



Submission to the Senate Standing Committee on Finance and Public Administration Inquiry into the Parliamentary Budget Office Bill 2010

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Introduction

The process of budgeting is getting more difficult as countries face emerging issues such as ageing populations, climate change and globalisation – which in turn lead to increasingly complex financial guarantees. As budgeting becomes more complicated, increased accountability and transparency become both more important and challenging to achieve.

Thus, the OECD has recognised a need for a more active role for national legislatures in budgetary matters in order to increase accountability:

executives will rarely improve accountability on their own without some kind of external influence encouraging them to do so. The OECD has also observed the success that some countries have experienced in increasing the legislature's involvement in the budget process as the source of this external influence.¹

Such involvement can include new committees with budgetary oversight, enlarged budget staffs, increased information flow between government and legislators, and increased vigilance by independent or legislative auditors in reviewing the propriety and efficiency of expenditures. However, recent research indicates that the trend is towards specialised independent budget research offices.

A 2007 project conducted by the OECD surveyed 97 countries on their budget practices and procedures. According to this International Budget Practices and Procedures database, 29 countries had a specialised budget research office, and 61 did not. Of the 30 OECD countries included in the study, 11 had specialised budget research offices (36.7 per cent), and 19 did not (63.3 per cent).² The research also found that more than half of all countries surveyed had a larger budgetary role than they had a decade earlier.³

Likewise, the World Bank published research in 2008 which recognised a similar trend, indicating that the 'rate at which legislative budget offices are being established has increased over the past decade'.⁴

In line with this international trend, the prospect of an independent budget research office has also been raised in the Australian context.

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1. B Anderson, 'The changing role of Parliament in the Budget process', *OECD Journal on Budgeting*, vol. 1, 2009, p. 38.
 2. OECD, *OECD International Database of Budget Practices and Procedures*, 2007/08, viewed 10 July 2010, Hwww.oecd.org/gov/budget/database
 3. Anderson, op. cit., p. 39.
 4. JK Johnson and R Stapenhurst, 'Legislative Budget Offices: International experience', in R Stapenhurst, R Pelizzo, DM Olson, and L von Trapp (eds), *Legislative oversight and budgeting: a world perspective*, The World Bank, 2008, p. 142.

Senator Andrew Murray, in his report to the Minister for Finance and Deregulation reviewing budget transparency issues as part of the Government's Operation Sunlight, noted that:

Parliament effective oversight of Government expenditure and effective and efficient administration is able to be subverted. In any true liberal democracy, where the electors are sovereign, transparency is an essential feature.⁵

A range of comments in blogs and by organisations such as the Economics Society of Australia reflect a view that there is a need for much greater independent advice and analysis of expenditure to enable Senators and Members to properly scrutinise both the budget and ongoing commonwealth expenditure.

In addition the Hon Malcolm Turnbull MP proposed a Parliamentary Budget Office in his Budget 2009 Address in Reply.⁶

According to a former Acting Director of the Congressional Budget Office (CBO), the benefits of an independent budget research office include:

- Simplifying complexity – an independent unit can make complex budget information understandable to the legislature as well as to the media, academia and the public
- Promoting transparency – through discouraging budgetary legerdemain, transparency is increased
- Enhancing credibility – simplified and transparent budget information can give more credibility to budget forecasts
- Improving the budget process – simple, transparent, credible and accountable budget information promotes a more straightforward budget process
- Serving both the majority and minority – a nonpartisan and independent unit can serve both majority and minority parties
- Providing rapid responses – a separate unit has a greater capacity to provide rapid responses than other sources available to the legislature

5. A Murray, *Review of Operation Sunlight: Overhauling Budget Transparency*, June 2008, p. ii, viewed 19 July 2010, [Hhttp://www.finance.gov.au/financial-framework/financial-management-policy-guidance/operation-sunlight/docs/budget-transparency-report.pdf](http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/operation-sunlight/docs/budget-transparency-report.pdf)H

6. M Turnbull, 'Appropriation Bill (No. 1) 2009-10: Second reading', House of Representatives, *Debates*, 14 May 2009, p. 3973, viewed 19 July 2010, [Hhttp://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansard%2F2009-05-14%2F0177%22H](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansard%2F2009-05-14%2F0177%22H)

- Promoting accountability – scrutiny applied to budget estimates improves the accountability of the executive.⁷

As can be seen from above, independent budget research offices are a key feature of modern Parliaments. However, to achieve the aspired goals of accountability and transparency, our research⁸ shows it is important to look at the following six characteristics:

- Mandate
- Institutional location
- Resources and method of financing
- Appointment processes
- Relationship with other agencies
- Outputs and confidentiality

This submission will assess these characteristics based on international examples and their application to the Australian context. In particular, useful comparisons can be drawn between the benchmark CBO in the United States which was established in 1974 and the relatively recent Canadian Parliamentary Budget Office (PBO) which was set up in 2008. Other offices which this submission draws on include the Korean National Assembly Budget Office (NABO), the Dutch Central Planning Bureau (CPB) and the UK's interim Office of Budget Responsibility (OBR).

7. Anderson, op. cit., p. 40.

8. See Attachment 1 below.

Mandate

The mandate governing a independent budget office is critical to both the role performed in the budget process and whether its establishment will be considered a successful policy. Of primary importance is ensuring that the office is sufficiently funded to deliver on its mandate. For example, the comprehensive role played by the US CBO and the Dutch CBP is matched by their substantial budgets. To assign a similar mandate to the Korean NABO or especially the Canadian PBO with their considerably smaller budgets could doom these two budget offices to failure.

Anderson suggests that, in order to provide the legislature with the assistance they require to properly scrutinise the budgetary process, an independent budget office must perform four core functions:⁹

- Independent, objective economic forecasts
 - these should be informed by other prominent forecasters (central banks, international organisations, private forecasters, and the expert panel involved with the budget office), be based on current legislation, and should err on the conservative side
- Baseline estimates
 - these forecasts of spending and revenue should be projections, not predictions and need to be based on the best technical information available, not on biased political opinions
- Analysis of the executive's budget proposals
 - importantly, this assessment should not be programmatic evaluation (which is more of a political exercise) but rather a technical evaluation of the estimates contained in the executive's budget
- Medium term analysis
 - the above functions should be performed over the medium term in order to highlight out-year consequences but also to take into account various fiscal risks (e.g. loan guarantee programs or public-private partnership initiatives). This medium term analysis also provides the basis for long term analysis that involves intergenerational transfers.

An additional core function not canvassed above but which should be given serious consideration in developing an Australian independent budget office relates to the costing of the Opposition's election platform prior to an election. Currently this role is performed by Treasury but, as an executive department, this can create a considerable degree of

9. Anderson, op. cit., pp. 41–42.

consternation and angst. For example, prior to the 2007 election the then Opposition chose to use private forecasters to cost their election promises as they wanted an independent analysis fully removed from executive government.

The Dutch CPB provides this service and it has been so well received by the public that all campaign promises made during an election campaign in Holland must be accompanied by a CPB costing in order to be taken seriously.¹⁰

In addition to these core functions, Anderson also suggests that an appropriately funded independent budget office could have an expanded role that may include:¹¹

- analysis of costs relating to policy proposals advanced by parliamentarians—this comes with a warning that this role could lead to excessive workloads unless an agreed mechanism is used to limit the number of policy proposals costed
- list of options for spending cuts—these need to be based on program effectiveness and efficiency rather than political rationale
 - in the Australian context this role would probably overlap with ANAO program evaluations
- analysis of economic impact of regulations on the economy
 - in the Australian context this job has traditionally been done by the Productivity Commission.

Research has also shown that the enabling legislation for independent budget offices generally provides a clear mandate that lays out the duties and functions expected of the office in considerable detail, while allowing the director freedom to operate within those established parameters. In addition to providing clear guidance to the agency, enshrining these details in legislation also protects the agency from being pressured to curtail specific aspects of its role.

Division 2 of the Parliamentary Budget Office Bill 2010 (the Bill) as it currently reads does provide reasonable guidance in respect of the functions proposed for the Parliamentary Budget Officer whilst Division 3 provides that the Parliamentary Budget Officer develop reporting schedules and operational plans. Consideration could be given to providing more statutory guidance to the Parliamentary Budget Officer in developing the schedules and plans.

10. *ibid.*, p. 45.

11. *ibid.*, pp. 42–43.

Institutional location

The institutional location of an independent budget office is influenced by several factors but, in particular, the underlying requirement that it must be and must be seen to be independent of the executive government is of most importance. Other factors which can be influential include the type of political system (i.e. Congressional or Parliamentary), the proposed size of the budget office and the socio-political context at the time of establishment.

With regard to institutional location, research highlights three basic models; an office established within a government department, a separate authority, and an office located within the Parliament, either a separate agency or within the Parliamentary Library.

The Dutch CPB, an example of the first model, was created in the immediate aftermath of WWII when a cooperative political focus was on rebuilding their nation and its location within an executive department was not a pressing concern. Ministers have guarded its independence from political interference and, as the world's original budget office, it now has a public profile that would make such interference unlikely.¹² Conversely, the recently created UK Office for Budget Responsibility was initially created within Treasury which proved a key factor in leading the Opposition and the media to question its independence.¹³ As the Australian opposition has expressed concerns over the past decades that the Treasury and Department of Finance and Deregulation are not considered as providing independent advice, it may not be the most appropriate model for Australia.

The US CBO exemplifies an example of a separate authority. It is well established and funded and in fiscal year 2009 the CBO employed approximately 250 staff with its USD45.2 million annual budget. However, the US Congress manages a much larger budget than the Australia Parliament so it could be expected to require a higher level of funding. In addition, it was initially established to look at particular issues which may not be as relevant to Australia as other models. The CBO also benefited from being established within the same legislation that set up the general budget processes of Congress, which has enabled its role and position to be clearly identified. The same process could not be mirrored in the Australian context.

