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Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

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English - Or. English

**PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE**

GOV/PGC/SBO/A(2006)4
Unclassified

Working Party of Senior Budget Officials

27th Annual Meeting of Senior Budget Officials

ANNOTATED AGENDA

**Sydney, Australia
4-6 June 2006**

The meeting is hosted by the Australian authorities and will be chaired by Mr. Ian Watt, Permanent Secretary, Department of Finance and Administration, Australia.

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English - Or. English

**27th Annual Meeting of Senior Budget Officials
Sydney, Australia, 4-6 June 2006**

ANNOTATED AGENDA

Sunday, 4 June 2006

19:00-22:00 *Gala Dinner for Heads of Delegations*

Monday, 5 June 2006

9:15-9:30 Opening by Chairman

9:30-11:00 **Design Choices for Fiscal Policy Rules**

11:00-11:30 *Coffee Break*

11:30 -13:00 **Top-Down Budgeting**

13:00-14:30 *Luncheon*

14:30-16:00 **Using Performance and Results Information in the Budget Processes**

16:00-16:30 *Coffee Break*

16:30-18:00 **Budgeting in Norway**

18:00-20:00 *Cocktail*

Tuesday, 6 June 2006

9:30-11:00 **Assessing Fiscal Risks through Long-Term Budget Projections**

11:00-11:30 *Coffee Break*

11:30-13:00 **Budgeting in Singapore**

13:00-14:30 *Luncheon*

14:30-16:00 **Report on OECD Budgeting Database and Current Activities
Future Work Programme**

16:00 Closing by Chairman

SUMMARY ANNOTATIONS

Design Choices for Fiscal Policy Rules

1. Formal fiscal policy rules have been adopted by a number of OECD Member countries in order to promote stable economic growth through the control of the accumulation of debt. In some cases, the emphasis may be on *long-term* fiscal responsibility and sustainability whereas in others the emphasis may be more on *short-term* macroeconomic stabilisation.
2. Fiscal rules are however controversial with some claiming they undermine the very economic growth they are intended to promote. Such critics are generally in favour of introducing cyclical adjustments into the calculations of the fiscal rules.
3. This session is designed for Delegates to discuss the rationale for fiscal rules, as well as “real-world” constraints such as enforcement mechanisms, credibility and political viability. The session will focus on the relative benefits of expenditure-based fiscal rules versus deficit-based fiscal rules and the potential role of cyclical adjustments.
4. Mr. Joseph MINARIK of the *Committee for Economic Development*, a think-tank based in Washington D.C., will present the background paper for this discussion.

Top-Down Budgeting

5. Top-down budgeting, where binding expenditure ceilings for line ministries are set prior to the submission of their individual bids, is an increasingly common practice in OECD Member countries. Its objective is to increase the effectiveness and efficiency of public expenditure: It allows for the budget to better reflect high-level political priorities. It reduces game-playing where line ministries submit unrealistic and exaggerated initial bids as an opening gambit. It fosters internal reallocations to fund new initiatives, thereby tempering the inherent upward bias in total expenditures. It also recognizes the information asymmetry between the central budget office and line ministries and encourages “ownership” of action by line ministries.
6. This session is designed for Delegates to discuss practical experiences with top-down budgeting, especially the areas where national differences are most pronounced. These include how the ceilings are fixed and the relative roles of the central budget office, president / prime minister and cabinet, and line ministries. There are also distinct differences in the level of detail the expenditure ceilings in Member countries – one allocation for all activities, separate allocations for mandatory/entitlement and discretionary expenditure, separate allocation for operating, transfers and capital expenditures and the “ring-fencing” of specific programs.
7. The Secretariat will present the background paper for this discussion. The background paper is based on an experts’ meeting convened by the OECD in November 2005.

Using Performance and Results Information in the Budget Processes

8. The use of performance and results information is a perennial issue for budgeting; perennial due to its concomitant importance and difficulty. This session is designed to take stock of - and reflect on - the last decade of reforms to promote the use of performance and results information in the budget process.

9. The session will discuss the general approaches adopted including the development of outputs and outcomes indicators. It will focus on the integration of performance and results information into the budget process and how it is used to inform decision on resource allocations. More broadly, it will examine what incentives can be used to improve effectiveness and efficiency through the use of performance and results information. The session will also discuss how – and if - such information is used by the public and the legislature.

10. The session will allow Delegates the opportunity to share their experiences in this area - the key challenges encountered, the solutions adopted, and what has worked and what has not worked.

11. The Secretariat will present the background paper for this discussion. The background paper is based on the May 2005 meeting of the SBO Network on Performance and Results.

Budgeting in Norway (Peer Review)

12. Norway is the object of this year's peer review.

13. Peer reviews are a key tool for analyzing innovations in budgeting and public expenditure practices and for making them visible in the international arena. Following a common methodology and conceptual framework, reviews promote the sharing of experience among countries and the formulation and diffusion of relevant policy recommendations.

14. The objective of the reviews is to provide a comprehensive overview of the budget process in the country under examination, to evaluate national experiences in the light of international best practice and to provide specific policy recommendations, and to offer other member countries an opportunity to comment on specific budgeting issues in the country under examination ("peer review").

15. The Secretariat will present its draft report. Two Member countries – acting as lead examiners – will begin the review. Following the reaction from the Norwegian Delegation, led by Mr. Morten BALTZERSEN, Director-General of the Budget, the floor will be opened for questions and comments by all Delegates.

