An Introduction to the OECD Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions

Presentation at the International Monetary Fund

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This presentation is part of the International Budget & Appropriations Luncheon Series hosted by the International Monetary Fund's (IMF's) Public Financial Management Team. For related information about the IMF, see https://tinyurl.com/bdfktr5s.
Overview of the Organisation for Economic Co-operation and Development (OECD) Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions (IFIs)
The Working Party initially operated as a network of parliamentary budget officials, holding its first meeting in February 2009.

Fiscal councils began to join the network in 2012 at its fourth annual meeting.

The OECD elevated the network to the status of a "Working Party" in 2021.
The Number of IFIs in OECD Member Countries Has Grown Considerably in Recent Years

Data source: Organisation for Economic Co-operation and Development.
One of the Working Party’s Main Goals Is to Make Connections

The Working Party connects officials to:

- Strengthen and improve the role of parliaments in budget processes,
- Support the evolving role of independent fiscal institutions, and
- Debate substantive budgeting issues and share practical experiences and working methods.

Image courtesy of the Organisation for Economic Co-operation and Development.
The Working Party Also Undertakes Important Projects, Including:

- Setting standards (establishing guiding principles, good practices, and international benchmarks),
- Conducting independent reviews, and
- Creating and administering surveys and databases.
The OECD Has Established 22 Guiding Principles, Grouped in 9 Broad Areas, for IFIs

- **Local ownership**: Role and structure determined according to local needs
- **Independence and non-partisanship**: Independent appointments and non-partisan analysis
- **Mandate**: Mandate clearly defined and IFI able to work at own initiative
- **Resources**: Resources commensurate with mandate
- **Relationship with legislature**: Appropriate accountability to the legislature
- **Access to information**: Access to information guaranteed in legislation
- **Transparency**: Act as transparently as possible
- **Communication**: Effective communication channels, especially with media
- **External evaluation**: A mechanism for external evaluation in place

Infographic courtesy of the Organisation for Economic Co-operation and Development.
The OECD Conducts Reviews of IFIs

Review teams consist of the OECD Secretariat, peers from other IFIs, and experts from academia.

Many stakeholders are consulted during the reviews, including, for example, ministries of finance, parliaments, statistical agencies, international organizations, local academic communities, think tanks, civil society groups, and the media.

The reviews cover:

- Context;
- Legislation, resources, and independence;
- Methodology and outputs; and
- Impact.
The OECD Has Created and Maintains Several Unique Databases

- The OECD Independent Fiscal Institutions Database (2021)
Many Current Issues of Interest to the Working Party Are Reflected in the List of Sessions at Its Most Recent Annual Meeting

- Geopolitical Uncertainty, Economic Impacts, and Policy Implications
- IFIs and Green Analysis
- Working Together With Climate Councils
- Guidelines for Policy Costings
- Dynamic Scoring
- Report to the OECD Secretariat and Proposals for Future Work
- Keynote by Mairead McGuinness, Commissioner, Financial Stability, Financial Services and Capital Markets Union, European Commission
- The Media
- The Public
- Best Practices for Parliaments in Budgeting
- Independent Fiscal Institutions: Developing a Multidimensional Framework for Understanding Institutional Effectiveness

This bulleted list represents the titles of sessions at the Working Party’s 14th annual meeting, held in Dublin, Ireland, on May 5–6, 2022.
For more information about the OECD Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions, see its web page at https://tinyurl.com/2c4xskkf.

For more information about the Congressional Budget Office, visit the agency's website at www.cbo.gov.

To ask questions about this presentation, contact Mark Hadley at Mark.Hadley@cbo.gov.
Addendum: Overview of the Congressional Budget Office
CBO was created by the Congressional Budget and Impoundment Control Act of 1974 to give the Congress a stronger role in budget matters.

The agency provides analysis of budgetary and economic issues that is objective and impartial. It is strictly nonpartisan and does not make policy recommendations.

CBO follows processes that are specified in statute or that it has developed in concert with the budget committees and Congressional leadership. The agency’s chief responsibility under the Budget Act is to help the budget committees with the matters under their jurisdiction.
CBO Is Structured to Foster Collaboration and Teamwork Among and Within Its Divisions

CBO’s organization consists of the Office of the Director and nine divisions:

- Budget Analysis
- Financial Analysis
- Health Analysis
- Labor, Income Security, and Long-Term Analysis
- Macroeconomic Analysis
- Management, Business, and Information Services
- Microeconomic Studies
- National Security
- Tax Analysis

The agency’s Director is appointed jointly by the Speaker of the House and the President pro tempore of the Senate and serves a four-year term.

CBO has about 275 employees. Employees are hired solely on the basis of professional competence, without regard to political affiliation. Most of them have advanced degrees.
How CBO Supports the Congressional Budget Process
The agency prepares and periodically updates a 10-year budget baseline that serves as a benchmark for measuring the effects of proposed legislation.

The baseline incorporates the assumption that current laws governing spending and revenues generally remain unchanged, and it relies on CBO’s forecasts of key economic factors.