Research has identified two examples of independent budget offices that are located within the Parliament; either a separate agency (the Korean NABO) or within the Parliamentary

12. CPB, 'Foundation of CPB', CPB website, viewed 27 January 2010, [Hhttp://www.cpb.nl/eng/org/cpb/geschiedenis/oprichting_cpb.html](http://www.cpb.nl/eng/org/cpb/geschiedenis/oprichting_cpb.html)H

13. G Parker and N Cohen 'OBR triggers fierce debate' Financial Time (FT.com), viewed 16 July 2010, [Hhttp://www.ft.com/cms/s/0/d951427a-77ec-11df-82c3-00144feabdc0.html](http://www.ft.com/cms/s/0/d951427a-77ec-11df-82c3-00144feabdc0.html)H ; Q Letts 'Their reply was as slippery as an avocado stone', Mail Online, viewed 16 July 2010, [Hhttp://www.dailymail.co.uk/news/article-1294518/QUENTIN-LETTS-Their-reply-slippery-avocado-stone.html](http://www.dailymail.co.uk/news/article-1294518/QUENTIN-LETTS-Their-reply-slippery-avocado-stone.html)H

Library (the Canadian CBO). Both of these agencies have a much more modest mandate and resource allocation than that of the US CBO.

The Bill, at Part 3, creates the Australian Parliamentary Budget Office as a statutory authority with the Parliamentary Budget Officer as its Head. While this institutional location clearly addresses the important aspect of independence from the executive government, it may overlook other influential factors mentioned above such as the type of political system and the proposed size of the budget office, including the resources available to institute such an agency.

Canada is politically most similar to Australia with a senate and a lower house. The mission statement and size of the Canadian PBO are relatively modest compared to the US CBO or the Dutch CPB. Given the similarity of parliamentary institutions between the two countries the Canadian PBO model may be a “good fit” within the Australian context as the Parliamentary Library is a well established, respected independent institution. Additionally, establishing an Australian Parliamentary Budget Office within the Parliamentary Library would significantly reduce the resources required to adequately fund its activities.

If this model were to be adopted, however, some lessons can be learned from the Canadian experience. In particular, the hierarchical relationship between the Canadian Parliamentary Librarian and their PBO has been problematic and would need to be clearly mandated in an Australian model. If the Australian PBO was headed by an officer of the Parliamentary Library which reported to the Parliamentary Librarian, the independence of the PBO would be protected by the independence embodied in the Library and the Parliamentary Librarian as the statutory office holder under section 38B of the *Parliamentary Service Act 1999*.

Resources and method of financing

As suggested above, an important aspect regarding resources is that the mandate given the budget agency must be reflected in the resources allocated. If not, the mandate will not be fulfilled and the reputation of the budget agency will be undermined, stakeholder confidence will be lost and the outputs and outcomes sought will not eventuate. Basically, an under-funded Australian Parliamentary Budget Office will not develop the skills and knowledge needed, or produce the outputs required, to satisfy the increased accountability and transparency requirements sought by parliament.

Part 4 of the Bill deals with appropriations and provides strong protection mechanisms for encouraging appropriate resource allocations to the Parliamentary Budget Office including allowing the Parliamentary Budget Officer to provide each House of Parliament or authorised committee with a statement of estimates of expenditure required to fulfil his or her mandate and to report on any consultations undertaken with the Finance Minister. By specifically linking estimates of expenditure with the PBO’s mandated functions, the Bill provides the Parliamentary Budget Officer with sound grounds on which to base those estimates. In

addition to providing the basis for appropriate resources these appropriation mechanisms also reinforce the PBO's independence from the executive.

In considering transposing the Canadian PBO model into the Australian context, appropriations is one area where a potential "misfit" could occur. Under the Canadian funding arrangements 'the PBO and the Library of Parliament as a whole are fully independent from the Government in their operation and funding'.¹⁴ Further, although the PBO is located within the Library of Parliament, its budget is separate from that of the library. Should the Canadian PBO model be adapted to the Australian context, these funding issues would need to complement existing funding arrangements.

In the 2010–11 Commonwealth Budget (and again in 2013–14) the Parliamentary Library has been allocated additional funding of \$500 000, 'to enhance the capacity of the Parliamentary Library to assist non-Government parties in developing policies in the lead-up to Federal elections'.¹⁵ This decision was intended to address concerns raised by former Senator Murray in his review of Operation Sunlight. The Library has established a small pre-election policy unit (PEPU) headed by a Senior Researcher which will report directly to the Parliamentary Librarian and will operate under service principles as agreed to by the Joint Standing Committee on the Parliamentary Library. The PEPU will operate in the lead-up to the election and wind-up its specific responsibilities in the post-election period.

While this Budget initiative provides a welcome recognition of the validity of issues discussed in the Murray report and a general acknowledgement that Australia is not quarantined from the world-wide trend toward increased budget accountability and transparency, it falls short of the reforms being proposed in many other developed countries. In particular, the sporadic nature of this funding model (i.e. \$500 000 each election year) prohibits the development of the required expertise for in-house budget analysis, creates difficulties with regard to purchasing software packages required for budget analysis and, conversely, is not a large enough sum to permit the purchasing of commercially available budget modelling exercises to meet the needs of parliamentarians. If the twin goals of increased budget accountability and transparency are to be met by the Australian parliament, then it is recommended that an ongoing funding model is adopted in the future.

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14. Joe Wild, Executive Director of Strategic Policy, Treasury Board Secretariat, quoted in Standing Joint Committee on the Library of Parliament, *Report on the Operations of the Parliamentary Budget Officer within the Library of Parliament*, Parliament of Canada, June 2009, pp. 3–4, viewed 28 January 2010, [Hhttp://www2.parl.gc.ca/content/hoc/Committee/402/BILI/Reports/RP3993042/bilirp03/bilirp03-e.pdf](http://www2.parl.gc.ca/content/hoc/Committee/402/BILI/Reports/RP3993042/bilirp03/bilirp03-e.pdf)
 15. Australian Government, 'Part 2: Expense measures', *Budget measures: budget paper no. 2: 2010-2011*, Commonwealth of Australia, Canberra, 2010, p. 282.

Appointment processes

In order to maintain the independence and neutrality of the director of a budget office, as well as the staff in general, the appointment processes must be clearly defined in legislation. This includes the length of terms of service, as well as the power to both hire and fire the director.

In the USA, the Congressional Budget and Impoundment Control Act of 1974 ensures that the director of the CBO is appointed by the Speaker of the House of Representatives and the President pro tempore of the Senate after considering recommendations from the Committees on the Budget of the House and the Senate. In practice, the House and the Senate alternate years in which they put up a candidate and their recommendations are usually adhered to. The director is appointed on a fixed four-year term which expires on 3 January of the fourth year of service. The director may be removed by resolution of either House. In particular, the CBO legislation requires that selection of the director must be made 'without regard to political affiliation and solely on the basis of his fitness to perform his duties'. Appointments of directors are made at Level III of the Executive Schedule that, in 2009, had an annual remuneration of US\$162,900. On this basis, eight persons have served as CBO director since 1975.¹⁶

Alternatively, the Parliamentary Budget Officer in the Canadian system is appointed by the Governor in Council from a list of three candidates put forward by the Leader of the Government in the House of Commons. A committee formed and chaired by the Parliamentary Librarian submits the list of candidates to the Leader of the Government. The term of office is a renewable five-year term. In practice, the selection process of the first officer was lengthy, particularly due to a dearth of qualified individuals willing to apply for a position at the level the Parliamentary Budget Officer had been classified at. This problem came about because, even though the position required a senior classification, it needed to sit below the Parliamentary Librarian and work within an existing framework of nine other Governor in Council positions.¹⁷

Consequently, the appointment process in Canada led to contention, largely because the director's role and relationship with parliament was not clearly identified prior to the establishment of the position. According to media reports, the independence of the position and the public nature of the debate regarding the position were both questioned.¹⁸ The

16. See: R Keith and MF Bley, *Congressional Budget Office: appointment and tenure of the director and deputy director*, Congressional Research Service, 28 January 2009.

17. G Levy, 'A Parliamentary Budget Officer for Canada', *Canadian Parliamentary Review*, Summer 2008, pp. 40–42, viewed 15 July 2010, [Hhttp://www2.parl.gc.ca/Sites/LOP/Infoparl/31/2/31n2_08e_Levy.pdf](http://www2.parl.gc.ca/Sites/LOP/Infoparl/31/2/31n2_08e_Levy.pdf)

18. C Munster, 'Liberals flip-flop, now push for full independence of budget office', *The Hill Times Online*, 12 October 2009, viewed 14 July 2010, [Hhttp://www.hilltimes.com/page/view/civil_circles-10-12-2009](http://www.hilltimes.com/page/view/civil_circles-10-12-2009); 'Liberals get in some early practice on government hypocrisy', *National Post*, 13 July 2009, viewed 14 July 2010,

continued publication of analysis (often in contradiction to government figures) has earned the office a reputation of independence, but ongoing structural issues have been challenging.¹⁹ In March 2010, the Parliamentary Budget Officer Kevin Page said that over the first two years of the office a human resources structure had still not been finalised, affecting the rationale behind staffing levels. Also, he maintained that for the position to be independent it must be established as an independent officer of Parliament, appointed through Parliamentary processes, rather than being able to be effectively dismissed by the Prime Minister of the day.²⁰

In Korea, the director (Chief) is appointed by the Speaker after recommendations from the Committee for the Recommendation of the Chief of the National Assembly Budget Office. This committee is set up especially in the event of selecting a new chief of the NABO and must not include any member or public officials of the Assembly.

