



Opening Statement of Annette Connolly, Director of the Parliamentary Budget Office, Houses of the Oireachtas Service

19th May 2021

I would firstly like to thank the committee for the opportunity to attend your meeting today to contribute on the introduction of a fiscal council to the public fiscal governance arrangements in Northern Ireland.

I would like to begin by setting out what the Parliamentary Budget Office does, and the differences between us and the Irish Fiscal Advisory Council.

The Parliamentary Budget Office or PBO is an in-house parliamentary body – set up by the Houses of the Oireachtas to provide it with tailored support for its role in the budgetary process. This means that we provide support for members in relation to the approval of spending, revenue raising legislation and oversight of the public finances and fiscal governance arrangements. Our work is aimed at Oireachtas member's needs in this area. It does this through publishing research and analysis and presenting its analysis to Committees of the Houses of the Oireachtas.

We currently have 8 staff but as we have a number of vacancies we will be recruiting some more in the coming weeks. Our mandate is set out in legislation and is in line with the OECD's principles for Independent Fiscal Institutions and PBOs.

The PBO originates in the need for Irish parliamentarians to have access to expertise to better understand and engage with their role in the budget process. While other reforms to the budgetary process were introduced in the early 2010s, the Oireachtas's role was unchanged. In 2015, the Oireachtas Service commissioned a report from the OECD on how parliamentary scrutiny of the Budget could be improved. It recommended setting up a Budget Committee so that the Oireachtas could have a specific forum to discuss budget issues in advance of the Budget and a Parliamentary Budget Office to support it, other committees, and members in general in their engagement on budgetary matters.

Accordingly, the PBO has a special relationship with the Committee on Budgetary Oversight. I regularly appear before the Committee to present the PBO's analysis of major Government budget related documents or the economic and fiscal situation. These sessions are held in private. This allows for an open exchange with Members. We also align our work programme to some extent with that of the Committee on Budgetary Oversight to assist in their work.

In contrast, the Irish fiscal council originates in the economic and fiscal crisis of the 2008 to 2012 period and a need for an independent check on the Government's fiscal plans. The EU fiscal rules mandate that an independent national institution either completes or verifies the Government's economic forecasts and checks compliance with the EU's fiscal rules.

The Irish Fiscal Advisory Council is focused on its role in endorsing the Irish Government's economic forecasts, evaluating compliance with the EU fiscal rules and assessing the fiscal stance of the Government's budget.

It does not work directly with the Oireachtas. However, the regular engagement it has, meeting with the Budgetary Oversight Committee on its Fiscal Assessment Reports are important in two ways. It allows the Council members a public forum to explain their assessment and the thinking behind it. It also allows Dáil members to gain a greater understanding of the issues by asking questions of and engaging in open dialogue with, informed, independent experts, on overall Government budgetary policy.

The PBO and the Fiscal Council have recently agreed a Letter of Understanding between ourselves to share information in areas of mutual benefit and to have regular contact. This will help us not to duplicate work.

In relation to the practicalities of setting up of a new independent fiscal institution, our experience may give you some insight.

As you know, the independence of fiscal institutions such as the PBO and the Fiscal Council is an important principal. As the OECD advise, they must be non-partisan and independent in their analysis and supported by statutory provisions to this effect. This allows them to operate in an area which will always be politically contentious.

Having access to skilled and expert staff is a pre-requisite for such a body. We have had issues with staff retention over the past few years. Many junior staff have left the PBO on promotion and recruiting the specialist staff to replace them has been a slow process. Individuals with the economic and statistical skills needed, along with the knowledge of budget processes, are not plentiful and are therefore in demand across civil service bodies.

Having a statutory right to request and access Government information is also important. Our legislation gives me, the Director, the right to request information from Government ministers and bodies, states that I have all such powers as are necessary or expedient for the performance of my functions. However, while co-operation with Government Departments with requests for information has in general been good, there have been instances where requests have been ignored or refused or informal consultation before a request was made indicated that no information would be forthcoming. This, in general, has not impeded the work of the Office and we can and do use our publications to highlight poor information, lack of information or lack of co-operation. However, it would be of greater concern if the PBO's remit on costing proposals is expanded.

On this issue, last year's Programme for Government for the new Irish Government made a commitment to explore extending the PBO's mandate to cost political party election manifestoes. In Ireland, the Government civil service currently does costings of political party budget and election proposals, but there are gaps as not everything is costed and there is no independent check on the costings. Implementing the Programme for Government commitment would require additional resources for the PBO, as well as, a closer working relationship between the PBO, Government Departments and perhaps other institutions. It would also require a change in the PBO's legislative functions. Such work is more probably suited to a parliamentary budget office than a fiscal council as PBOs operate closer to the political system. In our case, it could also potentially dilute the focus of the Irish Fiscal Council's mandate.

Thank you again for inviting me to contribute today. I am happy to address any questions you have.