

The Parliamentary Budget Office: Supporting Australian Democracy*

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The establishment of the Parliamentary Budget Office (PBO) arguably represents the most significant institutional initiative to enhance the Commonwealth's fiscal responsibility framework since the passage of the landmark *Charter of Budget Honesty Act 1998*.

For our democratic processes to work effectively, it is essential that our parliamentarians, whether in government or not, are well informed about the policy choices they are required to make. Similarly, a well-informed public is a prerequisite for a well-functioning democracy.

The PBO contributes to this process by providing the parliament and the general public with information about the budget and fiscal policy settings; crucial information for making sound policy choices.

Establishment

The PBO is one of a growing number of independent fiscal institutions that are being established around the world.

Approximately 30 member countries of the Organisation for Economic Co-operation and Development (OECD) have established such institutions.¹ Most have been established since the 2008 global financial crisis.

A few have existed for many years, such as the Congressional Budget Office in the United States which has been operating since 1975 and is a good role model for newer institutions, including our own.

The resource bases and mandates of these institutions differ depending on the political systems in which they operate, but they all share a common goal of enhancing fiscal discipline and promoting greater budget transparency and accountability.

* This paper was presented as a lecture in the Senate Occasional Lecture Series at Parliament House, Canberra, on 25 September 2015.

¹ International Monetary Fund, 'The functions and impact of fiscal councils', *IMF Policy Paper*, 16 July 2013, IMF, p. 11, www.imf.org/external/np/pp/eng/2013/071613.pdf.

The concept of an Australian PBO dates back several years. In his budget-in-reply speech in May 2009, the then leader of the coalition said that ‘honesty in fiscal policy would be served by the creation of an Australian version of America’s Congressional Budget Office’.²

Subsequently, a commitment to establish a PBO formed part of an agreement negotiated between political parties and independent members of parliament after the 2010 federal election.³

A joint select parliamentary committee was set up to inquire into the proposed establishment of a PBO. Reporting in March 2011, the committee unanimously supported the PBO’s establishment.⁴

The legislation establishing the PBO as an independent and non-partisan parliamentary department received royal assent in December 2011.⁵ My appointment as the inaugural Parliamentary Budget Officer, for a term of four years from 23 July 2012, was announced on 30 May 2012.

Mandate

The *Parliamentary Service Act 1999*, states that:

The purpose of the Parliamentary Budget Office is to inform the Parliament by providing ... independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals.

When introducing the legislation establishing the PBO, the then Treasurer said that the PBO would:

... enhance the credibility and transparency of Australia’s already strong fiscal and budget frameworks ... promote greater understanding in the community about the budget and fiscal policy [and] ensure that the Australian public can be better informed about the budget impacts of policies proposed by members of the parliament.⁶

² *House of Representatives Hansard*, 14 May 2009, p. 3975 (The Hon. Mr Malcolm Turnbull).

³ ‘Agreement for a better parliament: parliamentary reform’ in House of Representatives Standing Committee on Procedure, *Monitoring and Review of Procedural Changes Implemented in the 43rd Parliament: 4th Report*, 20 October 2012, appendix B.

⁴ Joint Select Committee on the Parliamentary Budget Office, *Inquiry into the Proposed Parliamentary Budget Office*, March 2011, www.aph.gov.au/Parliamentary_Business/Committees/House_of_Representatives_Committees?url=jscpbo/report.htm.

⁵ *Parliamentary Service Amendment (Parliamentary Budget Officer) Act 2011* (Cwlth).

⁶ *House of Representatives Hansard*, 24 August 2011, p. 9141 (The Hon. Mr Wayne Swan).

These aspirations translate into two broad objectives for the PBO: first, to help level the playing field for all parliamentarians in their access to policy costings and budget analyses; and second, to enhance the transparency and public understanding of the budget and fiscal policy settings.

The PBO seeks to help level the political playing field by preparing policy costings and budget analyses for any parliamentarian who requests such work be undertaken.

Policy costings may be prepared on a confidential basis in response to requests made outside of the caretaker period for a general election. Responses to policy costings requested during the caretaker period must be made public.

Budget analyses that do not include policy costings may be prepared on a confidential basis at any time.

The PBO is required to publish any policy costings or budget analyses that have not been prepared on a confidential basis.