The examples above indicate the importance for the director of a budget office to be independent, and the need for this to be clearly stipulated in legislation through transparent appointment processes. The Bill provides a five year renewable term for a candidate selected by the Presiding Officers from recommendations by a panel consisting of the Ombudsman, the Auditor-General, the Governor of the Reserve Bank of Australia and the Secretary of the Treasury. Based on international experience, it is important to appoint a director who is versed both in the bureaucratic and economic language required for the position, as well as parliamentary processes and relationships. For this reason, a Parliamentary Committee advised by a panel of external economists may provide the necessary scrutiny involved in selecting candidates.

Appointing a director who is a recognised and respected figure in economic/fiscal research will always be important, but even more so with regard to the original appointment as that person will have the additional responsibility of establishing the role and reputation of the Australian PBO. Further, within the suggested model it is also important that the director has the required experience and temperament to work within the model's limitations and

[Hhttp://network.nationalpost.com/np/blogs/fullcomment/archive/2009/07/13/liberals-get-in-some-early-practice-on-government-hypocrisy.aspx](http://network.nationalpost.com/np/blogs/fullcomment/archive/2009/07/13/liberals-get-in-some-early-practice-on-government-hypocrisy.aspx)H; K Parland, 'Liberals play pretend with Kevin Page', *National Post*, 4 November 2009, viewed 14 July 2010, [Hhttp://network.nationalpost.com/np/blogs/fullcomment/archive/2009/11/04/kelly-mcparland-playing-pretend-with-kevin-page.aspx](http://network.nationalpost.com/np/blogs/fullcomment/archive/2009/11/04/kelly-mcparland-playing-pretend-with-kevin-page.aspx)H; 'Fund me or axe me, parliamentary budget officer says', *CBC News*, 3 November 2009, viewed 14 July 2010, [Hhttp://www.cbc.ca/canada/story/2009/11/03/parliamentary-budget-officer-kevin-page-funding.html](http://www.cbc.ca/canada/story/2009/11/03/parliamentary-budget-officer-kevin-page-funding.html)

19. J Geddes, 'Kevin Page: the unlikely enforcer', *Macleans.ca*, 19 January 2010, viewed 14 July 2010, [Hhttp://www2.macleans.ca/2010/01/19/the-unlikely-enforcer/](http://www2.macleans.ca/2010/01/19/the-unlikely-enforcer/)
20. C Munster, 'Page still fighting for an independent Hill budget office', *The Hill Times Online*, 15 March 2010, viewed 14 July 2010, [Hhttp://www.hilltimes.com/page/view/page-03-15-2010](http://www.hilltimes.com/page/view/page-03-15-2010)

hierarchical structures. The Canadian experience suggests that sound technical knowledge alone is not sufficient for the PBO role.

In addition, it is essential that once a candidate has been selected, their independence is not jeopardised through fear of upsetting those with the power to terminate their appointment. To protect this independence, the Bill provides the Presiding Officers with termination powers where specified reasons for termination exist.

Most importantly, the reputation of the office as independent, transparent and accountable is reliant on the director of the office embodying those characteristics. This makes the selection and appointment process crucial to the success of the office.

Relationship with other agencies

In order for an independent budget research office to provide independent analysis, it requires access to government financial data. This in turn requires the office to liaise extensively and openly with government departments and agencies.

The legislation which established the CBO specifically stipulates the relationship between the office and the executive branch, as well as the other agencies of Congress. The Congressional Budget and Impoundment Control Act of 1974 gives the director of the CBO the power to secure ‘information, data, estimates and statistics directly from the various departments, agencies and establishments of the executive branch of Government and the regulatory agencies and commissions of the Government’. It also gives the director the same power to access information from the agencies of Congress such as the General Accounting Office and the Library of Congress. Further, the legislation requires that these departments, agencies and establishments furnish the director with any available material he/she determines to be necessary in the performance of his/her duties, to the extent that disclosure of that material is not in violation of law. Lastly, the legislation stipulates that the director may use the services, facilities and personnel of these agencies with or without reimbursement.

In Canada, the Parliamentary Budget Officer is entitled to ‘free and timely access to any financial or economic data in the possession of the department that are required for the performance of his or her mandate’.²¹ However, media reports suggest that there has been significant tension between the budget office and government departments. In November 2009 it was reported that the federal bureaucracy was slow to supply information, and in some instances attempted to bury the office in a surplus of papers.²²

21. s. 79.3(1), [HParliament of Canada Act](#)H

22. ‘Fund me or axe me, parliamentary budget officer says’, *CBC News*, 3 November 2009, viewed 14 July 2010, H<http://www.cbc.ca/canada/story/2009/11/03/parliamentary-budget-officer-kevin-page-funding.html>

The National Assembly Budget Office in Korea has the capacity to request state institutions to submit materials in relation to the chief's duties with the permission of the Speaker. Conversely, entities which have been requested to supply information must comply 'unless there is any special reason to the contrary'.²³

The interim Office of Budget Responsibility in the UK has full access to the 'necessary data and analysis produced by the Treasury'.²⁴ In particular, the terms of reference for the interim OBR stipulate that 'Treasury will provide the interim OBR with full access to the data, analysis and resources necessary to fulfil the roles set out in this Terms of Reference'. The terms of reference do not stipulate the relationship between the OBR and other departments or agencies.²⁵

The Bill provides at subsection 10(e) that, in the performance and exercise of his or her functions, the Parliamentary Budget Officer 'may request information from government departments and agencies'. Given that it is not unreasonable to expect a degree of tension between an independent Parliamentary Budget Office and government departments and agencies there may be a need to require departments to provide this information upon request, and to do so in a reasonable and timely manner.

Outputs and confidentiality

The specific products of independent budget research offices affect how their independence and transparency is portrayed, as well as their relationship with their clients.

According to Barry Anderson (former Acting Director of the CBO), the nonpartisan nature of a budget unit is dependent on (amongst other characteristics):

making the outputs of the unit, and the methods by which those outputs are prepared, transparent (especially reports that are critical of proposed policies) and understandable. A corollary is to place all the unit's outputs and methods on the Internet so that everyone has access to them.²⁶

The CBO publishes the majority of its work online including studies and reports, letters, briefs, testimony, background papers, presentations, working and technical papers, as well as its flagship economic analysis. However, the legislation only requires information which has been obtained from agencies and departments, or information which has been obtained at the

23. Article 10, National Assembly Budget Office Act (Korea)

24. Office for Budget Responsibility, 'What we do', OBR website, viewed 22 July 2010, [Hhttp://budgetresponsibility.independent.gov.uk/what-we-do.html](http://budgetresponsibility.independent.gov.uk/what-we-do.html)H

25. Office for Budget Responsibility, *Terms of Reference for the Interim Office for Budget Responsibility*, HM Treasury, June 2010, viewed 22 July 2010, [Hhttp://budgetresponsibility.independent.gov.uk/d/terms_of_reference.pdf](http://budgetresponsibility.independent.gov.uk/d/terms_of_reference.pdf)H

26. Anderson, op. cit., p. 44.

request of a committee or Member, to be publicly available. In practice, the CBO publishes the majority of its work including both its cost estimates and mandate statements for bills referred to it, as well as its research publications such as the *Budget and Economic Outlook* and *An Analysis of the President's Budget*.²⁷

The Canadian PBO publishes its Economic and Fiscal Assessments, Reports and Briefing Notes, and records of its Committee appearances.²⁸ However, the PBO legislation has no requirements for work of the office to be made public, and instead has a confidentiality requirement whereby financial or economic data sourced from government departments cannot be disclosed unless the disclosure is essential to the performance of the director's mandate.

In his submission to this inquiry, the current Canadian PBO director outlines issues that have arisen in pursuing a publishing model for the financial analysis carried out or commissioned by the PBO. This aim, to publish the majority of the PBO's work, is in contrast to the views of some members of parliament that requests from individual members should come under the confidentiality provisions which apply to other research and policy analysis services from the Parliamentary Library.

In order to maintain the independence and accountability of an Australian Parliamentary Budget Office, whatever its institutional location, the confidentiality and publication requirements expected of the office should be included in the legislation.

27. See: CBO, 'What CBO publishes', CBO website, viewed 14 July 2010, [Hhttp://www.cbo.gov/aboutcbo/publishes.cfm](http://www.cbo.gov/aboutcbo/publishes.cfm)

28. See: Library of Parliament, 'Publications', Parliamentary Budget Officer website, viewed 14 July 2010, [Hhttp://www2.parl.gc.ca/sites/pbo-dpb/PublicationsActivities.aspx?Language=EH](http://www2.parl.gc.ca/sites/pbo-dpb/PublicationsActivities.aspx?Language=EH)

Attachment 1

Summary of the Parliamentary budget offices/officer in the US, Korea, the Netherlands and Canada

US Congressional Budget Office (CBO)

The CBO originated due to an increasing occurrence of budget information being monopolised by the President, which had led to a Congress with weak budgetary powers.²⁹ It was established by the *Congressional Budget and Impoundment Control Act of 1974* and became operative on 24 February 1975.³⁰

Mission Statement

The CBO's mission statement is to provide budgetary analysis and information to the House and Senate on matters pertaining to the federal budget process. This support is required to be provided in a timely, objective and non-partisan manner. A requirement of this objectivity is that CBO reports do not contain policy recommendations.

