

Budgetary Oversight Committee

Opening Statement by Minister for Finance, Paschal Donohoe, T.D.

9th February 2021

Introduction

Chairperson, Members – let me begin by thanking the Committee for the invitation to appear here today to discuss the current framework for parliamentary engagement in the budgetary process.

I welcome the opportunity to discuss your interim report and I look forward to a fruitful and positive exchange.

Firstly, I note the recommendations set out in the Committee’s report and am happy to respond to those directed towards my Department, and to consider them in the context of this engagement.

I recognise that the report raises a wide range of issues from the mandate and roles of Oireachtas Committees, to the wider engagement between my Department and this Committee, and I look forward to gaining a better understanding of your perspective today.

Key fiscal infrastructure reforms in recent years

At the outset, I think that we can all agree that there has been much progress in our broader approach to the national fiscal framework over recent years. From my perspective, I want to assure the Committee that both I and my Department will continue to play a constructive role going forward – both formally and informally.

To put this into context, it would be useful to briefly highlight the main reforms to our budgetary framework and how the engagement of the Oireachtas in the process has been enhanced.

I have spoken on many occasions about the importance of our Institutions – independent, analytically-robust and respected institutions are the backbone of any strong democracy. In this regard, perhaps the most important reform to the fiscal framework in recent years has been the establishment of the *Irish Fiscal Advisory Council*.

The Council provides a crucial input to the budgetary process, providing an independent assessment of:

- my Department’s economic and budgetary forecasts;
- the stance of fiscal policy;
- compliance with the fiscal rules.

In terms of the economic projections that underpin Government policy, a transparent, rigorous process precedes both the Budget and the Stability Programme Update forecasting rounds. Additionally, the scrutiny of Government policy provided by the Council is now firmly embedded within the budgetary architecture. I know that the Committee’s deliberations with the Council help to provide a broader context for your engagement with both me and my Department.

Another important reform initiated by my Department in recent years is the *National Economic Dialogue*. This is now firmly part of the annual budgetary cycle although, unfortunately, the pandemic temporarily interrupted this last year. The Dialogue is normally preceded by the publication of the *Summer Economic Statement* which sets out the main parameters of the Budget – I will return to this shortly.

The Dialogue provides an opportunity for all stakeholders to participate in an open and inclusive exchange on the competing economic and social priorities facing the Government.

Each summer, my Department also oversees the circulation of the *Tax Strategy Group* papers to the relevant sectoral Oireachtas Committees. This Group is comprised of representatives from various government departments and political advisors. The papers that are published on our website are a stock-take of existing tax measures and include issues for discussion and costed options for changes, taking the *Programme for Government* commitments into account.

Finally, the establishment of this Committee itself is also an important reform to the budgetary infrastructure and, as Members will be aware, I regularly discuss economic, fiscal, taxation and other issues with you.

Issues raised in interim report of the Committee

Turning now to the Committee's interim report, many of the issues raised pertain to my colleague Minister McGrath, so I will not delve too deeply into the reforms that are taking place on the expenditure side. However, it is worth noting that performance budgeting initiatives continue to evolve, now incorporating the Public Service Performance Report, first published in 2017, as well as updates to work being done around the important issues of equality budgeting and green budgeting initiatives.

As the Committee will be aware, the *Programme for Government* outlined the Government's objective of developing better measures of quality of life and well-being. Connected to this is the Government's commitment to expand equality budgeting. In this regard, I am engaging with my colleagues Minister McGrath and Minister O'Gorman, on next steps to progress work in this important area.

In terms of the further development of well-being measures, this will be guided by an expert group convened through the Department of the Taoiseach. My officials have been engaging with their counterparts in the Departments of the Taoiseach and

Public Expenditure and Reform in order to further develop the technical aspects of this work. Indeed, to contribute to the analytical work, my Department published a paper entitled “*Well-being and the Measurement of Broader Living Standards in Ireland*” alongside *Budget 2021*. The paper examines the development of international approaches to wellbeing and investigates options for a national well-being measurement in Ireland.

The purpose of the new well-being measures will be to complement existing economic tools and measures and not to replace them: these measures are complements, not substitutes.

It is anticipated that the new well-being measures can serve, over time, as a useful reference for a range of policy and budgetary reform initiatives which are currently underway, including performance budgeting; equality budgeting; spending reviews; and proofing of policy proposals against environmental and other goals.

In relation to green budgeting, the Department of Public Expenditure and Reform has already incorporated green budgeting practices into its expenditure analysis in recent years, publishing a list of items deemed as positively impacting on the climate in the Annual Revised Estimates Volumes for the Public Service. My officials are actively examining green budgeting practices from a tax perspective and are engaged with the OECD and the European Commission to ensure a ‘best practice’ approach.

I trust this brief outline of the many new budgetary reforms implemented in Ireland in a relatively short space of time demonstrates that Government is committed to improving and increasing the extent and nature of parliamentary engagement with the budgetary process.

Summer Economic Statement

Chairperson, I will now return to the Summer Economic Statement, which I mentioned a few minutes ago, as it concerns one of the recommendations in the interim report.

In a nutshell, the *Summer Economic Statement* – the SES – is a vehicle in which the available level of resources for the year ahead is communicated to the Oireachtas and to the general public, taking into account the need to ensure sound budgetary policy and compliance with our legal requirements – the so-called ‘fiscal rules’.

I am aware that this Committee was disappointed that it was not possible to produce this document last year; I have written to the Chair outlining the reason for this approach which, as Members will appreciate, reflected the exceptional circumstances posed by a once-in-a-century pandemic.

My own view is that the SES is an important staging post in advance of the annual Budget and I have appeared before the Committee on a number of occasions to discuss it; I will continue to accommodate the Committee in terms of future attendance in relation to it. At this stage, it is my expectation that the SES will be publicised over the summer and I look forward to engaging with the Committee at the appropriate time.

That said, rather than focus solely on the SES, it is also important to highlight the voluminous amount of economic and fiscal analysis published by my Department over the course of any year, which I am sure is informative to the Committee. For example, I launched our *Annual Debt Report* a fortnight ago in order to highlight the many issues – positive and negative – associated with the accumulation of public debt. In a similar vein, in the next few months, we will publish our assessment – undertaken every three years – of the fiscal costs associated with population ageing.

Conclusion

In conclusion, Chairperson, I think it is fair to say that the budgetary process has evolved significantly in recent years. Notwithstanding the challenging times we are in, the Government shares the Committee's goals of ensuring we have an open, transparent and engaged budgetary process.

Sound, counter-cyclical budgetary policy is at the heart of a well-performing economy and a fit-for-purpose budgetary framework is a key part of this. I remain committed to assisting the Committee in its essential work in this regard and look forward to a positive exchange today.

Thank you.

Ends ///