Transparency and public understanding of the budget and fiscal policy settings are promoted by the PBO through its self-initiated program of published research. The PBO is also able to make submissions to parliamentary committees. Such submissions must be made public.

In its work, the PBO is required to use the most recent official budget estimates as a baseline, along with the underlying economic forecasts and parameters.

Within 30 days after the end of the caretaker period for a general election, the PBO is required to prepare a report on the budgetary implications of the election commitments of the major parliamentary parties.

The then Treasurer, when introducing the amending legislation⁷ for this reporting requirement, said ‘The bill will impose discipline on the promises of political parties and incentivise all political parties to be up-front and honest about the cost of their promises’.⁸

⁷ *Parliamentary Service Amendment (Parliamentary Budget Officer) Act 2013* (Cwlth).

⁸ *House of Representatives Hansard*, 14 March 2013, p. 2093 (The Hon. Mr Wayne Swan).

Independence

The Parliamentary Budget Officer is an independent statutory officer of the Australian Parliament and is not subject to direction in the performance of his/her functions.

The independence and non-partisanship of the PBO are essential characteristics that give parliamentarians the necessary confidence to interact with the PBO, often on a highly confidential basis, as they formulate their policy proposals.

These characteristics also enable the PBO to publish analyses of the budget and fiscal policy settings unconstrained by external influences.

To preserve its non-partisan status, the PBO does not provide policy advice, nor does it make policy recommendations.

Accountability

With independence, the requirement for accountability becomes more important than ever.

The Parliamentary Budget Officer is accountable to the presiding officers of the Parliament (the President of the Senate and the Speaker of the House of Representatives) for the management of the PBO, and to the parliament for the performance of his/her functions.

The PBO has a special relationship with the Joint Committee of Public Accounts and Audit (JCPAA). The PBO must consult with the JCPAA in the preparation of its annual work plan.

The JCPAA also considers the PBO's annual budget estimates and other aspects of the PBO's operations. After each general election the JCPAA may call for an independent review of the PBO's operations.

After the 2013 general election the Auditor-General conducted a performance audit of the administration of the PBO.⁹ This report was tabled in June 2014 and was accepted by the JCPAA as an independent review of the PBO for the purposes of the committee.

⁹ Australian National Audit Office, *Performance Audit Report No. 36, 2013–14: The Administration of the Parliamentary Budget Office*, ANAO, Canberra, 2014, www.anao.gov.au/Publications/Audit-Reports/2013-2014/The-Administration-of-the-Parliamentary-Budget-Office.

Subsequently, as is common practice, the JCPAA conducted its own review of the PBO's operations based on the Auditor-General's performance audit. The JCPAA reported to the parliament in November 2014 making a number of recommendations to support the PBO's operations.¹⁰

The government responded to the JCPAA in June 2015 noting and/or supporting the committee's recommendations, with the exception of the recommendation that the PBO should have access to the details of the contingency reserve in the budget.¹¹ The PBO's costings remain subject to the caveat that the PBO does not have access to the details of the contingency reserve.¹²

Access to information and confidentiality

Access to information, including financial models, in a timely fashion is vital for the PBO to be able to prepare high quality responses to requests from parliamentarians within reasonable timeframes and to undertake research and analysis of the budget and fiscal policy settings.

The PBO does not have a statutory power to demand information but is able to enter into cooperative arrangements with Commonwealth agencies for access to information.

To this end, very soon after the PBO commenced operations, I signed a memorandum of understanding (MoU) with the heads of Commonwealth departments and major agencies for the provision of information to the PBO.¹³ The MoU has a pro-disclosure bias and ensures that the PBO has access, at a minimum, to the same level of information that would be available under the *Freedom of Information Act 1982*.

We have since also put in place arrangements with some departments for the regular provision of information to the PBO after each economic and fiscal update with a view to reducing the administrative burden for departments and the PBO.

¹⁰ Joint Committee of Public Accounts and Audit, *Report No. 446: Review of the Operations of the Parliamentary Budget Office*, November 2014, www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/PBO/Report_446.

¹¹ Australian Government response to JCPAA *Report No. 446: Review of the Operations of the Parliamentary Budget Office*, June 2015, www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/PBO/Government_Response.