Specific provisions in the CBO's establishment Act require the agency to prepare annual reports on the economic and budget outlook and on the President's budget proposals, provide cost estimates of legislation, scorekeeping reports and to provide products and testimony on other budgetary matters (see Role in Budget Process section below).³¹ The *Unfunded Mandates Reform Act (1995)* requires the CBO to provide estimates of the costs associated with legislative mandates that affect state, local or tribal governments and the private sector. Additionally, the CBO is subject to directives contained in annual budget resolutions that require it to produce specific reports on particular aspects of the budgetary process.³²

Role in Budget Process

²⁹. B Anderson, *The foundations of the Congressional Budget Office*, presentation to the Meeting of OECD Parliamentary Budget Officials, Rome, 26–27 February 2009, viewed 22 January 2010, [Hhttp://www.oecd.org/dataoecd/50/46/42464743.pdf](http://www.oecd.org/dataoecd/50/46/42464743.pdf)H; N Lee, *Congressional Budget and Impoundment Control Act of 1974, reconsidered*, Federal Budget Policy Seminar, Briefing paper no. 34, Harvard Law School, 29 April 2008, viewed 25 January 2010, [Hhttp://www.law.harvard.edu/faculty/hjackson/BudgetActRevisited_34.pdf](http://www.law.harvard.edu/faculty/hjackson/BudgetActRevisited_34.pdf)H

³⁰. Congressional Budget Office (CBO), 'CBO Fact Sheet', CBO website, viewed 22 January 2010, [Hhttp://www.cbo.gov/aboutcbo/factsheet.shtml](http://www.cbo.gov/aboutcbo/factsheet.shtml)H

³¹. R Keith and M Bley, *Congressional Budget Office: Appointment and Tenure of the Director and Deputy Director*, CRS Report for Congress, Congressional Research Service, 28 January 2009, p.1.

³². CBO, 'Preparing and distributing estimates and analyses', CBO website, viewed 22 January 2010, [Hhttp://www.cbo.gov/aboutcbo/policies.shtml](http://www.cbo.gov/aboutcbo/policies.shtml)H

Under the US Congressional budget processes a ‘concurrent resolution’ on the budget is adopted in the House and the Senate. This concurrent resolution sets out the total levels of spending and revenues and policy priorities over several fiscal years and although approved in both chambers it does not become law but rather ‘serves as an enforceable blueprint for Congressional action on spending and revenue legislation’. The CBO provides reports and analyses to both the House and Senate Budget Committees as well as to Congress more generally.³³

The products produced by the CBO, and the analytical timeline, reflect the US budgetary process. In particular, these products include the Budget and Economic Outlook, Analysis of the President’s Budgetary Proposals, Budget Options, the Long-term Budget Outlook, cost estimates, analytical reports, background papers and other reports required under various Acts.

In fiscal year 2009 the CBO issued 33 studies and reports, 9 briefs, 11 *Monthly Budget Reviews*, 38 letters, 8 presentations, and 5 background papers—along with 2 other publications and numerous supplemental data. CBO also testified before the Congress 17 times on a variety of issues. In addition, the CBO completed approximately 480 federal cost estimates, 420 estimates of the impact of legislation on state and local governments, and 420 estimates of the impact of unfunded mandates on the private sector.³⁴

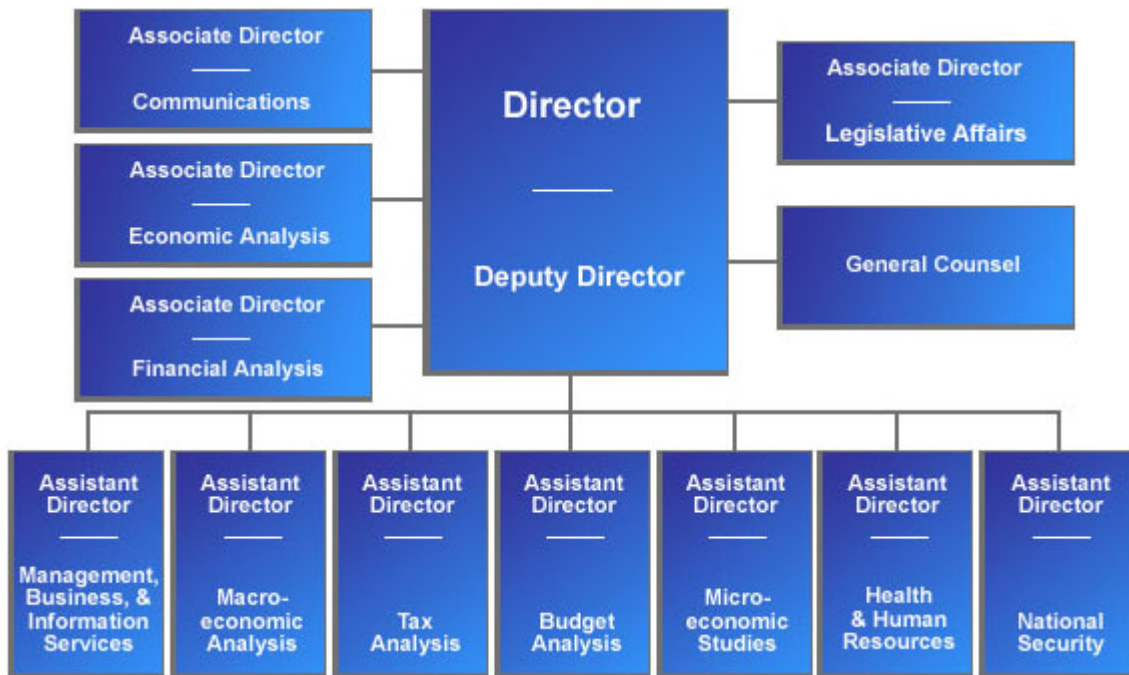
Organisational structure

The CBO is a federal agency that sits within the legislative branch of the United States government. It employs approximately 250 people, who are appointed by the Director. On the basis of pay and employment benefits, all staff are treated as employees of the House of Representatives.³⁵ The agency has five technical divisions that liaise with the seven program divisions.

³³. CBO, ‘CBO’s Role in the Budget Process’, CBO website, viewed 22 January 2010, [Hhttp://www.cbo.gov/aboutcbo/budgetprocess.shtml](http://www.cbo.gov/aboutcbo/budgetprocess.shtml)H

³⁴. CBO, ‘CBO Fact Sheet’, op. cit.

³⁵. CBO, ‘Staffing and Organization’, CBO website, viewed 25 January 2010, [Hhttp://www.cbo.gov/aboutcbo/organization/H](http://www.cbo.gov/aboutcbo/organization/H)



CBO, 'Staffing and Organization', op. cit.

Resources

In fiscal year 2009 the CBO employed approximately 250 staff with its USD45.2 million annual budget. About three-quarters of professional staff have advanced degrees, primarily in economics or public policy.

In addition to its own staff, the CBO also draws upon two expert panels. The Economic Panel consists of eminent economists (including some previous CBO Directors) who serve two-year terms. The panel meets twice yearly and reviews and comments on CBO's preliminary economic forecasts. The Health Care Panel consists of acknowledged experts who meet periodically to examine frontier research in health policy and to advise the agency on its analyses of health care issues.³⁶

The CBO uses data from government agencies and industry groups to formulate its analysis. Under the Budget Act, government agencies are required to provide budget figures and program data to the CBO.³⁷ It also uses information provided by Members of Congress and

³⁶. CBO, 'About CBO', CBO website, viewed 22 January 2010, H<http://www.cbo.gov/aboutcbo/H>

³⁷. RT Meyers, 'CBO: the agencies' indispensable adversary', *The Public Manager: The New Bureaucrat*, vol. 25, no. 2, Summer 1996, p. 14.

Committees in relation to specific requests. In addition, the CBO prepares its own models and data when required.³⁸

Director Appointment Process

Under the provisions of the *Congressional Budget and Impoundment Control Act of 1974* the Speaker of the House and the President pro tempore of the Senate jointly appoint the Director after considering recommendations of the House and Senate Budget Committees. The legislation provides (section 201(a)) that this selection process be made ‘without regard to political affiliation and solely on the basis of his fitness to perform duties’. The Director’s four year term begins on 3 January of the year preceding the year in which a presidential election is held, a Director can be re-appointed for additional terms and can be removed by a resolution from either Chamber.³⁹

However, media reports suggest that informal arrangements have developed regarding the Director’s appointment. In particular it appears that the House and Senate Budget Committees alternate in making a recommendation to the Speaker and President pro tempore and these officers have adhered to these recommendations in past appointments. These reports also suggest that due to their informal nature, these arrangements have the potential to lead to disagreements in future selection processes.⁴⁰

Discussion

In the broader media coverage of the CBO two themes appear to dominate—the appointment process and political affiliation of the Director and the reputation of the CBO as an apolitical, objective, model legislative fiscal office.

With regard to the former it is unsurprising that the party in control of Congress will appoint someone they feel will be sympathetic to their views regarding budgetary policy. The political affiliations of the eight CBO Directors to date are: four conservative, two centre-right, one centre-left and one centralist.⁴¹ However, even though it is acknowledged that political affiliations haven’t been completely ignored in the selection process, there is nonetheless a general acceptance that all CBO Directors have been extremely high quality fiscal analysts. Furthermore, due to the staunch independence of the CBO, past political affiliation is not necessarily a good indicator of how a Director will perform. For example, although Director June O’Neill came from a conservative background she was criticised for

³⁸. CBO, ‘Preparing and distributing estimates and analyses’, CBO website, viewed 22 January 2010, H<http://www.cbo.gov/aboutcbo/policies.shtml>

³⁹. Keith & Bley, op. cit., p.2.

⁴⁰. Ibid. and CongressDaily (1998) *Amid Criticism, CBO Director O’Neill Forgoes Second Term*, National Journal Group.

