



Ceann Comhairle's  
Office  
11 APR 2016  
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SENATOR SEAN D. BARRETT, PH.D., FTCD

8 April 2016

Ceann Comhairle,  
Darl Éireann.

Dear Sean,

My assistant  
Dr Charles Rorbin has  
authored documentation on  
the Budget Office which  
I enclose. He has a lot  
of knowledge in this field  
and it may be of interest  
to your review group.

Yours sincerely  
Sean B



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## Memorandum

TO: Mr. Seán Ó Feargháil, TD, Ceann Comhairle, Dáil Éireann

FROM: Dr Charles Larkin, School of Business, Trinity College Dublin & Parliamentary Assistant to Sen. Sean D. Barrett

DATE: 8 April 2016

RE: Irish Parliamentary Budget Office Proposal

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The appended note was presented to then Minister of State Harris as the junior minister for the Departments of Finance and Public Expenditure and Reform on the topic of developing an Independent Parliamentary Budget Office. Due to the resource implications to the Houses of the Oireachtas Commission it was referred to Mr. Dermot Quigley, Principal Officer, Department of Public Expenditure and Reform, who is responsible for the Commission's budget.

A meeting was organized on the 21<sup>st</sup> of December 2015 between Mr. Dermot Quigley, Mr. Brendan O'Leary (Assistant Principal, Department of Finance) and Ms. Mary McCarthy (Higher Executive Officer, Department of Finance and myself. Mr. Quigley represented the views on the expenditure side with respect to the Commission's part of voted expenditure. Mr. O'Leary and Ms. McCarthy were there in the place of their Principal Officer, Mr. John Palmer. Mr. Palmer directs the budgetary policy section of the Economic Division of the Department of Finance. I was informed by Mr. O'Leary that Minister Noonan was keen on developing the idea of a parliamentary budget office and some explorations were made by Mr. Palmer to this effect. No heads of bill had been drafted at this time but heads were to be circulated by the end of the summer recess 2016. This was in the context of Minister Noonan continuing as Minister of Finance for the next 24 months, which was stated to his officials as the working timeline for their proposals.

Mr. Quigley, Mr. O'Leary and Ms. McCarthy were all presented with a copy of the memorandum dated 4 December 2015 and a series of supporting materials, including the report by the OECD report *Review of Budget Oversight by Parliament: Ireland*, a series of explanatory materials related to the operation of the Congressional Budget Office (CBO) in the US (which has been in place since 1974), examples of the staff establishment in numbers, cost and education/skill level required based on the CBO and the New York City Independent Budget Office. I also included examples of documents produced by the CBO related directly to majority and minority party legislation, legislative amendment costings and long term financial and budgetary projects (i.e. 10, 20 and 30 year time horizons) produced by the CBO to inform policy. I also outlined training activities conducted by the US Congress and the JFK School of Government for freshmen Congressmen and Senators to best avail of CBO tools.

In the discussion I outlined the differences between *ex ante* and *ex post* assessments of expenditure and the differences between a parliamentary budget office, the fiscal advisory council (of an IFAC design) and the Comptroller and Auditor General (the GAO being the equivalent in the US).

Mr. O'Leary and Ms. McCarthy indicated that they would return to this discussion following the election and the re-appointment of Mr. Noonan as Minister.

The supporting materials related to my presentation are available upon request. I can do a small presentation of the importance, role and implementation of an independent parliamentary budget office if desired. My contact details are: [larkincj@ted.ie](mailto:larkincj@ted.ie), +353-(0)87-975-6985.



## Memorandum

TO: Mr. Richard Troy, Private Secretary to Minister of State Simon Harris, TD, D/PER

FROM: Dr Charles Larkin, School of Business, Trinity College Dublin & Parliamentary Assistant to Sen. Sean D. Barrett

DATE: 4 December 2015

RE: Irish Parliamentary Budget Office

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The recent OECD *Review of Budget Oversight by Parliament: Ireland* (2015) highlights a series of useful recommendations. One recommendation was to set up an Oireachtas-based Irish Parliamentary Budget Office (IPBO). I would recommend that creation of an IPBO is in keeping with the objectives of creating a foundation of material for evidence-based policymaking as outlined in the Public Service Reform Plan 2014-16. A repeated aspect highlighted in the testimony presented to the Joint Oireachtas Committee into the Banking Crisis was the weak oversight by the Oireachtas of the budgetary process and a general lack of economic information in policy decisions. Sen. Barrett has requested that improved oversight capabilities be put in place as part of the final report's recommendations.