¹² Parliamentary Budget Office, *Possible Impact of Contingency Reserve on PBO Costings*, PBO Guidance 05/2013, PBO, Canberra, 2013, www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/guidance.

¹³ Parliamentary Budget Office, *Memorandum of Understanding between the Parliamentary Budget Officer and the Heads of Commonwealth Bodies in Relation to the Provision of Information and Documents*, PBO, Canberra, 24 September 2012, www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/arrangements.

In addition, the *Taxation Administration Act 1953* was amended to give the PBO the same access as the Treasury to confidential de-identified taxpayer unit record data to use in the costing of taxation proposals.

Our ability to engage with parliamentarians on a confidential basis is central to the effectiveness of our role in providing them with confidential policy costings and budget analyses for use at their discretion.

Confidentiality of dealings with the PBO is protected by the PBO's exemption from the provisions of the Freedom of Information Act. All documents relating to PBO requests that are in the hands of other Commonwealth agencies are also exempt from public disclosure.

In addition, government protocols are in place requiring ministers not to ask about, and Commonwealth agency heads not to disclose, details of their specific dealings with the PBO.¹⁴

Our experience to date is that the cooperative arrangements with agencies are working well and in general we are receiving the information that we need to undertake our work.

Resourcing

The PBO is a small vibrant office of around 40 staff. Every staff member who joins the PBO brings a professional skill. Our analysts have strong quantitative skills and are highly experienced in economic, financial and fiscal policy analysis.

Staff are deployed on a flexible basis as operational needs dictate. Nominally, approximately two thirds of the PBO's staff are allocated to the preparation of policy costings and budget analyses, a quarter are responsible for our published research program, and a small core manage our corporate service delivery and compliance functions.

The PBO has an annual budget of approximately \$7 million with additional funding provided every third year to help meet the demands associated with a general election. The PBO also has access to a special appropriation with a current balance of \$5.3 million.

¹⁴ *Australian Government Protocols Governing the Engagement between Commonwealth Bodies and the Parliamentary Budget Officer*, released 15 January 2014, Canberra, <http://treasury.gov.au/PublicationsAndMedia/Publications/2013/PBO>.

Commencement of operations

Monday 23 July 2012 will be forever etched on my memory. Returning to Australia the previous Friday from having worked overseas for more than five years, I found myself in Parliament House with one temporary staff member, occupying a borrowed senator's suite, with the task of establishing a new parliamentary department.

The immediate challenge was to build sufficient capability to respond effectively to requests from parliamentarians as quickly as possible. Some six weeks later, in early September 2012, with only a basic capability in place and around a dozen temporary staff, we opened our doors for business.

Parliamentarians immediately took up the opportunity to submit requests for policy costings and budget analyses. By the end of the first year of operations (2012–13) we had responded to more than 660 requests.

Clearly, there was a pent-up demand for the PBO's services, in particular from non-government parliamentarians. The level of demand was heightened by the impending 2013 general election.

The 2013 general election

We faced a consistently high demand for policy costings and budget analyses in the lead-up to the 2013 general election. In the 10-week period from the beginning of July 2013 to polling day on 7 September 2013 we responded to more than 1,100 requests with no fully specified requests remaining incomplete.

The greater majority of the policy costings completed in the lead-up to the election were prepared on a confidential basis. This was because most requests were submitted as confidential requests prior to the caretaker period, including in the short window of opportunity between the release of the then government's economic statement¹⁵ and the start of the caretaker period.

Very few publicly released policies were submitted to the PBO for costing and public release during the caretaker period.

¹⁵ Commonwealth of Australia, *Economic Statement*, Canberra, August 2013, www.budget.gov.au/2013-14/content/economic_statement/html/index.htm.

We published the 2013 post-election report of election commitments on 18 October 2013.¹⁶ It included an assessment of the budgetary impacts of the election commitments made by each of the main parliamentary parties: the Australian Labor Party; the coalition; and the Australian Greens.

The report confirmed that the budget impacts of the election commitments made by each party were generally consistent with the costs of the policies made public by the parties prior to the election. This was hardly surprising since the greater majority of these policies had already been costed by the PBO prior to polling day.

Policy costings and budget analyses

The demand from parliamentarians for policy costings and budget analyses has continued unabated. Over the course of our first three years of operations we received almost 3,200 requests for policy costings and budget analyses and provided more than 3,000 responses.