⁴¹. ibid.; M Dolny, ‘Study Finds First Drop in Think Tank Cites’, *Fairness & Accuracy in Reporting (FAIR)*, viewed 25 January 2010, H<http://www.fair.org/index.php?page=2897H>

the accuracy of CBO budget estimates by Republican House Speaker Gingrich when those estimates contradicted Republican policy.⁴²

Arguably the CBO's reputation as an apolitical, objective and competent agency is its strongest defence against critics of its work. Guarding that independence has not been easy and each Director has had to learn to deal with suggestions and threats from Congressional elites. It has been suggested that only through the 'large reservoirs of personal integrity and superb communications skills' of the Directors has that independence been maintained.⁴³ Nonetheless, it has been observed that in respect of its scorekeeping and macroeconomic analysis the CBO has not been totally immune from political influence. For example, a change in scorekeeping methodology can produce significant shifts in budget estimates and on occasion a budget or appropriations committee has successfully directed the CBO to adopt assumptions that produce outcomes which may advantage or disadvantage particular policies.⁴⁴

A final issue of note relates to the convention that the CBO does not make policy recommendations to the Congress. Meyers states that the one exception to this convention occurs when the CBO Director testifies before Congress on how well the budget process is working. During these hearings the Directors 'have felt free to suggest reforms to the process'.⁴⁵

Other US Congressional Research Agencies

In order to put the role of the CBO into perspective it is important to note that within the American federal system there are two other large agencies that provide Budget related research, review and analysis for Congress.

Congressional Research Service

The CRS is a separate department within the Library of Congress that, in 2008, had a staffing level of 705 full-time equivalents (FTEs) and an annual budget of just over USD102 million. Approximately 88 per cent of the annual budget is spent on staff salaries and on-costs.⁴⁶

Structurally, the CRS is divided into five interdisciplinary research divisions. Within that structure the Government and Finance Division has two sections that provide Budget related

⁴². D Baumann, 'Amid Criticism, CBO Director O'Neill Forgoes Second Term', *Congress Daily*, National Journal Group, 28 October 1998.

⁴³. Meyers, op. cit., p. 13.

⁴⁴. *ibid.*

⁴⁵. *ibid.*

⁴⁶. Congressional Research Service, *Annual Report Fiscal Year 2008*. Congressional Research Service, p. 39, viewed 25 January 2010, http://www.loc.gov/crsinfo/crs08_annrpt.pdf

research. The Government Finance and Taxation section coverage includes federal taxation (individual, corporate and international tax issues), budget policy, federal debt, and the impact of federal policies on state and local government finances. The Legislative and Budget Process section coverage includes legislative procedure and budgetary legislation (chamber rules, precedents, constitutional and other requirements during committee and floor deliberations) and congressional organization.⁴⁷

The CRS and CBO have a relationship that includes regular communication between staff. CBO provides some analysis and information to the CRS beyond the published works.

Government Accountability Office (GAO)

Established under the *Budget and Accounting Act (1921)* and operating under the control and direction of the Comptroller General, the Government Accounting Office (GAO) has been described as ‘Congress’s watchdog’ and the ‘investigative arm of Congress’.⁴⁸ Many of the tasks assigned to the GAO would, in Australia, be undertaken by the Australian National Audit Office (ANAO). However, other tasks ascribed to the GAO include criminal investigations, legal advice and prescribing accounting principles and standards. In 2009 it had in excess of 3,100 FTEs and an annual budget exceeding USD530 million.⁴⁹

The GAO activities most closely related to Budget work include reports to Congress on the auditing and evaluations of programs and operations funded through the federal Budget and broader publications that evaluate fiscal policies.⁵⁰

47. CRS, ‘About CRS’, CRS website, viewed 25 January 2010, [Hhttp://www.loc.gov/crsinfo/whatscrs.html](http://www.loc.gov/crsinfo/whatscrs.html) H

48. F M Kaiser, *GAO: Government Accountability Office and General Accounting Office*, CRS Report for Congress, Congressional Search Service, updated 10 September 2008, viewed 25 January 2010, [Hhttp://www.fas.org/sgp/crs/misc/RL30349.pdf](http://www.fas.org/sgp/crs/misc/RL30349.pdf) H

49. GAO, *United States Government Accountability Office Fiscal Year 2010 Performance Plan*, GAO, 2010, viewed 25 January 2010, [Hhttp://www.gao.gov/new.items/d09304sp.pdf](http://www.gao.gov/new.items/d09304sp.pdf) H

50. For example see: *Fiscal Stewardship: A Critical Challenge Facing Our Nation*, GAO-07-362SP (2007).

Korean National Assembly Budget Office

In the aftermath of the Korean War reconstruction of the nation became the focus of economic development and was driven by a strong Executive. This resulted in a situation where the Legislature was weak, there were inadequate institutional mechanisms, and technical expertise and information access were dominated by the Executive. Not surprisingly the limited control the Legislature had over fiscal policy created poor fiscal outcomes.⁵¹

In order to propel Korea toward full democracy the National Assembly (NA) recognised the need to create a support unit to place itself on a more equal footing with the Executive. In 1994 the NA established the Legislation and Budget Bureau within its Secretariat (see diagram below). In 2000 that bureau was expanded into two separate units—the Office of Legislation Council and the Budget and Policy Bureau. In 2003 the latter became the foundation for the National Assembly Budget Office (NABO) which was created independent of the Secretariat under the National Assembly Budget Office Act and became fully operational early in 2004.⁵²

It is important to note that the Korean legislature (the NA) is a single chamber headed by the Speaker with the main function of overseeing the Executive and to enact laws—including reviewing and approving the annual budget drafted by the Executive.

Although NABO reports to and is supervised by the NA Speaker it is fully independent in terms of freedom to set its own research agenda.⁵³

NABO Mission Statement

As implied above, the NABO mission statement is to serve the NA ‘by providing comprehensive and reliable research, analysis, and information service that are timely, objective and non-partisan for its budgetary and fiscal decisions’.⁵⁴

Role in the Budget Process

NABO is responsible for the provision of analysis and estimates to committees and members. Its products include:⁵⁵

⁵¹. D-W Suh, *Profile of Korean National Assembly Budget Office*, presentation to the Meeting of OECD Parliamentary Budget Officials, Rome, 26-27 February, viewed 27 January 2010, [Hhttp://www.oecd.org/dataoecd/51/62/42466211.pdf](http://www.oecd.org/dataoecd/51/62/42466211.pdf)H

⁵². National Assembly Budget Office (NABO), ‘NABO Act’, NABO website, viewed 21 January 2010, [Hhttp://korea.nabo.go.kr/etc/Act_viw.jsp](http://korea.nabo.go.kr/etc/Act_viw.jsp)H

⁵³. Suh, op. cit.

⁵⁴. NABO, ‘Introduction’, NABO website, viewed 27 January 2010, [Hhttp://korea.nabo.go.kr/abo/Int_viw.jsp](http://korea.nabo.go.kr/abo/Int_viw.jsp)H

- Review and analysis of the draft annual Executive budget, final accounts, and public funds management plans
- Estimates of bills introduced by members
- Economic forecasts and revenue estimates, and
- Evaluation of government programs.

NABO presents this information through public reports, issue briefs and studies which are available on its website.⁵⁶ It also provides custom services in the form of confidential written responses to committees and individual members on specific subjects. In addition, NABO conducts in-person briefings and seminars.⁵⁷

While the NA's attitude towards NABO has become more collaborative, it is still more responsive to the Special Budget and Accounts Committee (Budget Committee) in regards to requests for budget related information. For this reason, the relationship between the Budget Committee and NABO is 'complementary'—the Budget Committee gathers budget related information from the Executive while NABO uses its resources to analyse that data. The Budget Committee then uses this NABO analysis when considering the Executive's annual budget proposal.⁵⁸

Organisational Chart

NABO is under the Speaker's leadership and is one of four agencies that work on an equal footing to support the NA. The other agencies include the Secretariat which is responsible for managing the administrative affairs of the NA, including legislative and committee support; the Library which maintains the monograph and legislative collection as well as providing a variety of data for legislative activities and public access; and the National Assembly Research Service (NARS) which conducts research and analysis on legislative and policy related areas for Committees, members and members' research groups.⁵⁹

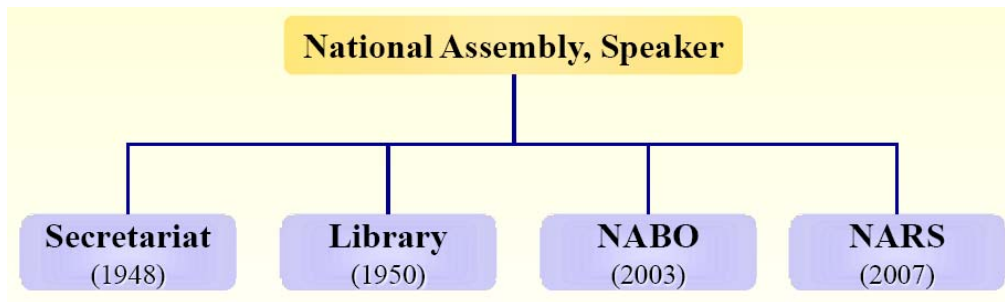
⁵⁵. Suh, op. cit.

⁵⁶. See: NABO, 'Publications', NABO website, viewed 27 January 2010, [Hhttp://korea.nabo.go.kr/pub/Pub_1st.jsp?t=m3H](http://korea.nabo.go.kr/pub/Pub_1st.jsp?t=m3H)

⁵⁷. Ibid.