### **Member Oversight -- capability & capacity**

The purpose of the IPBO would be to act as a similar structure to the Congressional Budget Office (CBO) in the US system providing scrutiny of budgetary projections and proposals but also assessments of proposed amendments, bills and motions put forward by members of the Dáil and Seanad. The IPBO would also be best able to engage in creation of similar products to the CBO in the US. The CBO produces many non-periodic products, the following dozen being the most relevant to the Irish context and would be useful to members of the Oireachtas for oversight purposes:

1. Budget and Economic Outlook and Updates
2. Analysis of the President's Budget
3. Budget Options
4. Long-Term Budget Outlook
5. Long-Term Projections for Social Security
6. Distribution of Household Income and Federal Taxes
7. Economic Forecasting Record
8. Federal Receipts and Expenditures in the National Income and Product Accounts
9. Monthly Budget Review
10. Unauthorized Appropriations and Expiring Authorizations
11. Sequestration
12. Public Spending on Transportation and Water Infrastructure

The IPBO would also be able to provide a useful dual purpose as it would provide training in economics, finance and statistics to incoming members. This would enable members to not only learn about the IPBO but also how best to maximize the use of this resource. The IPBO would also act as a guide to members who would desire to advance towards qualifications as recognized by the National Qualifications Framework in the fields of policy analysis, finance and/or economics. This would enable the IPBO to achieve two new tasks at once: improve the ability of members to engage in

budgetary and economic oversight and scrutiny and also develop their capabilities and competence to best utilize those new tools and resources.

### **Long-Term Economic Analysis**

I would also note the importance of the CBO in the United States for long-term economic planning. The CBO regularly produces analyses that look forward into the mid-21<sup>st</sup> century on matters of health, education, pensions and economic growth. Such predictions are useful for the purposes of forward-looking economic planning, highlighting future economic challenges brought about by demographics or potential funding cliffs. At present no government department exercises such long-run economic planning and the IPBO would actively address this gap. The Minister for Economic Planning, created under the Ministers and Secretaries (Amendment) Act 1977 was abolished and much of the economic planning portfolio moved into different departments with no true successor for long-term economic projections and planning. Much of that task was engaged with by the ESRI with a maximum 60 month time horizon. The IPBO can revive part of that process by producing an evidence-base for policy formation.

### **IPBO – the organization**

The size of the organization would be similar to that found in Canada, with no more than 25 staffers but would have a remit similar to that of the CBO in the US. The majority should have backgrounds in finance, macroeconomics, microeconomics, statistics and mathematics but a smaller group with backgrounds in law, public health, psychology, the natural sciences and the humanities will be needed for policy analysis positions. The US CBO clearly indicates that it seeks persons that would otherwise find places in academia or research institutes and puts in place a career structure to insure that the human capital is retained.<sup>1</sup> IPBO would be part of the Oireachtas Commission Vote but with connections to D/Taoiseach, D/Finance, D/Public Expenditure and Reform and the leading public policy and economics research centres in Ireland.<sup>2</sup>

### **Resourcing**

Existing resources are available within IGEES and the Oireachtas and other parts of the civil and public service. At present resources are not used optimally. Many of the electronic resources already available to the Oireachtas via IReL or Library and Research Service (L&RS) subscriptions are underutilized due to lack of member training or under resourcing of the L&RS. The resources that have been earmarked for the Joint Oireachtas Inquiry in to the Banking Crisis were largely drawn from the internal budget of the Houses of the Oireachtas Commission, with the current expenditure redirected towards an IPBO from the Inquiry staffers could be acquired with sufficient competence and expertise. In addition, the existing capital facilities being put in place in Agriculture House could house an IPBO office. There are additional resources that are held by the universities (notably Trinity College Dublin has access to Bloomberg and Reuters financial data as well as IMF, World Bank and Eurostat data and company databases Amadeus, FAME) and arrangements for dual appointment as research associates/fellows of the universities and IPBO can be arranged, especially as the products of

