **6. Access to information**

6.1. There is often asymmetry of information between the government and the IFI – no matter how well an IFI is resourced. This creates a special duty to guarantee in legislation – and, if necessary, to reaffirm through protocols or memoranda of understanding – that the IFI has full access to all relevant information in a timely manner, including methodology and assumptions underlying the budget and other fiscal proposals. Information should be provided at no cost or, if appropriate, sufficient resources should be provided in the IFI budget to cover analysis obtained through government actuarial services.

6.2. Any restrictions on access to government information should also be clearly defined in legislation. Appropriate safeguards may be put in place as regards protection of privacy (for example, taxpayer confidentiality) and of sensitive information in the areas of national defence and security.

## **7. Transparency**

7.1. Given that promoting transparency in public finances is a key goal of IFIs, they have a special duty to act as transparently as possible. Full transparency in their work and operations provides the greatest protection of IFI independence and allows them to build credibility with the public.

7.2. IFI reports and analysis (including a full account of the underlying data and methodology) should be published and made freely available to all. As noted in 5.1, all IFI reports and analysis should be sent to Parliament in time for legislative debate and the leadership of the IFI should be given the opportunity to testify before parliamentary committees.

7.3. 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.

7.4. IFIs should release their reports and analysis, on matters relating to their core on-going mandate on economic and fiscal issues, in their own name.

## **8. Communications**

8.1. IFIs should develop effective communication channels from the outset, especially with the media, civil society, and other stakeholders. Given that the influence of IFIs in fiscal policy making is persuasive (rather than coercive by means of legal sanctions or other punitive measures), media coverage of their work assists in fostering informed constituencies that may then exercise timely pressure on the government to behave transparently and responsibly in fiscal matters.

## **9. External evaluation**

9.1. IFIs should develop a mechanism for external evaluation of their work – to be conducted 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.