### CBO’s Baseline Budget Projections, by Category

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Actual, 2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
<th>2031</th>
<th>2032</th>
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<tr>
<td>Individual income taxes</td>
<td>2.044</td>
<td>2.523</td>
<td>2.579</td>
<td>2.542</td>
<td>2.539</td>
<td>2.771</td>
<td>2.970</td>
<td>3.049</td>
<td>3.170</td>
<td>3.301</td>
<td>3.436</td>
<td>3.582</td>
<td>13,400</td>
<td>28,938</td>
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<tr>
<td>Payroll taxes</td>
<td>1.314</td>
<td>1.465</td>
<td>1.572</td>
<td>1.625</td>
<td>1.669</td>
<td>1.726</td>
<td>1.786</td>
<td>1.853</td>
<td>1.923</td>
<td>1.995</td>
<td>2.072</td>
<td>2.150</td>
<td>8,378</td>
<td>18,372</td>
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<tr>
<td>Corporate income taxes</td>
<td>372</td>
<td>395</td>
<td>456</td>
<td>478</td>
<td>483</td>
<td>473</td>
<td>457</td>
<td>461</td>
<td>470</td>
<td>489</td>
<td>491</td>
<td>505</td>
<td>2,347</td>
<td>4,755</td>
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<tr>
<td>Other</td>
<td>317</td>
<td>354</td>
<td>283</td>
<td>279</td>
<td>290</td>
<td>310</td>
<td>336</td>
<td>352</td>
<td>370</td>
<td>385</td>
<td>403</td>
<td>424</td>
<td>1,498</td>
<td>3,433</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>4,047</strong></td>
<td><strong>4,836</strong></td>
<td><strong>4,890</strong></td>
<td><strong>4,924</strong></td>
<td><strong>4,982</strong></td>
<td><strong>5,280</strong></td>
<td><strong>5,548</strong></td>
<td><strong>5,716</strong></td>
<td><strong>5,934</strong></td>
<td><strong>6,161</strong></td>
<td><strong>6,402</strong></td>
<td><strong>6,662</strong></td>
<td><strong>25,623</strong></td>
<td><strong>56,498</strong></td>
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<tr>
<td>On-budget</td>
<td>3,095</td>
<td>3,782</td>
<td>3,754</td>
<td>3,737</td>
<td>3,753</td>
<td>4,008</td>
<td>4,229</td>
<td>4,347</td>
<td>4,514</td>
<td>4,689</td>
<td>4,875</td>
<td>5,078</td>
<td>19,481</td>
<td>42,984</td>
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<td>Off-budget(^a)</td>
<td>952</td>
<td>1,054</td>
<td>1,136</td>
<td>1,186</td>
<td>1,228</td>
<td>1,272</td>
<td>1,320</td>
<td>1,369</td>
<td>1,420</td>
<td>1,472</td>
<td>1,527</td>
<td>1,584</td>
<td>6,142</td>
<td>13,514</td>
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<tr>
<td><strong>Outlays</strong></td>
<td><strong>6,822</strong></td>
<td><strong>5,872</strong></td>
<td><strong>5,874</strong></td>
<td><strong>5,980</strong></td>
<td><strong>6,300</strong></td>
<td><strong>6,643</strong></td>
<td><strong>6,958</strong></td>
<td><strong>7,441</strong></td>
<td><strong>7,585</strong></td>
<td><strong>8,074</strong></td>
<td><strong>8,469</strong></td>
<td><strong>8,915</strong></td>
<td><strong>31,754</strong></td>
<td><strong>72,238</strong></td>
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<tr>
<td>Mandatory</td>
<td>4,834</td>
<td>3,751</td>
<td>3,674</td>
<td>3,656</td>
<td>3,834</td>
<td>4,032</td>
<td>4,026</td>
<td>4,542</td>
<td>4,564</td>
<td>4,911</td>
<td>5,162</td>
<td>5,461</td>
<td>19,401</td>
<td>44,041</td>
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<tr>
<td>Discretionary</td>
<td>1,636</td>
<td>1,722</td>
<td>1,758</td>
<td>1,798</td>
<td>1,862</td>
<td>1,930</td>
<td>1,996</td>
<td>2,057</td>
<td>2,096</td>
<td>2,155</td>
<td>2,209</td>
<td>2,261</td>
<td>9,344</td>
<td>20,122</td>
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<tr>
<td>Net interest</td>
<td>352</td>
<td>399</td>
<td>442</td>
<td>525</td>
<td>604</td>
<td>681</td>
<td>756</td>
<td>842</td>
<td>925</td>
<td>1,007</td>
<td>1,099</td>
<td>1,194</td>
<td>3,009</td>
<td>8,075</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,822</strong></td>
<td><strong>5,872</strong></td>
<td><strong>5,874</strong></td>
<td><strong>5,980</strong></td>
<td><strong>6,300</strong></td>
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<td><strong>6,958</strong></td>
<td><strong>7,441</strong></td>
<td><strong>7,585</strong></td>
<td><strong>8,074</strong></td>
<td><strong>8,469</strong></td>
<td><strong>8,915</strong></td>
<td><strong>31,754</strong></td>
<td><strong>72,238</strong></td>
</tr>
<tr>
<td>On-budget</td>
<td>5,819</td>
<td>4,794</td>
<td>4,688</td>
<td>4,705</td>
<td>4,942</td>
<td>5,208</td>
<td>5,436</td>
<td>5,826</td>
<td>5,872</td>
<td>6,258</td>
<td>6,546</td>
<td>6,887</td>
<td>24,979</td>
<td>56,368</td>
</tr>
<tr>
<td>Off-budget(^a)</td>
<td>1,004</td>
<td>1,077</td>
<td>1,186</td>
<td>1,275</td>
<td>1,358</td>
<td>1,436</td>
<td>1,521</td>
<td>1,614</td>
<td>1,713</td>
<td>1,816</td>
<td>1,923</td>
<td>2,029</td>
<td>6,775</td>
<td>15,870</td>
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<tr>
<td><strong>Total Deficit</strong></td>
<td><strong>-2,775</strong></td>
<td><strong>-1,036</strong></td>
<td><strong>-984</strong></td>
<td><strong>-1,056</strong></td>
<td><strong>-1,318</strong></td>
<td><strong>-1,364</strong></td>
<td><strong>-1,409</strong></td>
<td><strong>-1,725</strong></td>
<td><strong>-1,651</strong></td>
<td><strong>-1,912</strong></td>
<td><strong>-2,067</strong></td>
<td><strong>-2,253</strong></td>
<td><strong>-6,131</strong></td>
<td><strong>-15,740</strong></td>
</tr>
<tr>
<td>On-budget</td>
<td>-2,724</td>
<td>-1,013</td>
<td>-934</td>
<td>-968</td>
<td>-1,189</td>
<td>-1,200</td>
<td>-1,207</td>
<td>-1,480</td>
<td>-1,358</td>
<td>-1,568</td>
<td>-1,671</td>
<td>-1,808</td>
<td>-5,498</td>
<td>-13,384</td>
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<tr>
<td>Debt Held by the Public</td>
<td>22,284</td>
<td>24,173</td>
<td>25,193</td>
<td>26,217</td>
<td>27,561</td>
<td>28,925</td>
<td>30,326</td>
<td>32,105</td>
<td>33,760</td>
<td>35,808</td>
<td>37,949</td>
<td>40,213</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
</tbody>
</table>
CBO Prepares Estimates of the Budgetary Effects of Legislative Proposals