Assessing Fiscal Risks through Long-Term Budget Projections

16. This session is a continuation of the discussion on fiscal sustainability at last year's meeting. It also reflects the interest in fiscal risks expressed by Delegates at last November's meeting of the Public Governance Committee at Ministerial level.

17. The most common methods used to illustrate long-term fiscal finances include (accrual) balance sheet analysis, present value calculations of expected deficits, fiscal gap analysis and generational accounting. There are drawbacks to all of these methods when the purpose is to develop a strategy for fiscal sustainability. As a result, there is increasing interest in the production of long-term budget projections – extending 25, 50, 75 years into the future. They offer better coverage and may *reduce* the number of arbitrary assumptions required. The development of such projections is however in its infancy and no single analytical approach has been agreed upon as constituting best practice.

18. This session is designed to discuss the key issues involved in the production of long-term budget projections – including macroeconomic assumptions, demographics, labour market participation, productivity, public revenues and expenditures program specification, interest rates – with the aim of achieving a greater consensus of views on the appropriate analytical approach. It will also examine how such long-term budget projections can best be utilized and leveraged for necessary policy reforms in order to ensure long-term budget sustainability.

19. The Secretariat will launch the discussion of the subject. The floor will then be opened for discussion among Delegates.

Budgeting in Singapore (Profile)

20. The budgeting system of Singapore will be profiled during this session.

21. Singapore has a very innovative budgeting system, including fixed multi-year expenditure ceilings for line ministries that are directly linked to GDP performance and a system of mandatory individual savings accounts for the provision of retirement, medical and housing programs that relieves such expenditures from the budget. This session is designed to showcase these and other aspects of the Singapore budget system.

22. The Secretariat will present its draft report. This is not an official peer review exercise and there will be no formal examiners. Two countries will initiate the discussion of the profile. Following the reaction from the Singapore Delegation, led by Mr. Ravi MENON, Deputy Permanent Secretary (Policy), Ministry of Finance, the floor will be opened for questions and comments by all Delegates.

Report on OECD Budgeting Database and Current Activities Future Work Programme

23. The Secretariat will provide a progress report on the re-launch of the OECD Budgeting Database and a general report on activities since the last meeting of the Working Party, including an update on the work of each of the SBO subsidiary bodies.

24. The Secretariat will then highlight proposals for the future work programme and Delegates will be asked to comment on priorities and indicate their interest in particular studies.

www.oecdsbosydney.org

An official website providing general information about the meeting and Australia has been launched by the Australian authorities. Please use the following access codes:

Username: **OECD SBO**
Password: **Sydney**

GENERAL MEETING INFORMATION

Meeting location

25. The meeting will take place at the Sydney Convention and Exhibition Centre, which is located in the Darling Harbour area of Sydney. Please visit the Centre's web-site for location details: www.scec.com.au.

Registration form

26. All Delegates need to complete the attached registration form and return it to the Secretariat ahead of the meeting. Entry passes can only be issued to registered Delegates and a passport or national identity card needs to be presented in order to receive an entry pass. Please allow 30 minutes to complete these formalities.

Documentation

27. The background documents available for this meeting are listed in the appendix to this agenda. The documents will be distributed electronically to all registered Delegates prior to the meeting. There will be no paper copies available at the meeting.

Gala Dinner for Heads of Delegations

28. The Australian authorities invite Heads of Delegations and their spouses to a Gala Dinner on the eve of the meeting (Sunday). It will take place at the Park Hyatt Hotel, located in The Rocks district of Sydney. See the hotel's website for location details: www.sydney.park.hyatt.com.

Cocktail and Luncheons

29. The Australian authorities invite all Delegates to a cocktail reception at the conclusion of the first day of the meeting (Monday). All Delegates are invited to luncheons on both days of the meeting (Monday and Tuesday). These will take place at the Sydney Convention and Exhibition Centre

Entry formalities

30. Delegates are advised to confirm necessary visa requirements for entry to Australia.

Accommodations

31. The Australian authorities have negotiated special rates at several hotels in Sydney for Delegates. For details, please consult the official website of the meeting: www.oecdbsosydney.org.

Simultaneous translation

32. Simultaneous translation between English and French will be available throughout the meeting.

LIST OF DOCUMENTS

1. *Annotated Agenda*
2. *Design Choices for Fiscal Policy Rules*
3. *Top-Down Budgeting*
4. *Using Performance Information in the Budget Processes*
5. *Budgeting in Norway*
6. *Assessing Fiscal Risks Through Long-Term Budget Projections (Background material)*
7. *Budgeting in Singapore*
8. *Report on SBO Current Activities and Future Work Programme (Background material)*



**27TH Annual Meeting of Senior Budget Officials
Sydney, Australia, 5-6 June 2006**

~~~ REGISTRATION FORM ~~~

NAME _____
First Name _____
JOB TITLE _____
ORGANISATION _____
MAILING ADDRESS _____
COUNTRY _____
TELEPHONE _____
FACSIMILE _____
E-MAIL ADDRESS _____

I will attend the Gala Dinner for Heads of Delegations on Sunday, 4 June 2006
I will be accompanied by _____

I will not attend the Gala Dinner for Heads of Delegation on Sunday, 4 June 2006

DIETARY REQUIREMENTS/FOOD ALLERGIES : _____

Please return the completed form to:

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