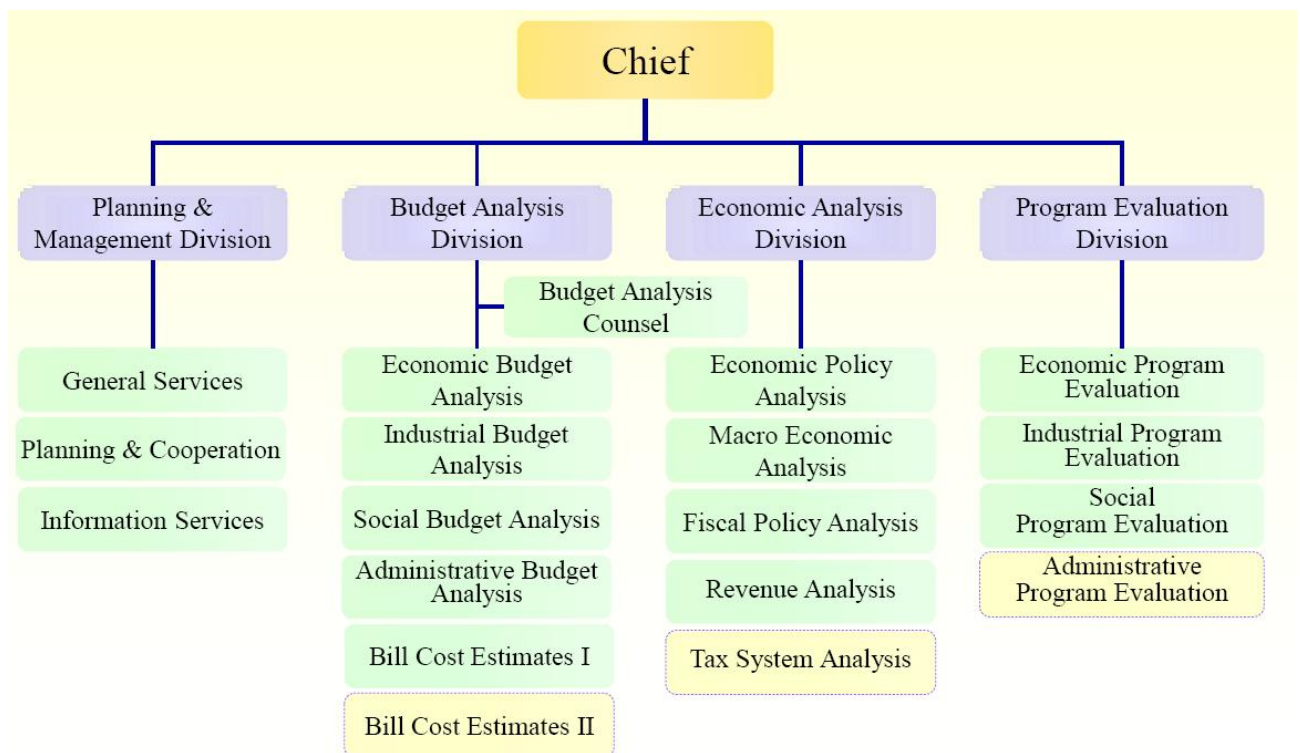
⁵⁸. Suh, op. cit.

⁵⁹. The National Assembly of the Republic of Korea, 'Support Organizations', The National Assembly of the Republic of Korea website, viewed 27 January 2010, [Hhttp://korea.na.go.kr/int/sup.jsp?leftid=DAH](http://korea.na.go.kr/int/sup.jsp?leftid=DAH)



Support organisations of the National Assembly⁶⁰

NABO is split into four divisions and 18 teams which are highly collaborative given the significant cross-functional, interdivisional cooperation and consultation required for major functions and projects.⁶¹



Resources

⁶⁰. Suh, op. cit.

⁶¹. *ibid.*

As at February 2009 NABO employed 135 staff, approximately 70 per cent of this staff are experts with advanced degrees across a range of disciplines including fiscal policy, economics, public administration, statistics, accounting, law and public policy. The remaining staff are responsible for HRM, finance, and IT services. The total NABO budget for 2009 was USD10.3 million with about 60 per cent spent on salary related expenses.⁶²

Like the CBO, NABO utilises the expertise of a panel of external advisors. Within NABO's structure there is a single panel composed of 15 eminent scholars with expertise in public finance and economics who serve two year terms and meet 'frequently' throughout the year. The panel provides NABO's Chief with advice concerning the reliability and professional quality of NABO's output. Each division also consults with experts when important new issues surface.⁶³

Director Appointment Process

The Chief of NABO is appointed by the Speaker with the consent of the House Steering Committee, upon recommendation from the Committee for the Recommendation of the Chief of the National Assembly Budget Office. This Recommendation Committee is composed of persons with expertise in regards to the workings of NABO, but they cannot be public officials or members of the NA.⁶⁴ The Chief is appointed on an ongoing basis, that is there is no fixed term, but can be removed by the Speaker with consent of the Steering Committee. Since NABO's inception in 2003, three persons have served as Chief.⁶⁵

Discussion

With no secondary analysis of NABO through the media or academia currently available there is no non-government commentary of the workings of NABO, its effectiveness or areas which remain problematic. The OECD presentation provides limited insight as discussed above but we will continue to attempt to locate reliable secondary analysis.

⁶². *ibid.*

⁶³. NABO, 'NABO's Panel of Advisers', NABO website, viewed 27 January 2010, [Hhttp://korea.nabo.go.kr/abo/Pan_viw.jsp](http://korea.nabo.go.kr/abo/Pan_viw.jsp)H; Suh, *op. cit.*

⁶⁴. NABO, 'NABO Act', *op. cit.*

⁶⁵. Suh, *op. cit.*

CPB Netherlands Bureau for Economic Policy Analysis

The Dutch Central Planning Bureau (CPB), otherwise known as the CPB Netherlands Bureau for Economic Policy Analysis, was founded in 1945 but is legally underpinned by the *Law of April 21st, 1947 no. H 127*. The CPB's Dutch name literally translates to 'Central Planning Office' although this is misleading as it does not plan the Dutch economy.⁶⁶

In the immediate aftermath of World War II it was felt that a need existed for government involvement in the rebuilding of Holland. However, as it was felt that economic guidance may be needed in the longer term, particularly during a cyclical downturn as experienced in the 1930s, the Cabinet decided to establish the CPB on a permanent basis rather than as a temporary, three year agency.⁶⁷

Mission Statement

The CPB is tasked with the preparation of the annual Central Economic Plan which, *inter alia*, provides figures for future growth in production, price figures, national income and other variables of importance for the coordination of the economic, social and financial policy.⁶⁸

In addition, a principles-based protocol covers all four of the Dutch planning offices (see below for overview of other three) which, in part, ensures planning office autonomy. This is an important aspect as the planning offices are part of the Dutch public service, hence part of the executive, rather than independent agencies.⁶⁹ Using an Australian comparison, the relationship between these planning offices and the executive government is more akin to ABARE than to the ANAO. Whilst recognising the 'ambiguous' nature of this relationship, the CPB argues it is not 'constraining' in that succeeding Ministers of Economic Affairs have respected and defended the CPB's independence 'even at times when they could not agree with the conclusions drawn by CPB'.⁷⁰ Further, in what may be a uniquely Dutch approach,

⁶⁶. Central Planning Bureau Netherlands Bureau for Economic Policy Analysis (CPB), 'About CPB', CPB website, viewed 27 January 2010, H<http://www.cpb.nl/eng/org/H>

⁶⁷. CPB, 'Foundation of CPB', CPB website, viewed 27 January 2010, Hhttp://www.cpb.nl/eng/org/cpb/geschiedenis/oprichting_cpb.htmlH

⁶⁸. CPB, 'Legal basis', CPB website, viewed 27 January 2010, Hhttp://www.cpb.nl/eng/org/cpb/organisatie/wettelijke_basis.htmlH

⁶⁹. The first principle of the protocol states 'The planning office function is a core function of national government. The structuring of this function is a matter for the Cabinet.' See: CPB, 'Protocol for the planning office function', CPB website, viewed 27 January 2010, H<http://www.cpb.nl/eng/org/cpb/organisatie/protocol.html>H

⁷⁰. CPB, 'Independent with respect to content', CPB website, viewed 27 January 2010, H<http://www.cpb.nl/eng/org/cpb/organisatie/onafhankelijk.html>H

although the CPB has been established within the executive government, its mandate allows it to work for both the Cabinet and the Opposition simultaneously.⁷¹

According to an OECD paper, the CPB's independence from within the executive is maintained through a variety of levels:

- A formal structure laid out in the law of 1947
- Protocol, tradition and practice developed over the past 40 years
- A free press which critiques the independence of research undertaken by the bureau
- External checks on policy relevance and scientific quality
- Five-yearly assessments by a visitation commission, and
- Mobility of personnel which facilitates greater understanding in the public sphere of the work the CPB undertakes.⁷²

Within these parameters, the CPB is responsible for conducting surveys, analysis and forecasts in order to inform strategic policy development within Cabinet and, presumably, policy oversight by the Opposition. CPB is required to 'distance' itself from 'the day-to-day business of policy implementation' and focus on the provision of 'scientific analyses'. Whilst some of the CPB's analysis and forecast outputs are fixed, it has resources that allow for the independent development of a research agenda to capture emerging issues, societal trends, etc. In addition to its own primary research, the CPB receives data from Statistics Netherlands, government departments and agencies, other public authorities and agencies, and research institutes.⁷³

Role in Budget Process

Since its creation in 1947, the CPB's role has always been budget focussed. It publishes an annual Central Economic Plan (a comprehensive examination of the Dutch economy and its interactions with that of the EU and beyond) each spring. However, cutbacks since 2004 have resulted in sectoral level forecasts no longer being provided in this publication. Since 1961 the CPB has also published a second report, the Macro Economic Outlook, in the autumn which appears to be the equivalent of the Australian Treasury's Mid-Year Economic and

⁷¹. *ibid.* This unique characteristic of the Dutch system was also noted in Anderson, *OECD Journal on Budgeting*, op. cit. p. 45.

⁷². F Bos, 'The Dutch fiscal framework: history, current practice, and the role of the Central Planning Bureau', *OECD Journal on Budgeting*, vol. 8, no. 1, 2008, p. 10, 43.