Already in the first quarter of 2015–16 we have responded to more than 300 requests, and there is little doubt that this level of demand will be maintained in the run up to the next election.

The costings we prepare cover a wide range of policy proposals. Various taxation and social transfer payment programs feature prominently because of their substantial budget impacts.

A PBO costing is not simply a set of figures. Each costing document also spells out the key specifications of the policy proposal, our assumptions (including assumed behavioural responses to the policy proposal), the data sources used, the methodology employed and the costing's reliability rating.

All costings cover the budget and three forward estimates years. Many include 10-year projections, either at the request of parliamentarians, or where the budget impact of a policy proposal differs markedly beyond the forward estimates period.

Increasingly, we are also being requested to include the distributional impacts of policy proposals on different socio-economic groups.

¹⁶ Parliamentary Budget Office, *Post-election Report of Election Commitments: 2013 General Election*, PBO, Canberra, 2013, www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/2013_Election.

Prior to the establishment of the PBO, parliamentary parties with fewer than five members and independent parliamentarians had no access to publicly funded policy costing and budget analysis services. Non-government parties with five or more members could submit policies for costing by the Treasury or the Department of Finance under the then provisions of the Charter of Budget Honesty.

The charter required that only publicly announced policies could be costed, and then only during the caretaker period, with the costings to be made public by either the Treasury or the Department of Finance, depending on which department had prepared the costings.

In practice, this meant that non-government parties could have access to publicly funded policy costing services for only approximately four to six weeks in the total electoral cycle of three years. They had no access to these services on a confidential basis as they developed their policy platforms.

Since the establishment of the PBO, all parliamentarians have had access to publicly funded policy costing and budget analysis services over the entire course of the three-year electoral cycle.

This means that now, outside of the caretaker period, parliamentarians can deal confidentially with the PBO and use the process in an interactive and measured fashion to help develop more robust policies that have been properly costed before they are publicly announced.

Parliamentary parties and independent parliamentarians are no longer bound to run the gauntlet of the Charter of Budget Honesty costing process with publicly announced policies that have not been professionally costed in advance of their public release.

In the past there have been examples of policies that have been publicly announced with costings that, when reviewed by the Treasury and/or the Department of Finance under the charter costing arrangements, were found to be materially inaccurate.

Such discrepancies in costings could have a very detrimental effect on the credibility of the policies involved and, in extreme cases, could even damage the election prospects of the political parties concerned.

With the PBO now in place, and its services being extensively used by parliamentarians, it is much less likely that such undesirable situations will arise in the future.

We are able to work in a relatively informal and interactive manner with parliamentarians.

For instance, we encourage parliamentarians to have informal discussions with us before formally submitting their requests. This helps to ensure that the requests are adequately explained and the necessary supporting material is provided to enable us to undertake our work in a timely fashion.

We also engage with parliamentarians during the preparation of our responses. We may initiate discussions to clarify issues or to seek additional information. Parliamentarians too may wish to contact us if they become aware of any additional information that could have a material bearing on the work that they have requested us to undertake.

This level of informal interactive engagement with parliamentarians on policy costings and budget analyses was not possible in the past. This is a positive development stemming from the establishment of the PBO that has considerable potential to enhance policy development.

Published research

The Australian Government's budget documents are very extensive and contain a large amount of information. However, for the uninitiated reader and, I might say, at times even for readers familiar with the documents, finding and extracting information can be difficult.

The PBO has a role to play in making budget information more accessible and understandable for parliamentarians and the public at large.

In undertaking this public education role, it is important that we ensure that our publications are relevant and timely, and add value through expert independent analysis that helps to inform public discussion on current fiscal policy issues.

They must also be written in plain English, avoiding the use of obscure technical language and jargon, to make them meaningful to as wide an audience as possible.

The PBO's program of published research has a particular focus on the sustainability of the budget over the medium term.

Consistent with this focus, our first report, prepared after the 2013–14 Budget, examined the structural position of the Australian Government’s budget;¹⁷ that is the position of the budget after allowing for cyclical and one-off factors.

We chose this topic because the underlying structure of the budget had been the subject of considerable public debate at the time, and a structural budget balance analysis had not been included in the budget papers since the 2009–10 Budget.

