

**5<sup>th</sup> ANNUAL MEETING OF OECD PARLIAMENTARY BUDGET OFFICIALS  
AND INDEPENDENT FISCAL INSTITUTIONS**

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Thank you Mr. Chairman.

I would first like to thank your offices for hosting our meeting. This year is a special year for us – it marks our network’s fifth anniversary and the first time that we have met outside of Europe. You, Mr. Chairman, have been with us since the network’s inception and I know that we at the OECD Secretariat and your colleagues here today have benefitted enormously from interacting with you and your staff. So it is very fitting that we finally “cross the pond” to meet here at the Canadian Parliament.

Almost everyone here has travelled a great distance, but I want to particularly thank our friends from **Australia, Korea and Chile** for going the extra mile.

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On behalf of the OECD Secretariat, I would like to welcome you all to this 5<sup>th</sup> Annual Meeting of OECD Parliamentary Budget Officials and Independent Fiscal Institutions. I am delighted that you have decided to devote time from your busy schedules to participate.

As the Chairman noted, I currently serve as the Deputy Director of the OECD’s Governance and Territorial Development Directorate, but my professional career has kept me very close to budgeting issues for many years. I have had the pleasure to represent Chile, in my capacity as Chile’s Budget Director, the Inter-American Development Bank at the meetings of OECD SBOs.

As budget director I had the opportunity to work very intensively with the Chilean Congress in enriching budget discussion and of course I have attended the last two PBO meetings in Paris.

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I have been around long enough to see how the environment of budgeting has changed, especially in the last few years. These are indeed particularly tumultuous times for budgeting. In a matter of only five years, fiscal policy has moved from a mild expansionary stance to a strong stimulus and then to tough fiscal consolidation, with primary public spending being the main tool for adjustment. Actually, there is a long time since so many advanced countries are simultaneously consolidating public finances.

Prior to the crisis, fiscal finances were already in an unsustainable path in many OECD countries, except for exceedingly low borrowing costs. As such costs escalated in the course of the crisis they erased fiscal space and prompted spending cuts organized in many countries as “packages” of measures designed with a close eye on the reaction of markets.

The issues facing policy-makers are extraordinarily difficult at this juncture. Fiscal policy is roiled by contentious arguments over austerity versus growth. The need for fiscal consolidation is acute. At the same time, economic growth is anemic. As I argue in my recent paper on budgeting for fiscal space fiscal consolidation may compromise the ability of states to respond to core public responsibilities and policy commitments. It requires tough decisions and has potentially large social and political costs. These are at the centre of parliamentary debate in many of our member countries today.

This has brought to the center of the debate the notion of fiscal space –a concept originally raised by emerging countries in the early 2000s. Finding fiscal space is now essential to advanced countries to mitigate these risks; to create a buffer to respond to further consolidation needs; and to safeguard funding of resources for core government services and top policy commitments.

This may demand substantial changes in the techniques and institutional architecture of budgeting. To generate fiscal space at the scale demanded by fiscal stabilization and

demographic transition countries need to go beyond incremental budgeting. To do it while minimizing costs in terms of government policy outcomes may require going beyond performance-based budgeting as well.

Thus the ways to generate fiscal space that we are now exploring go beyond the scope and the timeframe of annual budgets. These include a renewed effort at evaluation, mainstreaming expenditure reviews, rationalizing tax expenditures, implementing cost-containment programs and reinforcing fiscal discipline in the adoption or reform of permanent legislation. I am particularly pleased to see the latter issue in the agenda of this meeting. This does not only integrate a very important component of public finances into the budgeting agenda, but also underscores the extent to which actors other than Ministries of Finance will need to be involved in the generation and allocation of fiscal space. In particular, I would argue that the scrutiny of public programs and entitlements needs to involve also legislatures, independent fiscal institutions, autonomous technical bodies and auditors, with budget authorities developing the capacity to extract the insights that such scrutiny may provide for budget decisions. In other words, to generate more fiscal space we need to look beyond conventional annual budgeting and beyond budget authorities.

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The institutional setting for budgeting is of prime importance. Well-designed fiscal rules, effective medium-term expenditure frameworks, prudent economic assumptions, managerial flexibility and performance management, budget transparency and modern accounting are all key elements of such an institutional framework.

The proliferation of independent parliamentary budget offices and fiscal councils, many of who are represented here today has been a profound trend in recent years. Over the next two days, much of our debate will be centred on the critical role of these institutions, the types of work they are undertaking, and the challenges they face. We will also come back to the work started last year on **Principles for Independent Fiscal Institutions**, where the accumulated wisdom of such bodies that have operated for a long period are intertwined with the most recent

aspirations in this field. We believe that your contribution is invaluable in helping both parliamentarians and governments to meet the public's trust.

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I wish you all – us all – great success with this 5<sup>th</sup> Annual Meeting of OECD Parliamentary Budget Officials and Independent Fiscal Institutions and I look forward to our discussions.