⁷³. CPB, 'Protocol for the planning office function', CPB website, viewed 27 January 2010, [Hhttp://www.cpb.nl/eng/org/cpb/organisatie/protocol.html](http://www.cpb.nl/eng/org/cpb/organisatie/protocol.html)

Fiscal Outlook (MYEFO). More recently the CPB has begun publishing short-term quarterly forecasts.⁷⁴

In addition to its initial budgetary focus, the CPB's role has expanded into more general economic research in such areas as education, environment, health care and structural developments in the Dutch economy. This has generated investigations into areas such as the effect of social security design on labour participation rates or how government policy can contribute to greater labour productivity.⁷⁵

In principle all CPB research results and studies are public documents but the CPB website states that 'in practice, the moment of publication may need to be coordinated with the minister(s) most closely involved'. The CPB can also make confidential reports to 'ministers, departments and community organisations' provided the information is not used in public debates.⁷⁶ However, whilst not explicitly stated, it appears that the main budget publications (the Central Economic Plan, the Macro Economic Outlook, and the quarterly forecasts) are released publicly as a matter of course.

In addition, the CPB also provides estimates of the campaign promises of politicians. This product has become particularly important in the public arena, to the extent that the public demands any campaign promise made by a political candidate to be accompanied by a CPB estimate of the budgetary cost of the promise for it to be taken seriously.⁷⁷

Organisational Chart

As stated above, the CPB sits within the executive arm of the Dutch government, rather than the legislative arm as seen in other countries. Its funding is through the Ministry of Economic Affairs, and although this means it reports to the Minister of Economic Affairs, its long history as a separate research unit has cemented a reputation for independence.

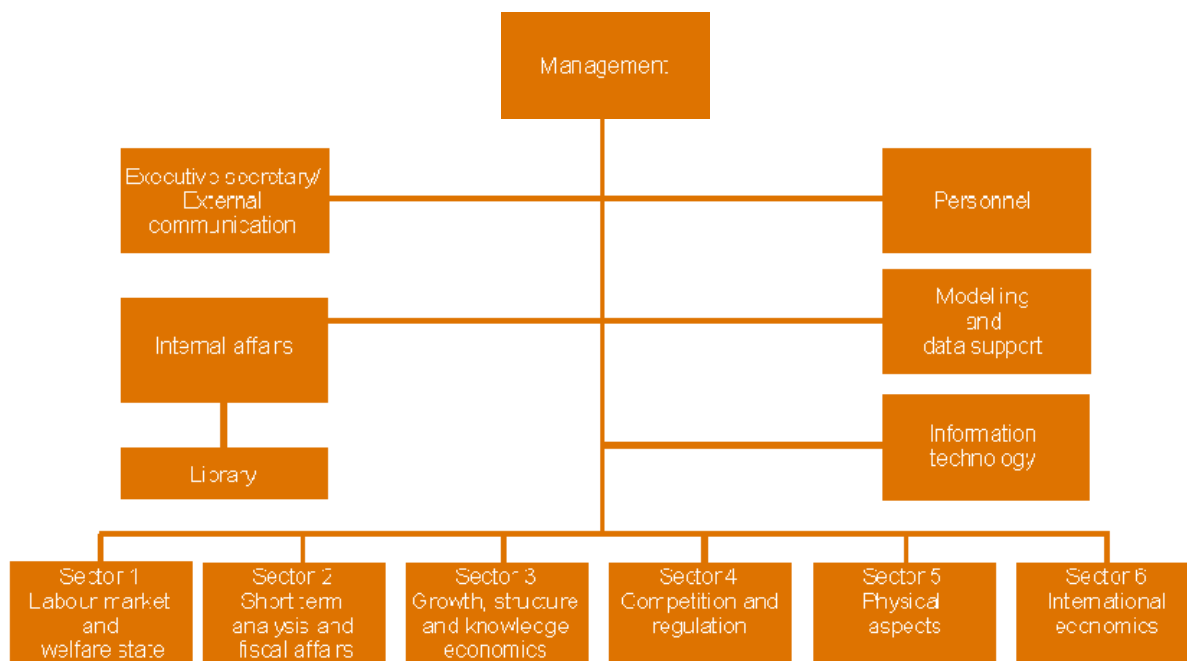
The CPB is separated into six research sectors, as well as other administrative sections, and an internal library.

⁷⁴. CPB, 'Development of the work area', CPB website, viewed 27 January 2010, [Hhttp://www.cpb.nl/eng/org/cpb/geschiedenis/ontwikkeling.html](http://www.cpb.nl/eng/org/cpb/geschiedenis/ontwikkeling.html)

⁷⁵. *ibid.*

⁷⁶. CPB, 'Protocol for the planning office function', CPB website, viewed 27 January 2010, [Hhttp://www.cpb.nl/eng/org/cpb/organisatie/protocol.html](http://www.cpb.nl/eng/org/cpb/organisatie/protocol.html) It should be noted that the CPB can also do third party research requests (employer and employee organisations, and other institutes in the field of social economic policy) but these requests must be approved by the Minister of Economic Affairs and can be paid or unpaid research.

⁷⁷. Anderson, *OECD Journal on Budgeting*, op. cit. p. 45.



CPB, Organisational chart⁷⁸

Resources

As at 2007 CPB was limited to 144.5 full-time equivalent positions that were filled by 164 employees. According to the information on its website, the core CPB budget through the Ministry of Economic Affairs amounted to approximately 11 million Euros with a supplementary budget of about 1.5 million Euros to cover the demand for one-off specific unforeseeable research requests.⁷⁹

In common with the CBO and NABO, the CPB also draws on an independent external advisory body, the Central Planning Committee. This body provides advice and evaluations on the CPB's annual reports and work plan priorities for the coming year including specific issue research projects. The Committee is comprised of 11 eminent academics, private sector practitioners and think tank directors who meet at least twice a year.⁸⁰

Director Appointment

⁷⁸. CPB, 'Organisational chart', CPB website, viewed 27 January 2010, [Hhttp://www.cpb.nl/eng/org/cpb/organisatie/schema.html](http://www.cpb.nl/eng/org/cpb/organisatie/schema.html)

⁷⁹. Note that no specific year was tied to these funding figures. See: CPB, 'CPB's budget', CPB website, viewed 28 January 2010, [Hhttp://www.cpb.nl/eng/org/cpb/organisatie/financiering.html](http://www.cpb.nl/eng/org/cpb/organisatie/financiering.html)

⁸⁰. CPB, 'Central Planning Committee (CPC)', CPB website, viewed 29 January 2010, [Hhttp://www.cpb.nl/eng/org/cpb/organisatie/cpc.html](http://www.cpb.nl/eng/org/cpb/organisatie/cpc.html)

The CPB is managed by a board of directors comprising one Director and two Deputy Directors who are appointed, suspended and fired by the Minister of Economic Affairs in consultation with seven other senior Ministers whose portfolios are listed in the Act. The Director and the two deputies are employed on an ongoing basis and there is no set term of office. Over the past 65 years, the CPB has had eight Directors.⁸¹

Discussion

Although the CPB's mandate is broader than that of the CBO and NABO with regard to its research agenda and its ability to do third party research requests, its core functions are nonetheless that of a budget office. Whilst established as an agency within the executive government, the CPB appears to have sufficient autonomy from the executive and is able to function and produce independent research of a high standard. This is supported by the high esteem in which its research is held by Dutch stakeholders and eminent academics, private sector practitioners and think tank directors that agree to serve on its advisory board (the CPC). However, given the history and tradition surrounding these arrangements, it is doubtful that similar institutional arrangements would be acceptable, or desirable, in the Australian context.

Other Dutch Planning Offices

The CPB works within a protocol that applies to all four planning offices operating under the executive arm of the Dutch government. These planning offices include the National Institute of Public Health and the Environment (RIVM), the National Physical Planning Agency (RPD), and the Social and Cultural Planning Office (SCP).

The RIVM conducts research, monitoring, modelling, forecasting and risk assessment that are used to underpin government policy on public health, food, safety and the environment. It employs over 1500 staff.⁸²

The RPD is the real planning department in the Netherlands and provides advice on spatial policy at national, regional and local levels. The agency supports the Minister for Housing and employs approximately 350 people.⁸³

Otherwise known as the Institute for Social research, the SCP conducts research into the social aspects of government policy, particularly health, welfare, social security, the labour

⁸¹. CPB, 'Staff and directors', CPB website, viewed 29 January 2010, [Hhttp://www.cpb.nl/eng/org/cpb/geschiedenis/personeel.html](http://www.cpb.nl/eng/org/cpb/geschiedenis/personeel.html)

⁸². National Institute of Public Health and the Environment (RIVM), 'About RIVM', RIVM website, viewed 28 January 2010, [Hhttp://www.rivm.nl/en/aboutrivm/](http://www.rivm.nl/en/aboutrivm/)

⁸³. Railpedia, 'Ministry VROM, National Planning Department', Railpedia website, viewed with GoogleTranslate 28 January 2010, [Hhttp://www.railpedia.nl/display/test/Ministerie+VROM,+Rijksplanologische+DienstH](http://www.railpedia.nl/display/test/Ministerie+VROM,+Rijksplanologische+DienstH)

market, and education. This research is available publicly and is used by a variety of people such as academics and social researchers.⁸⁴ The institute was established in 1973 and by the end of 2008 it employed about 80 FTEs.⁸⁵

⁸⁴. The Netherlands Institute for Social Research (SCP), 'About SCP', SCP website, viewed 28 January 2010, [Hhttp://www.scp.nl/english/Organisation/About_SCP](http://www.scp.nl/english/Organisation/About_SCP)

⁸⁵. The Netherlands Institute for Social Research, *Annual Report 2008*, SCP, The Hague, June 2009, p. 43, viewed 28 January 2010, [Hhttp://www.scp.nl/english/dsresource?objectid=22211&type=org](http://www.scp.nl/english/dsresource?objectid=22211&type=org)