Our report showed that the budget had been in structural deficit for some years and, on the basis of projections as at the 2013–14 Budget, was likely to remain so over the forward estimates period. We indicated that there would be value in this analysis being undertaken on a regular basis to enable the structural budget balance to be monitored over time.

Subsequently, the secretaries of the Treasury and the Department of Finance included an analysis of the structural budget balance in their 2013 *Pre-election Economic and Fiscal Outlook* report.¹⁸ Structural budget balance analyses have since been included in all budget reports, commencing with the 2013–14 *Mid-year Economic and Fiscal Outlook* report.¹⁹

Our other research reports to date have examined the following: historical trends in budget receipts and payments at the Commonwealth and national levels; the sensitivity of the budget to economic shocks; and medium-term (10-year) projections of budget receipts and payments.

Our latest medium-term projections report, prepared after the 2015–16 Budget, provided detailed projections of budget receipts and payments out to 2025–26 based on no change in the government’s policy settings over the 10-year projection period.²⁰

The annual budget papers include detailed four-year estimates of receipts, payments and the balance sheet position. They also include 10-year projections of the

¹⁷ Parliamentary Budget Office, *Report No. 01/2013: Estimates of the Structural Budget Balance of the Australian Government: 2001–02 to 2016–17*, PBO, Canberra, 2013, www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/research_reports/Estimates_of_the_structural_budget_balance_of_the_Australian_Government_2001-02_to_2016-17.

¹⁸ Commonwealth Treasury & Department of Finance and Deregulation, *Pre-election Economic and Fiscal Outlook 2013*, The Treasury, Canberra, 2013, www.treasury.gov.au/PublicationsAndMedia/Publications/2013/PEFO-2013.

¹⁹ Commonwealth of Australia, *Mid-year Economic and Fiscal Outlook 2013–14*, Canberra, 2013, <http://budget.gov.au/2013-14/content/myefo/html/>.

²⁰ Parliamentary Budget Office, *Report No. 02/2015: 2015–16 Budget—Medium-term Projections*, PBO, Canberra, 2015, www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/research_reports/2015-16_Budget_-_medium-term_projections.

underlying cash balance and net debt; but provide no details of the underpinning projections of receipts and payments.

Every five years, the *Intergenerational Report* provides a snapshot of how projected changes in factors such as Australia's population size and age profile may impact economic growth, workforce participation and the sustainability of public finances over the ensuing 40 years.

The PBO, by publishing detailed 10-year projections of receipts and payments, seeks to help fill the information gap between the government's detailed annual four-year forward estimates and its five yearly 40-year fiscal projections.

If prepared on a regular basis, detailed 10-year projections could help to throw more light on the major drivers of the budget, identify significant divergent budgetary trends over the medium term, and facilitate early consideration of any necessary fiscal policy adjustments.

The forecast improvement in the underlying cash balance over the 2015–16 Budget forward estimates largely reflects a projected increase in receipts contingent on an early and sustained return to above-trend economic growth.

The PBO's latest medium-term projections report highlights some of the risks to the budget. The 2015–16 Budget projections assume that labour productivity will achieve its long-term average growth rate over the projection period and the terms of trade will stabilise well above its long-run historical level. Both of these assumptions are subject to risk.

The budget projections also show a steady deterioration in the underlying cash balance after 2021–22, reflecting a small but sustained increase in payments over the last four years of the projection period. This projected deterioration points to an underlying structural imbalance in the budget over the medium term.

The PBO will continue to prepare detailed 10-year budget projections after each annual budget. We will also test the sensitivity of these projections to economic shocks to help identify the key risks to the government's budget position over the medium term.

Is the PBO achieving its objectives?

In addressing this question I will draw on stakeholder sentiment, as expressed through the continuing demand for the PBO's services, the findings of the Auditor-General's

June 2014 performance audit of the PBO, comments from the Chair of the JCPAA, and the results of the PBO's 2015 stakeholder survey.

As I have already mentioned, the PBO has experienced a strong and sustained demand from parliamentarians for its policy costing and budget analysis services. This reflects a large amount of repeat business and is an indicator of the continuing reliance parliamentarians are placing on the PBO as they develop their policies.