CBO is required to produce a formal cost estimate for nearly every bill approved by a full committee. The agency usually produces 600 to 800 cost estimates each year.

Those estimates include the impact of federal mandates on state, local, and tribal governments.

CBO also fulfills thousands of requests for technical assistance as lawmakers draft legislation.

Furthermore, CBO tracks appropriation actions.
CBO Publishes About 70 Reports, Testimonies, and Working Papers Each Year

The agency’s reports cover every major area of federal policy, including spending programs, the tax code, and budgetary and economic challenges.

The reports often present options for changes in the federal program or tax rules under consideration, but they make no recommendations.
CBO’s Priorities: Objectivity, Analytical Soundness, Responsiveness, Transparency, and Accessibility
CBO’s Analysis Is Objective, Impartial, and Nonpartisan

CBO makes no policy recommendations.

The agency hires people on the basis of their expertise without regard to political affiliation. CBO carefully considers whether potential analysts can perform objective analysis, regardless of their own personal views.

The agency uses a common set of assumptions when analyzing different legislative proposals to ensure that its estimates are consistent and impartial.

CBO’s estimates are inherently uncertain, but the agency’s goal is to produce estimates that are in the middle of the distribution of potential outcomes.
CBO’s Assessments Are Based on Detailed Analysis

The agency bases its assessments on:

▪ A detailed understanding of federal programs and revenue sources;

▪ An examination of the relevant research literature;

▪ An analysis of data reported by federal statistical agencies and other groups;

▪ Consultation with outside experts in academia, think tanks, industry groups, the private sector, and federal, state, and local agencies; and

▪ Discussion with CBO’s Panel of Economic Advisers and Panel of Health Advisers.
CBO Seeks To Provide Information When It Is Most Useful

The agency completes nearly all formal cost estimates before the legislation at issue comes to a floor vote.

To provide context for its estimates, CBO provides technical assistance, reports, and other information to policymakers during earlier stages of the legislative process.

To bolster its responsiveness, CBO has expanded staffing in high-demand areas.
CBO Makes Its Work Transparent in Many Different Ways

- Testifying and publishing answers to questions
- Explaining analytic methods
- Releasing data
- Analyzing the accuracy of its estimates
- Comparing current estimates with previous estimates
- Comparing its estimates with those of other organizations
- Estimating the effects of policy alternatives
- Characterizing uncertainty surrounding estimates
- Creating data visualizations
- Conducting outreach
All the agency’s reports and formal cost estimates are shared widely and made available on CBO’s website.

CBO publishes interactive graphics, including graphics accompanying reports that make key takeaways more easily accessible.

CBO produces versions of its reports that are tailored for reading on mobile devices and web browsers.