Canadian Parliamentary Budget Officer

Following a series of political scandals relating to Government expenditure, and a change of government, in April 2006 an omnibus Bill aimed at addressing federal accountability was tabled in the Canadian parliament. Among other things, the Bill proposed the establishment of the Parliamentary Budget Officer (PBO) to improve fiscal debate and accountability. The Bill received Royal Assent on 12 December 2006 and the PBO provisions came into force on that day.⁸⁶

In the years leading up to 2006, annual Budget forecasts proved unreliable with huge unforeseen surpluses being posted at the end of the fiscal year. Whilst Library of Parliament analysts did provide some Budget-related services (e.g. pre-Budget consultations and research reports based on publicly available information) no specialised Budget support was available to parliamentarians—the PBO was intended to fill this gap in parliamentary support services.⁸⁷

However, the implementation phase did not go smoothly and a dispute arose regarding the role of the PBO and his status within the Library of Parliament and a review into this dispute was conducted by the Standing Joint Committee on the Library of Parliament. The outcomes of this review are still not finalised (at least publicly) although the review report squarely placed the PBO under the control of the Parliamentary Librarian.⁸⁸

Mission Statement

According to the Federal Accountability Action Plan the creation of the PBO would help ‘ensure truth in budgeting’ by providing objective analysis to parliamentarians and committees relating to the ‘state of the nation’s finances, trends in the national economy and the financial cost of proposals under consideration by either House’.⁸⁹ The formal mission statement confirms that ‘the PBO will support Parliament in exercising its oversight role in the government’s stewardship of public funds by ensuring budget transparency and promoting informed public dialogue with an aim to implement sound economic and fiscal policies in Canada’.⁹⁰

⁸⁶. Standing Joint Committee on the Library of Parliament, *Report on the Operations of the Parliamentary Budget Officer within the Library of Parliament*, Parliament of Canada, June 2009, pp. 3–4, viewed 28 January 2010, [Hhttp://www2.parl.gc.ca/content/hoc/Committee/402/BILI/Reports/RP3993042/bilirp03/bilirp03-e.pdf](http://www2.parl.gc.ca/content/hoc/Committee/402/BILI/Reports/RP3993042/bilirp03/bilirp03-e.pdf)

⁸⁷. *ibid.*, p. 3.

⁸⁸. *ibid.*, pp. 27–28

⁸⁹. *ibid.*, p. 2

⁹⁰. Office of the Parliamentary Budget Officer, *Operational Plan*, December 2008, p. 2, viewed 29 January 2010, [Hhttp://www2.parl.gc.ca/Sites/PBO-DPB/documents/Operational_Plan.pdf](http://www2.parl.gc.ca/Sites/PBO-DPB/documents/Operational_Plan.pdf)

The establishing legislation assigns four duties to the PBO:⁹¹

- provide analysis on the state of the nations finances and trends in the national economy to both chambers of Parliament
- undertake the above research upon request of any of the listed committees (these include all committees with a mandate to consider government estimates)
- when requested by such a committee, conduct research into those government estimates
- upon request by individual members of parliament or a committee provide estimates of the financial cost of proposal over which Parliament has jurisdiction.

The legislation entitles the PBO to obtain economic and financial information from government departments required to perform the above duties but does NOT include access to confidential Cabinet papers or information restricted under the Access to Information Act. In addition, the PBO can enter contracts or engage (on a non-ongoing basis) personnel to obtain technical or specialised knowledge required to fulfil the PBO's mandate. However, this power is subject to the authority of the Speakers (both House and Senate) and the Parliamentary Librarian.

Role in Budget Process

In providing independent analysis to parliamentarians the PBO provides three core products and services:

- research conducted on request from committees and parliamentarians
- regular analysis products such as fact sheets, briefing notes, and in-depth economic and fiscal reports working papers, and
- independent research initiated from within the PBO on economic issues at the centre of parliamentary debate.⁹²

The PBO provides these products based on the operating principles of independence, open and transparent publishing, collaboration with external experts, and priority given to the potential to contribute to increasing budget transparency or analysis that may impact the government's finances or the Canadian economy.⁹³

Organisational structure

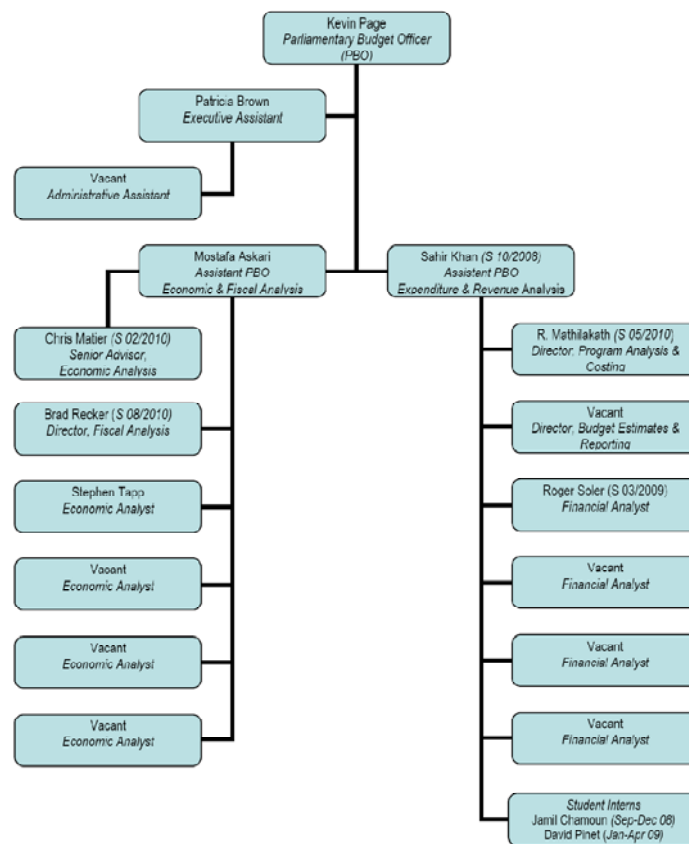
⁹¹. See: Parliament of Canada Act 1985, ¶79.2, viewed 29 January 2010, [Hhttp://laws.justice.gc.ca/en/showdoc/cs/P-1/bo-ga:l V-gb:s 73/20090818/en#anchorbo-ga:l V-gb:s 73H](http://laws.justice.gc.ca/en/showdoc/cs/P-1/bo-ga:l V-gb:s 73/20090818/en#anchorbo-ga:l V-gb:s 73H)

⁹². Office of the Parliamentary Budget Officer, *Operational Plan*, op. cit., p. 5.

⁹³. *ibid.*, p. 2.

The PBO position is defined as an officer of the Library of Parliament. The PBO reports to the Parliamentary Librarian who, in turn, is under the direction and control of the Speakers of the Senate and the House of Commons. The Speakers are assisted by the Standing Joint Committee on the Library of Parliament in conducting this overseer's role.

The organisational structure of the PBO is under consideration pending the outcome of the Standing Joint Committee on the Library of Parliament review discussed above. However, currently the PBO oversees two divisions which conduct economic and fiscal analysis on the one hand, and expenditure and revenue analysis on the other:



Office of the Parliamentary Budget Officer – Organization Chart⁹⁴

Resources

During financial year 2008-09 the PBO employed 15 staff and had a budget of CAD1.8 million. The PBO budget was earmarked to increase to CAD2.8 million for 2009–10 but as at 2 November 2009 this funding had yet to be confirmed. The PBO, Kevin Page, claims that

⁹⁴. *ibid.*, p. 20.

unless a budget of this size is provided critical mass will be lost and the PBO mandate would be compromised.⁹⁵

Director' Appointment

A committee, formed and chaired by the Parliamentary Librarian, submits a list of three names 'through the Leader of the Government in the House of Commons' to the Governor in Council who selects the PBO. The appointment is for a renewable term of not more than five years.

In Canada, the phrase 'Governor in Council' means the Governor-General acting on advice of the federal Cabinet which, in effect, gives legal force to Cabinet decisions relating to statutory authorities or the Royal Prerogative.⁹⁶ Hence, the shortlist is created by the committee chaired by the Parliamentary Librarian and the final decision on the PBO is made by the Cabinet. The Parliamentary Librarian is employed with the rank of a deputy head of a federal department.

Discussion

The creation of the PBO caused considerable tension within and between the Library of Parliament and the PBO and much angst among staff members. In addition a political controversy erupted as the various political parties adopted different perspectives on the issue. For example, the breakdown in the relationship between the PBO and the Harper Government is exemplified by the Transport Minister providing 4,476 pages in response to a PBO information request—but no computer records. On the party politic front, the New Democratic Party finance spokesperson blames the Harper Government for the controversy and claims that the Parliamentary Librarian is being improperly influenced by the Government.⁹⁷ Undoubtedly the Library of Parliament and the PBO will have both suffered significant harm to their standing and reputation regardless of how the dispute is finally settled.

⁹⁵. J Beltrame, 'Fund office or shut it down, says Parliamentary budget officer Kevin Page', *The Canadian Press*, 3 November 2008, viewed 29 January 2010, [Hhttp://ca.news.yahoo.com/s/capress/091103/national/budget_office_stimulus?printer=1](http://ca.news.yahoo.com/s/capress/091103/national/budget_office_stimulus?printer=1)H

⁹⁶. S Munroe, 'Governor in Council', *About.com: Canada Online*, viewed 29 January 2010, [Hhttp://canadaonline.about.com/cs/gg/g/govincouncil.htm](http://canadaonline.about.com/cs/gg/g/govincouncil.htm)H

⁹⁷. Beltrame, op. cit.

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