In his performance audit, the Auditor-General found that 'The PBO has made a significant contribution to levelling the playing field for all parliamentarians' and that 'Overall, the work of the PBO has contributed to greater transparency about the fiscal and budgetary framework, and has the potential to further increase this transparency over time'.²¹

He also concluded that 'the PBO has effectively undertaken its statutory role and is already well regarded as an authoritative, trusted and independent source of budgetary and fiscal policy analysis'.²²

The Chair of the JCPAA, in the committee's November 2014 report, commented that the PBO 'quickly gained the confidence of parliamentarians as an independent non-partisan source of expertise on the budget cycle, fiscal policy and policy costings'.²³

He also stated that 'The PBO is an important addition to our democratic arrangements and has already made a significant contribution to transparency and accountability in the country's finances'.²⁴

Towards the end of 2014–15 we commissioned an independent research firm to conduct a survey of the PBO's key stakeholders, including parliamentarians and their staff, independent analysts and media representatives.

A large majority of respondents to this survey indicated that they were satisfied with the work of the PBO and agreed that the PBO is non-partisan, independent, operates with integrity, improves the transparency of budget and fiscal policy settings, and helps to level the playing field for all parliamentarians. There was a strong level of satisfaction with the quality of the PBO's policy costings, budget analyses and research publications.

²¹ Australian National Audit Office, *Performance Audit Report No. 36, 2013–14: The Administration of the Parliamentary Budget Office*, ANAO, Canberra, 2014, pp. 101, 117.

²² *ibid.*, p. 18.

²³ Joint Committee of Public Accounts and Audit, *Report No. 446*, *op. cit.*, p. vii.

²⁴ *ibid.*, p. viii.

Stakeholder satisfaction with the PBO's service delivery arrangements was also high. In particular, the professionalism, accessibility and helpfulness of staff were rated highly, as was the consistency of the information provided by the PBO.

Stakeholders would, however, like to see an improvement in the timeliness of the PBO's responses. This will require us to continue to build our data and model repositories, further invest in staff training, and ensure the PBO is adequately resourced to cope with the sustained high demand for its services.

Overall, the evidence suggests that the PBO is achieving its objectives of helping to level the playing field for all parliamentarians and enhancing the transparency and public understanding of the budget and fiscal policy settings.

It also suggests that the PBO has been accepted as a credible, trusted, independent and non-partisan institution of the parliament, and an important element of the Australian democratic process.

That said, we must not become complacent, but continue to strive to improve the services that we provide to parliamentarians, and strengthen our public education role.

Concluding remarks

By and large the work of the PBO is forward looking. The PBO does not have an audit role and the sometimes awarded label, 'fiscal watchdog', does not sit easily on the PBO's shoulders.

The PBO is a facilitator of policy development across the political spectrum, and an educator of parliamentarians and the general public about fiscal policy issues.

The PBO deals in facts and objective analysis. The PBO has a role in identifying issues that, at times, may be uncomfortable for governments or oppositions. But, the PBO must at all times remain non-partisan, and it must not take sides in policy debates.



Question — You have spoken about the strong and sustained demand, and you have given us some very impressive figures about that. I wonder whether you could tell us a little bit more about where that demand is coming from? To what extent does it

come, for example, from shadow ministers? To what extent does it come from backbenchers? To what extent does it come from non-government members? To what extent is it also used by government members of the parliament? In other words, can you give us a flavour of what kind of people are in fact using your service?

Phil Bowen — Yes, I can, without going into all of the detail and certainly not divulging confidences. The biggest demand, as I think you wouldn't be surprised to hear, comes from non-government parties, so heavy use by the opposition and by the Greens. There is demand also from cross-bench members, independents and some backbench government members. I don't think I have left anybody out; I don't think there is anybody else to include. Obviously we are a resource which is used very intensively by oppositions. This was the case in the lead-up to the last election when the coalition in opposition had almost all of their policies costed by the PBO. While not yet disclosed, I would be surprised if that was not the case this time with the current opposition. That is certainly the way it has been working and how it is shaping up.

Question — Mr Bowen, I wanted to put to you a little hypothetical situation of someone appearing on your doorstep wanting to have capital expenditure and not having thought about operating costs, for instance computers in secondary schools or something of that nature. What is the office able to do to nudge people closer to reality? In such a circumstance, where the data about operating costs lie more with the states than with Commonwealth agencies, what are you able to do to maximise the credibility of any estimates?