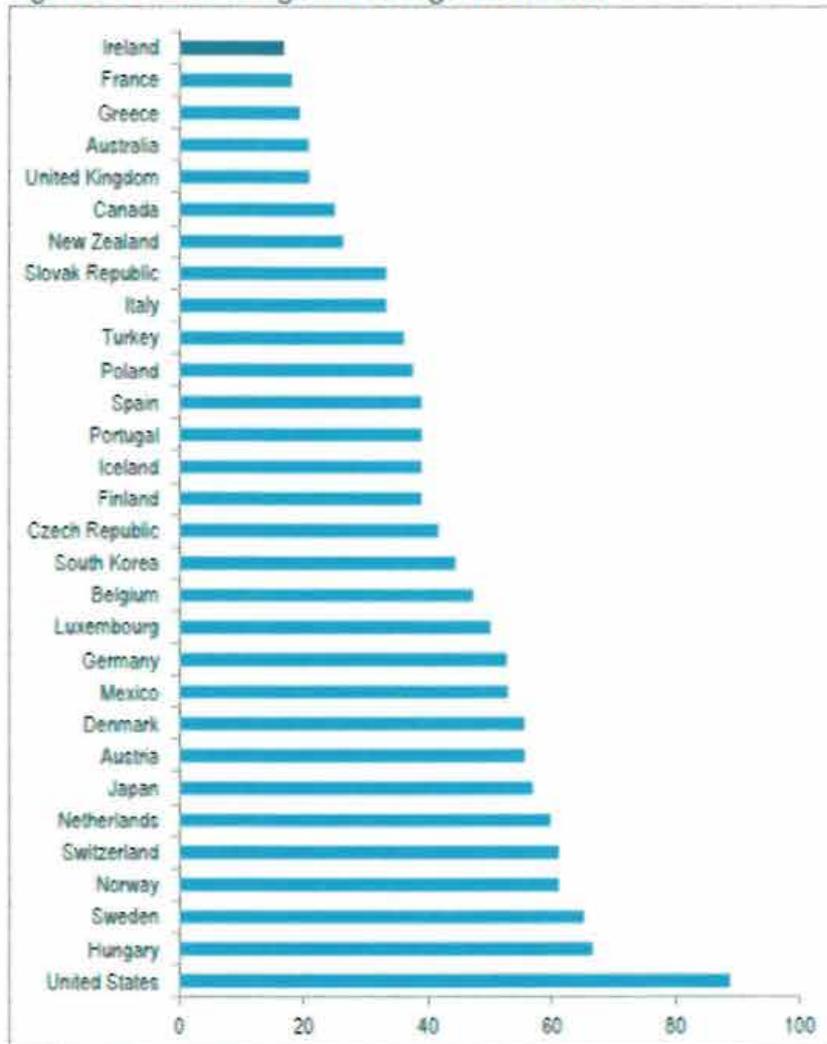
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<sup>1</sup> Please see: <https://www.cbo.gov/about/careers/people> Most CBO staffers start at Washington, D.C. rank GS12 step 7 and have access to extensive professional developed to keep their skills at the cutting edge.

<sup>2</sup> It would be desirable that IPBO would eventually develop standing links to other leading policy analysis institutions such as the CBO but also institutions like the Harvard University Kennedy School of Government and the Columbia University School of International and Public Affairs.

the IPBO will be of sufficient quality to be capable of being peer reviewed adding to the research outputs of Irish higher education institutions, an existing example of this arrangement exists for the ESRI. Ultimately the IPBO would take existing resources and optimize them to ensure oversight levels improve from the worst in any OECD country to one of the best.

**Figure 2.3 - Index of Legislative Budget Institutions**



Source: Wehner (2010)

Source: OECD. *Review of Budget Oversight by Parliament: Ireland*. Paris: OECD, 2015: p30.

**Recommendation from *Review of Budget Oversight by Parliament: Ireland (2015)*:**

The IPBO should be responsible for providing parliament with:

- technical and non-partisan analysis and briefing to support committee scrutiny at all key stages of the budget process
- confidential budget analysis to support the work of individual parliamentarians
- training to develop the capacity of parliamentarians in relation to financial scrutiny, and
- independent pro-active research in relation to the budget and performance budgeting.

In the short-term the IPBO might first be built upon the Clerking Financial Scrutiny team and be resourced by a small number of persons with appropriate skills seconded from other areas of the Oireachtas, other oversight bodies or the government. However, in the longer-term, it is envisaged that resources would be released and the IPBO would be set up as a specialised stand-alone unit in the Oireachtas, staffed by at least five to seven persons. While retaining their independence of function, IPBO staff could also form part of, and/or have rolling secondees from, the IGEES (see section 1.4(h) above) for professional development purposes.

The IPBO could also incorporate the Independent Costings Office that has been proposed by the government (see section 1.4(k)), given the broad overlap of skills and functions in the area of budget scrutiny and policy costings.

The functions of the IPBO should complement and not overlap with those of IFAC, although the IPBO's role could help to enhance the ongoing liaison between the Houses of the Oireachtas and the work of IFAC. The IPBO should also act as a focal point for liaison with the Executive in the interests of making available the most appropriate budgetary and fiscal information for members.