Phil Bowen — First I should say, just to make it clear, that the costings that we do are costings of policies that would impact the Commonwealth budget, not state budgets. That is the first thing, just to be clear. But of course we are happy to draw data from wherever we can find it to get the best data to help us do our costings. What we do when we get a proposal is make sure, first of all, that it is fully and comprehensively specified by the parliamentarian giving us the proposal. At times we will go back and ask the parliamentarian whether they have thought about even simple things—like when the policy would start from, which groups it would apply to, which it would not, eligibility issues, and things of this nature—so that we have got a complete set of specifications that we can cost. Then we have to make our own assumptions and find our own data to actually undertake the costing. If we were asked to cost a proposal—I think you talked about installing computers somewhere—we would not simply look at the capital cost. It is obvious they will be used over a period of time and we would do a lifecycle costing as it impacts the budget at least over the forward estimates.

Question — I am a former consultant at the World Bank, specifically focusing on PBOs, so I am as passionate about your institution as you are. My question is two part. It is about the longer term prospects of the PBO. You said explicitly that the PBO does not do policy recommendations so it does not have that advisory role. Do you think that in Australia it could provide greater value to the public and to the budget process and to democracy if it did have a policy recommendation role in the longer term? Secondly, in the longer term, could the PBO here serve as a mentor of sorts for countries in the region that might consider establishing PBOs going forward? New Zealand and Fiji do not have these institutions, so perhaps your experience can be shared with them.

Phil Bowen — On your first question, my usual answer to a hypothetical question is to say I don't answer hypothetical questions. The model that has been adopted for the Australian PBO is not dissimilar to models of many other like organisations. For example, the Congressional Budget Office in the US, which I have mentioned and you would be familiar with, similarly does not provide policy advice or recommendations and the rationale basically is that to do so runs the risk of the organisation being seen to be supporting a particular political slant and that could make it difficult for the organisation to remain non-partisan and to be seen to be non-partisan. So at this point in time I would not see us moving down that path.

On the mentoring, we already do. I am a member of the OECD's Network of Parliamentary Budget Officials and Independent Fiscal Institutions.

Question — Is that the Global Network of Parliamentary Budget Offices you are referring to?

Phil Bowen — No, that is the World Bank one. We have provided some assistance to the network you just referred to, which comes under the auspices of the World Bank and includes mainly developing countries from memory, although Canada is quite closely associated. I would be happy to talk with you further about that outside. We have provided some assistance in peer reviewing a set of principles that are being developed for that group—I can't quite remember who was developing them now. We are also open to doing more of that to help others now that we are reasonably well established, although still quite young.

Question — Do you have a relationship with the Parliamentary Library?

Phil Bowen — Yes we do. It is not a formal relationship, but some of the best relationships are informal. We recently, I think it was earlier this week in fact, had a seminar presented by senior people from the Parliamentary Library to staff of the

PBO and we do look at ways in which we can cooperate. That said, we have distinct roles, responsibilities and mandates, but we have a very cooperative arrangement.

Rosemary Laing — You might recall that, before the PBO was established, the library did get some extra funding to have a capacity for more economic advice and perhaps costings. Of course, once the PBO was established, I don't think that funding continued. My question is very quick and you can give it a superficial answer. I was really interested in your educative function and what thought you have given to how you measure your impact on the capacity of parliamentarians to use that enhanced fiscal and economic literacy in the performance of their roles, for example, through their questions at estimates committees and such like. Is there any formal monitoring or evaluation of that yet, or is it too early do you think?

Phil Bowen — Well measuring outcomes is difficult at the best of times. At this point we are attempting to measure perhaps the next step down, the outputs that we deliver. We are doing that in a couple of ways. We do monitor the hits we get to our web page and the documents that are reviewed. We also monitor articles in the press that draw on our work, whether it is our published work or policy costings. Thirdly, as I mentioned before, we have conducted our first stakeholder survey and this is really important to get feedback from the people who we work with and who use our products. It is not perfect but it is one of the better indicators that we have got at this time of how well our work is being received and how helpful it is. I am not sure that we would ever get to the point of attempting to attribute a higher quality debate on fiscal policy to the PBO's work. There is always a difficulty in attribution of any such outcome. Of course we would be very happy to see it.